



Life with Green Technology

Mid-term Management Plan

(June 2018 – May 2021)

July 12, 2018

 **SankyoTateyama, Inc.**

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1. Review of Previous Mid-term Management Plan

(June 2015 – May 2018)

1-1. Review of Previous Mid-term Management Plan (FY2016 – FY2018) and Market Environment

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◆ Review of Previous Mid-term Management Plan

Overall	The target was not met, due chiefly to the contraction of Construction Materials and the delay in the revenue turnaround of the Global Business.	
Construction Materials	<ul style="list-style-type: none"> - Continued intensely competitive environment. - Renovations did not increase as expected. 	Targets not met in sales and income
Materials	<ul style="list-style-type: none"> - Aluminum prices were lower than expected. - Demand was captured in the general machinery and transport domains, and sales increased in large-sized extrusions as a source of competitive edge. 	Sales target not met, but income target met
Commercial Facilities	<ul style="list-style-type: none"> - Retailers suppressed store launches, demand for renovation was captured and the store business of Kokuyo Co., Ltd. was taken over in Jan. 2018. - Upfront expenses and logistical expenses increased for the future expansion of business areas. 	Sales target met with business growth, while income target not met
Global Business	<ul style="list-style-type: none"> - Delays in response to changes in business environment and in improvement of productivity 	The segment continued to make losses.

◆ Market Environment

- The construction materials market was largely brisk.
- Aluminum extrusion weight was healthy amid strong demand for aluminum in transport-related sectors.
- The aluminum price was lower than expected.
- Commercial building starts were poorer than expected.

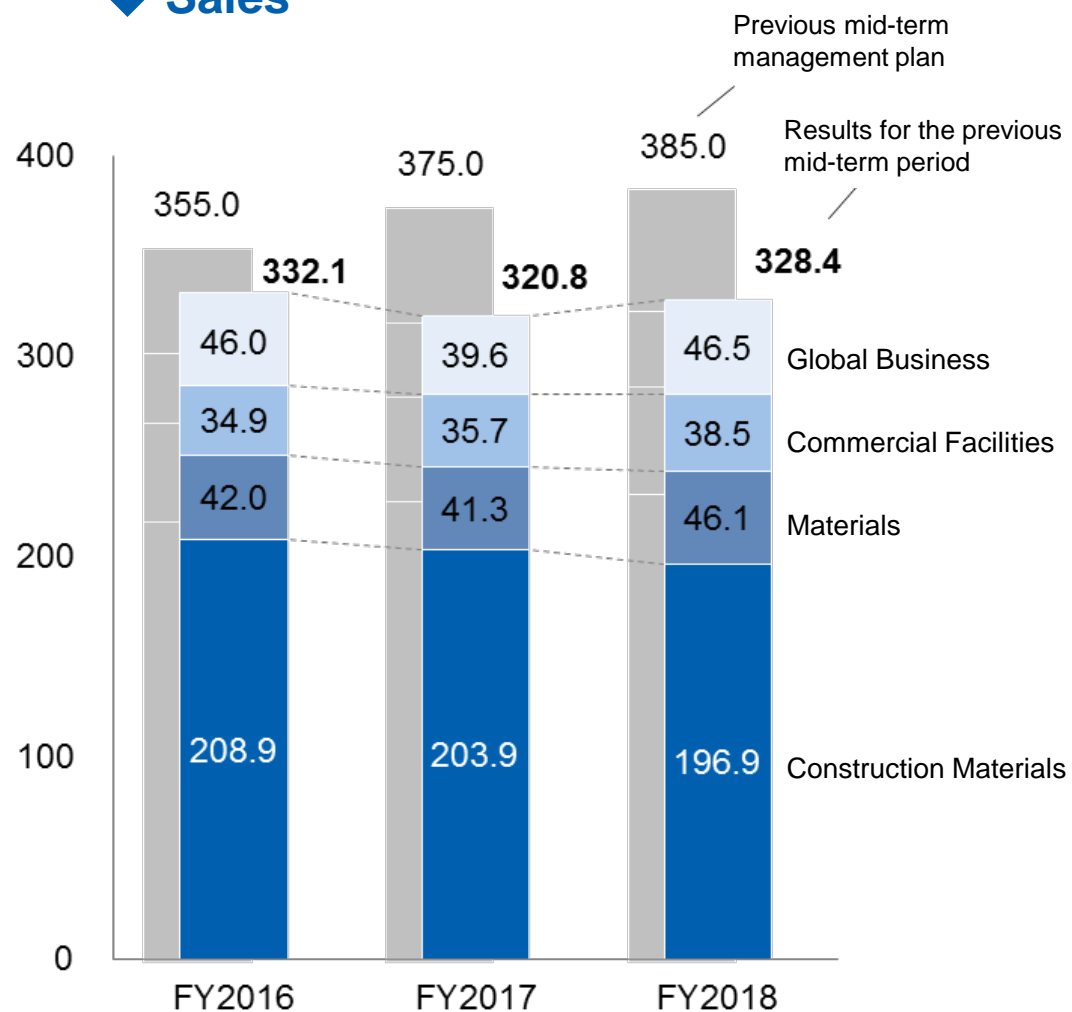
Market environment	Initial forecast in Mid-term mgmt. plan	Actual for year ended May 2018	Difference
New housing starts [Apr. – Mar.]	785 thousand units	946 thousand units	+161 thousand units (+20.5%)
Floor area of non-wooden structure starts [Apr. – Mar.]	71.7 million m ²	77.3 million m ²	+5.6 million m ² (+7.8%)
Aluminum extrusion weight (excl. sashes and doors) [Jun. – May]	335 thousand tons	366 thousand tons	+31 thousand tons (+9.2%)
Aluminum (New Standard Price (NSP)) [Jun. – May]	305 yen per kg	286.4 yen per kg	-18.6 yen per kg (-6.1%)
Commercial building starts [Apr. – Mar.]	9,700 units	7,749 units	-1,951 units (-20.1%)

1-2. Results of Previous Mid-term Management Plan (FY2016 – FY2018)

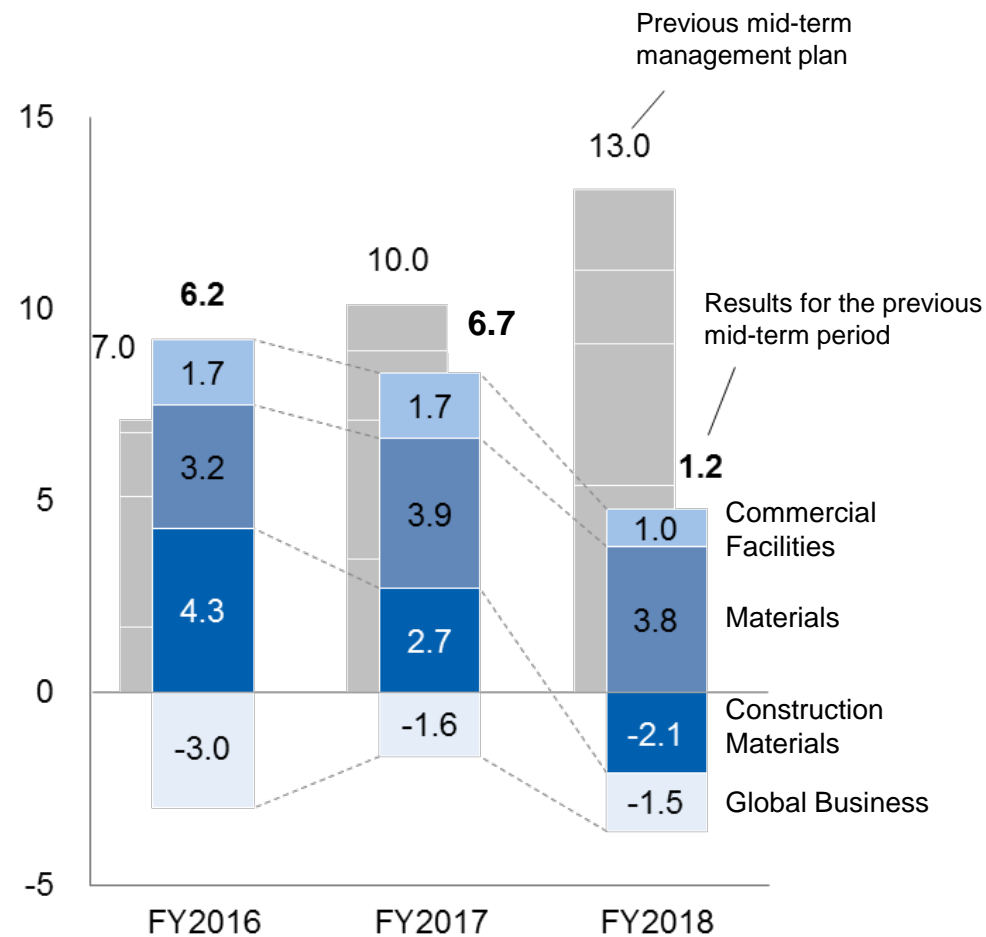
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(Billion JPY)

◆ Sales



◆ Operating income



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

2. Long-term Business Portfolio Target

2-1. Business Environment and Current State of the Group

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Business Environment

Opportunities

- Continued growth of Asian economies and corporate globalization
- Needs for weight reduction and electric vehicles in the transport sector
- Needs for energy conservation
- Investment in labor saving
- Stable demand for remodeling, renovation, store maintenance, infrastructure maintenance and replacement
- Evolution of store production
- Needs for food safety and reassurance

Threats

- Long-term shrinkage of the domestic construction materials market
- Long-term contraction of the retail market and real stores
- Fluctuations in aluminum prices due to U.S. trade policies and geopolitical risks
- Excess supply of extrusions for general-purpose products

Current State of the Group

Strengths

- An aluminum extrusion supplier serving Japan, Europe, ASEAN and China
- A manufacturer with advanced technologies in casting, extrusion, coating and processing to implement integrated production
- Technologies for large extrusions and alloys
- Technological strength in developing environmentally-friendly products
- A network for selling construction materials
- Overall strength in making proposals in the domain of commercial facilities

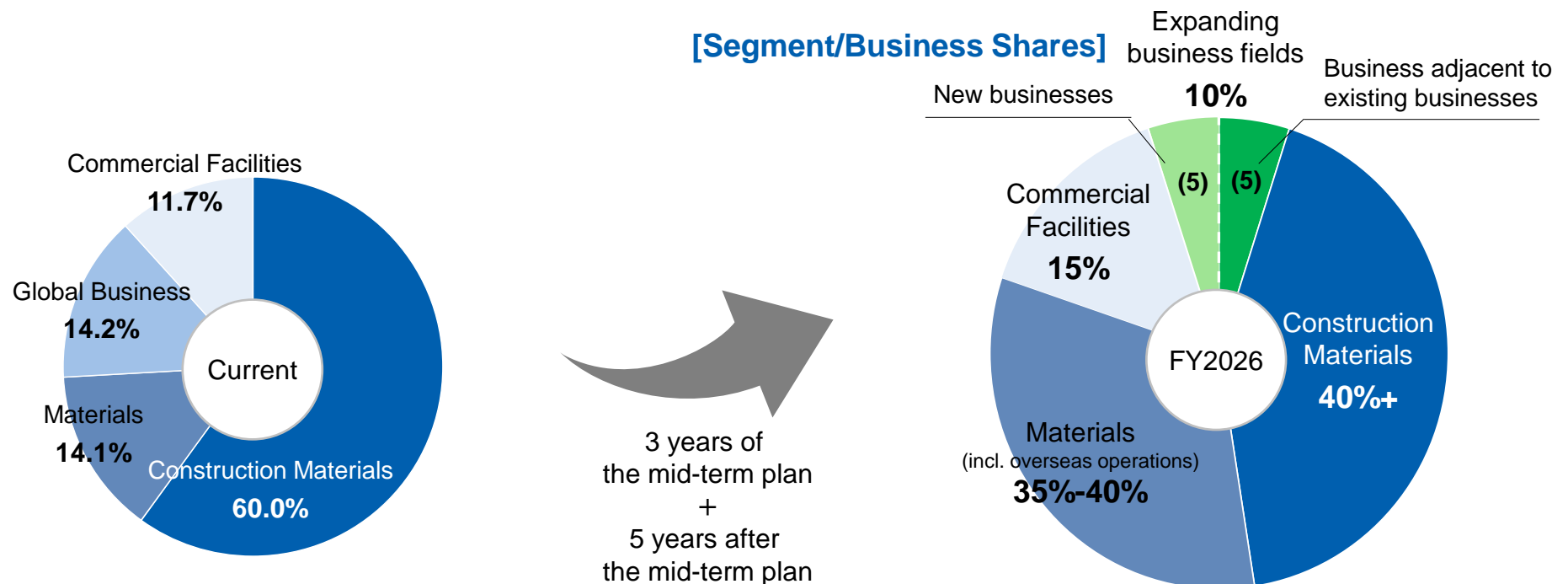
Challenges

- Increase earning power in Construction Materials and in Global Business
- Reform the business portfolio that is susceptible to aluminum market conditions
- Construct foundations and strengthen the structure for expanding growth domains and increasing competitiveness
- Accumulate synergy projects

**Evolve into a company that creates value
in the areas of materials, spaces and services by**



Build a business portfolio for stability and growth



3. Mid-term Management Plan

(June 2018 – May 2021)

3-1. Basic Policies of the Group

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◆ Basic Policies in the Mid-term Management Plan (FY2019 – FY2021)

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

◆ Policies for Individual Segments

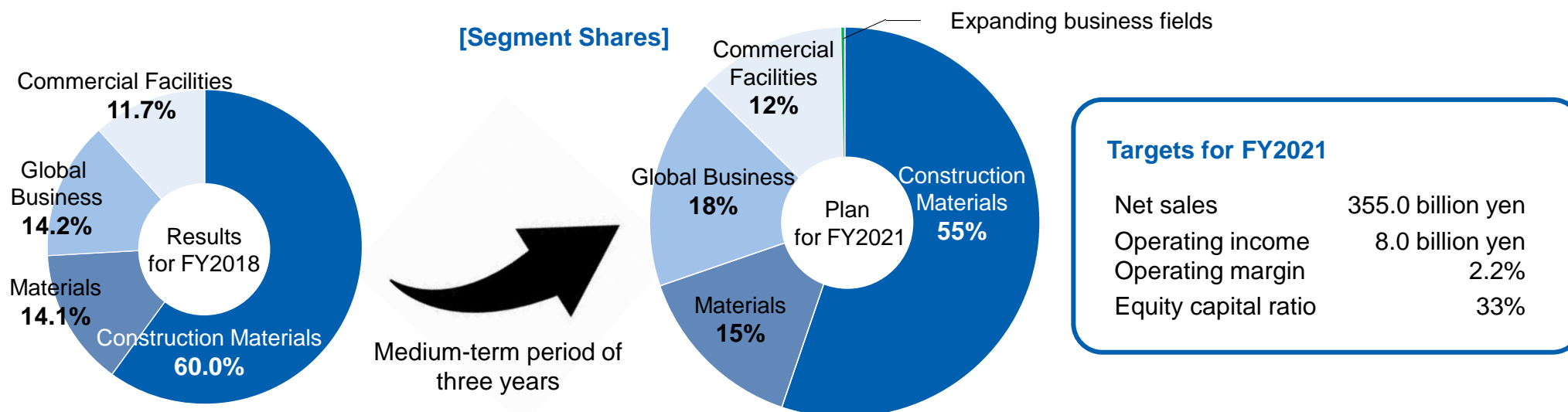
Construction Materials: Develop environmental proposals and differentiation products and cultivate exterior demand. Focus efforts on housing renovations and increase productivity.

Materials: Obtain customers in growing business areas and produce group synergy by capitalizing on expertise in alloys, large extrusions and processing.

Commercial Facilities: Make better proposals in sales activities to implement market expansion strategies and produce synergy with the business taken over.

Global Business: Generate global synergy and increase productivity to contribute rapidly to earnings.

Expansion of fields: Launch business in the domain of plant factories and develop businesses in domains close to existing businesses.



Reform

1. Improve profitability

◆ Improve the efficiency of the construction materials business

- Manufacturing: Improve productivity of extrusion and processing lines.
- Products: Withdraw low frequency products and unprofitable ones and revise prices.

◆ Carry out a resource shift

- Move from domains with low revenue and market shrinkage to highly profitable businesses.

◆ Attain profitability in Global Business

- Ensure a certain level of quantity and increase production efficiency.
- Boost global synergy in preference to others.

◆ Reinforcement domains in the construction materials business

- Expand sales of exterior and interior materials and basic sashes for non-residential buildings, step up housing renovations and enhance differentiation products and heat insulation products.
- Improve distribution by shifting to comprehensive sales.

◆ Conduct enlargement of Materials

- Strengthen domestic-overseas integrated operations to gain customers (in transport and other sectors) in the worldwide market.
- Build closer ties between casting and extrusion plants in the Group for enhancement in large extrusions, technologies, quality, delivery times and cost competitiveness.

◆ Expand the market for Commercial Facilities

- Develop latent needs in commercial spaces into tangible products and services.
- Improve capabilities to serve types of business for small trading areas and to deal with small projects.
- Integrate capabilities to make proposals and procurement networks acquired through business takeover to produce synergy.

◆ Expansion of Domains: Launch business in the domain of plant factories and develop businesses and services in domains close to existing businesses

- Commercialize plant systems for plant factories.
- Develop business that offers composite value based on products, services and others.
- Create business that addresses social issues, such as the environment, recycling, labor saving, aging and building stock, on the basis of the Group's management resources and strengths.

2. Expand growing businesses and global synergies

3. Open up next business domains

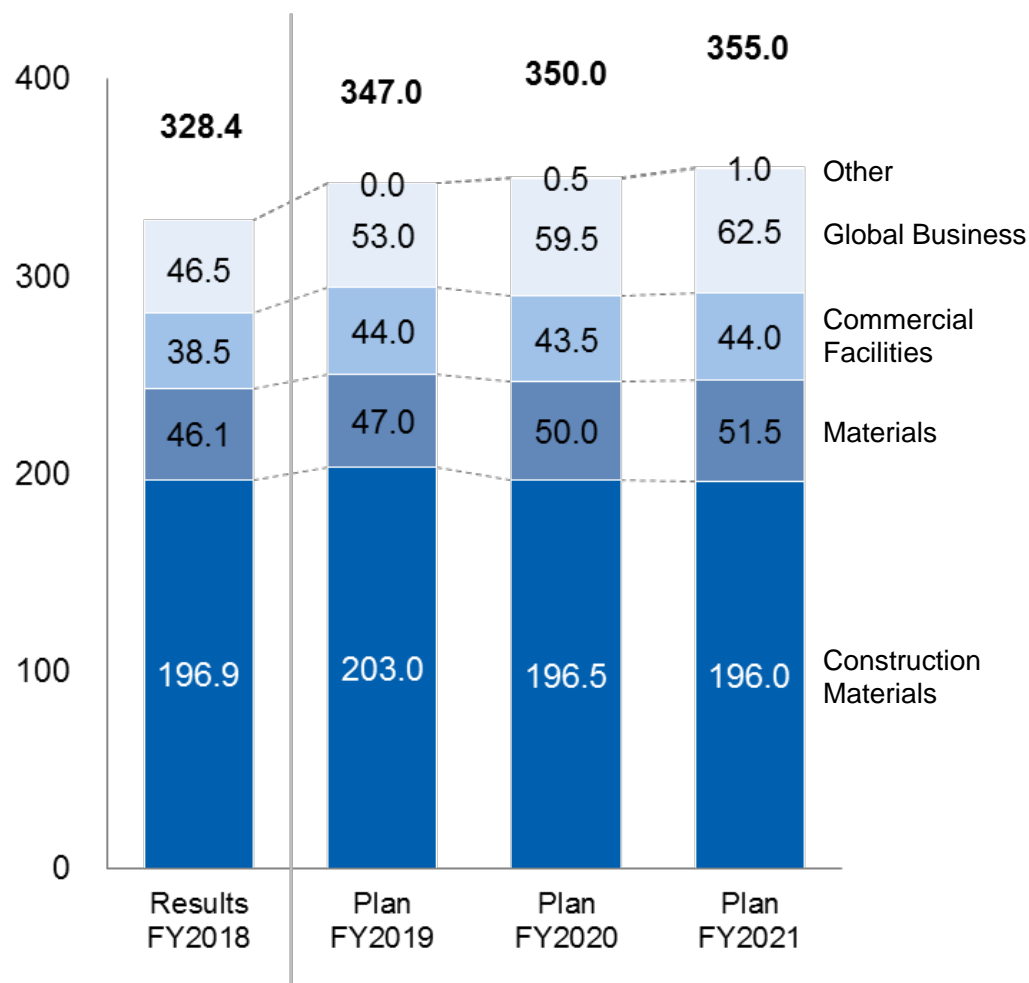
Value Creation

3-2. Sales and Operating Income

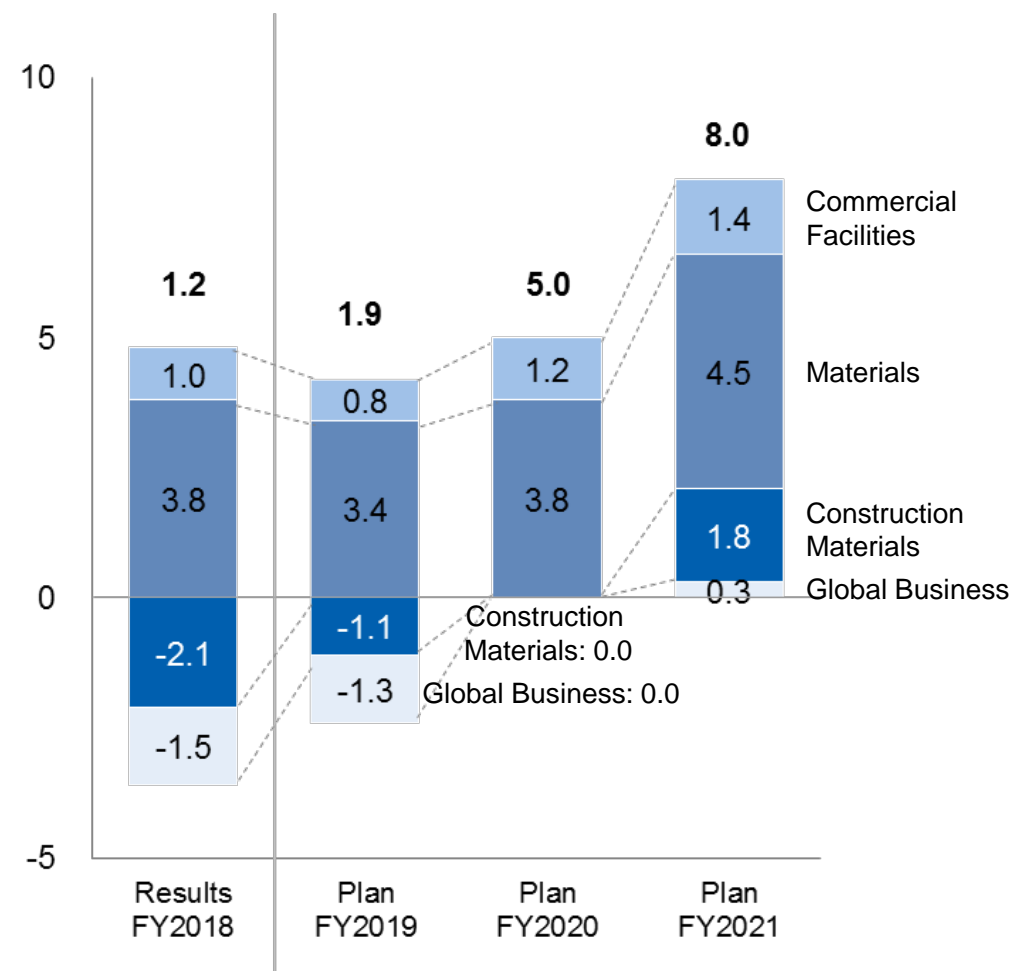
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* Billions of yen (rounded down to the nearest tenth of a billion)

◆ Sales



◆ Operating income



	Results for FY2018	Targets for FY2021
Net sales	328.4 billion yen	355.0 billion yen
Operating income (margin)	1.2 billion yen (0.4%)	8.0 billion yen (2.2%)
Equity capital ratio	30.8%	33% or more
Dividend	15 yen per share	Paying stable dividends in principle while giving consideration to increasing financial results and retained earnings
ROA (on a net income basis)	-0.3%	1.8%
ROE (on a net income basis)	-0.9%	5.4%

[Notes regarding these documents]

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