

VISION2030 and Mid-term Management Plan

July 13, 2021

 **SankyoTateyama, Inc.**

1. Review of Previous Mid-term Management Plan (FY2019–FY2021)

- 1-1. Review and Market Environment
- 1-2. Net Sales, Operating Income, Segment/Business Shares, and Indicators

2. VISION2030

- 2-1. Management Philosophy and Brand Message
- 2-2. Business Environment and Current State of the Group
- 2-3. VISION2030

3. Mid-term Management Plan (FY2022–FY2024)

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- 3-3. Management Indicators

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- 4-2. Market Outlook (Materials Business / Global Business)
- 4-3. Market Outlook (Commercial Facilities)
- 4-4. Policies for Individual Segments



1. Review of Previous Mid-term Management Plan

(FY2019–FY2021)

◆ Review of previous Mid-term Management Plan

Overall	<ul style="list-style-type: none"> Adversely affected by the Covid-19 pandemic, downsized business and stagnated expansion of businesses positioned as growth businesses hampered the progress of the business portfolio reform. Despite the shrinking market, operating income was secured as planned for businesses operated mainly in the domestic market. On the other hand, the deficit expanded for the global business. Overall, only about 50% of the plan was achieved in the final year. Profitability was restored at the level of net income attributable to owners of parent in the final year (first time in 4 fiscal years). 	
Construction Materials	<ul style="list-style-type: none"> Strengthened exterior products, further improved earnings for buildings and housing, and falling aluminum ingot prices contributed to profits. 	Income turned positive from the first year of the Mid-term Plan.
Materials Business	<ul style="list-style-type: none"> Intensifying market competition due primarily to the US-China Trade War and restrained capital investment amid the pandemic exerted a significant impact. 	Target was not met but a certain level of income was secured.
Commercial Facilities	<ul style="list-style-type: none"> Acquisition of projects for labor-saving introduction, optimized SG&A expenses, and cost reductions were successful. 	Income reached a record-high level.
Global Business	<ul style="list-style-type: none"> Decrease in sales volume due to declining demand in key areas against the backdrop of economic downturn in Europe and pandemic affected sales and income. 	The segment continued to record losses.

◆ Market environment

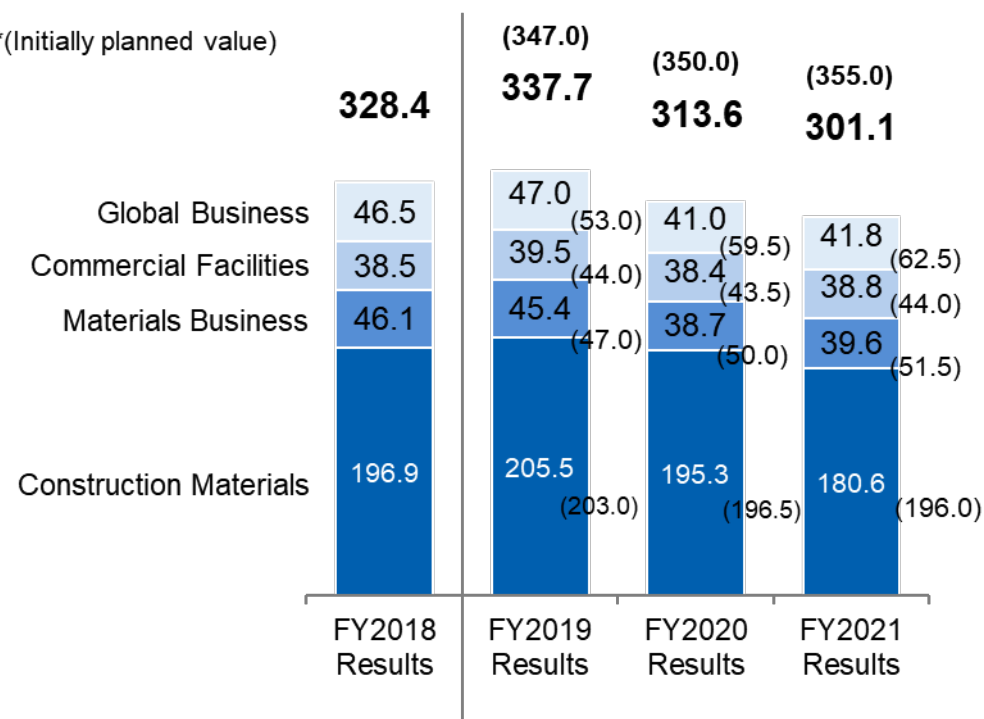
<ul style="list-style-type: none"> Results fell below the initial forecast (as of July 2018) in all the target markets. Aluminum ingot prices were lower than expected. 			
Market environment	Final year of the Mid-term Management Plan: FY 2021		Difference
	Initial forecast	Actual	
New housing starts [Apr.–Mar.]	860 thousand units	812 thousand units	-48 thousand units (-5.6%)
Floor area of non-wooden structure starts [Apr.–Mar.]	71.4 million m ²	64.5 million m ²	-6.9 million m ² (-9.7%)
Aluminum extrusion weight (excl. sashes and doors) [Jun.–May]	373 thousand tons	321 thousand tons	-52 thousand tons (-13.9%)
Aluminum ingot price (Nikkei average) [Jun.–May]	290 yen per kg	261 yen per kg	-29 yen per kg (-10.0%)
Construction starts (commercial buildings) [Apr.–Mar.] *Values of “private property owners”	8,000 units	5,010 units	-2,990 units (-37.4%)
GDP annual growth rate EU / ASEAN / China [Apr.–Mar.]	Around 2% / 5% level / 6% level	EU and ASEAN saw negative growth, and China fell to the 2% level.	

1-2. Net Sales, Operating Income, Segment/Business Shares, and Indicators

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

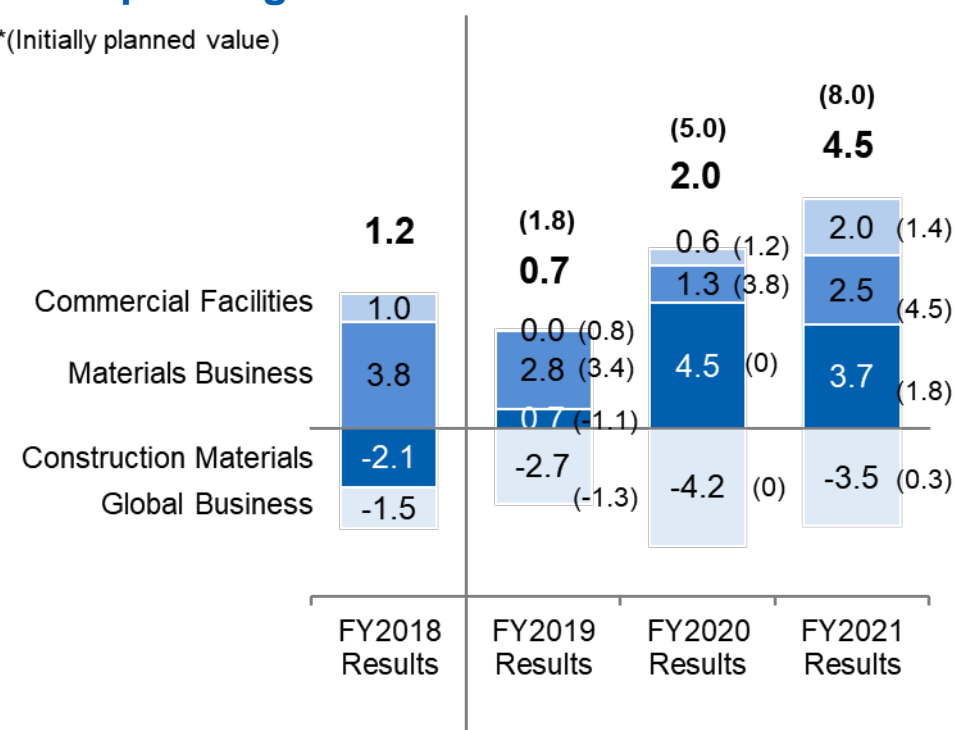
◆ Net sales

*(Initially planned value)

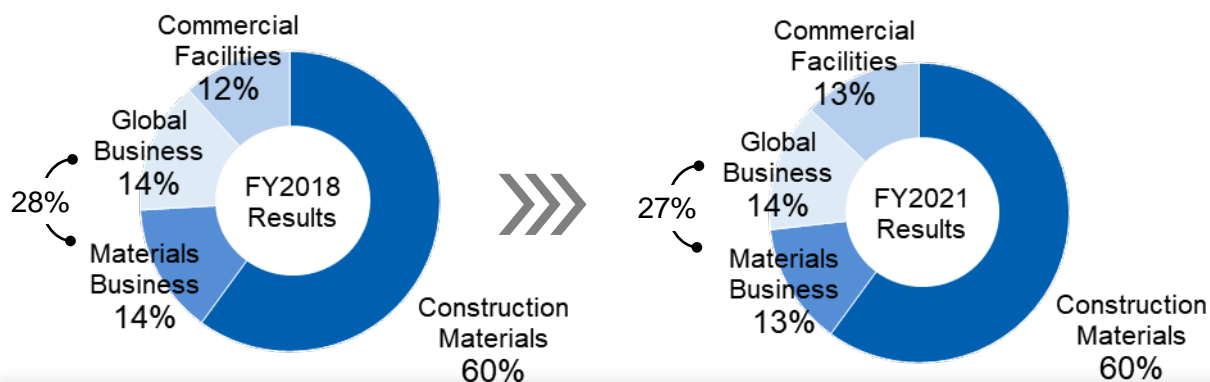


◆ Operating income

*(Initially planned value)



◆ Segment/business shares



◆ Indicators

	FY2021	
	Plan	Results
Capital adequacy ratio	33% or more	32.1%
Dividend	Stable dividends	15 yen per share
ROA (on a net income basis)	1.8%	0.7%
ROE (on a net income basis)	5.4%	2.2%

2. VISION2030

Decorative blue geometric shapes, including triangles and a parallelogram, located in the top right corner of the slide.

**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.

**Brand
Message**

Life with Green Technology
Becoming a company that can offer Life with Environmental Technology

Business environment

Opportunities

- Transition to a decarbonized society and a circular economy (CO₂ reduction, energy saving, eco-friendly building materials, weight reduction in the transportation field, recycled materials, etc.)
- Changes in life and work styles due to the Covid-19 pandemic
- Needs for manpower and labor savings
- Needs for maintenance/replacement of aging social infrastructure, renovation, and store remodeling
- Needs for capital investment in DX, 5G, etc.
- Evolution of store production
- Needs for food safety and reassurance

Threats

- Shrinking construction material market and fewer new openings of brick-and-mortar retail stores
- Shortage and aging of craftsmen
- Rising aluminum ingot, material, and energy prices

Climate change
Decreasing population/
Labor shortage
Maintaining urban life
infrastructure
Market maturity
Diversifying values
Globalization
Digital Transformation

Current State of the Group

Strengths

- Building material/store product design technology, aluminum/magnesium alloying, extrusion and processing technologies
- Construction Materials' distributor network, sales subsidiaries, customers in a wide range of industries for industrial materials, Commercial Facilities' direct sales customers, global customer base in the transportation field
- Global bases in Japan, Europe, ASEAN, and China
- GLOBAL G.A.P. certification, an international standard in the field of agriculture

Challenges

- Increase earning power in Global Business (reform and moving into the black) and accumulate global synergy projects.
- Enhance competitive edge in materials in view of the shrinkage of the domestic market.
- Achieve regrowth of Materials Business and Commercial Facilities in light of changes in the market environment.
- Acquire properties and accumulate experience for the plant factory business, nurture new businesses, develop peripheral fields in existing businesses.

VISION2030
(FY2031)

Contributing to a sustainable and affluent life

Realizing an environmentally friendly, safe, and comfortable society

Diversified management

Toward a well-balanced business portfolio

Phase One to VISION2030

**Basic Policy of
the Mid-term
Management
Plan**
(FY2022–FY2024)

**Establish sound management in
terms of earnings to become a
corporate group with stable growth.**

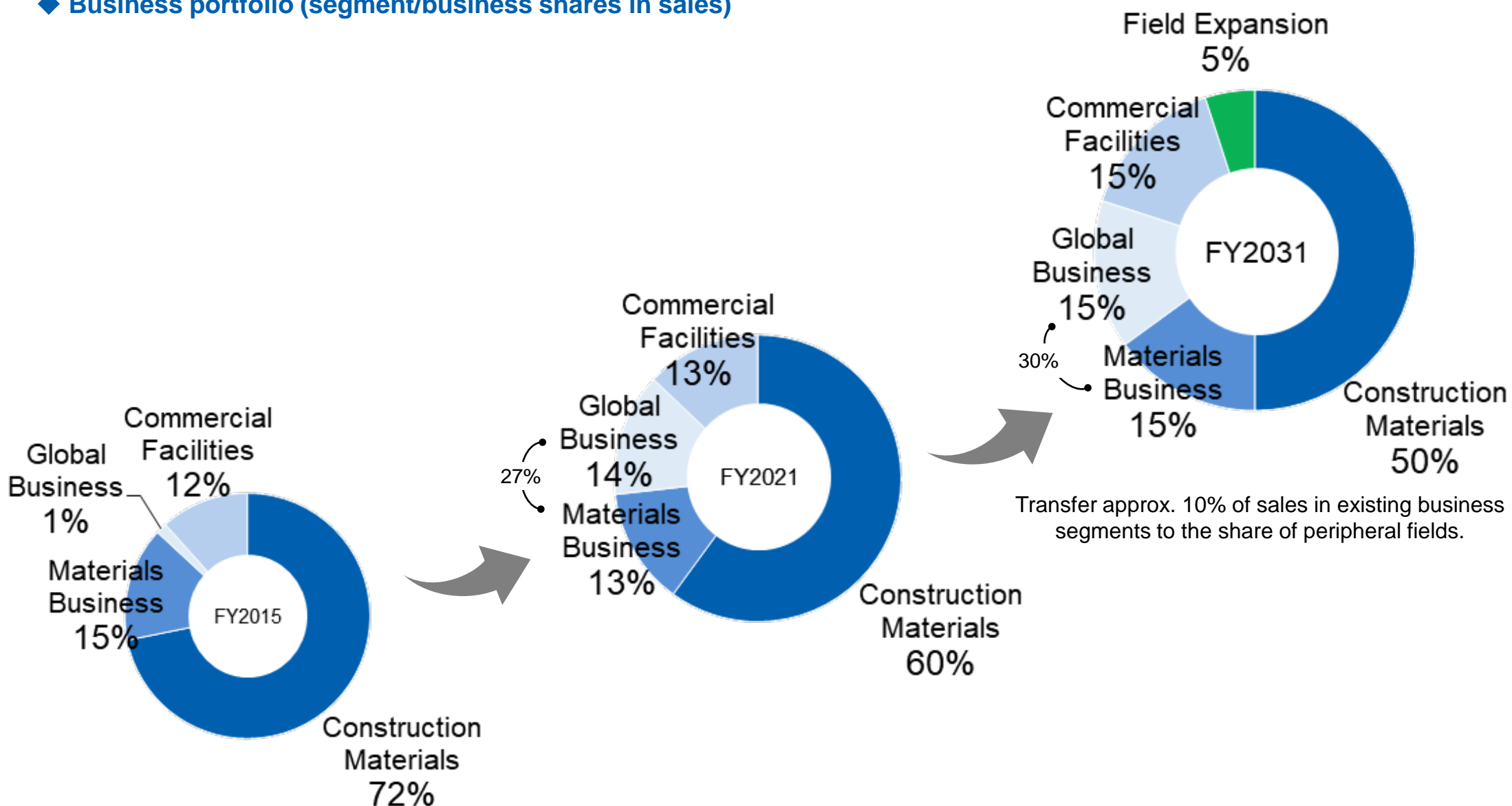
Contributing to a sustainable and affluent life—Realizing an environmentally friendly, safe, and comfortable society



Direction of Business	Construction Materials	Core	Growth and profitability improvement through development of attractive products and expansion of fields
	Materials Business	Growth regression	Sustainable growth by securing stable earnings and expanding growth businesses
	Commercial Facilities		Expansion of fields by strengthening the commercial space business
	Global Business	Structural reform	Transformation into a profit-contributing business
	Field Expansion	Exploration & development	Opening up of new fields to address social issues

Diversified management—Toward a well-balanced business portfolio

◆ Business portfolio (segment/business shares in sales)



3. Mid-term Management Plan

(FY2022–FY2024)



◆ Basic policies of the Mid-term Management Plan (FY2022–FY2024)

Establish sound management in terms of earnings to become a corporate group with stable growth.

- 1. Complete the reform of Global Business.**
- 2. By “focusing on strengths” and “pursuing efficiency,”**
respond to the changing domestic market.
- 3. Prepare for long-term growth.**
“Strengthening of sustainability initiatives”
“Creation of new strengths”
“Field expansion”

Targets for FY2024

Net sales	330 billion yen
Operating income	9.0 billion yen

**Achieve
sound
earnings.**

1. Complete the reform of Global Business.

◆ Stable earnings

- Promote business structural reform such as consolidation of STEP-G functions and increase value added.
- Increase production capacity and expand the market in Thailand to enhance profitability.

2. Respond to the changing domestic market.

◆ Focus on strengths

- Construction Materials: Shift resources to highly profitable business areas.
- Materials Business: Secure volume in existing areas centered on construction materials and expand business through value provision to customers.
- Commercial Facilities: Expand order areas through major customers and strengthen approach to adjacent areas.

◆ Pursuit of efficiency

- Promote business reform and labor saving/automation.
- Create DX-driven new workstyles.

◆ Strengthening of sustainability initiatives

- Advance initiatives related to environmental and social issues.
- In June 2021, the Sustainability Promotion Department and the Sustainability Policy Committee were set up.

◆ Creation of new strengths

- Construction Materials: Strengthen remodeling and reform (rollout of differentiated products, strengthening of construction system, field expansion, etc.)
- Materials Business: Expand the transportation business by establishing superiority, and expand the market by developing replacement needs and applications to meet environmental and recycling needs.
- Commercial Facilities: Create new products in a tangible form, leveraging the strengths and opportunities of direct sales.

◆ Field expansion

- Develop new applications and business expansion by utilizing core technologies.
- Acquire orders by strengthening cooperation with business partners in the plant factory business.
- Promote commercialization by strengthening cooperation with business partners.

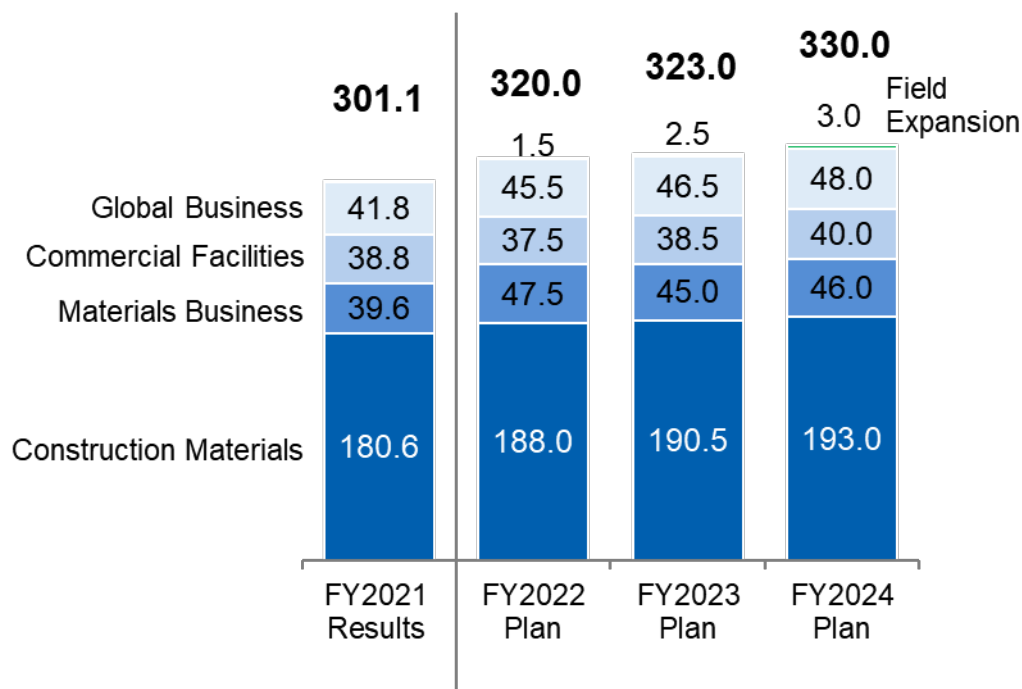
**Establish
a stable
growth
foundation.**

3. Prepare for long-term growth.

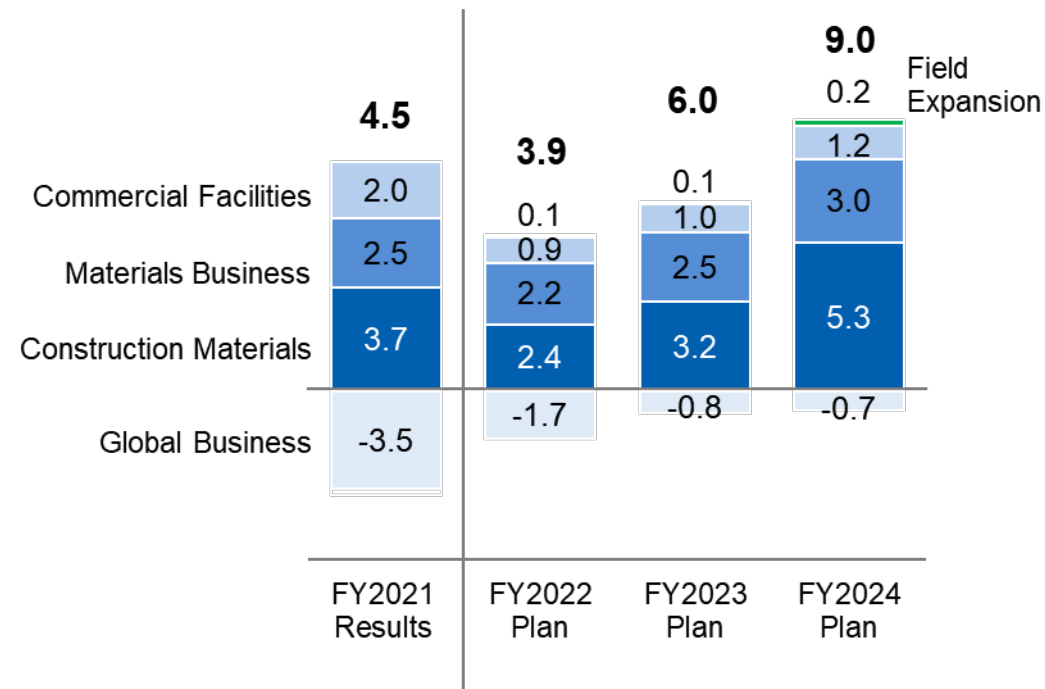
3-2. Net Sales, Operating Income, Segment/Business Shares, and Investment

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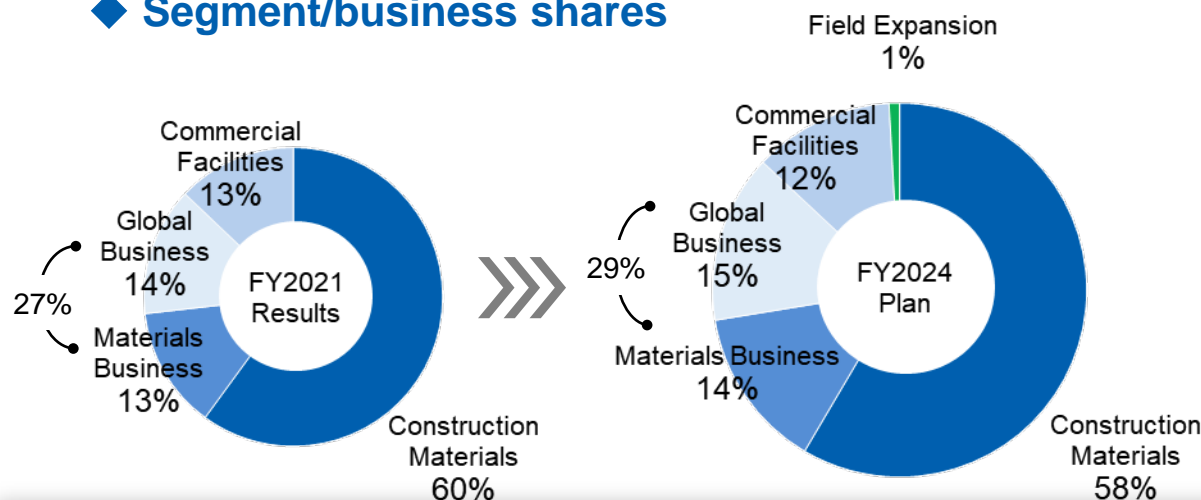
◆ Net sales



◆ Operating income



◆ Segment/business shares



◆ Investment

Classification	Amount	Main objective
Constant investment	22.5 billion yen	Rationalization, renewal (repair/replacement), etc.
Strategic investment/capital injection	13.2 billion yen	Business/capacity expansion, new products, environmental response, automation, etc.
FY2022–FY2024 Total	35.7 billion yen	

	FY2021 Results	FY2024 Targets
Net sales	301.1 billion yen	330 billion yen
Operating income (margin)	4.5 billion yen (1.5%)	9 billion yen (2.7%)
Capital adequacy ratio	32.1%	33% or more
Dividend	15 yen per share	Paying stable dividends in principle while giving consideration to improving financial results and retained earnings
ROA (on a net income basis)	0.7%	1.9%
ROE (on a net income basis)	2.2%	5.9%

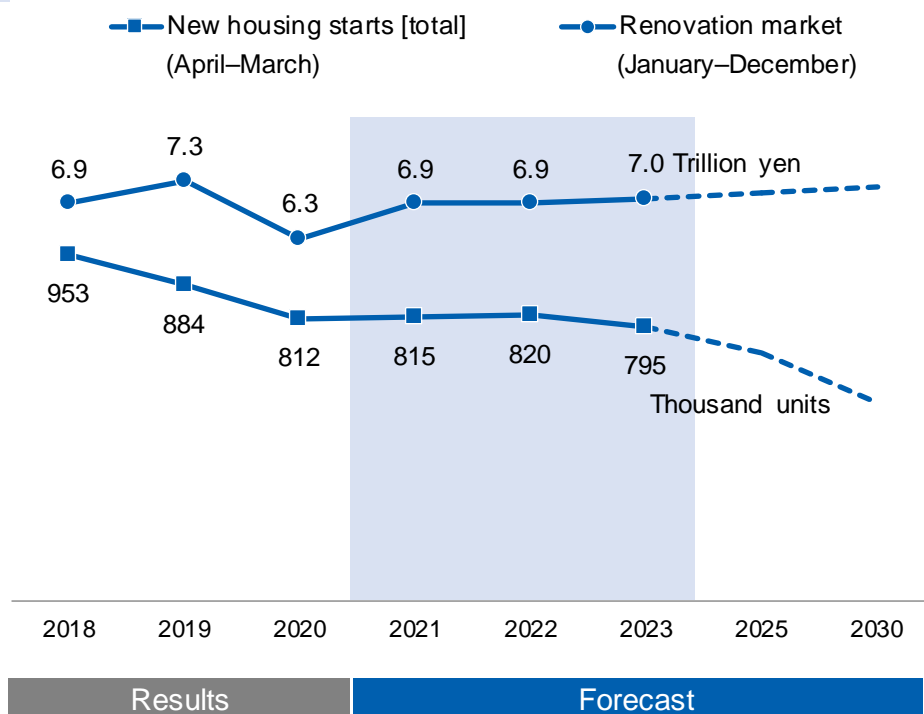
4. Reference

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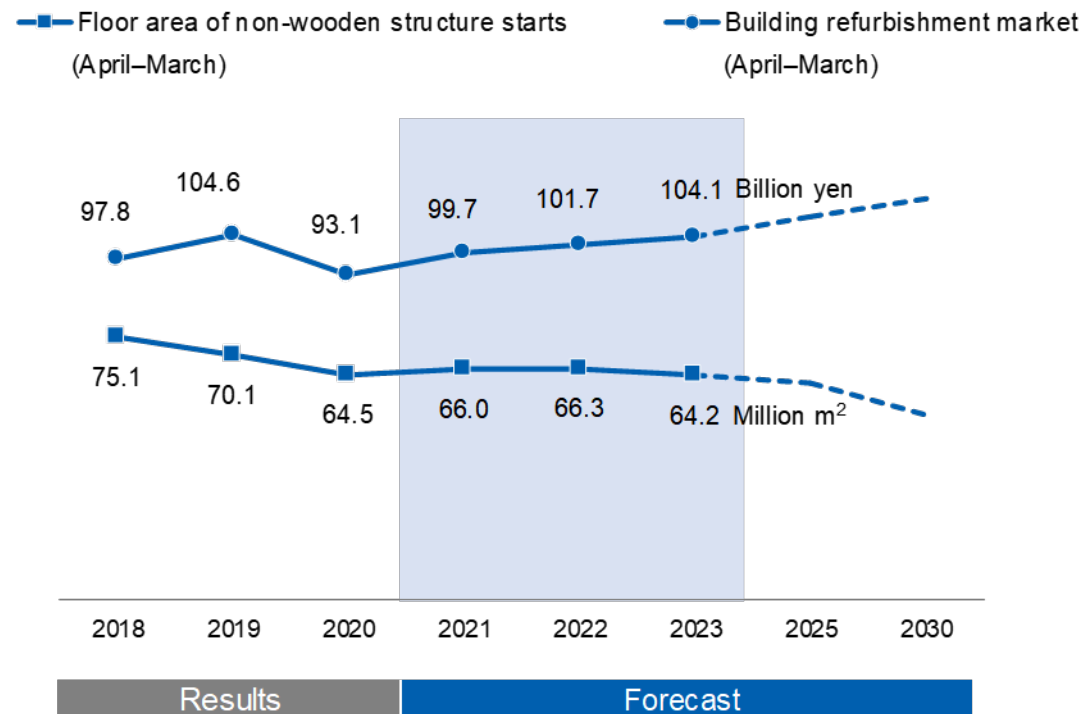
4-1. Market Outlook (Construction Materials)

Market	Overview
New housing starts	<ul style="list-style-type: none"> While recovery from the COVID-19 impact is expected for 2021–2022, the market will shrink in 2023 compared to 2020.
Floor area of non-wooden structure starts	<ul style="list-style-type: none"> The hotel and condominium market will gradually recover, but the office building market will shrink due to workstyle reforms. High heat insulation and environment-friendly products will be preferentially treated as a national CO₂ reduction policy.
Building refurbishment market	<ul style="list-style-type: none"> Slight increase will continue centering on housing renovation.
Renovation market	<ul style="list-style-type: none"> The market has remained flat but will move upward.

... Mid-term Management Plan period



Source: New housing starts [total]: Statistical Survey of Construction Starts by the Ministry of Land, Infrastructure and Tourism
Renovation market: Nomura Research Institute *Figures for FY2020 are estimates as of June 2020.



Source: Floor area of non-wooden structure starts: Statistical Survey of Construction Starts by the Ministry of Land, Infrastructure and Tourism
Building refurbishment market: Japan Building Openings Association

4-2. Market Outlook (Materials Business / Global Business) SankyoTateyama, Inc.

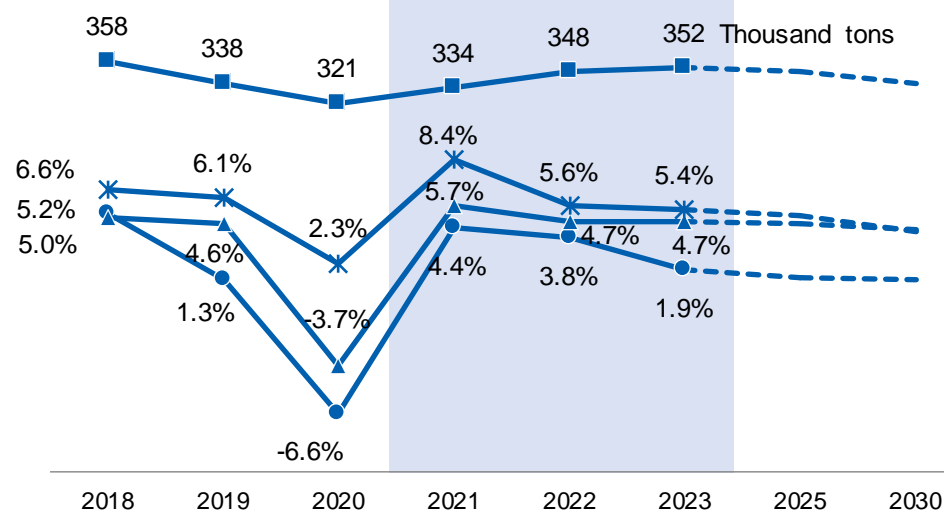
Market	Overview
Domestic Materials	<ul style="list-style-type: none"> Going forward, the domestic aluminum extrusion market will increase but turn downward after 2023. In the transportation field, needs for lighter vehicle bodies will grow against the backdrop of tightening environmental regulations.
Overseas	<ul style="list-style-type: none"> GDP growth rate recovered from the impact of COVID-19 in 2021 in the Eurozone, ASEAN 4, and China. Automobile production (annual average from 2020 to 2025) will increase by 10.4% in Germany, 3.1% in China, and 10.0% in Thailand. Annual production volume of PHEVs and BEVs (annual average from 2019 to 2025) will increase by 33.1% in Europe. The global railway market will grow by annual average of 2.3%, reaching 25 trillion yen in 2025.

●● Mid-term Management Plan period

GDP growth rate (April–March)

Automobile production volume (April–March)

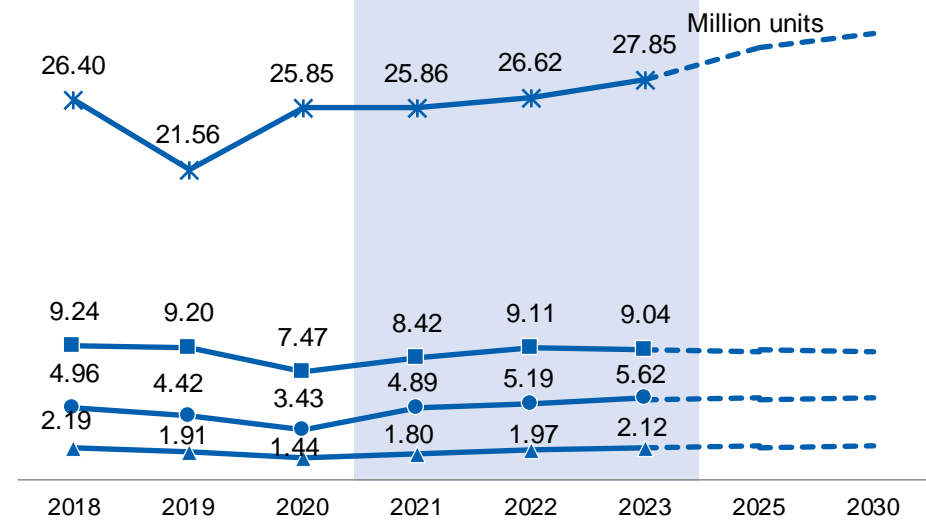
■ Aluminum extrusion weight [excl. sashes and doors] (June–May)
 ● Eurozone
 ▲ ASEAN 4
 ✱ China
 ■ Domestic
 ● Germany
 ▲ Thailand
 ✱ China



Results

Forecast

Source: Aluminum extrusion weight (excl. sashes and doors): Japan Aluminum Association
 GDP growth rate: Eurozone and China = IMF Economic Outlook Database
 ASEAN 4 = NLI Research Institute



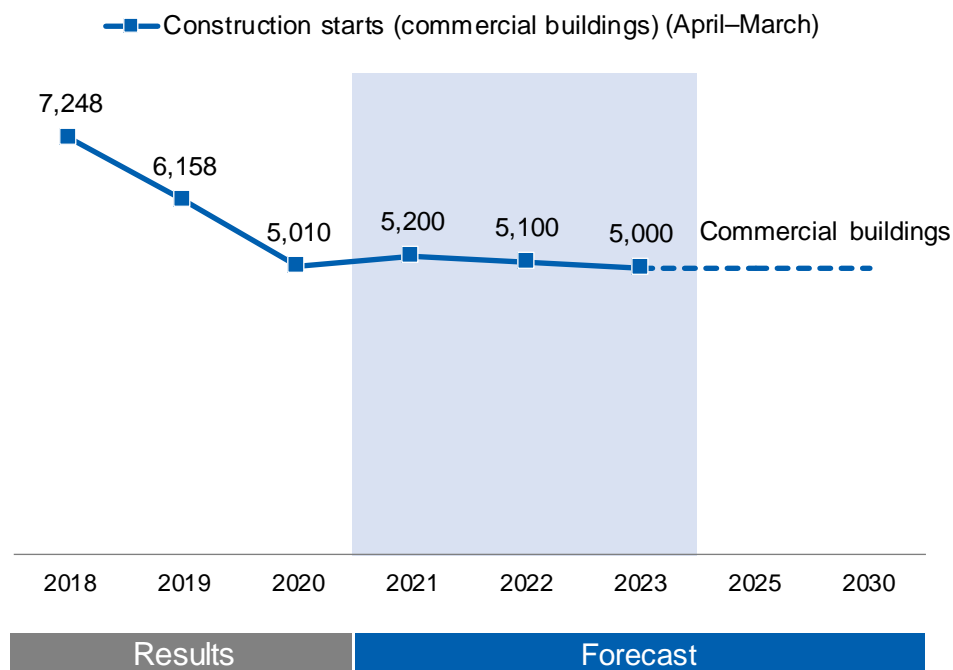
Results

Forecast

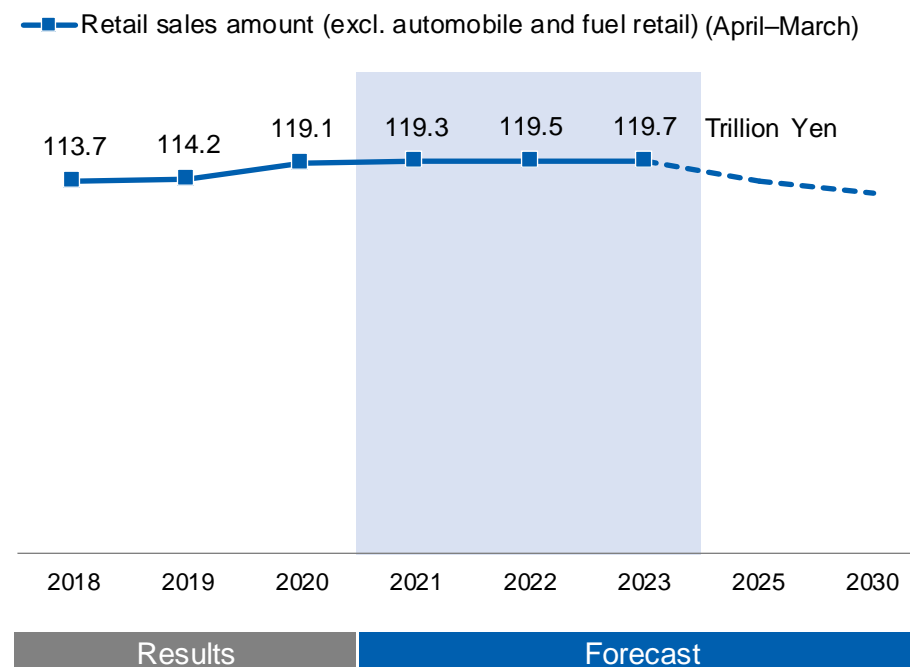
Source: LMC Automotive

Market	Overview
Commercial Facilities	<ul style="list-style-type: none"> The number of construction starts [commercial buildings] is expected to recover from the impact of COVID-19 in 2021 but will be on a downward trend over the medium to long term. The meaning of existence of stores will also change to match the purchasing behavior of consumers with changes in lifestyles triggered by the COVID-19. Increases in integration with online shopping that utilized brick-and-mortar stores and renovations in a manpower-saving or labor-saving way resulting from labor shortages will push forward investment in DX such as unmanned stores at a rapid pace.

●● Mid-term Management Plan period



Source: Statistical Survey of Construction Starts by the Ministry of Land, Infrastructure and Tourism
 *Values of "private property owners"



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

Construction Materials

- Increase product competitiveness by developing “creative products” and “differentiated products.”
- Strengthen business strategy deployment through a wide-area branch system.
- Improve efficiency through production system consolidation and robotization.

Materials Business

- Expand earnings base in existing areas centered on construction materials.
- Expand the growing transportation field.
- Expand by creating new markets.

Commercial Facilities

- Take on the challenge of introducing new products.
- Expand into adjacent areas.
- Expand overseas business.

Global Business

- Stabilize segment earnings by completing reform and achieving profitability of STEP-G and expanding business in Thailand.

Field Expansion

- Expand sales in the plant factory business.
- Explore new businesses and verify commercialization.

[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 by 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 this, 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 of operation, changes in demand trends, intensified price competition for the products and services of the Sankyo Tateyama Group, exchange rates, and price fluctuations of items such as aluminum ingots.

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