

Financial Results for 2Q FY2021

(September 1, 2020 – November 30, 2020)

January 8, 2021

 **SankyoTateyama, Inc.**

Summary of Financial Results for 2Q FY2021

Financial results

(Billion JPY)

	2Q FY2021 Results	2Q FY2020 Results	Year-on-year Change		2Q FY2021 Plan(* 1)	Change from Plan	
				%			%
Net sales	145.0	161.9	-16.9	-10.5%	140.0	5.0	3.6%
Operating income	1.9	2.9	-0.9	-33.1%	0.3	1.6	563.7%
Operating margin	1.4%	1.8%		-0.4p	0.2%		1.2p
Ordinary income	2.3	2.9	-0.5	-18.6%	-	-	-
Net income attributable to owners of parent	0.7	1.1	-0.3	-28.2%	-	-	-

Note: Amounts are rounded down to the nearest 100 million JPY.

(*1) Forecast announced on October 6, 2020

✓ Sales and Operating income were down YoY, but increased compared with the plan^(*)

Year-on-Year

✓ Sales decreased by approx. 16.9 billion JPY (-10.5%)

Impact of stagnation of economic activity due to COVID-19, and U.S.- China trade friction.

✓ Operating income decreased by approx. 0.9 billion JPY (-33.1%)

Impact of decreased sales and low production operating rates despite reduction of SG&A cost by improving production and working efficiency.

Plan

✓ Sales increased by approx. 5.0 billion JPY (+3.6%)

Impact of better-than-expected recovery in the domestic construction market, aluminum profile market, domestic and overseas automotive market and progress in investment for labor-saving in the retail industry.

✓ Operating income increased by approx. 1.6 billion JPY (+563.7%)

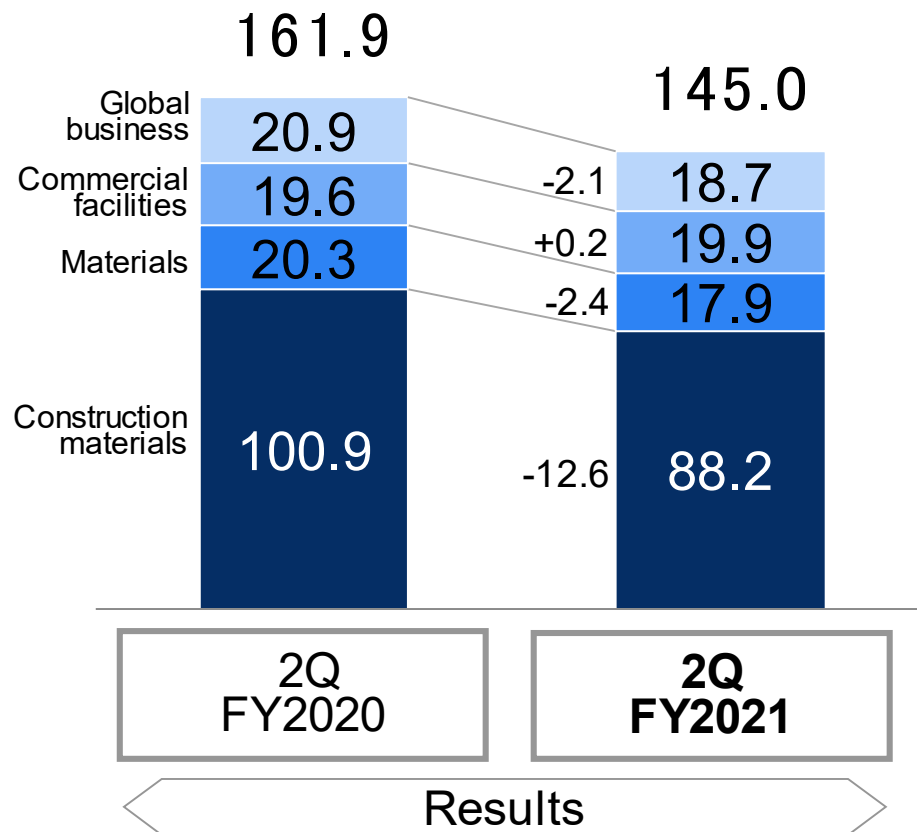
Due to increased sales and promotion of SG&A cost control by improving production and working efficiency.

^(*) Forecast announced on October 6, 2020

Net sales

145.0 billion JPY

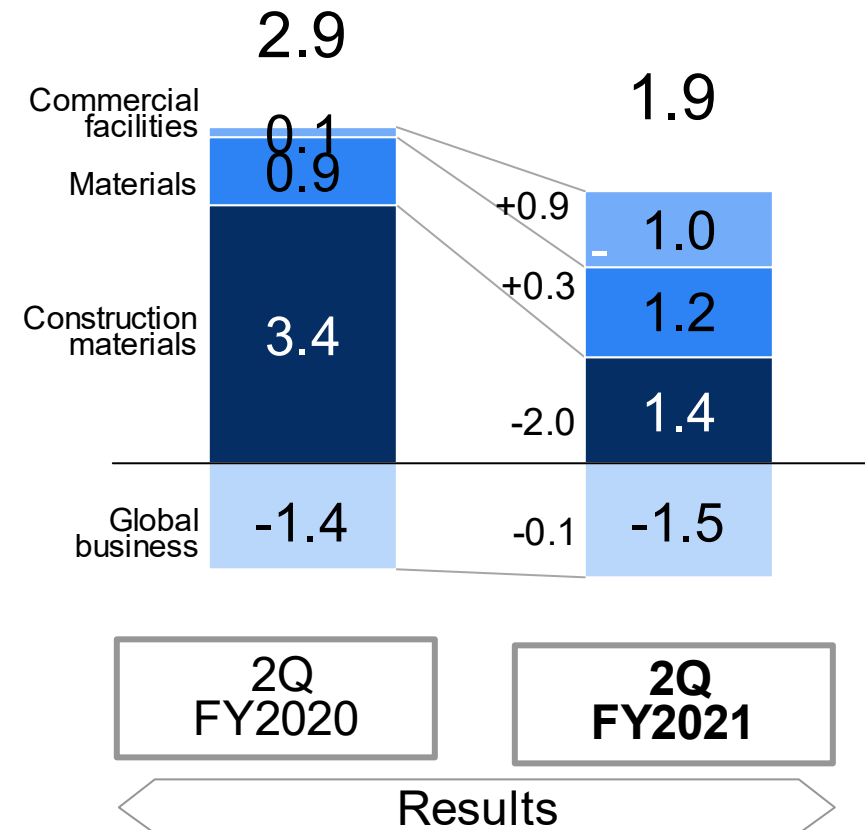
YoY **-16.9** billion JPY
 (-10.5%)



Operating income

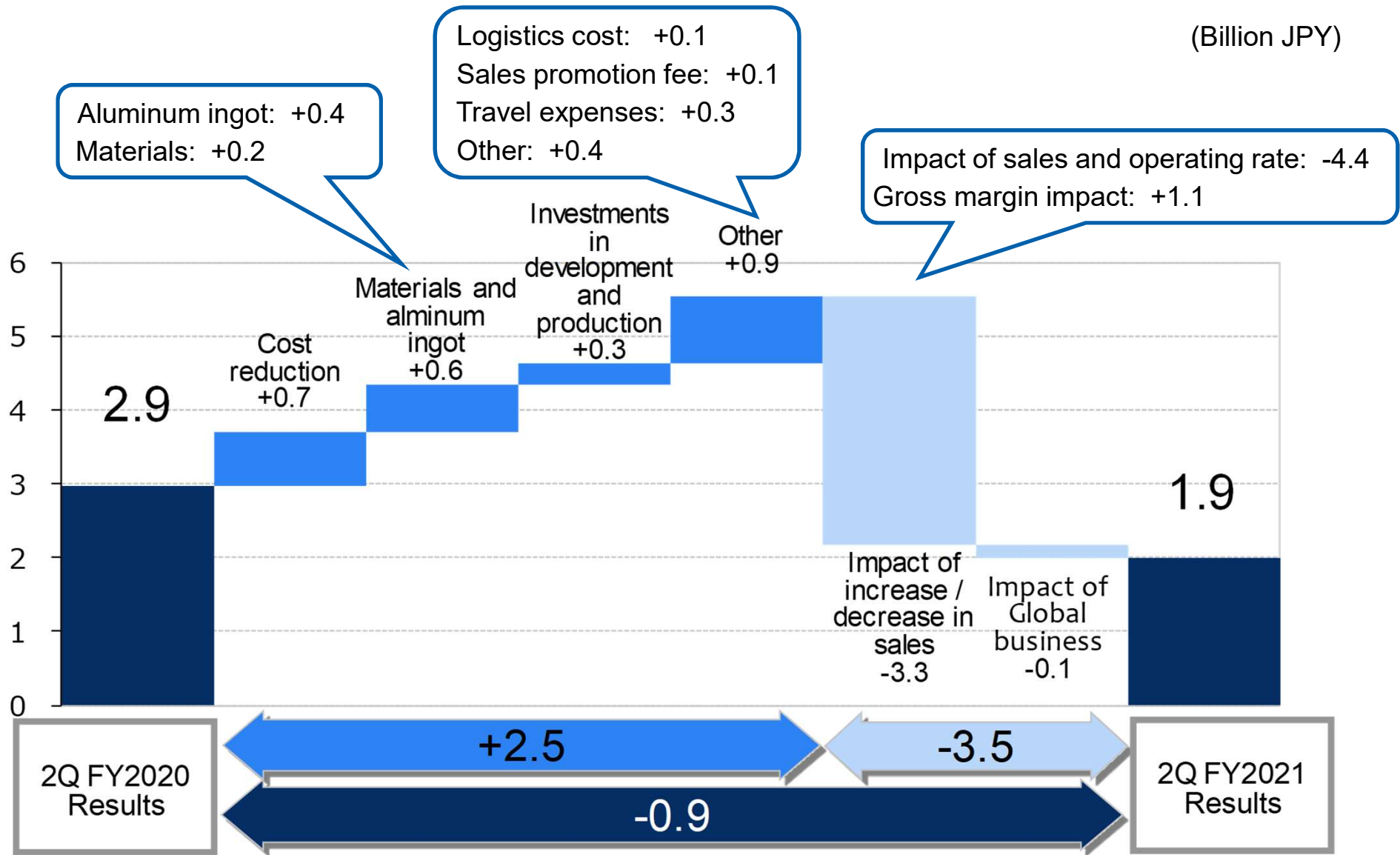
1.9 billion JPY

YoY **-0.9** billion JPY
 (-33.1%)



Note: Amounts are rounded down to the nearest 100 million JPY.

Factors for Change in Operating Income for Q2 FY2021: Year-on-Year Comparison



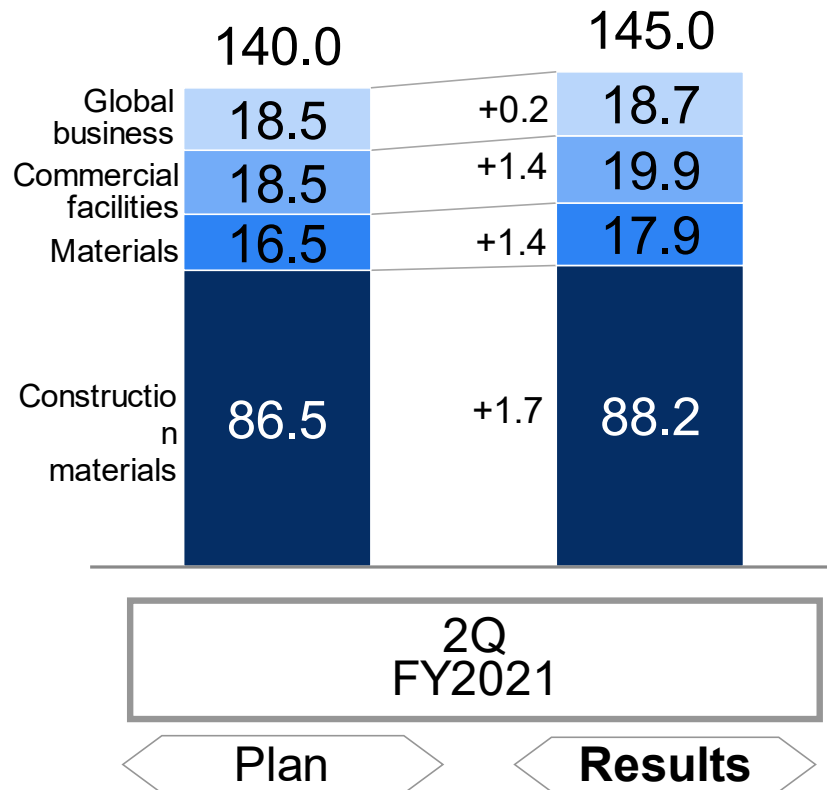
Change in profits from Global business is consolidated into "Impact of Global business."

Note: Amounts are rounded down to the nearest 100 million JPY.

Net sales

145.0 billion JPY

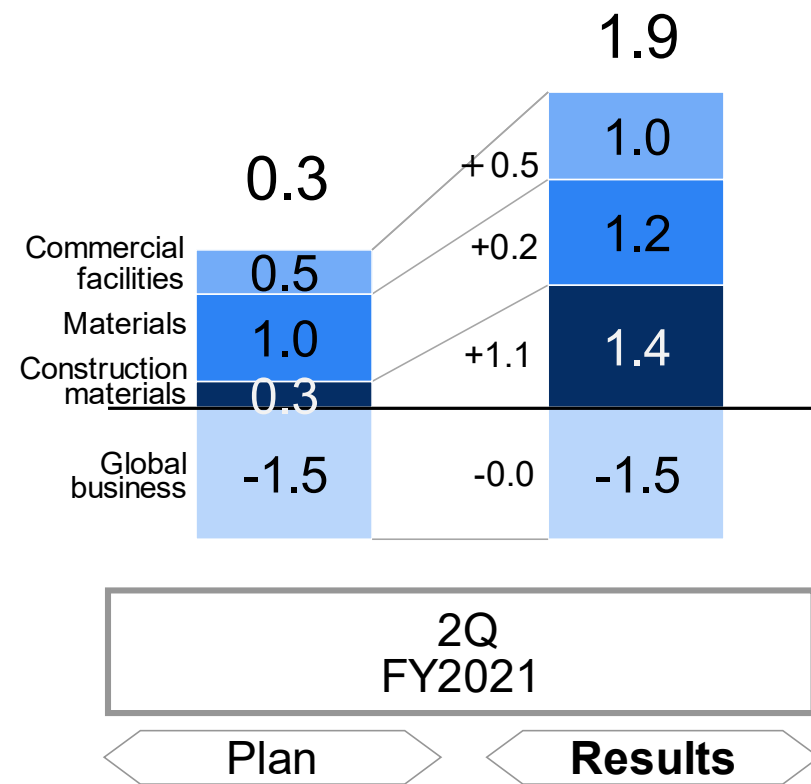
Change from Plan **+5.0** billion JPY
(**+3.6%**)



Operating income

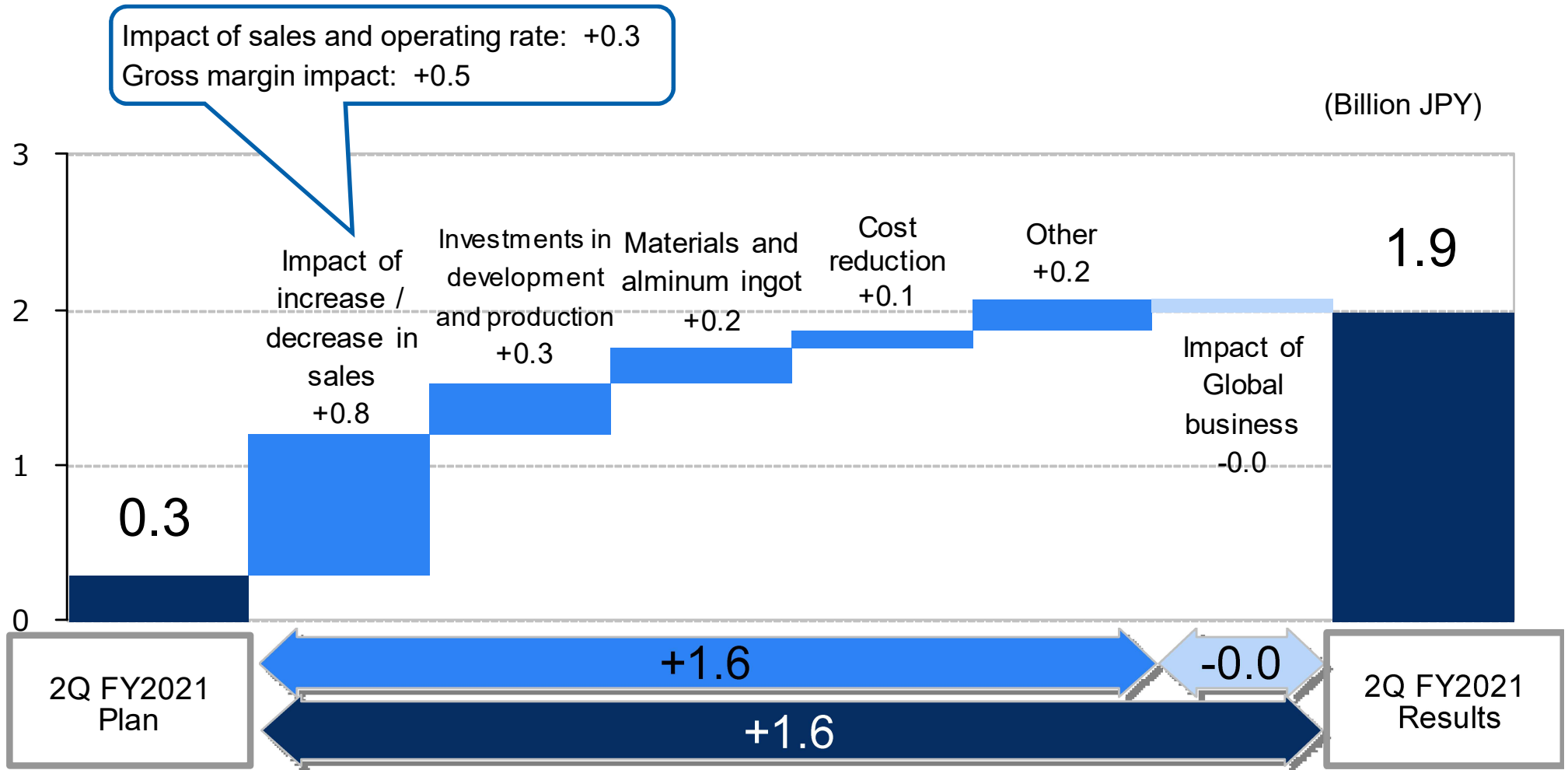
1.9 billion JPY

Change from Plan **+1.6** billion JPY
(**+563.7%**)



Note: Amounts are rounded down to the nearest 100 million JPY.

Factors for Change in Operating Income for Q2 FY2021: Plan



Change in profits from Global business is consolidated into "Impact of Global business."

Note: Amounts are rounded down to the nearest 100 million JPY.

FY2021 Full-Year Plan (Forecast)

Forecast

(Billion JPY)

Full year

	FY2021 Revised forecast(*2)	FY2021 forecast (*1)	Change	%
Net sales	293.0	289.0	4.0	1.4%
Operating income	1.9	0.3	1.6	533.3%
Operating margin	0.6%	0.1%		+0.5p
Ordinary income	-	-	-	-
Net income attributable to owners of the parent	-	-	-	-

Note: Amounts are rounded down to the nearest 100 million JPY.

Dividend

Interim: 0 JPY per share , year-end: undecided

Forecast for Ordinary income, Net income attributable to owners of the parent, and Year-end dividend

The forecast for full-year consolidated operating income, net income attributable to owners of the parent, and year-end dividend remains undecided. Details such as profit improvement measures and reforms in the European business are still under consideration. The forecast will be announced promptly when calculated.

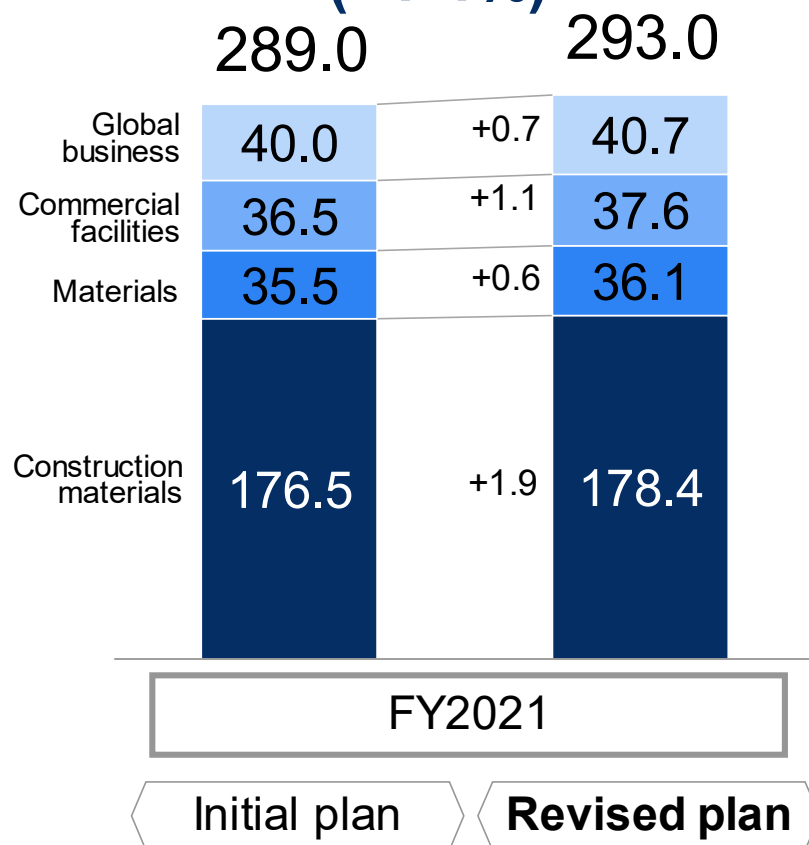
(*1) Forecast announced on October 6, 2020

(*2) Forecast announced on December 15, 2020

Net sales

293.0 billion JPY

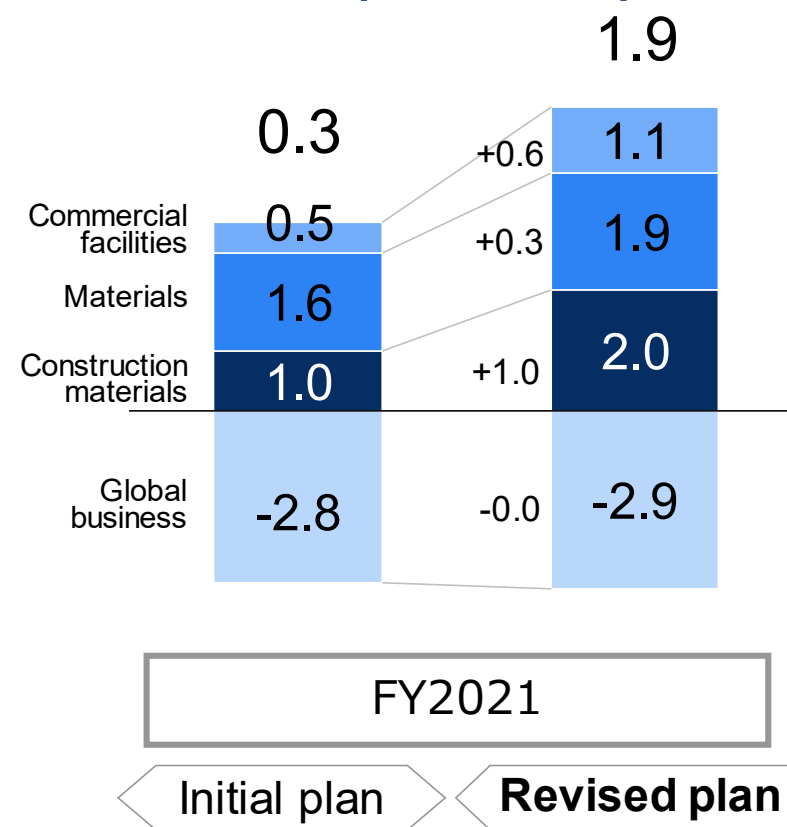
Change from Initial plan **+4.0** billion JPY
(+1.4%)



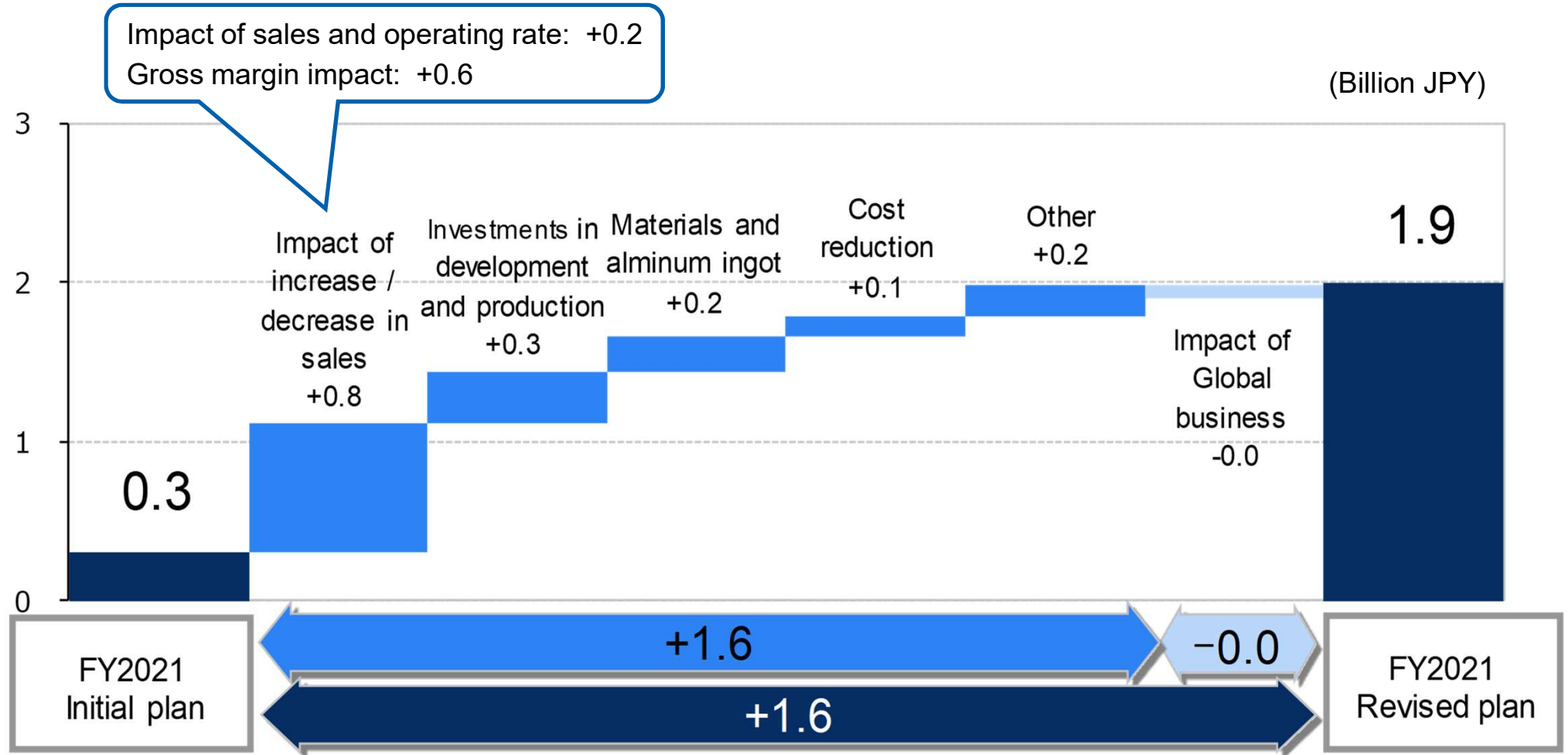
Operating income

1.9 billion JPY

Change from Initial plan **+1.6** billion JPY
(+533.3%)



Note: Amounts are rounded down to the nearest 100 million JPY.



Reform of Global Business

Operating income is expected to be in the red for six consecutive fiscal years due to the impact of the COVID-19.

Performance of Global business

Results	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021 Plan	(billion JPY)
Net sales	46.0	39.6	46.5	47.0	41.0	40.0	
Operating income	-3.0	-1.6	-1.5	-2.7	-4.2	-2.9	

The continued deficit is caused by the European subsidiary STEP-G, which accounts for approx. 70% of the Global business' sales.

Breakdown of operating income for FY2021 Plan

(Billion JPY)

STEP-G	-2.0
Head office expenses and others	-0.4
Goodwill	-0.5
Total	-2.9

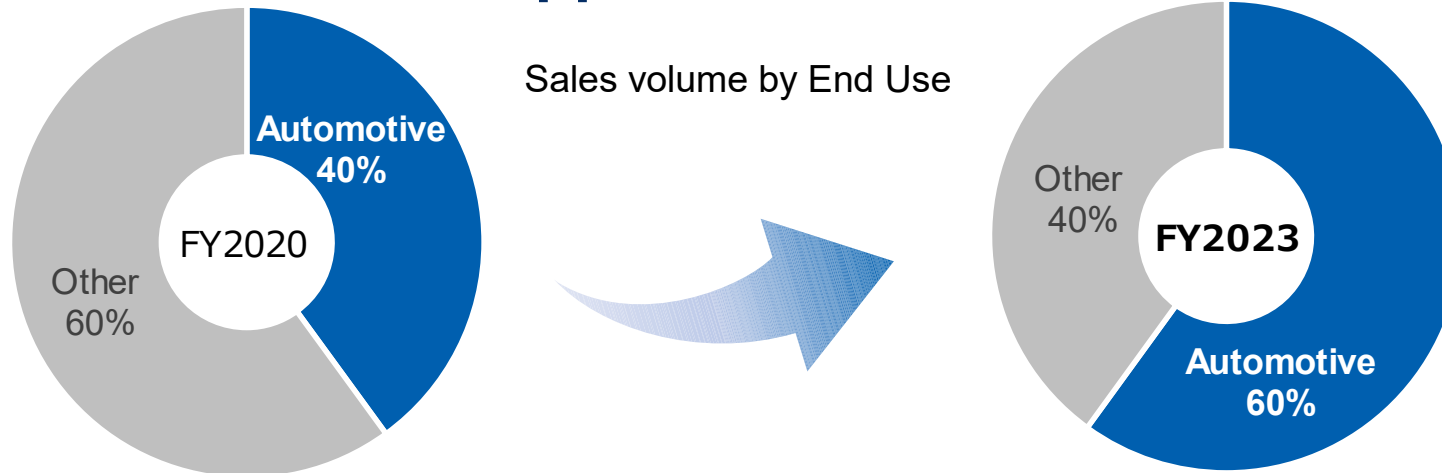
Cause of continued deficit

Initial business plans were premised on securing a certain sales volume, however they were unable to respond flexibly to changes in the market and customer conditions that occurred during the period, and losses continued to increase due to lower volumes than the initial planned.

Main measure

① **Fixed cost reduction (Closure of Bonn cast house)**
 ⇒ Improvement effect approx. **0.5 billion JPY** (FY2022)

② **Product mix improvement (High value added)**
 ⇒ Improvement effect approx. **0.8 billion JPY** (FY2023)



③ **Other profit improvement measures (Accumulating concrete measures such as production line consolidation)**

STEP-G aim to be profitable in FY2023

STEP-G Reform Plan Roadmap

	FY2021	FY2022	FY2023	FY2024	
Productivity improvement and cost optimization	Function aggregation and relocation		Profitable		
Product mix improvement	Expansion of automotive weighting				
Continuous acquisition of EV (Automotive) and other projects	Acquiring projects in growing EV market				

ST Extruded Products Group (STEP-G)

Acquired from Aleris and joined the Sankyo Tateyama Group in March 2015.

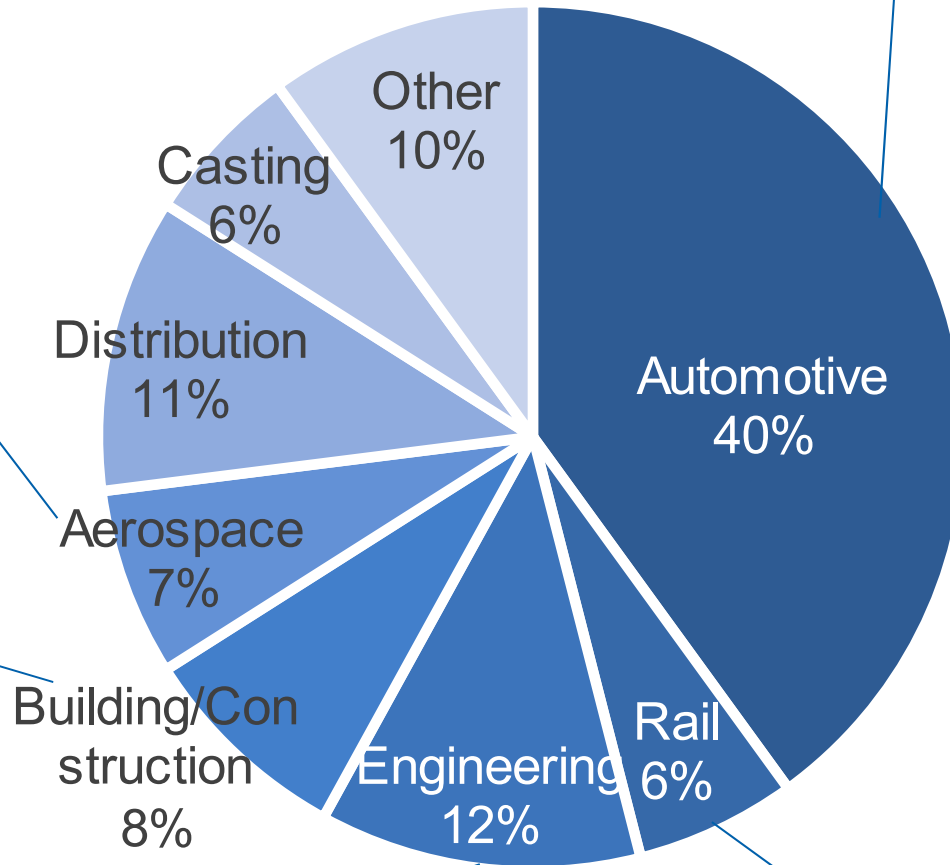
Operates aluminum billet casting, profile extrusion, and processing at six plants in Germany (four plants), Belgium (one plant), and China (one plant).

Approx. 1,100 employees

Sales of approx. 30 billion JPY



FY2020
Sales volume by End Use



▪ Materials for heat exchangers, etc.



▪ BUG system
▪ Window sill, etc.



▪ Parts for machine equipment

- ABS block
- Crash box
- Bumper reinforcement
- EV battery frame parts



▪ Floor, walls and roof

	average	FY2020	FY2019	FY2018
[Construction materials business (housing) index] The number of new housing starts	Apr.-Sep.	413 thousand units (-11.4% yoy)	467 thousand units (-5.0% yoy)	491 thousand units (-1.1% yoy)
The number of new housing starts [Owner-occupied houses]	Apr.-Sep.	131 thousand units (-14.2% yoy)	153 thousand units (+4.4% yoy)	146 thousand units (-1.2% yoy)
The number of new housing starts [House for rent]	Apr.-Sep.	156 thousand units (-11.0% yoy)	175 thousand units (-15.7% yoy)	208 thousand units (-2.8% yoy)
[Construction materials business (Building) index] Floor area of non-wooden structure starts	Apr.-Sep.	33,514 thousand m² (-11.2% yoy)	37,755 thousand m ² (-3.9% yoy)	39,276 thousand m ² (-4.2% yoy)
[Materials business index] Aluminum extrusion weight [Excluding sashes and doors]	Jun.-Nov.	158.0 thousand tons (-12.2% yoy)	179.9 thousand tons (-0.6% yoy)	181.0 thousand tons (-1.9% yoy)
[Commercial facilities business index] The number of new building starts [Stores]	Apr.-Sep.	2,523 buildings (-29.4% yoy)	3,573 buildings (-10.1% yoy)	3,973 buildings (-1.9% yoy)
[Global business index] Vehicle production Germany	Apr.-Sep.	1381.6 thousand units (-40.2% yoy)	2308.9 thousand units (-8.0% yoy)	2508.7 thousand units (-9.2% yoy)
Vehicle production Thailand	Apr.-Sep.	509.4 thousand units (-49.6% yoy)	1011.1 thousand units (-5.0% yoy)	1064.4 thousand units (+7.3% yoy)
[Aluminum ingot (The Nikkei)]	Jun.-Nov.	233.6 JPY/kg (-4.2% yoy)	244.0 JPY/kg (-16.0% yoy)	290.3 JPY/kg (+3.2% yoy)

(): Year-on-year comparison

Note: Amounts are rounded down to the nearest 100 million JPY.

Net sales

88.2 billion JPY

YoY **-12.6 billion JPY**
(-12.5%)

- Sales activities for resuming construction of buildings that were suspended or postponed due to the COVID-19
- Sales promotion activities using the web system
- Impact of fewer new housing starts

Operating income

1.4 billion JPY

YoY **-2.0 billion JPY**
(-58.9%)

- Aluminum ingot price remained at a lower level than in the previous year
- Promotion of gross margin improvement measures and SG&A control
- Impact of decreased sales

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 **-11.4%**

-11.2%

-10.5%

-4.2%

Owner-occupied houses **-14.2%**

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 cumulative total from June to November.

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

* Percentage figures represent the year-on-year in cumulative total from April to September.

Note: Amounts are rounded down to the nearest 100 million JPY.

Net sales

17.9 billion JPY

YoY **-2.4 billion JPY**
(-12.0%)

- Promotion for acquiring the demands of general machinery and transportation equipment
- Decrease in demand in the aluminum profile market due to U.S.-China trade friction and the impact of the COVID-19
- Decrease in sales linked with the aluminum ingot market

Operating income

1.2 billion JPY

YoY **+0.3 billion JPY**
(+36.3%)

- Increase in high value-added processed products in the transportation field
- Improvement of production efficiency and cost control

Business environment

Domestic aluminum extrusion weight
(Excluding sashes and doors)

-12.2%

Source: Statistics by Japan Aluminum Association

Domestic aluminum extrusion weight
(General machinery)

-13.6%

Source: Statistics by Japan Aluminum Association

Note: Percentage figures represent the year-on-year cumulative total from June to November.

Note: Amounts are rounded down to the nearest 100 million JPY.

Net sales

19.9 billion JPY

YoY **+0.2 billion JPY**
(+1.4%)

- Decrease in demand for new store openings in the retail industry
- Postponement or cancellation of renovation investment due to the COVID-19
- Acquiring labor-saving demand against the background of labor shortages

Operating income

1.0 billion JPY

YoY **+0.9 billion JPY**
(+662.7%)

- Control of SG&A by improving operational efficiency

Business environment

Number of new building starts (Stores)

-29.4%

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

Retail sales amount (Whole)

-2.0%

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

Note: Percentage figures represent the year-on-year change in cumulative total from April to September

Note: Amounts are rounded down to the nearest 100 million JPY.

Net sales

18.7 billion JPY

YoY **-2.1 billion JPY**
(-10.4%)

- Sales of new automotive projects increased in Europe and China
- Decrease in demand for aluminum profiles in the transportation and machinery market in Europe and Thailand due to the COVID-19

Operating income

-1.5 billion JPY

YoY **-0.1 billion JPY**
(- %)

- Improve by cost control
- Decrease in sales and low production operation

Business environment

Car production

	YoY	Germany	Thailand	China
(Oct.-Dec. 2019)		-8.1%	-21.7%	-4.0%
(Jan.-Mar. 2020)		-19.5%	-19.2%	-45.3%
(Apr.-Jun. 2020)		-61.2%	-69.8%	2.3%
(Jul.-Sep. 2020)		-16.3%	-29.6%	7.7%

Source: VDA

Source: MARKLINES

Source: CAA

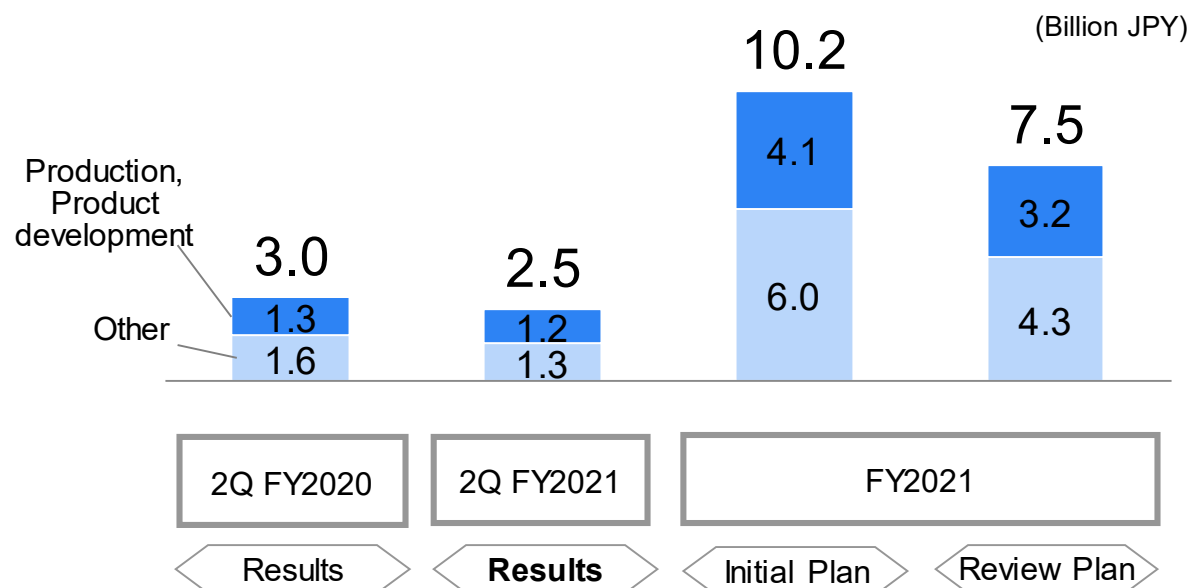
GDP

	YoY	Germany	Thailand	China
(Oct.-Dec. 2019)		-0.1%	1.6%	6.0%
(Jan.-Mar. 2020)		-2.2%	-2.0%	-6.8%
(Apr.-Jun. 2020)		-9.7%	-12.2%	3.2%
(Jul.-Sep. 2020)		8.2%	-6.4%	4.9%

Source: EUROSTAT

Source: NESDC

Source: ODN



		2Q FY2020	2Q FY2021	FY2021	FY2021
		Results	Results	Initial Plan	Review Plan
Production, Product development	Product development, Streamlining	0.7	0.5	2.1	1.6
	Repairs, etc.	0.6	0.6	1.9	1.6
Other	Software	0.1	0.3	0.7	0.7
	Overseas subsidies	1.4	0.7	4.6	2.9
	Other	0.1	0.2	0.6	0.6
Total		3.0	2.5	10.2	7.5
Depreciation expense		3.8	3.8	8.5	8.2

Note: Amounts are rounded down to the nearest 100 million JPY.

Financial indicators

(Billion JPY)

	End of 2Q FY2021 Results	End of FY2020 Results	YoY
Equity	76.8	74.9	1.8
Capital adequacy ratio	30.8%	30.5%	0.3p
Interest-bearing dept	70.8	66.6	4.2
Interest-bearing dept ratio	92.3%	88.9%	3.4p

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
 Note: Amounts are rounded down to the nearest 100 million JPY.

Aluminum Ingot Price and Exchange Rates

		average	2Q FY2021 Results	2Q FY2020 Results	FY2021 Plan
Aluminum ingot price (Nikkei Aluminum average)		Jun.- Nov.	233.6 JPY/kg	244.0 JPY/kg	236.0 JPY/kg
Exchange rates	USD	Jun.- Nov.	106.9 JPY	108.6 JPY	110.0 JPY
	EUR	Apr.- Sep.	121.3 JPY	121.4 JPY	123.0 JPY
	THB	Apr.- Sep.	3.4 JPY	3.5 JPY	3.5 JPY
	CNY	Apr.- Sep.	15.3 JPY	15.7 JPY	16.0 JPY

Scope of consolidation and equity method

	End of 2Q FY2021	End of FY2020	YoY
Consolidated subsidiaries	49	49	-
Equity method-applied companies	7	7	-
Total	56	56	-

Status of personnel (regular employees)

	End of 2Q FY2021	End of FY2020	YoY
Sankyo Tateyama, Inc.	5,195	5,308	-113
Other consolidated subsidiaries	5,439	5,573	-134
Total	10,634	10,881	-247



Sustainable Development Goals (SDGs) comprise the ideals for a world where everyone 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	SDGs
E environment	
S society	
G governance	

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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