

FY2018 Third Quarter consolidated financial result highlights

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Jan 31, 2019
Sanwa Holdings Corporation

I. Overview of Consolidated Financial Results

	FY2017										FY2018										
	3Q		3Q YTD			4Q		Full Year			3Q		3Q YTD			4Q (Forecast)		Full Year (Forecast)			
	Y/Y		(\$111.81 €125.24)	profit ratio	Y/Y	Y/Y		(\$112.04 €127.22)	profit ratio	Y/Y	Y/Y		(\$109.63 €130.62)	profit ratio	Y/Y	Y/Y		Original F (\$105.00 €130.00)	(\$105.00 €130.00)	profit ratio	Y/Y
Net Sales	83,869	10.7	256,995		8.8	128,678	9.3	385,673		9.0	92,950	10.8	276,861		7.7	130,138	1.1	407,000	407,000		5.5
<small>[assumed forex rate same as the previous year]</small>											[92,811]	[10.7]	[276,356]		[7.5]	[136,658]	[6.2]	[413,014]			[7.1]
Sanwa Shutter	34,693	4.1	115,212		6.1	72,175	6.6	187,388		6.3	40,918	17.9	124,124		7.7	72,875	1.0	197,000	197,000		5.1
Japanese Subsidiaries	6,796	0.8	21,044		4.3	11,420	10.7	32,464		6.5	7,849	15.5	22,868		8.7	13,891	21.6	36,760	36,760		13.2
ODC (U.S.A.)	\$259,837	5.2	\$734,339		5.8	\$272,580	7.4	\$1,006,919		6.2	\$268,348	3.3	\$782,300		6.5	\$290,699	6.6	\$1,073,000	\$1,073,000		6.6
	28,895	13.0	82,106		8.7	30,708	8.9	112,815		8.7	29,999	3.8	85,763		4.5	26,901	-12.4	112,665	112,665		-0.1
Novoferm (Europe)	€123,574	12.5	€371,735		16.3	€138,899	12.8	€510,634		15.3	€134,566	8.9	€410,871		10.5	€143,128	3.0	€554,000	€554,000		8.5
	16,225	28.5	46,556		20.2	18,406	25.3	64,962		21.6	17,568	8.3	53,668		15.3	18,351	-0.3	72,020	72,020		10.9
Operating Income	4,164	15.7	13,209	5.1	14.1	15,112	1.7	28,322	7.3	7.1	5,680	36.4	15,421	5.6	16.7	16,078	6.4	31,500	31,500	7.7	11.2
<small>[assumed forex rate same as the previous year]</small>											[5,680]	[36.4]	[15,436]		[16.9]	[16,591]	[9.8]	[32,028]			[13.1]
Sanwa Shutter	1,174	31.8	6,789	5.9	11.8	10,315	-2.4	17,104	9.1	2.8	2,515	114.2	7,951	6.4	17.1	11,548	12.0	19,500	19,500	9.9	14.0
Japanese Subsidiaries	42	-50.1	237	1.1	-39.3	923	16.1	1,161	3.6	-2.1	241	467.7	259	1.1	9.4	1,240	34.3	1,500	1,500	4.1	29.2
ODC (U.S.A.)	\$22,388	-3.9	\$50,009		9.8	\$28,338	8.9	\$78,348		9.5	\$19,543	-12.7	\$51,667		3.3	\$34,332	21.2	\$86,000	\$86,000		9.8
	2,494	1.0	5,591	6.8	12.9	3,186	10.8	8,778	7.8	12.1	2,178	-12.6	5,664	6.6	1.3	3,365	5.6	9,030	9,030	8.0	2.9
Novoferm (Europe)	€6,844	43.0	€14,416		21.5	€8,270	32.0	€22,686		25.1	€7,931	15.9	€18,067		25.3	€9,932	20.1	€28,000	€28,000		23.4
	880	58.1	1,805	3.9	25.6	1,080	44.1	2,886	4.4	31.9	1,035	17.7	2,360	4.4	30.7	1,279	18.4	3,640	3,640	5.1	26.1
Current Income	4,038	20.1	12,836	5.0	21.4	15,061	2.4	27,898	7.2	10.4	5,659	40.1	14,908	5.4	16.1	16,091	6.8	31,000	31,000	7.6	11.1
<small>[assumed forex rate same as the previous year]</small>											[5,658]	[40.1]	[14,921]		[16.2]	[16,574]	[10.0]	[31,495]			[12.9]
Sanwa Shutter	1,215	28.8	6,920	6.0	11.6	10,365	-2.4	17,286	9.2	2.8	2,582	112.5	8,156	6.6	17.9	11,493	10.9	19,650	19,650	10.0	13.7
Japanese Subsidiaries	57	-42.3	277	1.3	-36.3	941	17.2	1,219	3.8	-1.6	254	344.6	315	1.4	13.9	1,224	30.0	1,540	1,540	4.2	26.3
ODC (U.S.A.)	\$21,645	-4.4	\$47,825		8.5	\$27,507	14.3	\$75,333		10.5	\$18,710	-13.6	\$48,828		2.1	\$32,171	17.0	\$81,000	\$81,000		7.5
	2,411	0.5	5,347	6.5	11.4	3,092	16.3	8,440	7.5	13.2	2,085	-13.5	5,353	6.2	0.1	3,151	1.9	8,505	8,505	7.5	0.8
Novoferm (Europe)	€6,505	65.0	€13,216		32.8	€7,863	29.0	€21,079		31.3	€7,786	19.7	€17,347		31.3	€9,652	22.8	€27,000	€27,000		28.1
	835	82.3	1,655	3.6	37.3	1,026	40.5	2,681	4.1	38.5	1,016	21.8	2,265	4.2	36.9	1,244	21.2	3,510	3,510	4.9	30.9
Equity-method affiliates	-31	<+>	-141		<+>	130	15.0	-10	<+>		13	<+>	-339		<->	-28	<->	140	-368		<->
Net income attributable to owners of the parent	2,545	25.2	8,271	3.2	37.0	10,009	-9.3	18,280	4.7	7.1	4,093	60.8	10,026	3.6	21.2	10,573	5.6	20,600	20,600	5.1	12.7
<small>[assumed forex rate same as the previous year]</small>											[4,095]	[60.9]	[10,040]		[21.4]	[10,943]	[9.3]	[20,982]			[14.8]
Sanwa Shutter	807	29.8	4,607	4.0	9.6	7,259	-5.2	11,867	6.3	0.0	1,714	112.4	5,397	4.3	17.1	7,962	9.7	13,360	13,360	6.8	12.6
Japanese Subsidiaries	39	-19.4	179	0.9	-24.0	603	-1.7	783	2.4	-7.9	147	274.7	138	0.6	-22.9	781	29.5	920	920	2.5	17.5
ODC (U.S.A.)	\$13,766	-10.7	\$30,608		4.5	\$14,695	-2.1	\$45,303		2.2	\$15,458	12.3	\$36,945		20.7	\$24,054	63.7	\$61,000	\$61,000		34.6
	1,533	-6.3	3,422	4.2	7.3	1,653	-0.5	5,075	4.5	4.7	1,719	12.1	4,050	4.7	18.3	2,354	42.4	6,405	6,405	5.7	26.2
Novoferm (Europe)	€4,359	103.5	€10,761		163.2	€5,624	31.5	€16,385		95.9	€5,906	35.5	€12,449		15.7	€4,550	-19.1	€17,000	€17,000		3.7
	565	123.3	1,347	2.9	172.2	736	43.4	2,084	3.2	106.6	771	36.4	1,626	3.0	20.7	583	-20.8	2,210	2,210	3.1	6.0
Equity-method affiliates	-31	<+>	-141		<+>	130	15.0	-10	<+>		13	<+>	-339		<->	-28	<->	140	-368		<->

1) The relevant financial periods for each entity are as follows:
 Sanwa Shutter & Japanese subsidiaries:
 ODC & Novoferm:

3Q
 Oct.1 to Dec.31
 Jul.1 to Sep.30

3QYD
 Apr.1 to Dec.31
 Jan.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) Figures by entities are before consolidation adjustment and do not add up to total.
 4) Forex rate is term average.

II . Summary of Consolidated Q3 and YTD FY2018 Financial Results

summary	<p>■ Year-To-Date (YTD) 2018 (9 months) consolidated net sales increased vs. same period of 2017 in all areas (Japan, USA, and Europe), and consolidated income increased significantly since Sanwa Shutter and Europe business have been in good performance.</p> <p>■ YTD 2018 consolidated net sales and incomes hit record highs.</p>
Net Sales	<p>■ YTD 2018 consolidated net sales increased by 7.7% or 19.9 billion yen vs. same period of 2017 (if using 2017 currency rate, it would have increased by 7.5% or 19.4 billion yen).</p> <p>Japan : Increased by 7.9% vs. YTD Q3 2017. Sanwa Shutter's net sales increased by 7.7%, and its 3Q 2018 net sales increased significantly by 17.9%. Both residential and non-residential were good. In particular, the demands for office building, hotel, and warehouse were strong. The three major products were strong (Lightweight shutters increased by 11.6%, Heavy-duty shutters increased by 13.3%, and Hinge doors for commercial buildings and condominiums increased by 7.8%). Maintenance & Repair business increased significantly by 16.4% driven by the strong legal inspection demands. Partitions (main product of multi-product sales strategy) decreased by 7.2% due to intensified competition. Order intake increased by 4.9%, and by 11.4% for 3Q alone driven by the increase in the demands of shutters for factory and warehouse. Japanese subsidiaries total (except Sanwa Shutter) net sales increased by 8.7% driven by Okinawa Sanwa and Sanwa Tajima, and their Q3 2018 net sales increased significantly by 15.5%.</p> <p>USA(ODC) : Increased by 6.5% on local currency basis. Its Q3 2018 net sales increased by 3.3% driven by strong sales of Garage doors and Operators. YTD 2018 net sales for ASD (mainly door sales) increased. Garage doors by 10.2% and Commercial doors by 5.4%. Operators continued strong at both professional and retail channel. Installation & services increased by 1.3%. Automatic doors increased by 6.9% driven by the favorable USA market. Truck doors decreased by 9.9% due to intensified competition.</p> <p>Europe(NF) : Increased significantly by 10.5% on local currency basis. Hinge doors increased by 7.3% driven by high demand for big projects. Industrial doors increased by 9.5%, partly supported by acquisition of Bolton Gate Service. Garage doors increased by 4.9% driven by the continued recovery of markets.</p>
Operating Income	<p>■ YTD 2018 consolidated operating income increased significantly by 16.7% or 2.21 billion yen (if using 2017 currency rate, it would have increased by 16.9% or 2.23 billion yen).</p> <p>Japan : Sanwa Shutter increased by 1.16 billion yen. The sales volume effect and selling price increase to offset material costs increase were good, but cost increase in installation was not fully offset. Japanese subsidiaries total (except Sanwa Shutter) increased by 0.02 billion yen driven by Sanwa Tajima and Okinawa Sanwa Shutter despite the slow recovery of Sanwa System Wall.</p> <p>USA(ODC) : Increased by \$1.7M driven by the improvement of productivity in operator business and the material cost increases being passed on the selling prices. Q3 2018 operating income decreased by \$2.8M as ERP renewal cost was more than expected.</p> <p>Europe(NF) : Increased by €3.7M driven by the increase of sales volume. Its increases in material costs were passed on to the selling prices. Q3 2018 operating income increased by €1.1M.</p>
Current Income	<p>■ Consolidated current income increased significantly by 2.07 billion yen.</p> <p>Non-operating profit decreased by 0.14 billion yen due to equity method results.</p>
Net Income attributable to owners of the parent	<p>■ Net income attributable to owner of the parent increased significantly by 1.76 billion yen.</p> <p>Extraordinary profits decreased by 0.31 billion yen due to non-recurring gain of fixed assets sales in Europe in FY2017.</p>

Forecast of FY2018 Consolidated Net Sales and Operating Income

summary	<p>■ The company maintains its original forecast announced on May 14, 2018.</p>
Net Sales	<p>■ Maintains its original forecast of 407 billion yen considering the strong sales in both Japanese and overseas business so far.</p> <p>Japan : Sanwa Shutter is expected to reach the original forecast driven by the completion of big projects and the strong sales in Maintenance & repair business.</p> <p>USA(ODC) : ODC is working to achieve the forecast. Doors is supported by the steady residential market and Industrial doors & Operators continue to be favorable.</p> <p>Europe(NF) : NF is expected to reach the forecast. Hinge doors in big project sales are favorable, Garage doors sales will increase driven by the recovery of markets, and Industrial doors sales will increase driven by new consolidation in U.K. (Bolton Gate Services) and the increases of products of Alpha.</p>
Operating Income	<p>■ Maintains its original forecast of 31.5 billion yen, since YTD2018 reached our plan.</p> <p>Japan : Sanwa Shutter is expected to reach the forecast driven by sales volume increase, selling price increase for material costs, and cutting operating costs.</p> <p>USA(ODC) : ODC is working to achieve the forecast. Selling price increase could catch up the rapid material costs increases, despite the temporary costs increase by ERP renewal.</p> <p>Europe(NF) : NF is expected to achieve the forecast for sales volume effects mainly in Industrial doors and selling price increase to offset material costs increase.</p>

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

JPYm・%

		FY2017								FY2018							
		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	<3.1> 21,665	15.2	<4.6> 20,799	18.1	<3.5> 28,148	15.0	<5.0> 28,242	15.1	<14.4> 24,788	16.5	<11.6> 23,201	18.7	<8.7> 30,600	14.9	<5.9> 29,900	15.2
	Heavy-duty	<-4.7> 26,112	18.3	<4.6> 20,936	18.2	<-0.1> 35,464	18.9	<6.8> 35,286	18.8	<16.6> 30,446	20.3	<13.3> 23,722	19.1	<15.0> 40,800	19.9	<11.1> 39,200	19.9
	Sub Total	<-1.3> 47,778	33.5	<4.6> 41,735	36.2	<1.5> 63,612	33.9	<6.0> 63,529	33.9	<15.6> 55,234	36.9	<12.4> 46,924	37.8	<12.2> 71,400	34.8	<8.8> 69,100	35.1
Shutter-related Products	Overhead Doors	<-1.4> 5,207	3.6	<1.1> 4,604	4.0	<-1.0> 6,859	3.7	<1.6> 6,868	3.7	<4.0> 5,415	3.6	<4.8> 4,824	3.9	<7.9> 7,400	3.6	<4.8> 7,200	3.7
	Others	8,617	6.0	7,057	6.1	11,867	6.3	11,714	6.3	10,622	7.1	8,072	6.5	13,900	6.8	12,900	6.5
	Sub Total	<-1.9> 13,826	9.7	<3.5> 11,662	10.1	<0.8> 18,726	10.0	<3.8> 18,583	9.9	<16.0> 16,039	10.7	<10.6> 12,896	10.4	<13.7> 21,300	10.4	<8.2> 20,100	10.2
Doors	Commercial Buildings/ Condominiums	<-5.5> 43,273	30.3	<4.4> 28,565	24.8	<-10.5> 55,447	29.6	<6.4> 54,604	29.1	<-9.3> 39,244	26.2	<7.8> 30,782	24.8	<3.5> 57,400	28.0	<3.1> 56,300	28.6
	Residential	<3.4> 3,485	2.4	<3.6> 3,475	3.0	<4.5> 4,733	2.5	<4.5> 4,732	2.5	<-1.2> 3,444	2.3	<-3.8> 3,344	2.7	<-7.1> 4,400	2.1	<-9.1> 4,300	2.2
	Sub Total	<-4.9> 46,758	32.7	<4.3> 32,041	27.8	<-9.5> 60,181	32.1	<6.2> 59,336	31.7	<-8.7> 42,688	28.5	<6.5> 34,126	27.5	<2.7> 61,800	30.1	<2.1> 60,600	30.8
Window-related Products		<4.4> 6,817	4.8	<4.2> 6,736	5.8	<3.4> 9,073	4.8	<3.5> 9,068	4.8	<4.8> 7,143	4.8	<1.8> 6,855	5.5	<2.5> 9,300	4.5	<1.4> 9,200	4.7
Exterior Fittings		<0.2> 3,806	2.7	<10.4> 3,616	3.1	<-3.6> 4,875	2.6	<5.5> 5,098	2.7	<-16.3> 3,185	2.1	<-12.7> 3,157	2.5	<-1.5> 4,800	2.3	<-1.9> 5,000	2.5
Others	Partitions	<0.7> 10,018	7.0	<6.6> 7,301	6.3	<-4.8> 12,501	6.7	<6.8> 13,150	7.0	<-0.3> 9,987	6.7	<-7.2> 6,778	5.5	<17.6> 14,700	7.2	<1.9> 13,400	6.8
	Stainless-Steel Entrances	<10.7> 5,590	3.9	<-1.0> 3,556	3.1	<8.6> 7,734	4.1	<4.1> 7,068	3.8	<35.4> 7,570	5.1	<46.5> 5,210	4.2	<26.7> 9,800	4.8	<18.8> 8,400	4.3
	Aluminum Fronts	<14.5> 2,035	1.4	<24.9> 1,476	1.3	<8.9> 2,587	1.4	<26.7> 2,550	1.4	<-5.4> 1,925	1.3	<18.9> 1,755	1.4	<12.1> 2,900	1.4	<9.8> 2,800	1.4
	Automatic door operator	<4.8> 2,390	1.7	<4.3> 2,037	1.8	<2.3> 3,234	1.7	<3.8> 3,182	1.7	<-0.9> 2,368	1.6	<5.0> 2,140	1.7	<5.1> 3,400	1.7	<6.8> 3,400	1.7
	Others	3,812	2.7	5,049	4.4	4,914	2.6	5,819	3.1	3,700	2.5	4,277	3.4	5,600	2.7	5,000	2.5
	Sub Total	<3.6> 23,847	16.7	<14.7> 19,421	16.9	<-0.9> 30,972	16.5	<9.7> 31,771	17.0	<7.1> 25,552	17.1	<3.8> 20,162	16.2	<17.5> 36,400	17.8	<3.9> 33,000	16.8
Total		<-1.5> 142,834	100.0	<6.1> 115,212	100.0	<-2.8> 187,443	100.0	<6.3> 187,388	100.0	<4.9> 149,843	100.0	<7.7> 124,124	100.0	<9.4> 205,000	100.0	<5.1> 197,000	100.0
Commercial Building Materials		<-5.6> 86,925	60.9	<2.7> 62,053	53.9	<-7.2> 113,408	60.5	<4.7> 112,763	60.2	<2.5> 89,095	59.5	<7.5> 66,702	53.7	<10.0> 124,700	60.8	<4.2> 117,500	59.6
Shop-related Materials		<2.4> 18,379	12.9	<5.0> 17,046	14.8	<2.3> 23,713	12.7	<5.3> 23,756	12.7	<11.1> 20,413	13.6	<11.0> 18,918	15.2	<7.1> 25,400	12.4	<4.0> 24,700	12.5
Residential Housing Materials		<2.4> 14,554	10.2	<5.0> 14,285	12.4	<0.8> 19,258	10.3	<3.5> 19,495	10.4	<-3.0> 14,113	9.4	<-4.3> 13,666	11.0	<-1.9> 18,900	9.2	<-3.6> 18,800	9.5
Maintenance & Repair		<12.9> 20,512	14.4	<11.7> 18,368	15.9	<11.9> 27,769	14.8	<12.1> 27,307	14.6	<16.4> 23,882	15.9	<16.4> 21,387	17.2	<17.0> 32,500	15.9	<17.6> 32,100	16.3
Others		<-3.6> 2,462	1.7	<86.1> 3,459	3.0	<-6.3> 3,294	1.8	<47.4> 4,065	2.2	<-5.1> 2,338	1.6	<-0.3> 3,449	2.8	<6.2> 3,500	1.7	<-4.1> 3,900	2.0
		amount				amount				amount				amount			
Outstanding Order Intake		124,602				96,358				123,355				104,750			
Work-in-process		32,392				16,439				33,629				17,600			

1) < > = % year on year 2) Outstanding Order Intake = Backlog of orders including orders worked-in-process