

FY2017 Third Quarter consolidated financial result highlights

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Jan 31, 2018
Sanwa Holdings Corporation

I . Overview of Consolidated Financial Results

	FY2016										FY2017										
	3Q		3Q YTD			4Q		Full Year			3Q		3Q YTD			4Q (Forecast)		Full Year (Forecast)			
		Y/Y	(\$108.83 €121.12)	<i>profit ratio</i>	Y/Y		Y/Y	(\$109.44 €120.63)	<i>profit ratio</i>	Y/Y		Y/Y	(\$111.81 €125.24)	<i>profit ratio</i>	Y/Y		Y/Y	Original F (\$110.00 €120.00)	(\$110.00 €125.00)	<i>profit ratio</i>	Y/Y
Net Sales	75,745	-6.5	236,203		-2.4	117,719	-4.8	353,922		-3.2	83,869	10.7	256,995		8.8	128,004	8.7	383,000	385,000		8.8
<small>[assumed forex rate same as the previous year]</small>																					
Sanwa Shutter	33,327	-6.1	108,562		-2.6	67,685	-1.5	176,248		-2.2	34,693	4.1	115,212		6.1	73,787	9.0	189,600	189,000		7.2
Japanese Subsidiaries	6,740	2.8	20,182		3.3	10,315	-8.5	30,497		-1.1	6,796	0.8	21,044		4.3	13,955	35.3	35,600	35,000		14.8
ODC (U.S.A.)	\$247,067	4.7	\$694,223		4.8	\$253,887	2.7	\$948,110		4.2	\$259,837	5.2	\$734,339		5.8	\$270,660	6.6	\$1,008,000	\$1,005,000		6.0
	25,560	-11.0	75,552		-5.6	28,208	-6.0	103,761		-5.7	28,895	13.0	82,106		8.7	28,443	0.8	110,880	110,550		6.5
Novoferm (Europe)	€109,830	19.9	€319,758		16.7	€123,114	-1.4	€442,872		11.0	€123,574	12.5	€371,735		16.3	€128,264	4.2	€494,000	€500,000		12.9
	12,622	1.6	38,729		5.2	14,694	-10.9	53,423		0.2	16,225	28.5	46,556		20.2	15,943	8.5	59,280	62,500		17.0
Operating Income	3,598	-10.5	11,575	4.9	14.9	14,865	-11.5	26,440	7.5	-1.6	4,164	15.7	13,209	5.1	14.1	17,090	15.0	30,300	30,300	7.9	14.6
<small>[assumed forex rate same as the previous year]</small>																					
Sanwa Shutter	891	-49.9	6,071	5.6	-17.7	10,570	-6.4	16,641	9.4	-10.9	1,174	31.8	6,789	5.9	11.8	12,210	15.5	19,000	19,000	10.1	14.2
Japanese Subsidiaries	85	-44.6	391	1.9	-28.4	795	-34.4	1,186	3.9	-32.5	42	-50.1	237	1.1	-39.3	1,652	107.7	2,200	1,890	5.4	59.3
ODC (U.S.A.)	\$23,288	46.9	\$45,526		91.2	\$26,022	-10.1	\$71,548		35.6	\$22,388	-3.9	\$50,009		9.8	\$27,990	7.6	\$78,000	\$78,000		9.0
	2,468	28.6	4,954	6.6	72.1	2,875	-18.0	7,830	7.5	22.7	2,494	1.0	5,591	6.8	12.9	2,988	3.9	8,580	8,580	7.8	9.6
Novoferm (Europe)	€4,785	24.6	€11,869		304.0	€6,264	-34.9	€18,134		44.4	€6,844	43.0	€14,416		21.5	€7,583	21.1	€22,000	€22,000		21.3
	556	8.0	1,437	3.7	264.0	749	-41.6	2,187	4.1	30.3	880	58.1	1,805	3.9	25.6	944	26.0	2,640	2,750	4.4	25.7
Current Income	3,362	-13.6	10,569	4.5	10.9	14,708	-11.5	25,278	7.1	-3.4	4,038	20.1	12,836	5.0	21.4	16,863	14.6	29,700	29,700	7.7	17.5
<small>[assumed forex rate same as the previous year]</small>																					
Sanwa Shutter	943	-48.3	6,201	5.7	-17.4	10,616	-6.4	16,817	9.5	-10.8	1,215	28.8	6,920	6.0	11.6	12,179	14.7	19,100	19,100	10.1	13.6
Japanese Subsidiaries	99	-45.4	435	2.2	-25.8	803	-34.0	1,238	4.1	-31.3	57	-42.3	277	1.3	-36.3	1,662	107.0	2,240	1,940	5.5	56.6
ODC (U.S.A.)	\$22,641	49.5	\$44,094		106.6	\$24,063	-14.8	\$68,157		37.4	\$21,645	-4.4	\$47,825		8.5	\$26,174	8.8	\$73,000	\$74,000		8.6
	2,400	30.9	4,798	6.4	86.0	2,660	-22.3	7,459	7.2	24.2	2,411	0.5	5,347	6.5	11.4	2,792	5.0	8,030	8,140	7.4	9.1
Novoferm (Europe)	€3,942	8.7	€9,953		389.9	€6,095	-32.4	€16,049		45.2	€6,505	65.0	€13,216		32.8	€6,783	11.3	€20,000	€20,000		24.6
	458	-5.9	1,205	3.1	341.5	730	-39.4	1,935	3.6	31.0	835	82.3	1,655	3.6	37.3	844	15.7	2,400	2,500	4.0	29.1
Equity-method affiliates	-53	<+>	-680		<->	113	<+>	-566		<->	-31	<+>	-141		<+>	181	59.2	135	40		<+>
Net income attributable to owners of the parent	2,033	-10.0	6,037	2.6	10.1	11,033	20.7	17,070	4.8	16.7	2,545	25.2	8,271	3.2	37.0	10,928	-0.9	19,200	19,200	5.0	12.5
<small>[assumed forex rate same as the previous year]</small>																					
Sanwa Shutter	621	-45.8	4,204	3.9	-14.8	7,658	-2.8	11,863	6.7	-7.4	807	29.8	4,607	4.0	9.6	8,392	9.6	12,900	13,000	6.9	9.6
Japanese Subsidiaries	48	-47.0	236	1.2	-35.6	613	-26.6	850	2.8	-29.4	39	-19.4	179	0.9	-24.0	1,020	66.3	1,375	1,200	3.4	41.1
ODC (U.S.A.)	\$15,418	56.0	\$29,295		115.2	\$15,016	-12.9	\$44,311		43.6	\$13,766	-10.7	\$30,608		4.5	\$16,391	9.2	\$46,500	\$47,000		6.1
	1,636	36.8	3,188	4.2	93.7	1,661	-20.5	4,849	4.7	29.8	1,533	-6.3	3,422	4.2	7.3	1,747	5.2	5,115	5,170	4.7	6.6
Novoferm (Europe)	€2,142	5.9	€4,088		1,290.5	€4,277	-24.5	€8,365		40.3	€4,359	103.5	€10,761		163.2	€4,238	-0.9	€15,000	€15,000		79.3
	253	-6.6	495	1.3	1,152.9	513	-32.1	1,009	1.9	26.6	565	123.3	1,347	2.9	172.2	527	2.6	1,800	1,875	3.0	85.8
Equity-method affiliates	-53	<+>	-680		<->	113	<+>	-566		<->	-31	<+>	-141		<+>	181	59.2	135	40		<+>

1) The relevant financial periods for each entity are as follows:

Sanwa Shutter & Japanese subsidiaries:

ODC & Novoferm:

Q3YTD

Oct.1 to Dec.31

July.1 to Sep.30

Full Year

Apr.1 to Mar.31 following year

Jan.1 to Dec.31

2) Figures are round off. <+> is for increase, <-> is for decrease from the previous year.

3) Each figure by entities is before consolidation adjustment.

4) Forex rate is term average.

II . Summary of Consolidated Q3 and YTD FY2017 Financial Results

summary

- **Year-To-Date (YTD) 2017 (9 months) consolidated net sales increased vs. same period of 2016 in all areas (Japan, USA, and Europe), and consolidated income increased significantly.**
- **YTD 2017 consolidated net sales and incomes hit record highs.**

Net Sales

- **YTD 2017 consolidated net sales increased by 8.8% or 20.8 billion yen vs. same period of 2016 (if using 2016 currency rate, it would have increased by 7.2% or 17.1 billion yen).**

Japan : Increased by 5.8% vs. YTD Q3 2016. Sanwa Shutter's net sales increased by 6.1%, and its 3Q 2017 net sales increased by 4.1%. Both residential and non-residential were good, especially demands for office building and hotel were strong. By products, three major products (Lightweight shutters increased by 4.6%, Heavy-duty shutters increased by 4.6%, and Hinge doors for commercial buildings increased by 4.4%) sold well. Maintenance & Repair business increased significantly by 11.7% driven by demands for the legal inspection of fire prevention equipment. Partitions (main product of multi-product sales strategy) continued to increase by 6.6%. On the other hand, order intake decreased vs. same period of 2016 due to delay in projects and enhancement of order backlog control. Japanese subsidiaries total (except Sanwa Shutter) increased by 4.3% driven by favorable of Sanwa EX Niigata and Venix. Their Q3 2017 net sales increased slightly by 0.8%.

USA(ODC) : Increased by 5.8% on local currency basis. Its Q3 2017 net sales increased by 5.2% driven by favorable residential markets and strong sales of operators. YTD 2016 net sales for ASD (mainly door sales) increased by 8.4%. Garage doors and Commercial doors continued to strong sales ,increased by 7.8% and 4.7%. Operators increased by 8.2% driven by strong sales at professional-channel and retail. Installation & Services increased by 1.5%. The strong Nation Serve (USA) sales covered Canadian business shortfall in commercial markets. Automatic doors decreased by 3.4% due to slump in USA and UK. Truck doors decreased by 14.0% due to intensified competition.

Europe(NF) : Increased significantly by 16.3% on local currency basis. Even excluding new consolidations (Norsurd and Novoferm UK) of €28.7M, it increased by 7.3%. Hinge doors increased by 4.8% driven by good progress in big projects. Industrial Doors increased by 7.8% driven by favorable Alpha sales. Garage Doors increased by 5.3% driven by the recovery of markets across Europe.

Operating Income

- **YTD 2017 consolidated operating income increased significantly by 14.1% or 1.63 billion yen (if using 2016 currency rate, it would have increased by 12.3% or 1.43 billion yen).**

Japan : Sanwa Shutter increased by 0.72 billion yen driven mainly by sales volume increase. Q3 2017 operating income increased by 0.28 billion yen, showing some efforts of price hike covering the increase of material price. Japanese subsidiaries total (except Sanwa Shutter) decreased by 0.15 billion yen because Sanwa Spindle's income (new consolidation) is concentrated in 4Q.

USA(ODC) : Increased by \$4.5M driven by sales volume increase, effect of sales price increase shifting the material price impact, and improvement in Operators' productivity. Q3 2017 operating income decreased slightly by \$0.9M due to SG&A increase such as advertising expense.

Europe(NF) : Increased by €2.5M driven mainly by sales volume increase including effect of new consolidation. The increase of material costs were shifted to sales price. Q3 2017 operating income increased by €2.1M.

Current Income

- **Consolidated current income increased significantly by 2.27 billion yen.**
Non-operating profit/loss increased by 0.63 billion yen driven by the improvement of profits of equity method affiliates.

Net Income attributable to owners of the parent

- **Net income attributable to owner of the parent increased significantly by 2.23 billion yen.**
Extraordinary profits improved by 0.56 billion yen driven by gains from sale of fixed assets in Europe business.

Forecast of FY2017 Consolidated Net Sales and Operating Income

summary	<p>■ The company maintains its revised forecast announced on October 31, 2017.</p>
Net Sales	<p>■ The company maintains its consolidated net sales forecast of 385 billion yen driven by strong sales in both Japanese and overseas business.</p> <p>Japan : Sanwa Shutter is working to achieve the revised forecast driven by (1) increased number of completed projects and (2) increased sales of Maintenance & Repair business.</p> <p>USA(ODC) : It is expected to achieve the revised forecast since (1) Doors expected to increase driven by continuing favorable residential market condition throughout the year and (2) steady Commercial doors & Operators sales in a trend for increase.</p> <p>Europe(NF) : It is expected to achieve the revised forecast since (1) Hinge doors in project sales are favorable, (2) Garage doors sales will increase driven by the recovery of markets, and (3) Industrial doors sales will increase driven by the favorable performance of Alpha and the number of big project is increase.</p>
Operating Income	<p>■ The company maintains its consolidated operating income forecast of 30.3 billion yen driven by the favorable performance of overseas business.</p> <p>Japan : Sanwa Shutter and other Japanese subsidiaries are working to achieve the revised forecast by continued efforts to increase sales price to cover material price hike and to reduce COGS & SG&A.</p> <p>USA(ODC) : It is expected to reach the revised forecast due to sales price increase to cover the material cost increase and sales volume increase.</p> <p>Europe(NF) : It is expected to reach the revised forecast since NF also passes the increase of material price to sales price and increases sales volume in all segments.</p>

III. Order Intake and Net Sales by products / Sanwa Shutter

JPYm・%

		FY2016								FY2017							
		3Q YTD				Full Year				3Q YTD				Full Year(F)			
		Order Intake'	% to total	Sales	% to total	Order Intake'	% to total	Sales	% to total	Order Intake'	% to total	Sales	% to total	Order Intake'	% to total	Sales	% to total
Rolling Shutters	Lightweight	<-1.4> 21,009'	14.5	<-0.6> 19,878'	18.3	<-1.5> 27,207'	14.1	<-3.2> 26,889'	15.3	<3.1> 21,665'	15.2	<4.6> 20,799'	18.1	<2.8> 27,980'	13.8	<4.4> 28,080'	14.9
	Heavy-duty	<4.5> 27,398'	18.9	<-5.1> 20,011'	18.4	<-1.0> 35,493'	18.4	<-5.0> 33,040'	18.7	<-4.7> 26,112'	18.3	<4.6> 20,936'	18.2	<3.3> 36,680'	18.1	<9.4> 36,150'	19.1
	Sub Total	<1.8> 48,407'	33.4	<-2.9> 39,889'	36.7	<-1.2> 62,700'	32.5	<-4.2> 59,929'	34.0	<-1.3> 47,778'	33.5	<4.6> 41,735'	36.2	<3.1> 64,660'	31.9	<7.2> 64,230'	34.0
Shutter-related Products	Overhead Doors	<5.2> 5,279'	3.6	<10.1> 4,554'	4.2	<5.2> 6,931'	3.6	<5.9> 6,761'	3.8	<-1.4> 5,207'	3.6	<1.1> 4,604'	4.0	<5.6> 7,320'	3.6	<5.7> 7,150'	3.8
	Others	8,819'	6.1	6,709'	6.2	11,637'	6.0	11,145'	6.3	8,617'	6.0	7,057'	6.1	12,510'	6.2	11,630'	6.2
	Sub Total	<0.6> 14,099'	9.7	<3.4> 11,264'	10.4	<-0.8> 18,569'	9.6	<-1.4> 17,906'	10.2	<-1.9> 13,826'	9.7	<3.5> 11,662'	10.1	<6.8> 19,830'	9.8	<4.9> 18,780'	9.9
Doors	Commercial Buildings/ Condominiums	<2.0> 45,788'	31.6	<-5.0> 27,372'	25.2	<3.7> 61,965'	32.1	<-4.5> 51,330'	29.1	<-5.5> 43,273'	30.3	<4.4> 28,565'	24.8	<4.7> 64,890'	32.0	<7.5> 55,160'	29.2
	Residential	<18.7> 3,369'	2.3	<18.4> 3,355'	3.1	<15.9> 4,531'	2.3	<15.9> 4,530'	2.6	<3.4> 3,485'	2.4	<3.6> 3,475'	3.0	<5.9> 4,800'	2.4	<5.9> 4,800'	2.5
	Sub Total	<3.0> 49,157'	33.9	<-2.9> 30,728'	28.3	<4.5> 66,496'	34.5	<-3.1> 55,860'	31.7	<-4.9> 46,758'	32.7	<4.3> 32,041'	27.8	<4.8> 69,690'	34.3	<7.3> 59,960'	31.7
Window-related Products		<4.9> 6,528'	4.5	<4.3> 6,467'	6.0	<5.8> 8,777'	4.6	<5.4> 8,763'	5.0	<4.4> 6,817'	4.8	<4.2> 6,736'	5.8	<4.1> 9,140'	4.5	<4.3> 9,140'	4.8
Exterior Fittings		<6.5> 3,798'	2.6	<2.1> 3,277'	3.0	<5.6> 5,058'	2.6	<3.8> 4,834'	2.7	<0.2> 3,806'	2.7	<10.4> 3,616'	3.1	<4.2> 5,270'	2.6	<9.2> 5,280'	2.8
Others	Partitions	<5.2> 9,944'	6.9	<6.2> 6,852'	6.3	<5.2> 13,126'	6.8	<3.6> 12,309'	7.0	<0.7> 10,018'	7.0	<6.6> 7,301'	6.3	<14.3> 15,000'	7.4	<7.2> 13,200'	7.0
	Stainless-Steel Entrances	<13.7> 5,051'	3.5	<12.1> 3,590'	3.3	<14.7> 7,121'	3.7	<11.4> 6,792'	3.9	<10.7> 5,590'	3.9	<-1.0> 3,556'	3.1	<8.1> 7,700'	3.8	<-5.8> 6,400'	3.4
	Aluminum Fronts	<39.6> 1,777'	1.2	<8.1> 1,182'	1.1	<38.9> 2,376'	1.2	<16.5> 2,013'	1.1	<14.5> 2,035'	1.4	<24.9> 1,476'	1.3	<5.2> 2,500'	1.2	<24.2> 2,500'	1.3
	Automatic door operator	<8.8> 2,281'	1.6	<-0.2> 1,953'	1.8	<9.1> 3,163'	1.6	<3.4> 3,067'	1.7	<4.8> 2,390'	1.7	<4.3> 2,037'	1.8	<10.0> 3,480'	1.7	<5.6> 3,240'	1.7
	Others	3,956'	2.7	3,355'	3.1	5,470'	2.8	4,771'	2.7	3,812'	2.7	5,049'	4.4	5,730'	2.8	6,270'	3.3
	Sub Total	<7.8> 23,011'	15.9	<-7.9> 16,934'	15.6	<8.4> 31,258'	16.2	<0.5> 28,953'	16.4	<3.6> 23,847'	16.7	<14.7> 19,421'	16.9	<10.1> 34,410'	17.0	<9.2> 31,610'	16.7
Total		<3.3> 145,004'	100.0	<-2.6> 108,562'	100.0	<2.7> 192,860'	100.0	<-2.2> 176,248'	100.0	<-1.5> 142,834'	100.0	<6.1> 115,212'	100.0	<5.3> 203,000'	100.0	<7.2> 189,000'	100.0
Commercial Building Materials		<2.3> 92,101'	63.5	<-3.7> 60,418'	55.7	<1.4> 122,255'	63.4	<-4.1> 107,720'	61.1	<-5.6> 86,925'	60.9	<2.7> 62,053'	53.9	<4.0> 127,100'	62.6	<5.5> 113,600'	60.1
Shop-related Materials		<0.2> 17,951'	12.4	<-0.8> 16,238'	15.0	<0.1> 23,184'	12.0	<-3.2> 22,562'	12.8	<2.4> 18,379'	12.9	<5.0> 17,046'	14.8	<0.5> 23,300'	11.5	<3.3> 23,300'	12.3
Residential Housing Materials		<7.7> 14,219'	9.8	<6.2> 13,605'	12.5	<7.3> 19,097'	9.9	<6.5> 18,839'	10.7	<2.4> 14,554'	10.2	<5.0> 14,285'	12.4	<3.6> 19,780'	9.7	<5.0> 19,780'	10.5
Maintenance & Repair		<8.0> 18,175'	12.5	<6.7> 16,440'	15.1	<7.6> 24,806'	12.9	<6.4> 24,368'	13.8	<12.9> 20,512'	14.4	<11.7> 18,368'	15.9	<16.9> 29,000'	14.3	<16.2> 28,320'	15.0
Others		<5.2> 2,556'	1.8	<-54.7> 1,858'	1.7	<9.3> 3,516'	1.8	<-30.7> 2,757'	1.6	<-3.6> 2,462'	1.7	<86.1> 3,459'	3.0	<8.6> 3,820'	1.9	<45.1> 4,000'	2.1
		amount				amount				amount				amount			
Outstanding Order Intake		112,488				95,805				124,602				110,256			
Work-in-process		29,691				15,939				32,392				19,800			

1) < > = % year on year 2) Outstanding Order Intake = Balance of orders taken but not yet sold