



Life with Green Technology

Financial Results for FY2020

July 9, 2020

 **SankyoTateyama, Inc.**

Summary of Financial Results for FY2020

✓ Sales down, Operating income up YoY

✓ Sales decreased by approx. 24.0 billion JPY (-7.1%)

Net sales decreased in all businesses due to the stagnation of the global economy amid growing concern about the outlook following the U.S.-China trade friction and other factors, a reactionary decline after the consumption tax hike in Japan, and the impact of the COVID-19 pandemic worldwide.

✓ Operating income increased by approx. 1.2 billion JPY (+173.0%)

Income increased, chiefly after intensified efforts to reduce costs in all businesses, revisions to prices of some products in the construction materials business and operational streamlining in the commercial facilities business.

Financial Results

(Billion JPY)

	FY2020 Results	FY2019 Results	Year-on-year Change		FY2020 Plan(* 1)	Change from Plan	
				%			%
Net sales	313.6	337.7	-24.0	-7.1%	318.0	-4.3	-1.4%
Operating income	2.0	0.7	+1.2	+173.0%	2.5	-0.4	-19.4%
Operating margin	0.6%	0.2%		+0.4p	0.8%		-0.2p
Ordinary income	1.6	0.6	+0.9	+161.6%	1.8	-0.1	-10.5%
Net income attributable to owners of parent	-1.5	-1.4	-0.1	-	-	-	-

* Amounts are rounded down to the nearest 100 million JPY

* 1 Reflecting the revision made on April 2, 2020

Dividend

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

Full-year performance forecast and dividend forecast for FY2021

We have yet to determine the full-year consolidated performance forecast given that it is difficult to reasonably estimate future developments of the COVID-19 pandemic and the specific impact.

In addition, we have yet to determine the dividend forecast in view of the performance forecast.

We will announce them as soon as it is possible to calculate the performance forecast.

Non-Consolidated performance results

	FY2020 Results	FY2019 Results	Change	%
Net sales	234.5	252.3	-17.8	-7.1%
Operating income	4.9	1.5	+3.4	+220.5%
Operating margin	2.1%	0.6%		+1.5p
Ordinary income	2.2	1.5	+0.7	+48.0%
Net income	-0.8	-1.7	+0.9	-

* Amounts are rounded down to the nearest 100 million JPY

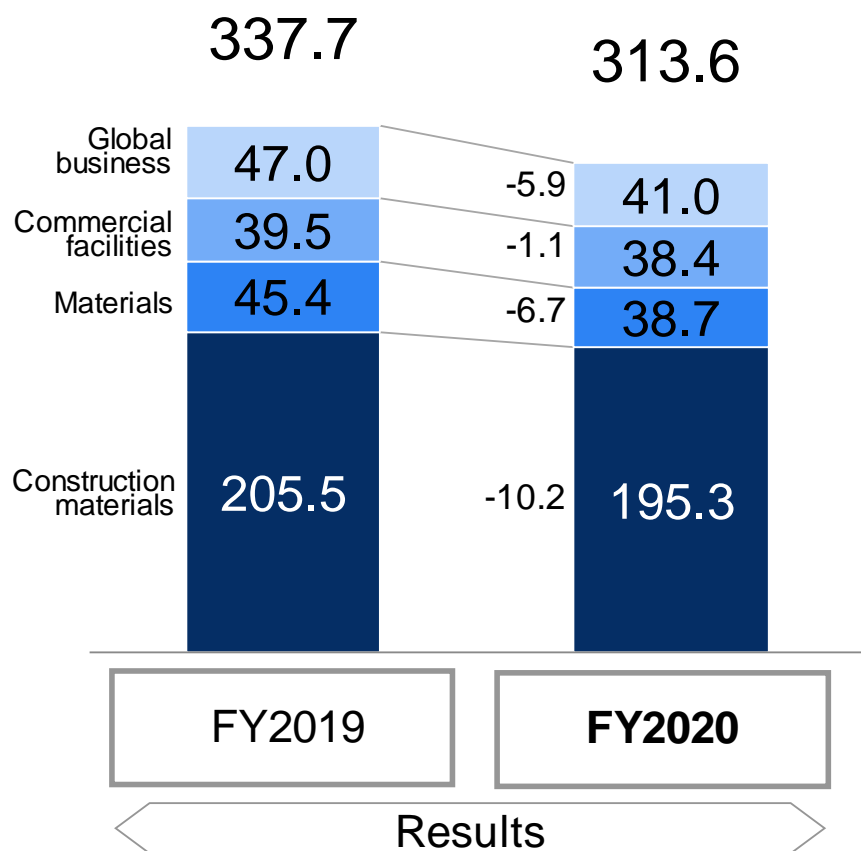
- ✓ Net sales decreased approx. 17.8 billion JPY year on year.
 - Impact of U.S.-China trade friction
 - Reactionary fall after the consumption tax hike from rush demand in Japan
 - Impact of the COVID-19 pandemic and other factors
- ✓ Operating income was up 3.4 billion JPY year on year.
 - Cost reduction in all businesses
 - Effect of revision on prices of some products in the construction materials business

Summary of Financial Results by Segment

Net sales

313.6 billion JPY

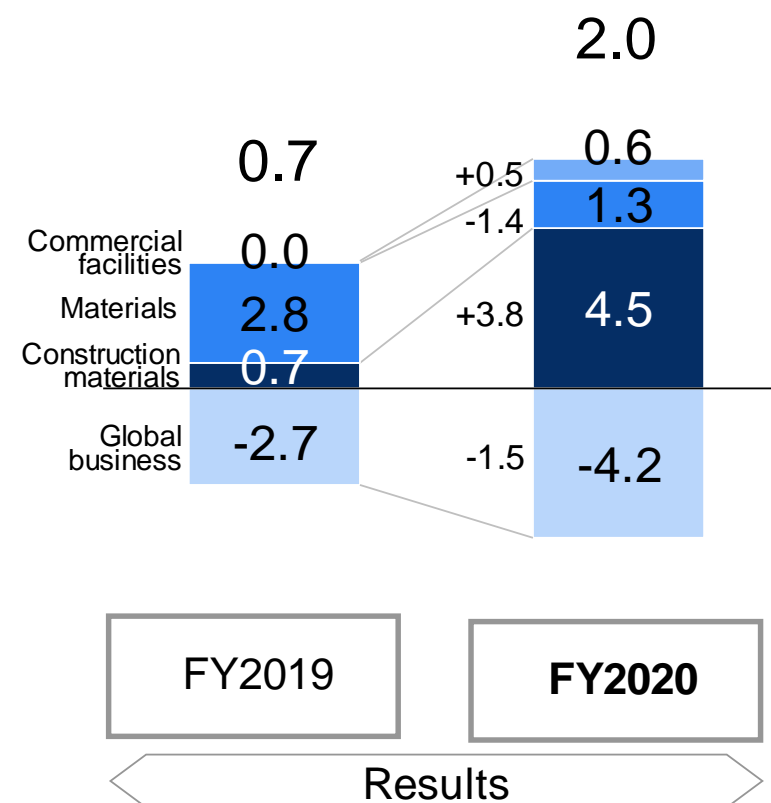
YoY **-24.0** billion JPY
(-7.1%)



Operating income

2.0 billion JPY

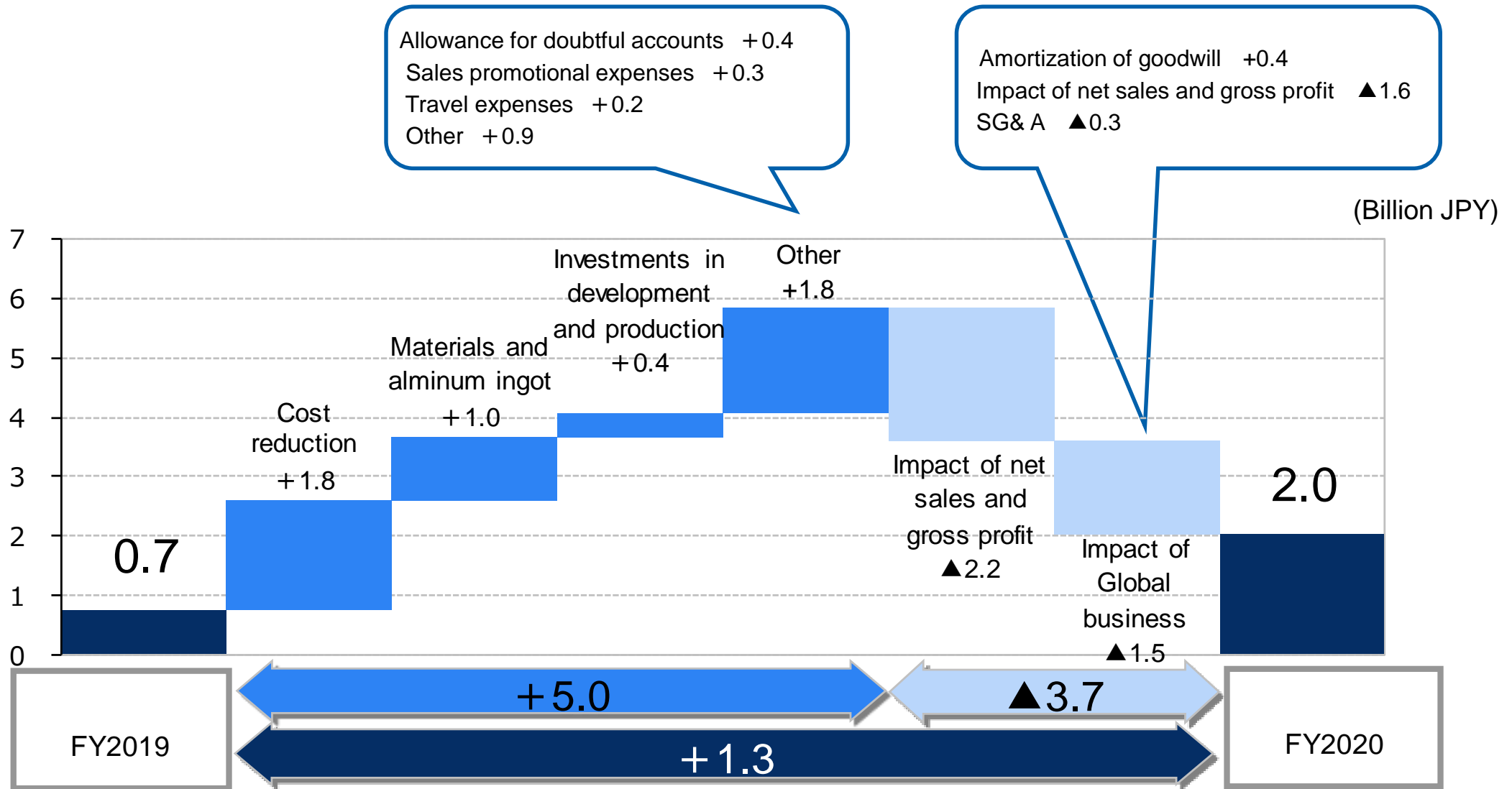
YoY **+1.2** billion JPY
(+173.0%)



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

Factors for Year-on-Year Change in Operating Income

Life with Green Technology



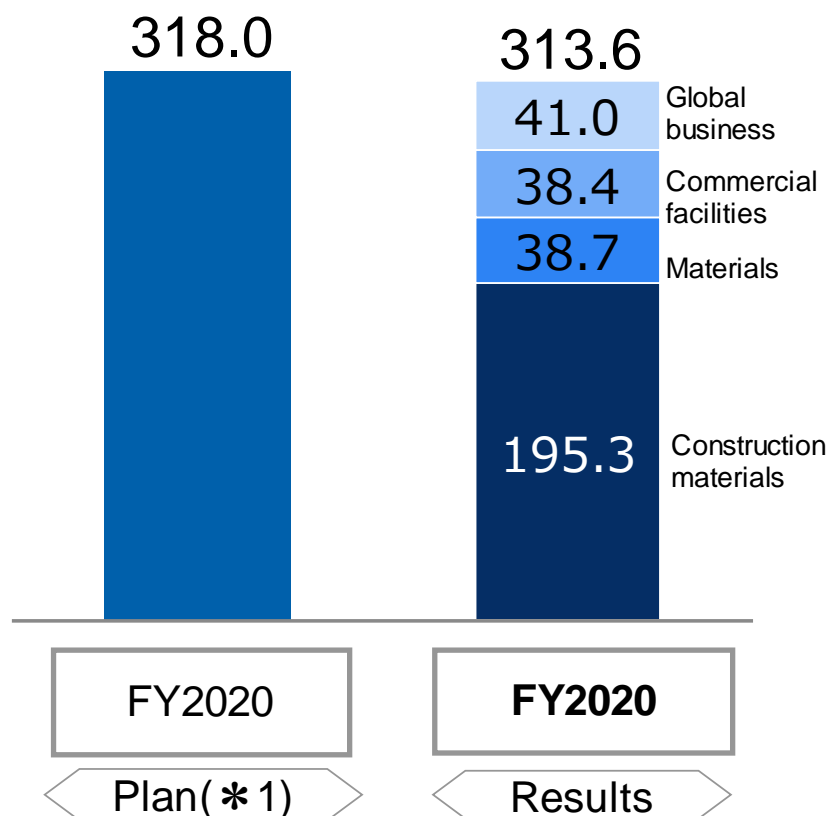
※Increase / decrease in profits from Global business are consolidated into “Impact of Global business”

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

Net sales

Change from
Plan

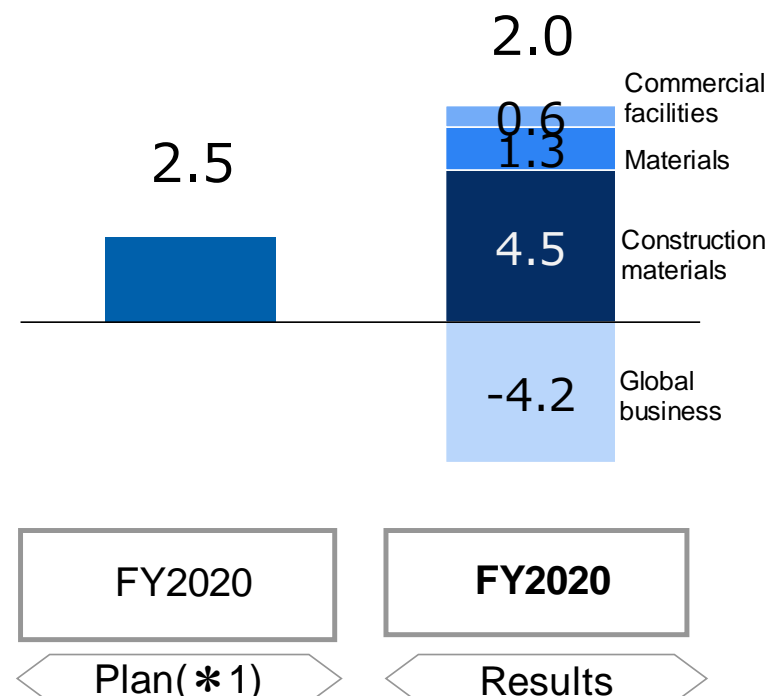
-4.3 billion JPY
(-1.4%)



Operating income

Change from
Plan

-0.4 billion JPY
(-19.4%)



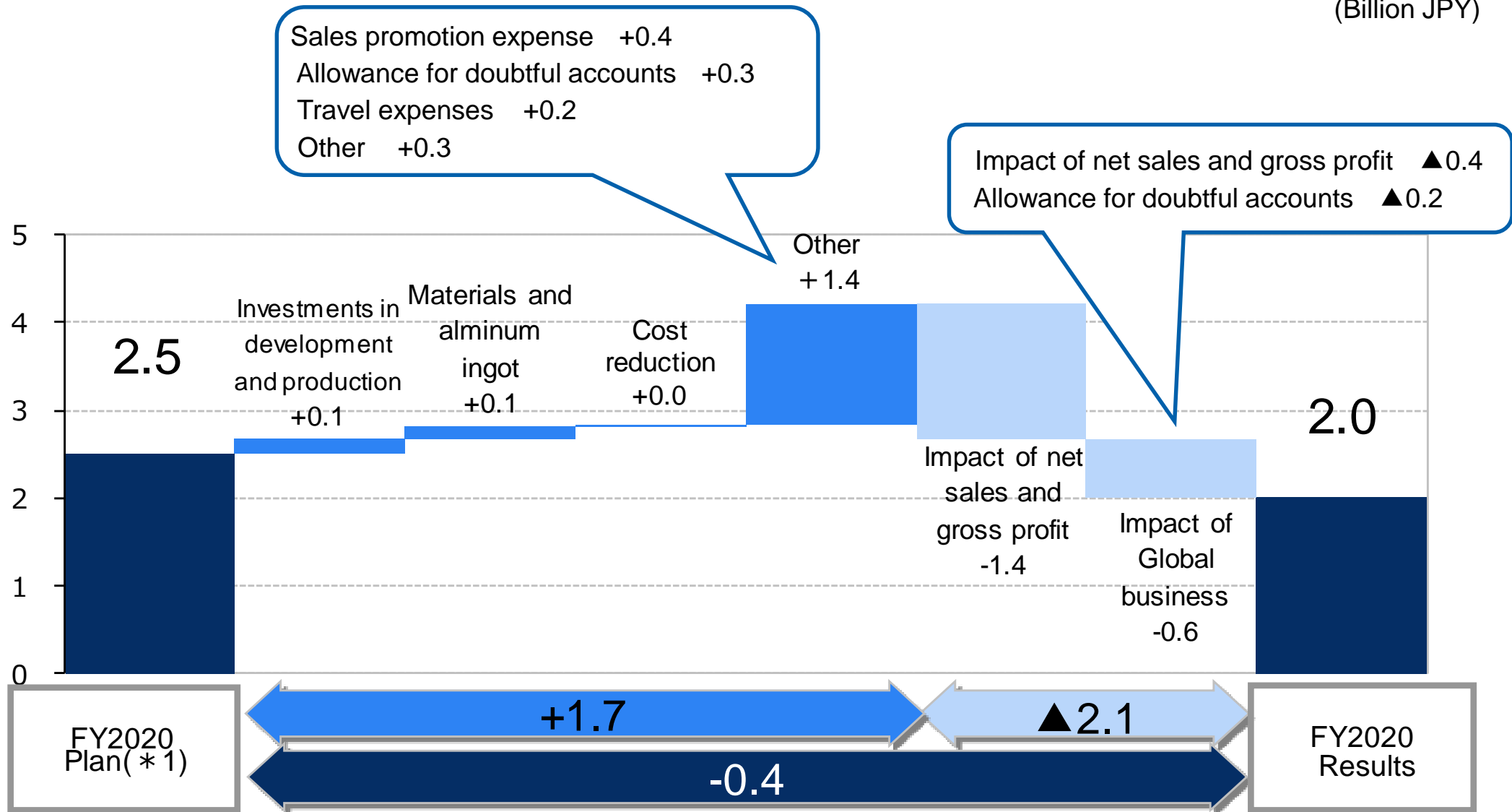
* Amounts are rounded down to the nearest 100 million JPY.

* 1 Reflecting the revision made on April 2, 2020

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”

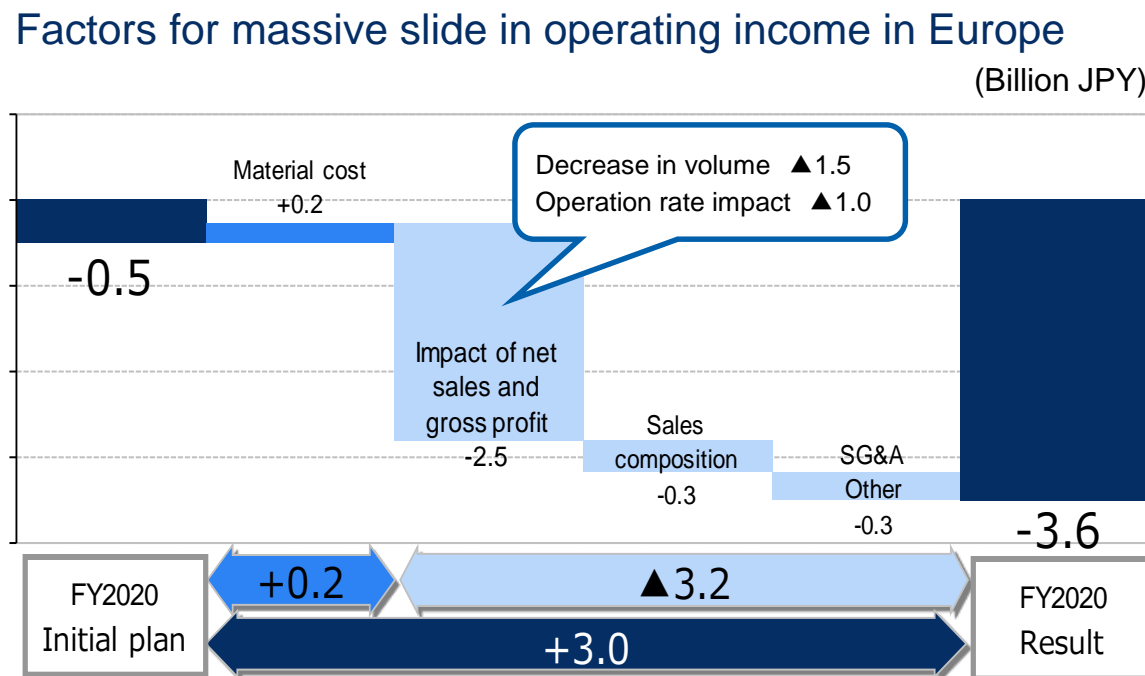
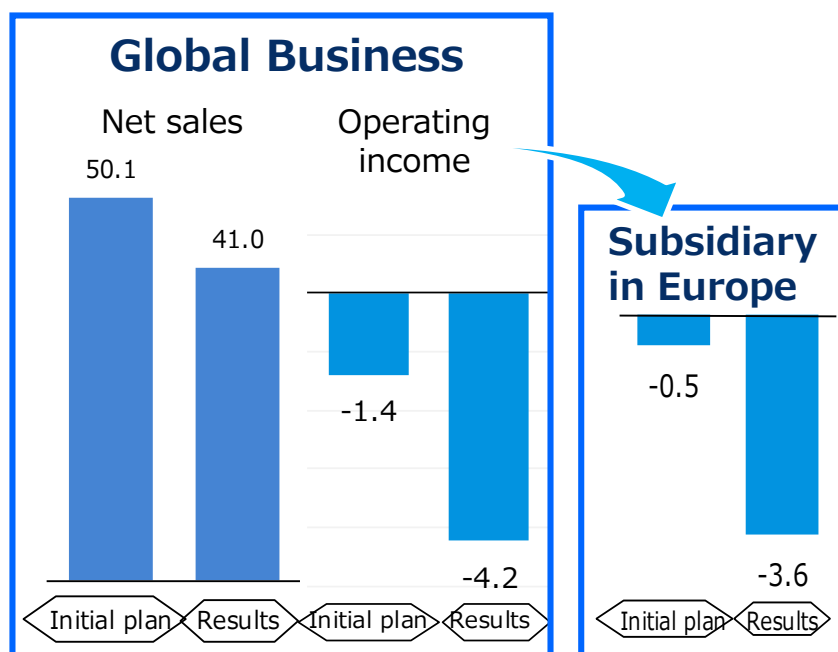
* Amounts are rounded down to the nearest 100 million JPY.

* 1 Reflecting the revision made on April 2, 2020

For FY2020, the Global Business recorded the largest-ever operating loss due to business deterioration of the subsidiary in Europe.

Factors: (1) Stagnation in the transportation sector (automotive and others) following the U.S.-China trade friction and economic slowdown in Europe

(2) Spread of COVID-19 since February



The recession in Europe is expected to linger for a long time, but overseas expansion will continue to be a significant growth strategy for us.

=> Focus efforts on the reform of the continuously loss-making Global Business to achieve its swift recovery.

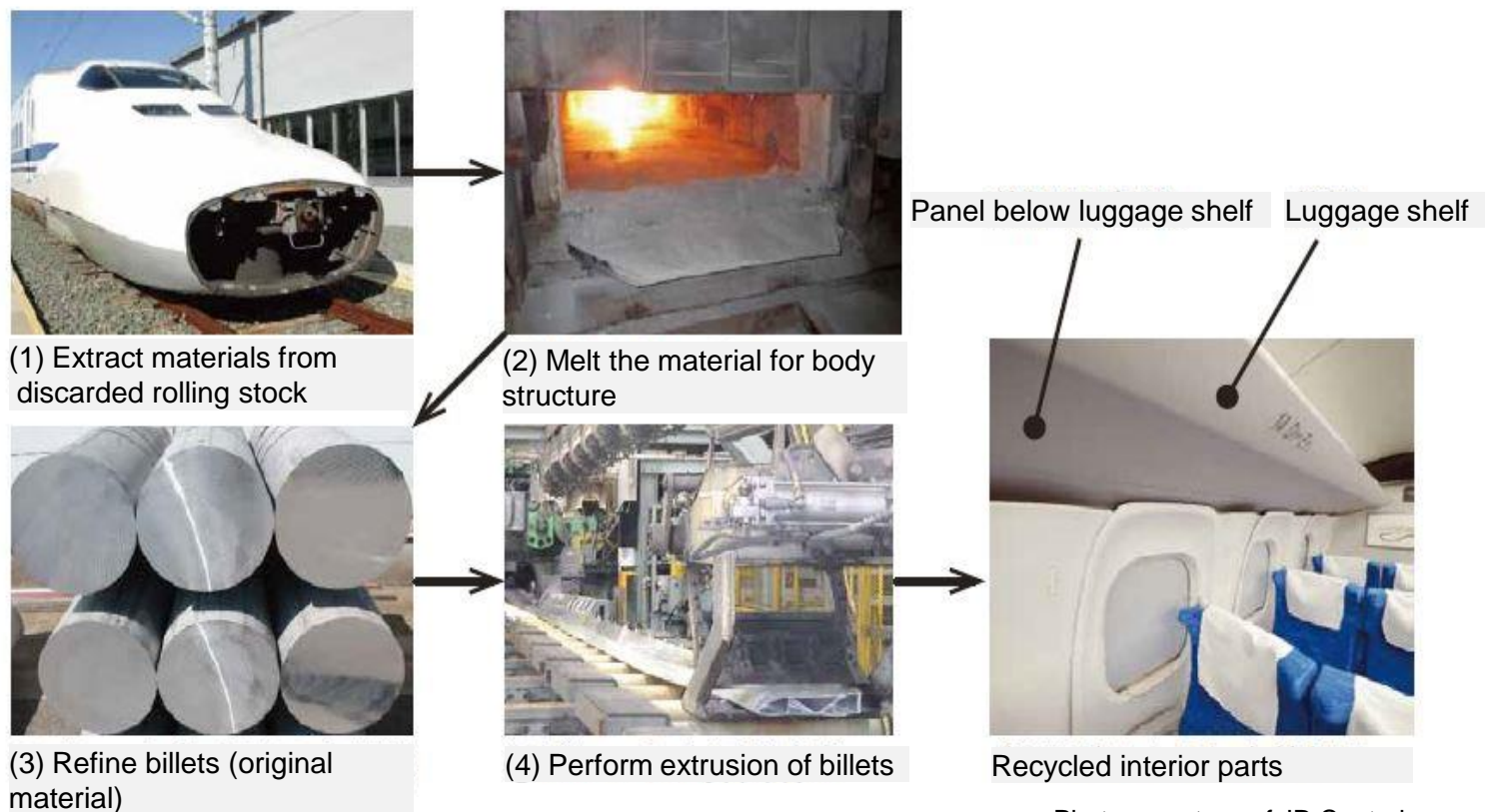
World's first: Successful demonstration of horizontal recycling of aluminum from shinkansen to shinkansen rolling stock

(Joint demonstration joined by JR Central, Nippon Sharyo, Hitachi, Harita Metal and Sankyo Tateyama (Sankyo Material Company))

Our extruded products from recycled aluminum are adopted for luggage shelves in the new series of Tokaido shinkansen trains

Process flow of horizontal recycling of aluminum

Process flow of horizontal recycling of aluminum from shinkansen to shinkansen



Photos courtesy of JR Central

References

	FY2019	FY2018	FY2017
[Construction materials business (housing) index] The number of new housing starts (April-March)	884 thousand units (-7.3% yoy)	953 thousand units (+0.7% yoy)	946 thousand units (-2.8% yoy)
The number of new housing starts [owner-occupied houses](April-March)	283 thousand units (-1.5% yoy)	288 thousand units (+2.0% yoy)	282 thousand units (-3.3% yoy)
The number of new housing starts [house for rent](April-March)	335 thousand units (-14.2% yoy)	390 thousand units (-4.9% yoy)	410 thousand units (-4.0% yoy)
[Construction materials business (building) index] Floor area of non-wooden structure starts (April-March)	70,107 thousand m² (-6.7% yoy)	75,144 thousand m ² (-2.8% yoy)	77,302 thousand m ² (-0.2% yoy)
[Materials business index] Aluminum extrusion weight [excluding sashes and doors](April-March)	351.1 thousand tons (-2.8% yoy)	361.2 thousand tons (-1.3% yoy)	366.1 thousand tons (+3.5% yoy)
[Commercial facilities business index] The number of new building starts [stores] (April-March)	6,289 buildings (-14.8% yoy)	7,384 buildings (-6.0% yoy)	7,856 buildings (-5.9% yoy)
[Global business index] Vehicle production Germany (January-December)	4,663 thousand units (-8.9% yoy)	5,120 thousand units (-9.3% yoy)	5,645 thousand units (-1.8% yoy)
Vehicle production Thailand (January-December)	2,013 thousand units (-7.1% yoy)	2,167 thousand units (+9.0% yoy)	1,988 thousand units (+2.3% yoy)
[Aluminum ingot (The Nikkei)] Average prices for the period from April to March	244.5 JPY/kg (-13.9% yoy)	284.0 JPY/kg (+0.7% yoy)	281.9 JPY/kg (+19.7% yoy)

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

Net sales

195.3 billion JPY

YoY **-10.2** billion JPY
(-5.0%)

- Reactionary drop after consumption tax hike
- End of disaster recovery demand in the exterior construction segment that occurred in the previous fiscal year
- Partial slowdown of sales activities and project postponement due to COVID-19

Operating income

4.5 billion JPY

YoY **+3.8** billion JPY
(510.1%)

- Streamlining of expenses and production cost reduction
- Price revision to some products
- Aluminum ingot prices remaining at a lower level than in the previous fiscal year

Business Environment

Number of new housing starts

Floor area of non-wooden structure starts

Sales weight of aluminum sash for buildings

Aluminum ingot price
(Source: The Nikkei)

Whole **-7.3%**

-6.7%

-8.8%

-13.9%

Owner-occupied houses **-1.5%**

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

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

Source: Current Survey of Production 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

38.7 billion JPY

YoY **-6.7** billion JPY
(-14.8%)

- Severe competitive environment due to demand contraction in the aluminum extrusion market amid the U.S.-China trade friction, slowing of the Chinese economy and impact of the COVID-19 pandemic on the global economy
- Decrease in sales linked with the aluminum ingot market

Operating income

1.3 billion JPY

YoY **-1.4** billion JPY
(-52.2%)

- Decline in orders for extruded products and fall in the operating rate

Business Environment

Domestic aluminum extrusion weight
(excluding sashes and doors)

-2.8%

Source: Statistics by Japan Aluminum Association

Domestic aluminum extrusion weight
(general machinery)

-13.9%

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

38.4 billion JPY

YoY **-1.1** billion JPY
(-2.9%)

- Acquisition of demand for investment in labor saving of retailers
- Retailers' restraint on investments due to the COVID-19 pandemic

Operating income

0.6 billion JPY

YoY **+0.5** billion JPY
(- %)

- Improvement in profitability by increasing work efficiency

Business Environment

Number of new building starts (stores)

-14.8%

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

Retail sales amount (whole)

-0.0%

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

41.0 billion JPY

YoY **-5.9 billion JPY**
(-12.7%)

- Decrease in demand in the transportation and engineering sectors amid European economic recession and economic slowdown in Thailand
- Partial suspension of production activities in Europe and China due to COVID-19

Operating income

-4.2 billion JPY

YoY **-1.5 billion JPY**
(- %)

- Progress on cost improvement in Thailand
- Decrease in sales and fall in the operating rate in Europe

Business Environment

Car production

YoY	Germany	Thailand
(Apr.-Jun. 2019)	-13.6%	-2.4%
(Jul.-Sep. 2019)	-0.6%	-7.5%
(Oct.-Dec. 2019)	-8.1%	-21.7%
(Jan.-Mar. 2020)	-19.7%	-19.2%

Source: VDA

Source: MARKLINES

GDP

YoY	Euro area	Germany	Thailand
(Apr.-Jun. 2019)	0.1%	-0.2%	2.3%
(Jul.-Sep. 2019)	0.3%	0.2%	2.6%
(Oct.-Dec. 2019)	0.1%	0.0%	1.6%
(Jan.-Mar. 2020)	-3.8%	-2.2%	-1.8%

Source: EUROSTAT

Source: NESDC

- ◇ Total assets 245.9 billion decreased by 16.4 billion JPY from the end of the previous fiscal year.
Equity ratio is 30.5%

(Billion JPY)

	End of FY2020	End of FY2019	YoY		End of 2Q FY2020	End of FY2019	YoY
Cash and deposits	25.2	26.6	▲ 1.3	Notes and accounts payable-trade	56.2	63.1	▲ 6.8
Notes and accounts receivable-trade	48.4	54.5	▲ 6.1	Short-term loans and bonds payable	30.3	17.3	▲ 13.0
Inventories	45.0	45.4	▲ 0.4	Other current liabilities	23.6	20.8	▲ 2.8
Allowance for doubtful accounts	▲ 0.8	▲ 1.2	0.3	Long-term loans and bonds payable	36.2	52.5	▲ 16.2
Other	6.1	6.5	▲ 0.4	Other fixed liabilities	21.0	26.4	▲ 5.3
Current assets: Total	123.9	132.0	▲ 8.0	Liabilities: Total	167.6	180.3	▲ 12.6
Buildings and structures	23.7	24.5	▲ 0.8	Shareholders' equity	72.6	74.6	▲ 2.0
Land	54.0	54.2	▲ 0.2	Accumulated other comprehensive income	2.3	4.4	▲ 2.1
Other tangible fixed assets	23.4	24.3	▲ 0.8	Non-controlling interests	3.3	2.9	▲ 0.4
Investment securities	10.3	16.2	▲ 5.9				
Allowance for doubtful accounts	▲ 0.5	▲ 0.6	0.0				
Other intangible fixed assets	11.0	11.6	▲ 0.5				
Fixed assets: Total	122.0	130.4	▲ 8.3	Net assets: Total	78.3	82.0	▲ 3.7
Assets: Total	245.9	262.4	▲ 16.4	Liabilities and net assets: Total	245.9	262.4	▲ 16.4

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

Statement of Cash Flows

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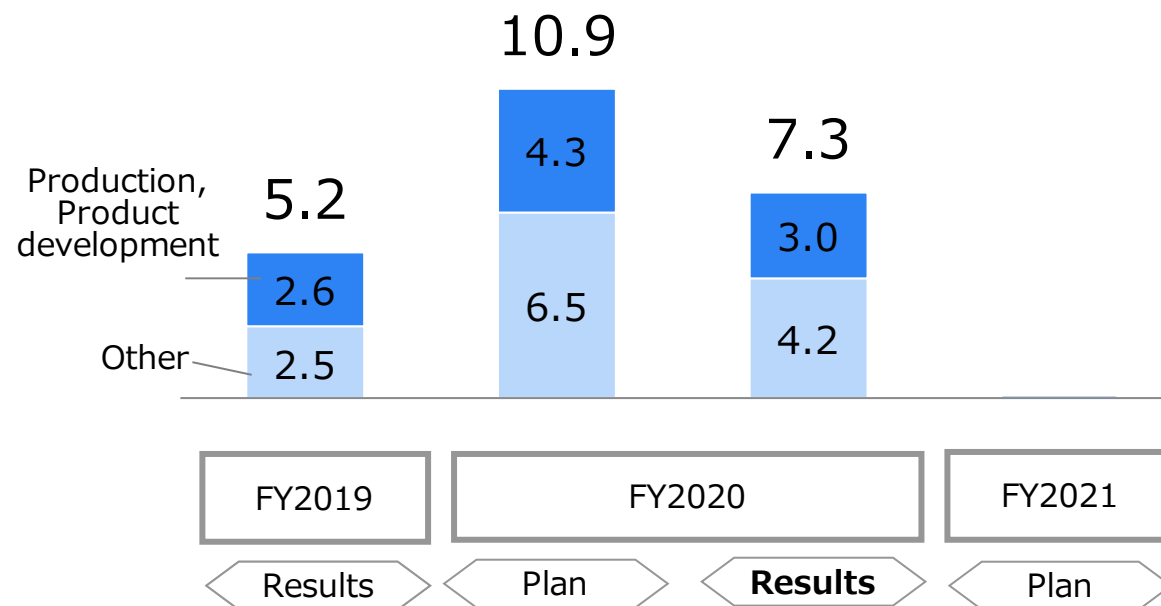
(Billion JPY)

	FY2020	FY2019	YoY
Profit (loss) before income taxes	1.3	▲ 0.4	1.8
Depreciation	8.0	8.5	▲ 0.5
Decrease (increase) in trade receivables	5.8	▲ 0.9	6.8
Decrease (increase) in inventories	0.6	▲ 1.9	2.6
Increase (decrease) in trade payables	▲ 6.7	3.8	▲ 10.5
Income taxes paid	▲ 1.6	▲ 0.9	▲ 0.7
Other, net	1.8	4.5	▲ 2.7
Cash flows from operating activities	9.3	12.6	▲ 3.2
Purchase of tangible fixed assets	▲ 5.6	▲ 6.0	0.3
Payments for conditional acquisition of subsidiary shares	-	▲ 1.3	1.3
Payments for transfer of business	▲ 1.1	-	▲ 1.1
Other, net	0.1	▲ 0.1	0.3
Cash flows from investing activities	▲ 6.7	▲ 7.5	0.8
Net increase (decrease) in short-term loans	1.4	▲ 4.0	5.4
Proceeds from long-term borrowings	9.0	16.0	▲ 7.0
Repayments of long-term borrowings	▲ 13.4	▲ 13.2	▲ 0.2
Redemption of bonds	-	▲ 7.5	7.5
Dividends paid	▲ 0.4	▲ 0.3	▲ 0.1
Other, net	▲ 0.4	▲ 0.4	0.0
Cash flows from financing activities	▲ 3.9	▲ 9.5	5.5
Net increase (decrease) in cash and cash equivalents	▲ 1.6	▲ 4.4	2.7
Cash and cash equivalents at beginning of period	25.6	30.0	▲ 4.4
Cash and cash equivalents at end of period	23.9	25.6	▲ 1.6

◇ Operating activities CF +9.3 billion JPY.
Cash and cash equivalents decreased by 1.6 billion JPY.

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

(Billion JPY)



Production, Product development	Product development, Streamlining	1.1	2.2	1.4	-
	Repairs, etc.	1.4	2.0	1.5	
Other	Software	0.2	1.5	1.0	-
	Overseas subsidies	1.8	4.4	2.8	
	Other	0.5	0.5	0.3	
Total		5.2	10.9	7.3	
Depreciation expense		8.5	8.3	8.0	-

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

[Financial indicators]

(Billion JPY)

	End of FY2020 Results	End of FY2019 Results	YoY
Equity	74.9	79.1	-4.1
Capital adequacy ratio	30.5%	30.2%	0.3p
Interest-bearing dept	66.6	69.9	-3.2
Interest-bearing dept ratio	88.9%	88.4%	0.5p

* 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

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

[Aluminum ingot price and Exchange rates]

		FY2020 Results	FY2019 Results	FY2020 Plan	FY2021 Plan
Aluminum ingot price (The Nikkei Aluminium average)		244.5 JPY/kg	284.0 JPY/kg	245.0 JPY/kg	
Exchange rates	USD	108.7 JPY	110.9 JPY	110.0 JPY	
	EUR	120.8 JPY	128.4 JPY	125.0 JPY	—
	THB	3.5 JPY	3.4 JPY	3.5 JPY	
	CNY	15.6 JPY	16.5 JPY	16.0 JPY	

* Aluminum ingot results are average prices for the period from April 2019 to March 2020.

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

【 Scope of consolidation and equity method】

	End of 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 FY2020	End of FY2019	YoY
Sankyo Tateyama, Inc.	5,308	5,469	-161
Other consolidated subsidiaries	5,573	5,719	-146
Total	10,881	11,188	-307

Development of eco-friendly products



Temanon Amido screen door for entrance released

Introducing pleasant wind through the entrance and the back door to create a comfortable space

Easy to maintain, because the entire door can be detached and washed
Installed in about an hour on the existing door



Infectious disease control measures



COVID-19 control measures

- Internal measures

Commuting outside rush hour, working from home, suspending domestic and overseas business trips excluding urgent ones, distributing face masks to all employees in the group and stringently implementing preventive measures against the infection of employees and the generation of infection clusters

- Donation of droplet barriers to local governments

Droplet barriers are produced by combining an existing general-purpose exterior material with a polycarbonate board. Seventy freestanding anti-droplet partitions in five different sizes were donated to the Takaoka City Government.



Droplet barrier at Head Office reception



Droplet Guard Fence by Tateyama Advance



From left to right: Masaki Takahashi, mayor of Takaoka, Kiyotsugu Yamashita, president of SankyoTateyama, and Hiroshi Kondo, company officer of SankyoTateyama



Freestanding droplet barrier by Sankyo Alumi

Sustainable food production system

agri-cube ID plant factory system

Jointly developed between Daiwa House Industry and SankyoTateyama

It provides a one-stop service for plant factories from construction to cultivation and operation support. It realizes a new form of agriculture for the next generation in which anyone can easily engage in farming without being affected by climate, season and region.



Raising safety awareness

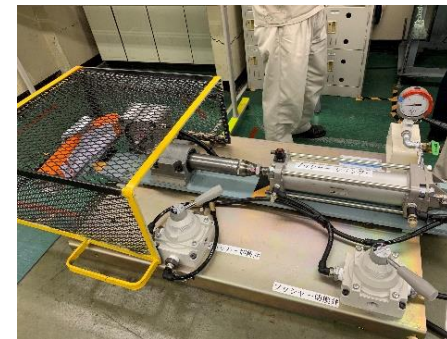
Hazard Experience Workshop created

Accelerating development of personnel with high safety awareness

A Hazard Experience Workshop has been set up in the Imizu Plant. It gives hands-on experience regarding possible accidents to trainees. The training will be given to new employees and technical intern trainees from overseas.



Training



The system simulates an accident in which a hand is caught due to residual pressure to help trainees learn about the risk of having their hands caught



Panels explain circumstances and causes of accidents, preventive measures and rules to be observed while working





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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