

July 10, 2015

New VISION2020 and the Mid-Term Management Plan

 **SankyoTateyama, Inc.**

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1-1. The previous mid-term management plan (FY2013-2015)

Market environment and general review

General review

- Revenues for FY2013 and 2014 exceeded the plan due to solid market trends and the rush demand prior to the consumption tax increase.
- On the other hand, revenues for FY2015 decreased mainly in the Construction Materials Business due to lack of flexibility in adapting to factors such as a reactionary drop in demand after the consumption tax hike, the weakening yen, rising aluminum bullion prices and intensifying price competition.
- Revenues in businesses other than the Construction Materials Business increased through progressive initiatives in a solid markets.

Market environment

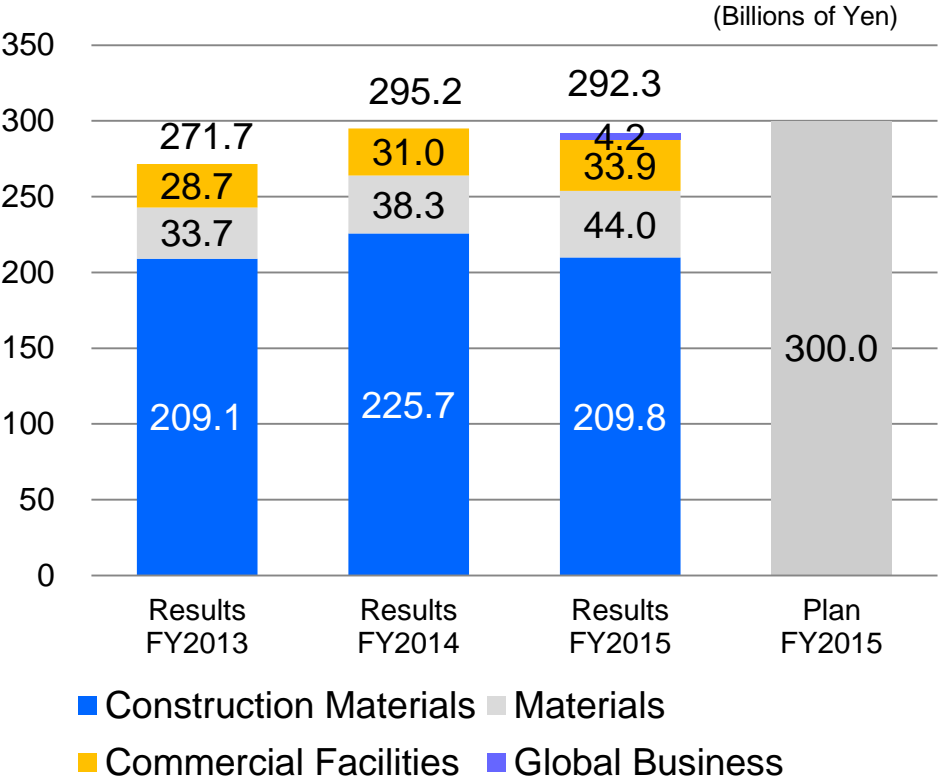
- The market performed better than the mid-term forecasts. However, recovery from the reactionary drop in demand after the consumption tax hike was slower than the forecast in FY2015 (70th period).
- The yen fell sharply in FY2015 (70th period), leading to a rise in imported raw material prices.
- Aluminum bullion price rose in FY2015 (70th period), coupled with the market trend and weakening yen.

Market environment	Mid-term initial forecast	FY2015 results	Differences
New housing starts	790 thousand units	880 thousand units	+90 thousand units (+10.2%)
Floor area of non-wooden structure starts	74,300 thousand m ²	78,137 thousand m ²	+3,837 thousand m ² (+4.9%)
Aluminum extrusion weight (excluding sashes and doors)	358 thousand tons	344 thousand tons	-14 thousand tons (-3.9%)
Aluminum bullion (Nikkei average)	209 JPY/kg	301.5 JPY/kg	+92.5 JPY/kg (+44.3%)

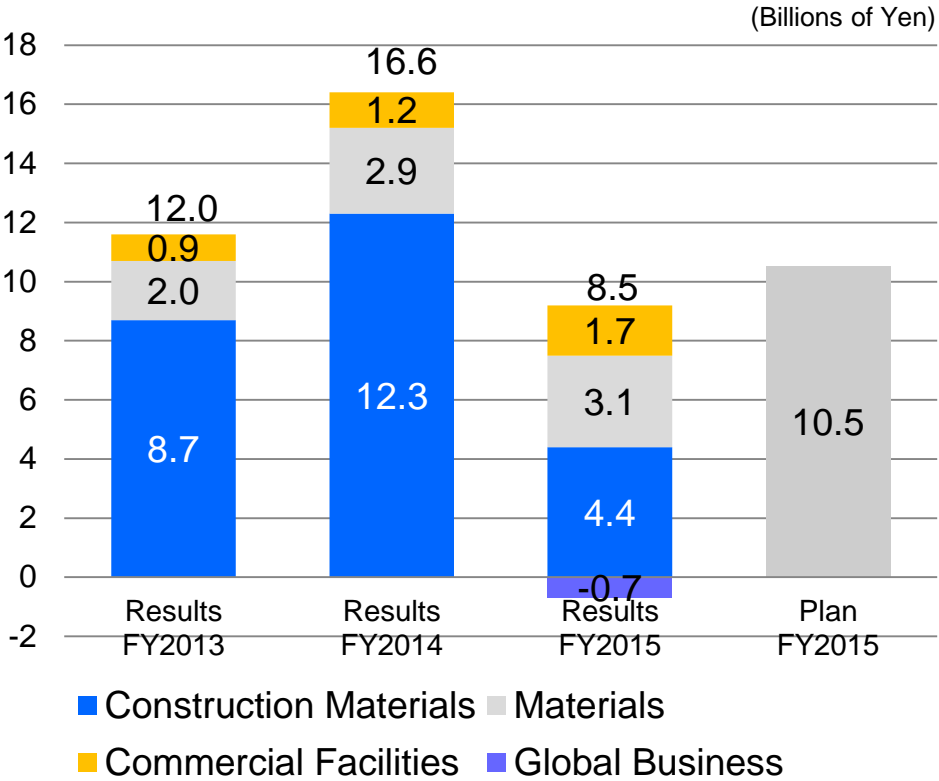
1-2. The previous mid-term management plan (FY2013 – 2015)

Sales and operating income results

Sales



Operating income



New VISION2020 Initiatives for a New Goal

2-1. Basic policies: New VISION2020 and new target figures

Maintain the Group's strategic direction and revise targets in light of the results so far and future trends

[Management indicators]

	Current target	New target	Reason for revision
Sales of the Group	350 billion JPY	Over 400 billion JPY	Revised up the target for FY2020 to over 400 billion JPY, considering the past results and trends such as in global business expansion
Operating income	6% (21 billion JPY)	16 billion JPY (4.0%)	Revised down the target to 16 billion JPY in light of the current severe conditions such as intensifying competition due to a shrinking domestic market and aluminum bullion prices while expecting to increase investment in growth fields on the premise of long-term development

[Strategy indicators]

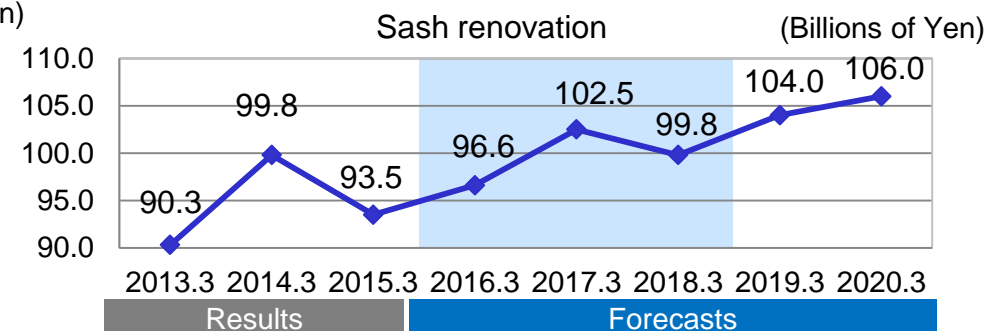
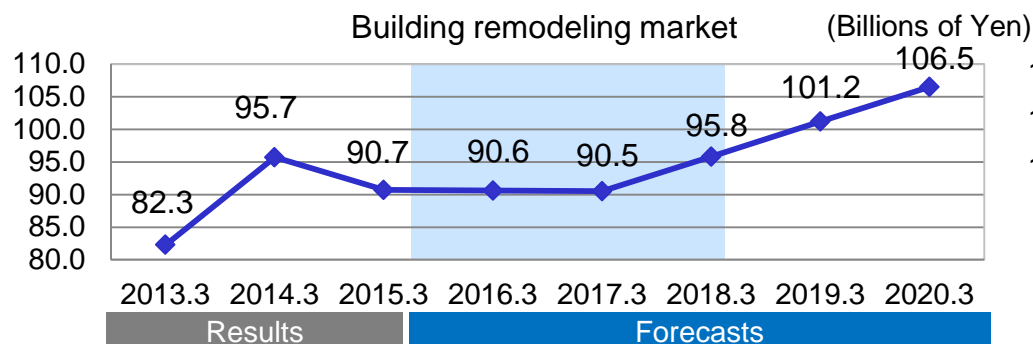
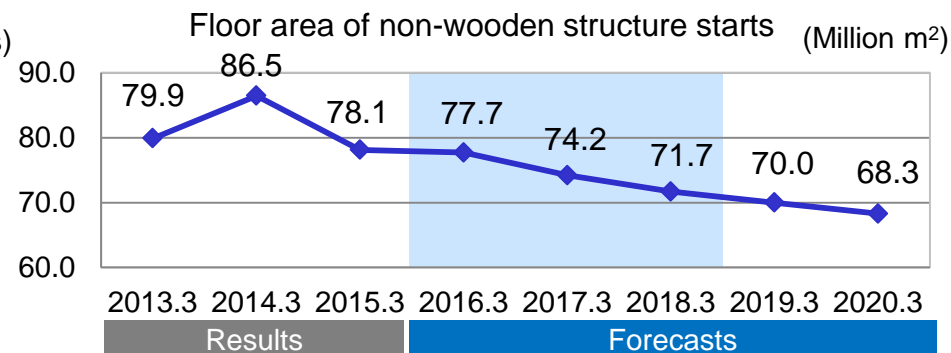
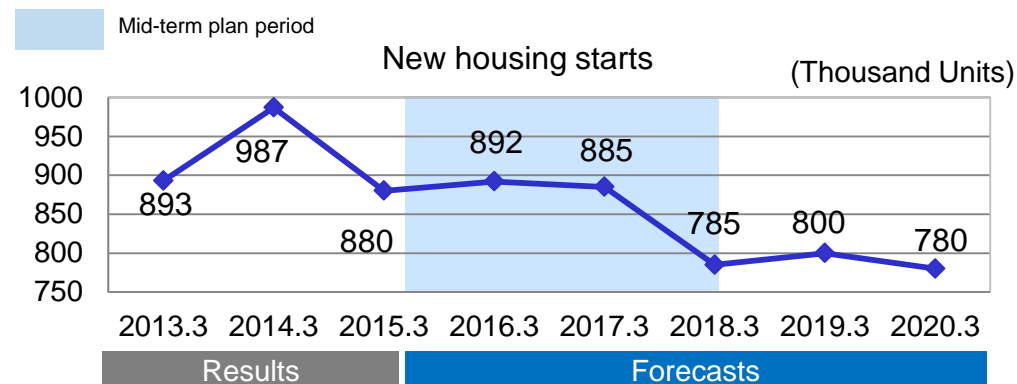
	Current target	New target	Reason for revision
Strengthen remodeling/renovation business	Construction materials sales ratio Over 40%	Construction materials sales ratio Over 30% *Construction materials business segment sales ratio	The market along with demand in new housing shrank in FY2015. An expansion of government measures and the market is expected from FY2016. Considering the current situation and a forecast of demand for reform, the target for Construction Materials Business sales ratio is revised to over 30%.
Strengthen non-construction materials businesses	Sales ratio Over 40%	Sales ratio Over 40% * Group's consolidated sales ratio	Considering overseas expansion and future market growth in the Materials and Commercial Facilities Businesses, the target for sales ratio remains over 40%.
Develop global business	Sales ratio Over 10%	Sales ratio Over 20% * Group's consolidated sales ratio	Revised up the target for overseas sales ratio to over 20%, aiming for improvement in the Group's earnings through global business expansion and synergy creation

Mid-term Management Plan

(June 2015 – May 2018)

3-1. Construction Materials Business: Market outlook until FY2018

Market	Summary
New housing starts	<ul style="list-style-type: none"> A long-term downward trend is expected. In FY2016, 892 thousand units are expected, backed mainly by the fading out of reactionary drop after the rush demand prior to the consumption tax hike (5%→8%) and the implementation of the eco-point program for energy-efficient houses. In FY2017, 885 thousand units are expected on a par with the previous year despite rush demand prior to another tax hike (8%→10%). In FY2018, 785 thousand units are expected due to a reactionary drop after the rush demand in the previous year.
Building remodeling market	<ul style="list-style-type: none"> After FY2018, the growing needs of energy efficiency and quake-resistance is expected to spur demand in reform and expand the market.
Sash renovation market	<ul style="list-style-type: none"> In FY2016 and 2017, the market is expected to expand thanks to an increase in housing stock and an expansion of government measures. In FY2018, the market is expected to shrink due to a reactionary drop after the rush demand in the previous year.



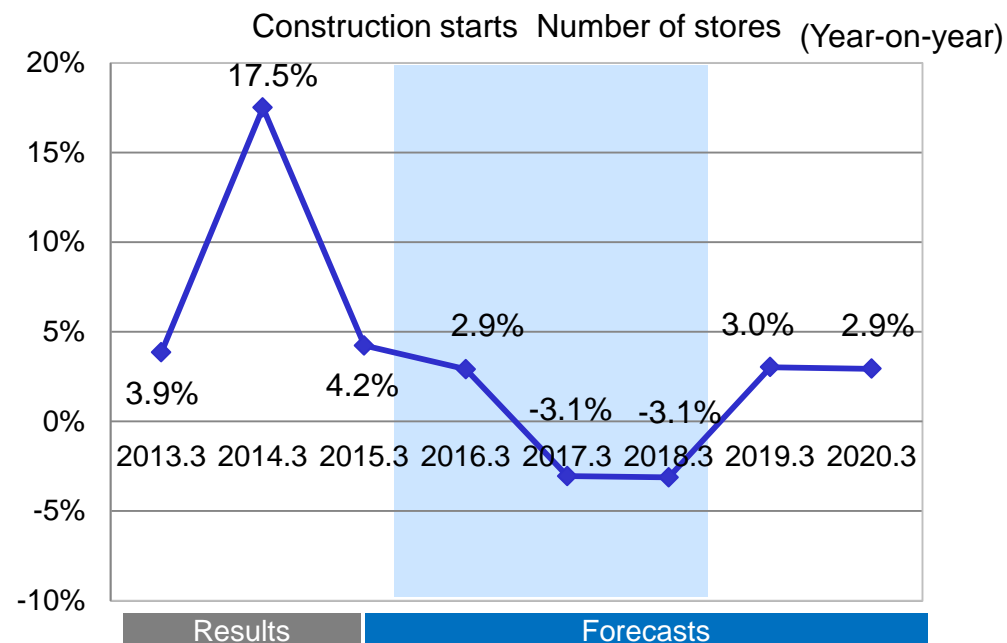
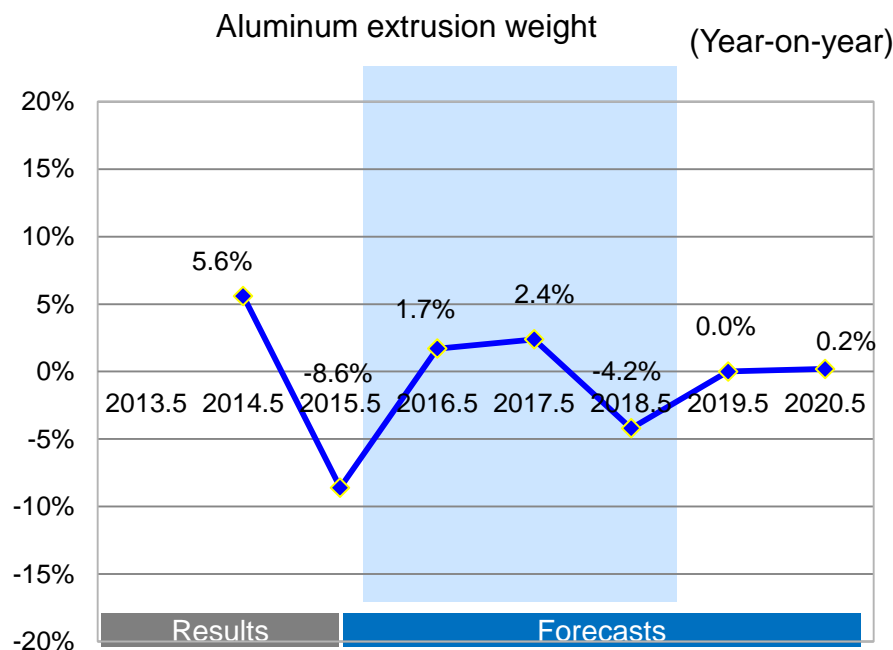
Source: The Company's forecasts based on material from the Construction Remodeling Association

Source: 2015 Overview and Business Strategy Analysis on New Housing Renovation Market (Fuji Keizai Management Co., Ltd.)
(The figures for FY2019 and 2020 are from the Company's forecasts.)

3-2. Materials and Commercial Facilities Businesses: Market outlook until FY2018

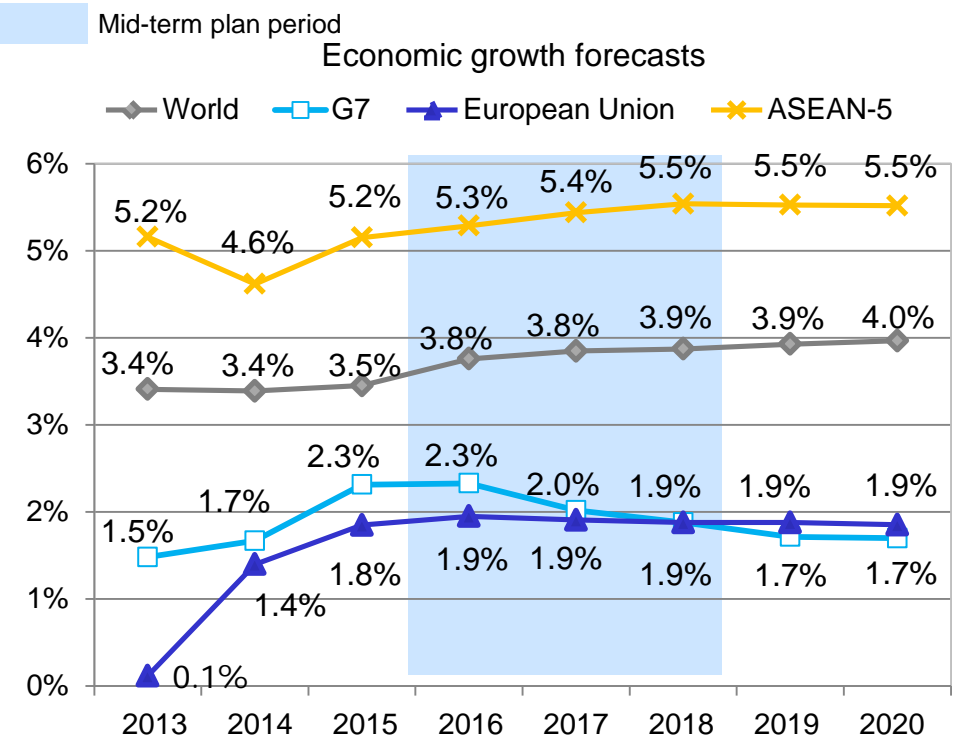
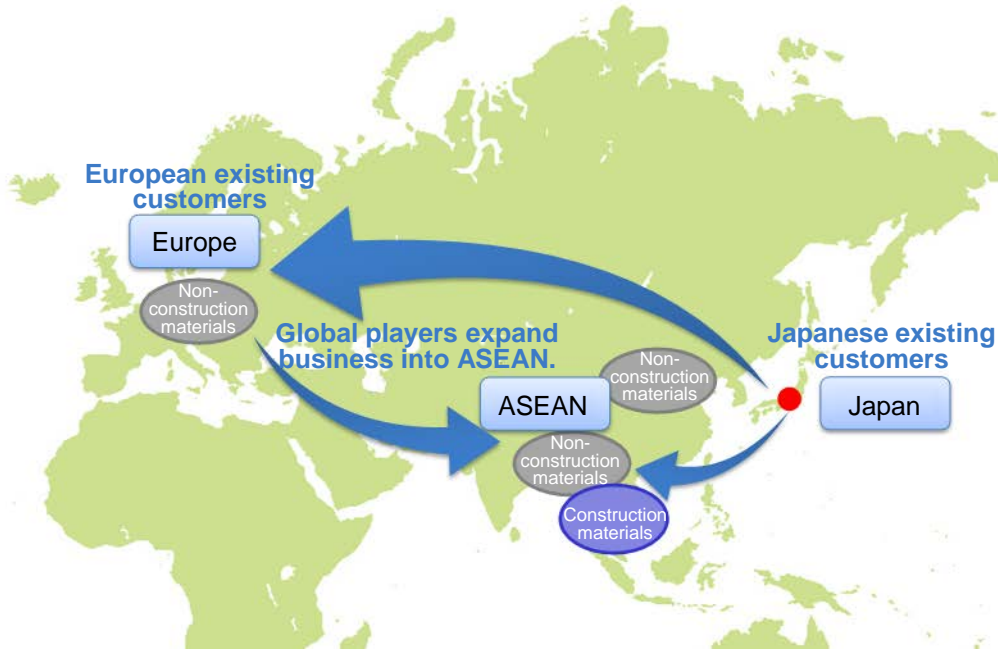
Market	Summary
Domestic market	<ul style="list-style-type: none"> The market is expected to be on a mild recovery track due to onshoring of some corporate activities and growing demand driven by the continuing low level of crude oil prices and inflation rates.
Materials Business	<ul style="list-style-type: none"> Though the aluminum extrusion market remains sluggish on the whole, the needs for energy efficiency and light-weight materials are expected to grow mainly in the areas of transportation and industrial machinery.
Commercial Facilities Business	<ul style="list-style-type: none"> Though consumption trends change in FY2017 due to the consumption tax hike (8%→10%), the market for stores, such as convenience and drug stores is expected to be solid, involving reform needs.
Demand in primary aluminum	<ul style="list-style-type: none"> Though global demand for primary aluminum depends on trends of real demand such as consumption mainly in China and the US and investment funds, an upward trend is expected on the premise that demand will increase in the long term.

Mid-term plan period



3-3. Global Business: Market outlook until FY2018

Market	Summary
Construction materials market ASEAN, etc.	<ul style="list-style-type: none">The market is expected to expand, driven by long-term economic growth, an increase in GDP per capita, and strong consumption trends.Demand for high-end housing is expected to grow, coupled with a higher level of living following an increase in middle and high-income earners.
Non-construction materials market Europe, ASEAN, etc.	<ul style="list-style-type: none">Overseas production is expected to increase in Japanese companies and global suppliers in response to the potential demand mainly in emerging markets.Against the backdrop of global needs for energy efficiency and light-weight materials, more aluminum materials are expected to be adopted for body frames of trains and cars.



Source: International Monetary Fund, World Economic Outlook Database, April 2015

3-4. Basic policies: Basic ideas for the mid-term management plan

1. Results and issues of the previous mid-term management plan

Further grow and Create new value

- 1) Deteriorating earnings in the construction materials business (shrinking market and higher prices of raw materials)
- 2) Growing non-construction materials businesses and higher profitability
- 3) Implementation of a foundation for overseas expansion
- 4) Lack of adaptation to the outside environment

2. Status of VISION2020

- 1) Little progress in the percentage of business accounted for by the remodeling/renovation business → 70th period results 21% (75th period initial target 40%)
- 2) Some progress in the percentage of business accounted for by non-construction materials businesses → 70th period results 28% (75th period initial target 40%)
- 3) Achievement of overseas ratio target → 70th period results 3% (71th period estimate 16%, 75th period initial target 10%)

3. Mid and long-term outside environment

1) Construction Materials

New housing starts are expected at 892 thousand units (+1.1%) in FY2016, 885 thousand units (-0.6%) in FY2017, and 785 thousand units (-11.3%) in FY2018 due to adverse effects of the planned tax hike. Long-term downward trends are likely to continue (an estimate for FY2021 is around 750 thousand units.) Competitors reinforce renovation business in response to the shrinking market.

2) Materials

Increasing demand for aluminum associated with transportation. Increasing overseas production by domestic firms in response to demand in emerging markets. Expanding sales in the non-construction materials businesses by extrusion companies following decreasing demand for construction materials and intensifying competition.

3) Commercial Facilities

A shrinking market due to a decrease in new store openings by retailers. Intensifying industry reorganization and price competition.

- 4) Aluminum bullion NSP aluminum price is expected at 305 JPY/kg.

4. Basic ideas for the new mid-term management plan

- 1) **Build an efficient structure to deal with the shrinking domestic market and secure profits**
- 2) **Make and execute plans for the current interim period necessary for achieving the targets in VISION 2020**
- 3) **Establish foundations for global business development, and generate synergy**

3-5. Basic policies: The Group's basic policies

Mid-term management plan Basic policies (ST71 – ST73 period)

Strengthen profit structure for domestic business and Realize growth strategies

Net sales: 292.3 billion JPY
Operating income / margin:
8.5billion JPY / 2.9%
Capital adequacy ratio: 30.8%
35 JPY dividend

FY2015
Results

Net sales: **385 billion JPY**
▪ Domestic: 320 billion JPY
▪ Overseas: 65 billion JPY
Operating income / margin:
 13 billion JPY / 3.4%
Capital adequacy ratio: Over 35%
Dividend policy: **Stable dividend**

FY2018
Targets

VISION2020

Net sales: Over 400 billion JPY
Operating income / margin:
 16 billion JPY / 4%

FY2020
Targets

**Further grow and
Create new value**

- 1) Growing non-construction materials businesses and higher profitability
- 2) Implementation of a foundation for overseas expansion
- 3) Lack of adaptation to the outside environment

Strengthen profit structure for domestic business and Realize growth strategies

- 1) Build an efficient structure to deal with the shrinking domestic market and secure profits
- 2) Make and execute plans for the current interim period necessary for achieving the targets in VISION 2020
- 3) Establish foundations for global business development, and generate synergy

**Build new foundations
preparing for the stage
next to VISION2020**

HD7th
period
2009.6

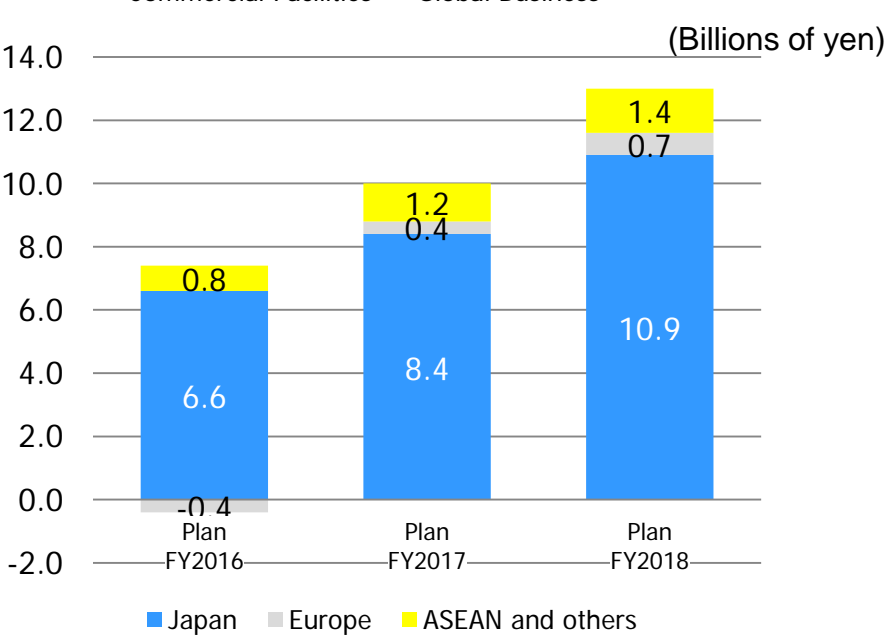
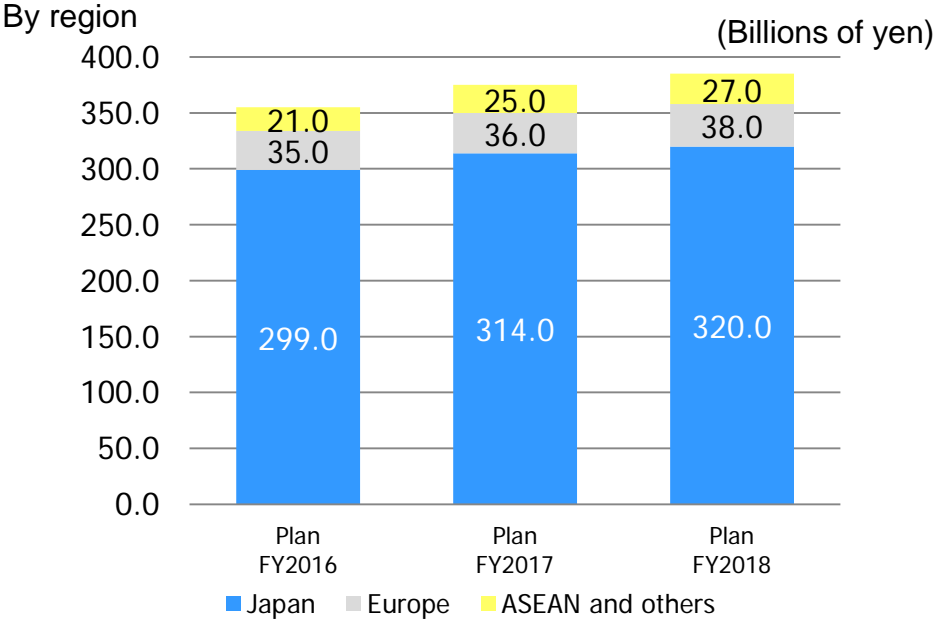
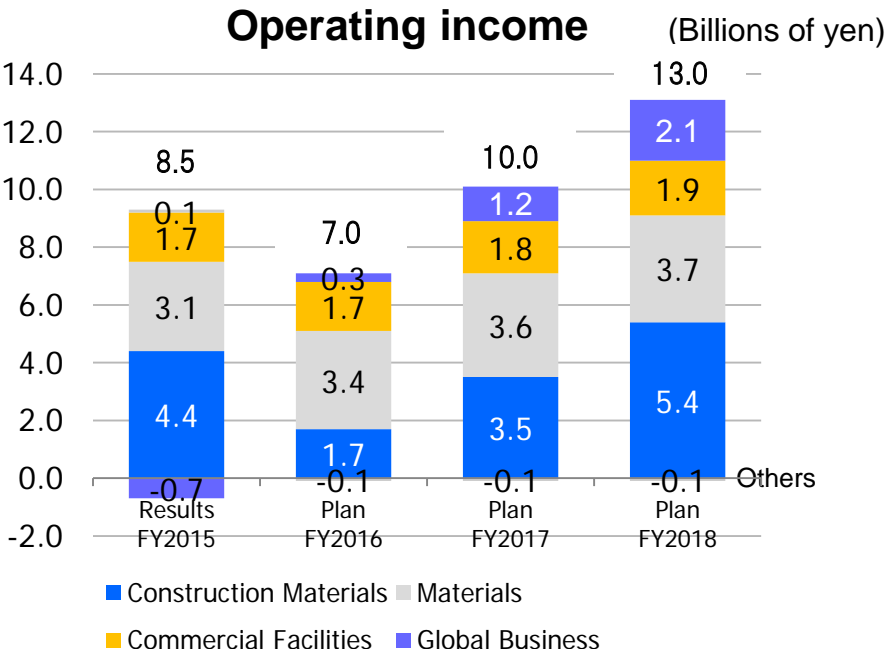
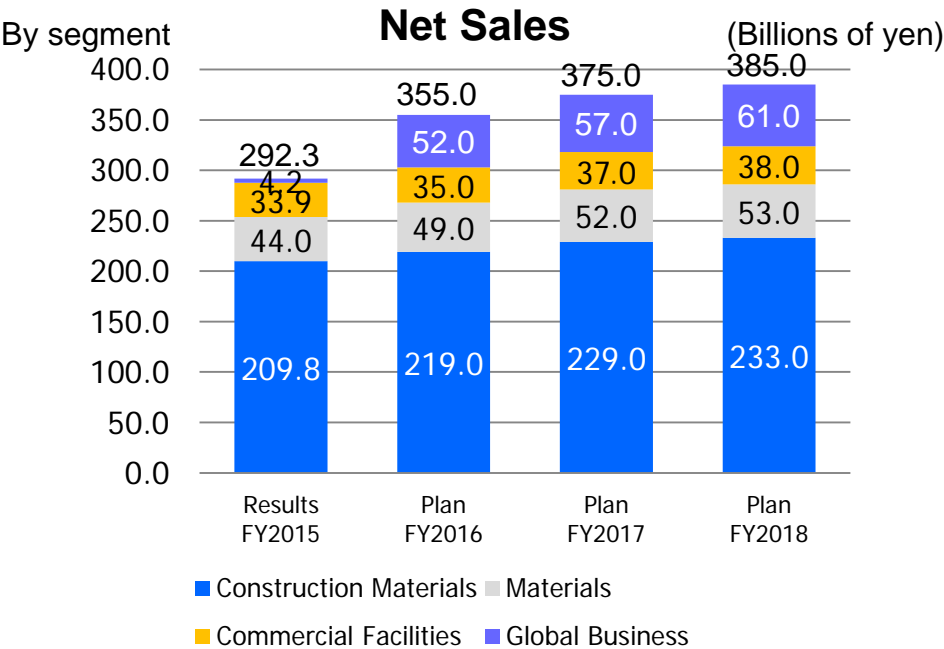
ST70th
period
2015.5

ST71th
period
2015.6

ST73th
period
2018.5

ST74th
period
2018.6

ST75th
period
2020.5




3-7. Target figures

[Management Indicators]

	FY2015 Results	FY2018 Target
Net sales	292.3 billion JPY	385 billion JPY
Operating income (margin)	8.5 billion JPY (2.9%)	13 billion JPY (3.4%)
Capital adequacy ratio	30.8%	Over 35%
Dividend policy	Stable dividend	Stable dividend
ROA (net income base)	2.2%	2.7%
ROE (net income base)	7.1%	7.5%

[2020 Strategy Indicators]

	FY2015 Results		FY2020 Target
Strengthen remodeling/renovation business	21%		Over 30%
Strengthen non-construction materials business	28%		Over 40%
Develop overseas business	3%		Over 20%

* The plan figures for strengthening remodeling/renovation business are construction materials segment sales ratio.

* The plan figures for strengthening non-construction materials business and developing overseas business are the Group's consolidated sales ratio.

[Notes regarding these documents]

The content of these documents contains 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. Owing 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 owing 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, and price fluctuations of items such as aluminum bullion.

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