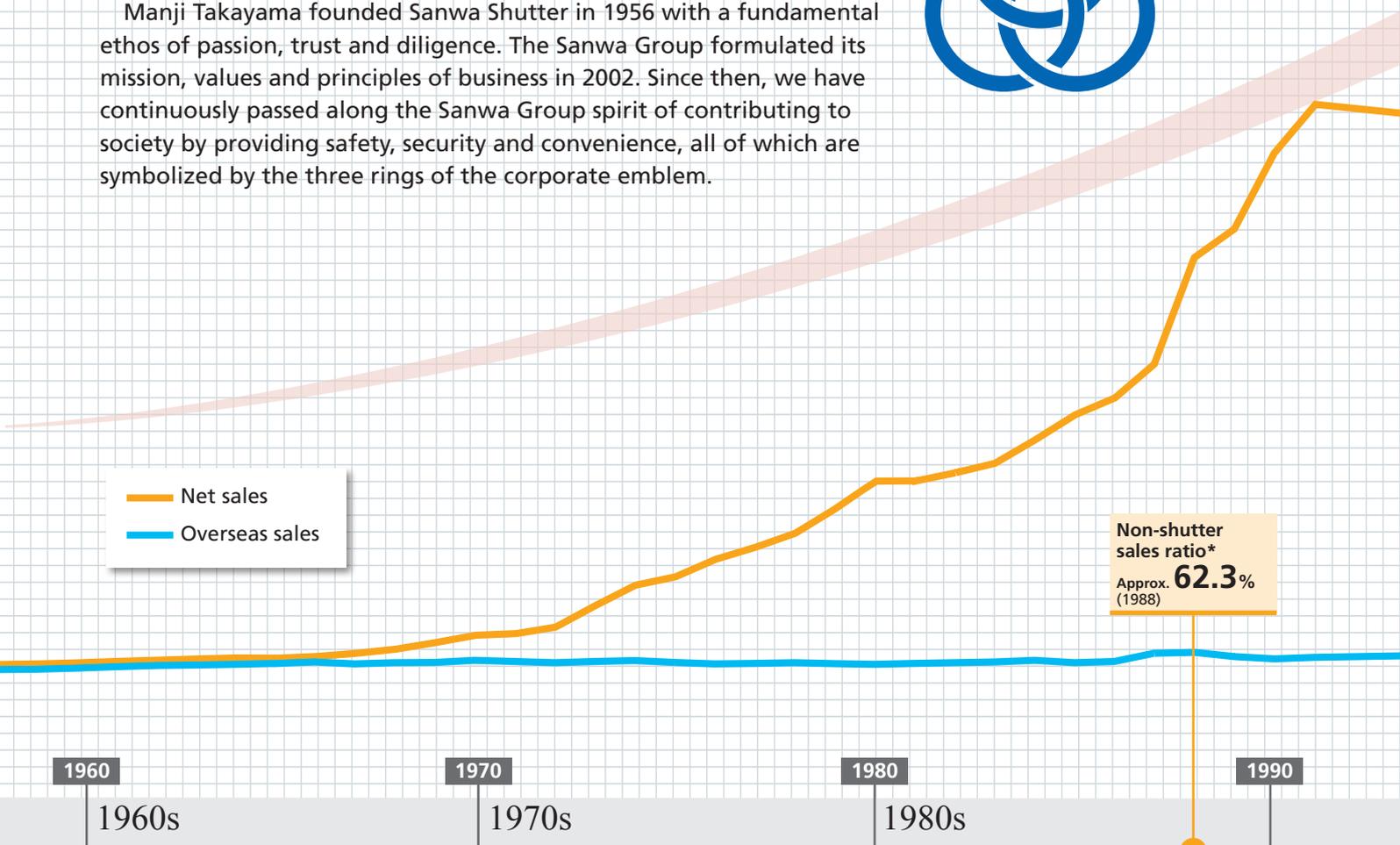
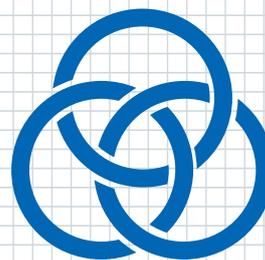


What Direction to Take?

A History of Value Creation

The Sanwa Group has grown and developed based on two pillars: a thorough “Multi-Product Sales Strategy” that expanded from the door business during its foundation in the 1960s into a wide range of product lines other than Shutters and then to the second pillar, “Globalization,” which began in the 1990s.

Manji Takayama founded Sanwa Shutter in 1956 with a fundamental ethos of passion, trust and diligence. The Sanwa Group formulated its mission, values and principles of business in 2002. Since then, we have continuously passed along the Sanwa Group spirit of contributing to society by providing safety, security and convenience, all of which are symbolized by the three rings of the corporate emblem.



* Non-shutter ratio: The amount of net sales after excluding heavy-duty and lightweight shutter net sales from Sanwa Shutter total net sales/Sanwa Shutter total net sales x 100

Multi-Product Sales Strategy Globalization

Entry into the shutter industry

Sanwa Shutter Manufacturing Co., Ltd. began manufacturing lightweight shutters in 1956 near the Sanwa Market in Amagasaki, Hyogo. We established a leading position in the shutter industry in 1960s. Our production capacity grew to a world-class level with the construction of six factories.



First deliveries just after the foundation

Multi-Product Sales

The first step toward multi-product sales

The Sanwa Group’s multi-product sales strategy began with its entry into the door business in the late 1960s. Focusing on fields where we could apply the know-how we cultivated in the shutter business, existing production facilities and sales and installation networks, we began producing made-to-order steel doors. We rapidly rose to the top of the industry.

The Expanding Multi-Product Strategy

We have promoted multi-product sales strategy through acquisitions to further broaden our value. The first company we acquired was Showa Front Sales Co., Ltd. (now Showa Front Co., Ltd.) in 1984. That was followed by the acquisitions of Showa Kensan Co., Ltd., a manufacturer of automatic door operators; Venix Co., Ltd. a manufacturer of partitions; and Sanwa Tajima Corporation, which manufactures and sells stainless steel building products. By acquiring quality companies with established product brands, we accelerated our multi-product sales strategy.

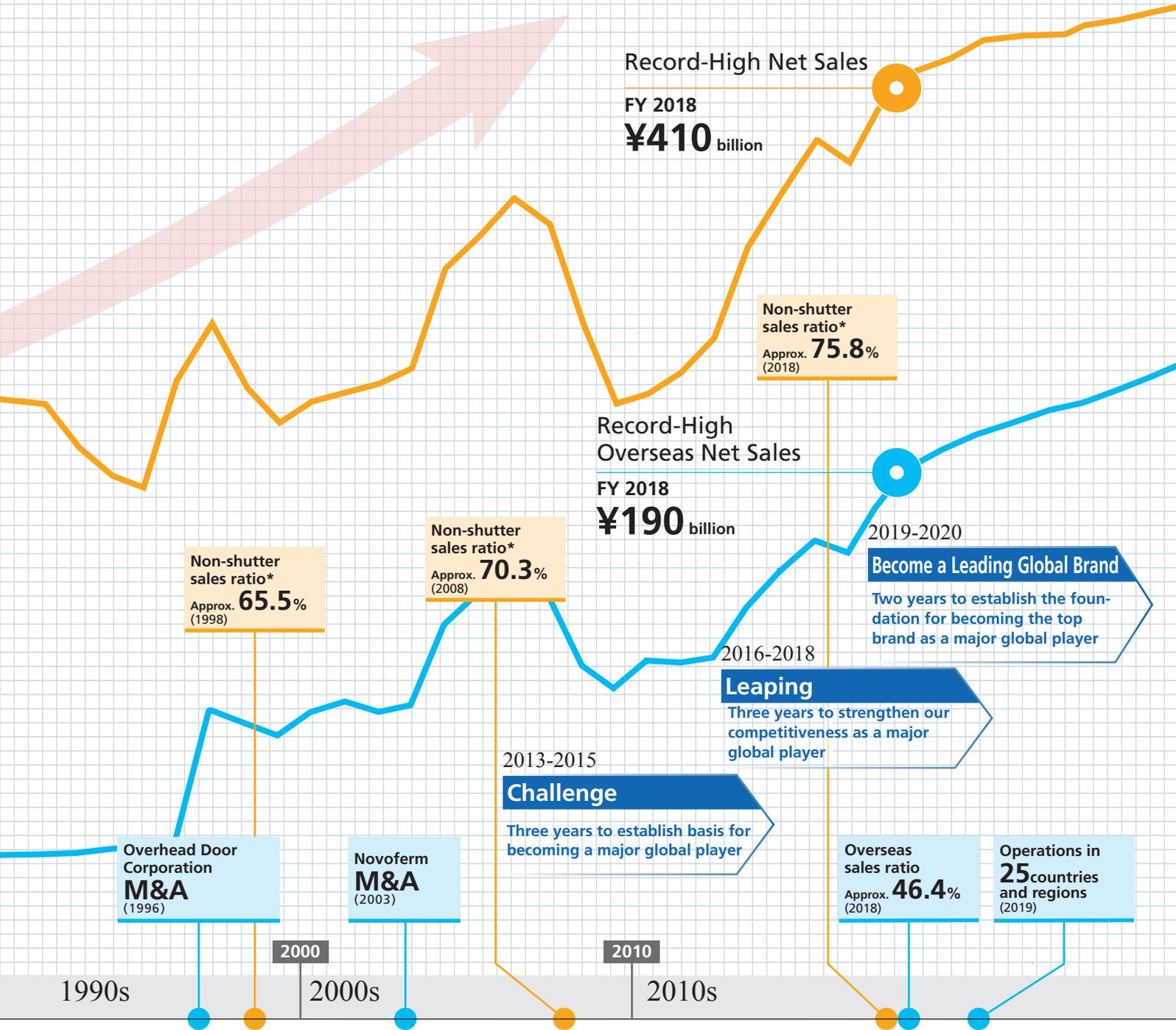
Globalization

Gaining a foothold overseas

In 1974, we entered into a technical tie-up with Overhead Door Corporation (U.S.A.; ODC), and began manufacturing and selling overhead doors. In 1986, we established Sanwa Shutter (H.K.) Ltd. in Hong Kong, making us the first in the industry to focus on overseas markets.

Business Expansion by Penetrating the American Market

In 1996, we acquired tie-up partner ODC. Through the addition of new businesses boasting leading shares in the United States into the Group, we proceeded with collaborative product development and sales, as well as expansion into new markets.



PDCA Advances the Multi-Product Sales Strategy

To vigorously push forward with multi-product sales, in fiscal 2011 Sanwa Shutter Corporation revamped its organization, subdivided regional construction markets mainly by comprehensively reviewing the scope of its sales activities, and increased its flexibility in marketing. Our corporate culture of placing the highest priority on implementing the PDCA cycle is the backbone of our daily business activities.

Product Development in Harmony with Society

We launched environment-conscious and energy saving products and products that use natural energy sources. With these products, along with its extensive lineup of disaster prevention products that provide flood prevention, earthquake resistance and other functions, Sanwa Shutter contributes to the sustainability of society.

We have been expanding maintenance services to comply with inspection legislation for fire prevention equipment in Japan.



Waterproof shutter

Sanwa Global Vision 2020

Under Sanwa Global Vision 2020, we set out to offer products and services that provide safety, security and convenience to customers worldwide as a major global player in the access systems industry. To this end, we aim to: (1) Become definite No. 1 brand in Japan, the U.S. and Europe; (2) Establish a business model for service business; (3) Expand shutter & door business in emerging markets, spotlighting Asia, and make them grow to be top brands; and (4) Promote realization of Group synergy in global markets.

Establishment of Three-Pronged Platform: Japan, U.S.A., Europe

In 2003, we acquired German Novoferm Group (NF), making the European market our third cornerstone. We started to grow into a leading global brand by pursuing business and regional diversification, in addition to expanding and growing our core businesses through the development of multiple product types.

Aspiring to be a Major Global Player

Formulating the Sanwa Global Vision 2020 in 2013, we set out to offer products and services that provide safety, security and convenience to customers worldwide as a major global player in the access systems industry. Looking towards 2020, we are implementing this Three-Year Plan to establish a foundation in this field.

What Direction to Take?

Message from the Chairman

Providing safety, security and convenience globally is our universal mission that we continue to carry forward. We will promote sustainable management by taking PDCA to the next level.



*Toshitaka
Takayama*

Representative Director,
Chairman & CEO

Our Universal Mission and Business Model

The times have undergone monumental changes in the 63 years that have passed since we were established in 1956. I have a strong sense that we have always responded swiftly to the demands placed upon us through the ages, in methodical fashion, evolving to become the company we are today.

It is the mission of the Company, the overarching concept of the Group, to offer “products and services that provide safety, security and convenience to further contribute to the prosperity of society.” This is what clearly defines our reason for existence. This mission does not change year by year; indeed, it is immutable, and as the shared sense of values held by the Group it is our universal belief that is firmly rooted in Group companies around the world. In responding to competition in the market environment that is escalating in severity, however, we must certainly take steps to transform ourselves in line with the changing demands from society. This is a management style which takes into account the vision gained by listening to the voices of our shareholders, partners, employees and other stakeholders.

The Company's business model has steadily evolved in the 60-plus years since our establishment. Japan in particular is characterized by a sales organization that extends to every corner of the nation in a mesh-like network, and through this network we have constructed a vertically integrated business model, from installation to after service. On top of that is our multi-product sales strategy which takes advantage of the channels we have created. Our products are not standardized, but in a novel way of operating they are made-to-order customizations in accordance with customer requests for each individual property. This is a business model that relies heavily on human resources. Consequently, this has been well received for the meticulous care in which we respond to customer needs, and is what lies behind our results, which are represented by the Company's consistently high share and profitability. This works to hinder market entry from companies in other industries, making the shutter industry a unique market.

From a Japanese Maker of Building Materials to a Major Global Player

The Sanwa Group completed its positioning of factories nationwide in a period of intense growth, which earned an unshakeable position at the top of the industry. Following that, the Company became involved in the steel door business, leveraging its shutter production equipment, as well as its sales and installation network, demonstrating its full-fledged break away from dependence on shutters. This was a critical point marking its first step toward today's multi-product sales strategy. The Company continued to accelerate this strategy to develop a range of product types, such as residential construction materials and partitions, but then Japan's economic bubble burst. This was a period characterized by chronic oversupply, and the Company arrived at a time in which it was extraordinarily difficult to maintain the growth it had previously achieved. This was the time when I looked to the future and made a decision of immense importance; we would change course and look to achieve growth through globalization. In 1996, we acquired the

What Direction to Take?

Message from the Chairman

Overhead Door Corporation, a U.S. company with whom we had already been in a technical tie-up, then in 2003, we acquired Novoferm (NF) Group of Europe, which gave us a three polar structure in Japan, the U.S. and Europe, respectively. This fiscal year the global structure of the Group is entering a new phase with a four polar structure as we welcome four companies from China and Asia into the scope of consolidation.

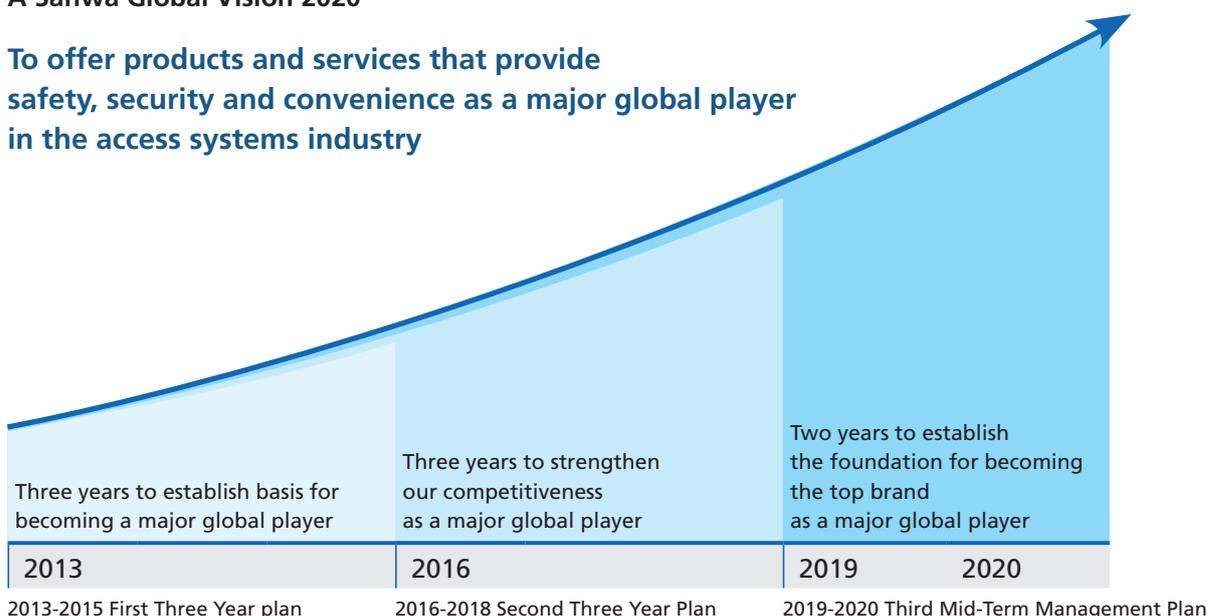
Global markets all differ in terms of a specific country's laws and regulations, ethnic distinctions, climate, history and other aspects. This means that what had been common sense in Japan will not be applicable elsewhere. If we are unable to apply the Group's business to the character and needs of respective regions, we will not be able to extend our roots into a region, and it will be impossible to achieve sustained growth there. Since we started all-out efforts to establish our overseas presence, we have made progress on localization, from products to people, and have been persistent in our efforts to become a corporate group that can be accepted in every region of the globe.

Positioning of the Third Mid-Term Management Plan toward 2030

In fiscal 2018, we achieved record-setting net sales of ¥400.0 billion. Our goal is to grow that to ¥450.0 billion by fiscal 2020, the Mid-Term Management Plan's final year, and we can envisage reaching the ¥500.0 billion mark after that. This will not be a mountain that is easily climbed, but we are resolved to take this difficult path and go to the top. Consequently, the current Mid-Term Management Plan has been formulated as a two-year plan, and we have positioned it as a period in which we aim to secure a foundation as a major global player. We are treating this as a period in which we will sow the seeds to realize our next long-term vision, and as a critical two years during which we will calmly and with a critical eye look to the market following 2020, and will consider the path and methods we should take going forward.

A Sanwa Global Vision 2020

To offer products and services that provide safety, security and convenience as a major global player in the access systems industry



Reliable Management Built by Enhanced PDCA Cycle Implementation

One of the strengths of the Sanwa Group is that we are an organization that is intensely diligent and serious. Keeping in mind the spirit of our establishment, namely an organization with comradery, you might say we have a backbone that is flexible enough to respond to the changes of a new age. Furthermore, I will not waver in the implementation of the Plan, Do, Check, Action cycle, which is the linchpin of management. This management cycle has become ubiquitous to our employees worldwide, and I am convinced that it is this hands-on realization of PDCA's speed that secures our ability to execute the strategies of the plans we make, and it is the secret to realizing the Sanwa Group's vision and seizing upon success.

"Two Kinds of Reliability, One Sanwa" to Achieve the Next Long-Term Vision

Achieving our challenging long-term goals will require management's strong belief and resolve. I use the expression "two kinds of reliability" to capture the essence of this thought. First, there is raising the reliability of business performance that is driven by the growth of each business, and next, there is boosting the reliability of the management foundation, which consists of safety, quality, corporate governance and other aspects. It is through these, I believe, that we can grow relationships of trust with our customers and partners, and fulfill the future dreams of our over 10 thousand employees around the world.

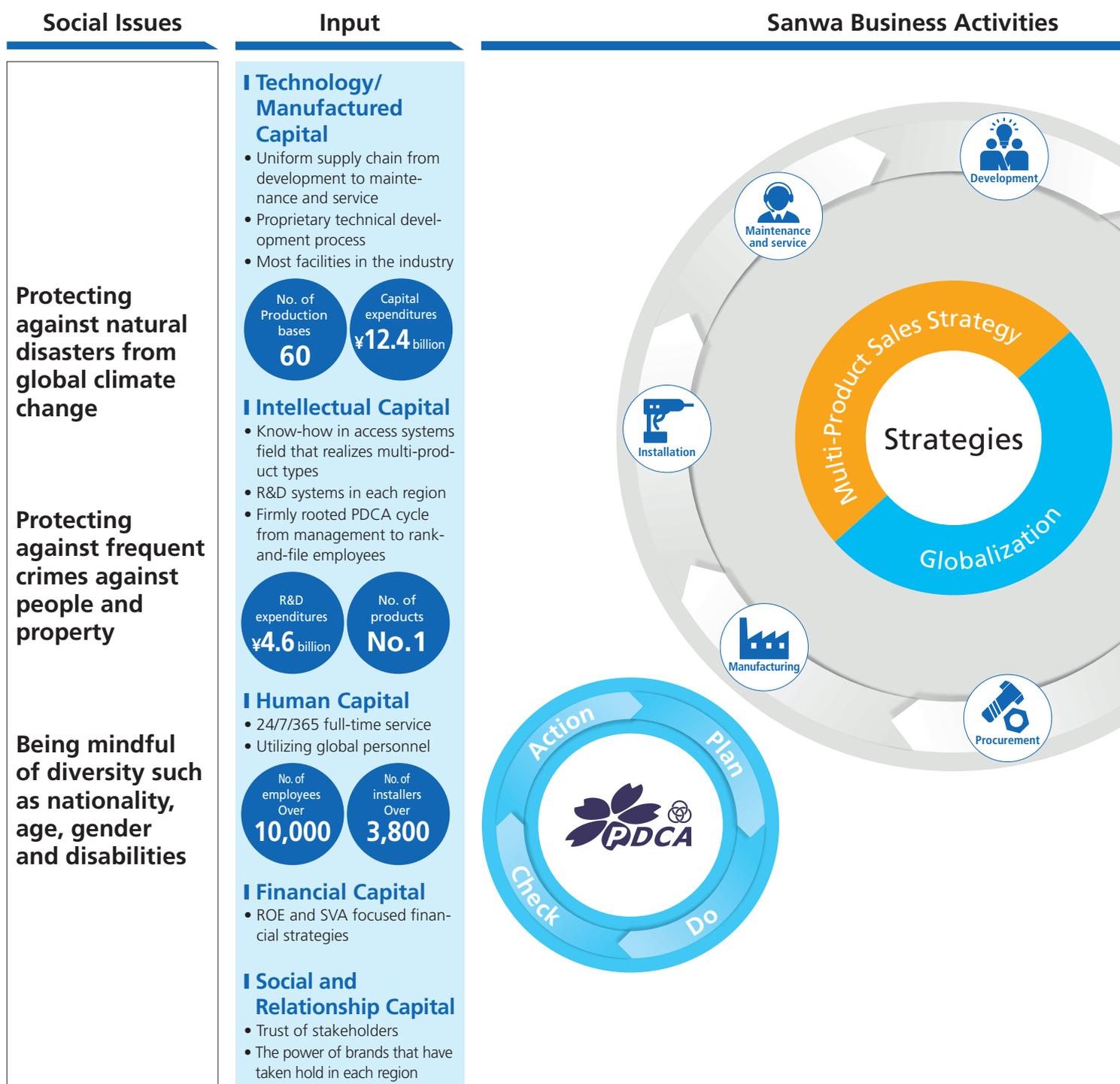
Among the approximately 10 thousand employees in the Sanwa Group, over half account for human resources with diverse nationalities. Among those as well, more than any other, the greatest topics we have are the sharing of vision and goals, and the building of relationships of trust. One thing I am constantly considering is our human resources, specifically, nurturing them and making use of their efforts in fulfilling ways so that we can link each and every employee's growth to the prosperity of the Company. At the same time, we need to be a Group that allows employees to dream. My belief is that to achieve sustainable management nothing is possible without supporting the human talent that will comprise the next generation. Please look forward to the evolution of management that forges ahead to increase corporate value for the Group's continued growth as "one Sanwa."

Toshitaka Takayama

Representative Director,
Chairman & CEO

Sanwa Value Creation Model

The Sanwa Group creates value to fulfill its mission of offering products and services that provide safety, security and convenience to further contribute to the prosperity of society and resolve global social issues.



Reliable Business Performance

A corporate group that earns the trust of stakeholders by reliably achieving its performance targets

Sanwa Global Vision 2020



Output & Outcomes

Financial Targets

Fiscal 2020 Targets

- Net sales **¥450** billion
- Operating income **¥37.5** billion
- Operating income ratio **8.3%**
- SVA **¥15.9** billion
- ROE **14.1%**

- Heavy duty shutters/
Lightweight shutters



Japan **No.1**
North America **No.1**

- Industrial sectional doors



Japan **No.1**
North America **No.1**
Europe **No.2**

- Steel doors



Japan **No.1**
Europe **No.2**

- Aluminum & stainless steel facades



Japan **No.1**

Value Provided to Society

Offer products and services that provide safety, security and convenience to further contribute to the prosperity of society

Safe living with protection from disaster

Secure living with protection from crimes against people and property

Comfortable living through easy-to-use access systems



Reliable Management

A sincere corporate culture that earns the trust of society through safety, corporate governance and thorough compliance

What Direction to Take?

Sanwa Value Creation Model

Realizing our social responsibility through our business activities and gaining the understanding of our stakeholders by providing safety, security and convenience to further contribute to the prosperity of society is very meaningful for the Sanwa Group, which is a company that continues to earn the trust of society. To this end, we share with our stakeholders a complete picture of our value creation process and reveal the details of Sanwa Group value creation activities on pages 10-11.

1 External Environment and Social Issues

External Environment

Sanwa Group products have a wide range of uses at businesses and facilities vital for people's daily lives, such as detached houses, housing complexes, commercial facilities/offices, medical/welfare facilities, and factories/warehouses in 25 countries and regions worldwide. Accordingly, we need to respond appropriately to changes in economic conditions and market trends in regions where Sanwa Group operates, including Japan, North America, Europe, and Asia. Meanwhile, we undertake business activities by identifying business growth opportunities that help to solve global social problems.

Social Issues

The Sanwa Group contributes to society by providing safety, security, and convenience. Protecting customers from disasters and accidents, and bringing convenience and comfort to customers in their daily lives is the Sanwa Group's mission. To continue to deliver that value, our access systems must meet the expectations of customers at all times. To meet this responsibility, introducing a diverse array of management resources into our business activities while realizing safety, security and convenience worldwide is our approach to becoming a major global player in the access systems industry.

2 Input

Technology/Manufactured Capital

The Sanwa Group focuses on product categories that are expected to see growth over the long term, and also invests in systems to reduce manpower, streamline operations and

improve product reliability. In Japan, we newly established the Osaka plant as our western Japan production base for partitions in April 2018. In North America, we expanded the Matamoros plant (Mexico), which manufactures automatic doors and door openers, in May 2019. In Europe, we enhanced production capacity in 2018 by upgrading Alpha plant (Netherlands), which manufactures industrial sectional doors, and Wykroty plant (Poland), which makes dock levelers.

Intellectual Capital

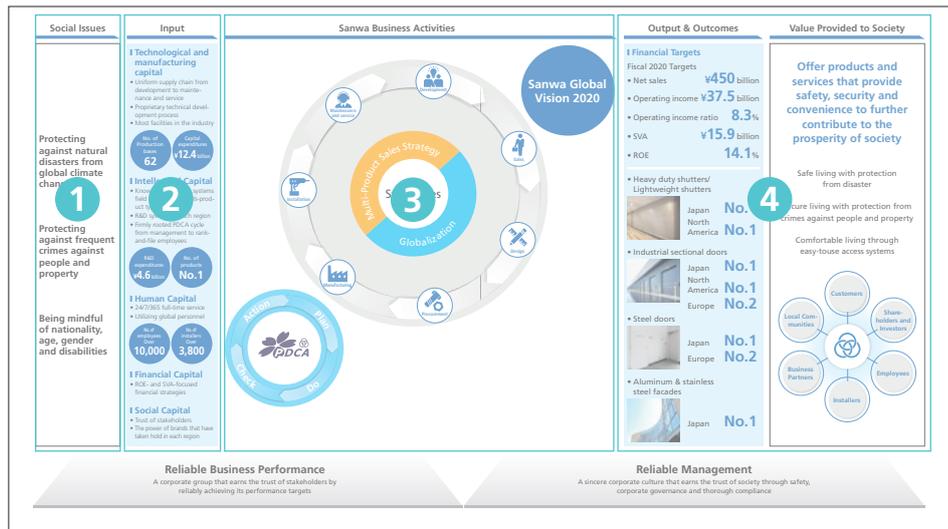
The Sanwa Group maintains proprietary technological development processes for its businesses and products that boast high market shares. Leveraging our know-how in the access system domain in R&D activities, we are realizing multi-product sales that extend beyond shutters and doors. In addition, we are engaging in development that promotes increases in quality, security, and installation while reducing costs, have built a R&D system for Group companies since venturing overseas, and are sharing and effectively using core technologies.

Human Capital

The Sanwa Group continues to grow and develop together with its employees by engaging in personnel training from the perspective of increasing product quality and underpinned by our growth strategies. Our staff of around 10,000 employees and over 3,800 installers is a management resource that plays a vital role in supporting the Sanwa Group's growth. We focus on respecting the diversity among our employees, enhancing systems and working environments that enable staff members to maximize their abilities, and personnel training that is the driving force behind individual creativity.

Financial Capital

The Sanwa group maintains healthy earnings and a stable financial position while engaging in disciplined fiscal manage-



ment. We take capital efficiency into consideration, particularly focusing on ROE and SVA. We will return profits to stakeholders by prioritizing the strategic investment of cash flows generated through sound financial management toward sustainable growth from 2020 and further promoting management aimed at increasing corporate value.

Social and Relationship Capital

The trust of our stakeholders forms the basis of our business activities. The Sanwa Group has a broad array of stakeholders that include affiliates, dealers and other trading partners, investors, employees, and local communities. The Sanwa Group has continued to exist by expanding its businesses globally, realizing a high level of social responsibility, and meeting the great expectations of its stakeholders over the long term.

Natural Capital

The Sanwa Group engages in business activities in harmony with the global environment and local communities in order to help achieve a sustainable society as a good corporate citizen. The Group engages in environmentally oriented business activities as well as providing eco-friendly products and services as a global comprehensive construction materials company. In addition, we work to reduce greenhouse gases such as CO₂ to appropriately address climate change risks while helping achieve a sustainable society.

3 Sanwa Business Activities

Protecting customers from disasters and accidents, and bringing convenience and comfort to customers in their daily lives is the Sanwa Group's mission. To continue to deliver that value, our access systems must meet the expectations of customers at all times. In other words, our responsibilities include not only

development, production and sale of products, but also extend to installation and maintenance and service. Meeting those responsibilities and realizing safety, security and convenience worldwide through strict adherence to PDCA as part of the Group's proprietary management is our approach to becoming a major global player in the access systems industry.

4 Output & Outcomes

We intend to achieve our Medium-Term Plan targets by strategically keeping abreast of trends in value creation. We will aggressively allocate resources in order to maximize the impact of each initiative. Management is committed to establishing leading brands as a major global player for our stakeholders by implementing the Medium-Term Plan.

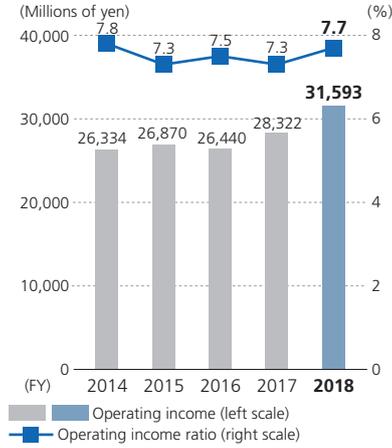
Value Provided to Society

The Sanwa Group aims to provide value to our stakeholders by leveraging the Group's uniqueness in keeping with its mission and management philosophy. There are two kinds of reliability: "reliable business performance," which gains the trust of stakeholders by achieving performance targets, and "reliable management," which is built through a sincere corporate character that gains the trust of society through strict adherence to safety, quality, and corporate governance and compliance. Based on this, we will contribute to society through the provision of security, safety, and convenience by promoting ESG-oriented businesses in cooperation with each division.

Financial & Non-Financial Highlights

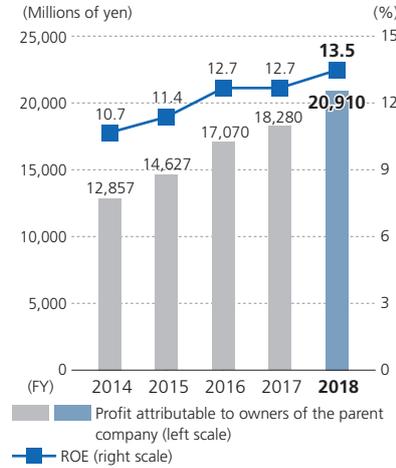
Financial Indicators

Operating Income & Operating Income Ratio



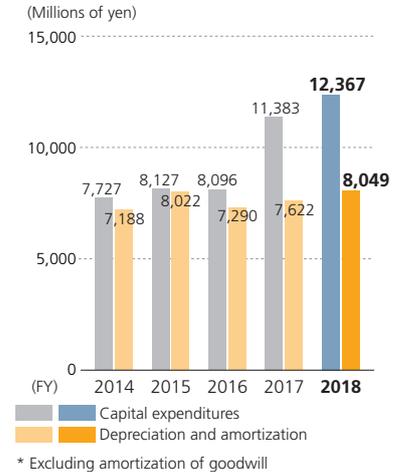
Operating income in fiscal 2018 rose 11.5% year on year and 0.3% compared with the initial target to reach the Company's projection. As a result, operating income ratio—which had remained flat from fiscal 2015 to fiscal 2017—rose 0.4 points year on year to 7.7% in fiscal 2018. The Company targets operating income ratio reaching 10% over the medium to long term.

Profit Attributable to Owners of the Parent Company & ROE



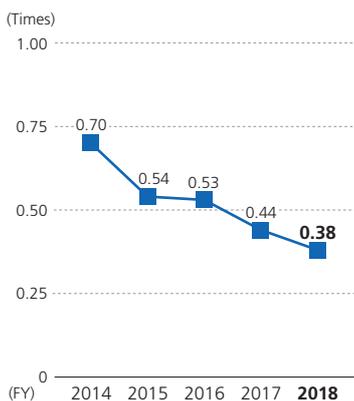
Profit in fiscal 2018 reached a record high of ¥20,910 million, and ROE was 13.5%. With the Company estimating shareholders' equity costs at around 8%, corporate value has increased steadily since fiscal 2014, when ROE reached the 10% range. The Company targets ROE of 14.1% in fiscal 2020.

Capital Expenditures & Depreciation and Amortization*



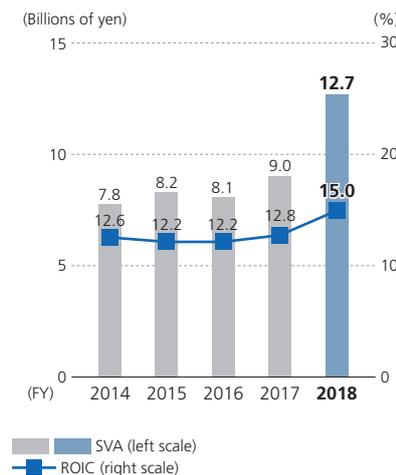
The Sanwa Group focuses on product fields anticipated to grow over the long term and engages in investment to increase product reliability. Capital expenditures (including tangible and intangible) amounted to ¥12,367 million in fiscal 2018. The amount of investment in fiscal 2017 and fiscal 2018 increased on large-scale strategic investment but remained on par with depreciation and amortization as usual.

Debt/Equity Ratio



The Company views financial health as important, and one criterion for evaluating this, debt/equity ratio, has been steadily declining after peaking in fiscal 2014. In fiscal 2018, debt/equity ratio was 0.38, falling below the initial estimate of 0.40. In light of current interest rate conditions, debt/equity ratio is expected to remain in sufficiently safe territory for the time being.

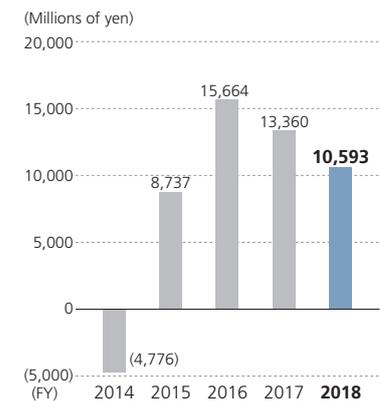
Sanwa Value Added (SVA) & Return on Invested Capital (ROIC)



The Company's unique indicator, Sanwa Value Added (SVA) is important for indicating profitability in relation to shareholders' equity and general business invested capital (including liabilities). In fiscal 2018, SVA exceeded the initial forecast of ¥10.3 billion. Consequently, ROIC reached 15.0%. The Company targets SVA of ¥15.9 billion and ROIC of 16.4% in fiscal 2020.

Notes: SVA: Our unique indicator of added value.
 Net operating profit after tax (NOPAT) – Invested capital × Weighted average cost of capital (WACC) (6%)
 ROIC: Return on Invested Capital. NOPAT ÷ Invested capital × 100
 * Invested capital based on Sanwa Group ROIC is calculated by subtracting cash/deposits and securities.
 * The effective tax rate has changed from 40% to 33% from fiscal 2018.

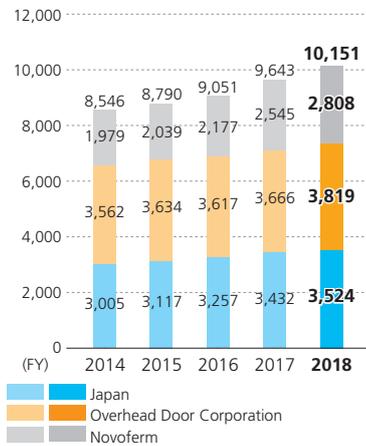
Free Cash Flow



Our policy is to allocate free cash flow, excluding dividends paid, for growth investments such as M&A and strategic capital investments. However, if there are fewer strategic investments and our cash position becomes larger than expected, we will specifically consider using it for shareholder returns, such as stock buybacks.

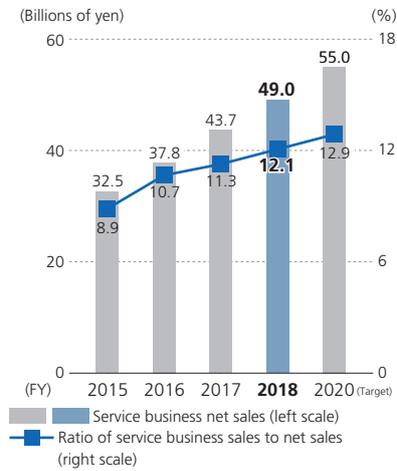
Non-Financial Indicators

Number of Employees (Consolidated)



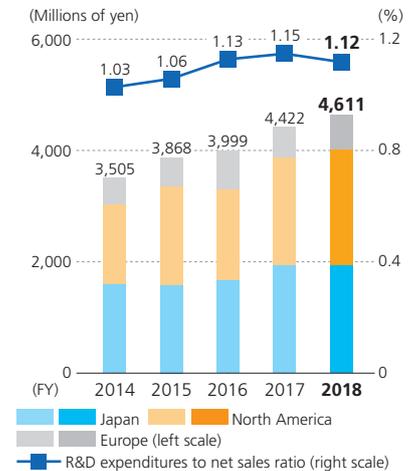
The number of Sanwa Group employees on a consolidated basis exceeded 10,000 in fiscal 2018. This breaks down to approximately 35% in Japan and 65% overseas. The addition of employees at Asian Group companies from fiscal 2019 will further increase the overseas ratio.

Service Business Net Sales (Consolidated)



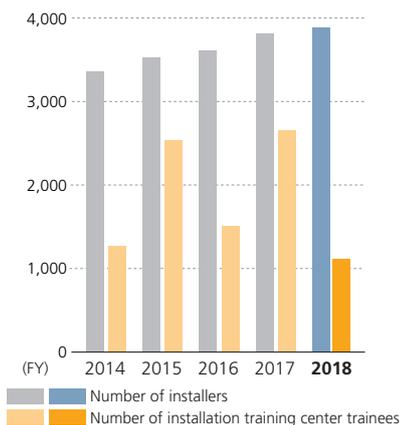
Service business net sales in fiscal 2018 rose 12.1% year on year, a 1.46-fold growth compared with fiscal 2015. The Company aims to reach net sales of ¥55 billion in fiscal 2020 by developing the service business in line with customer needs worldwide, gaining new customers, and expanding its business model.

R&D Expenditures & R&D Expenditures to Net Sales Ratio



R&D activities involve promoting product line-ups in each application market; pursuing platform development, consolidating products, materials, and components; increasing quality, safety, and installation; lowering costs; developing new products; and improving existing ones. R&D expenditures in fiscal 2018 totaled ¥4,611 million, up 4.3% year on year.

Number of Installers & Number of Installation Training Center Trainees (Sanwa Shutter)



Installers are the source of the Sanwa Group's competitiveness. We are adding more installers every year to handle construction of large buildings and inspection of fire prevention equipment. We will continue to focus efforts on securing employees and training to upgrade their skills to prepare for an expected additional increase in the maintenance and service business as regular fire prevention equipment inspection systems go into full swing in Japan.

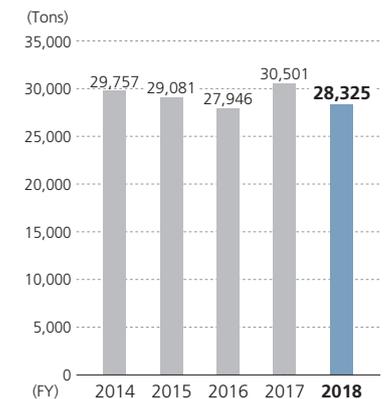
Rate of lost-worktime due to injuries (Japan)



Frequency rate is an indicator of the frequency of casualties from labor accidents and shows the number of casualties per million actual working hours. The frequency rate at the Group's domestic factories in fiscal 2017 was 0.8, below the manufacturing industry average, and while rising slightly to 0.9 in fiscal 2018, remains low.

*Source: Ministry of Health, and Welfare "Survey on Industrial Accidents"

CO₂ Emissions (Japan)



Note: CO₂ emissions are calculated from the consumption amounts of electricity, gas, gasoline, diesel fuel and kerosene.

In fiscal 2018, we reduced CO₂ emissions by approximately 7% despite increased sales by installing energy-saving equipment, promoting energy conservation companywide, and a decrease in the utility CO₂ emission factor.

Third Mid-Term Management Plan



Yasushi Takayama
Representative Director,
President & COO

Third Mid-Term Management Plan Numerical Targets

	First Three-Year Plan Results (FY2013-FY2015)	Second Three-Year Plan Targets (FY2016-FY2018)	FY2018 (Actual)	Third Mid-Term Management Plan FY2020 Targets	Variance vs. FY2018
Net Sales	¥365.6 billion	¥410.0 billion	¥410.0 billion	¥450.0 billion	+9.8%
Operating Income	¥26.87 billion	¥37.00 billion	¥31.59 billion	¥37.50 billion	+18.7%
Operating Income Ratio	7.3%	9.0%	7.7%	8.3%	+0.6%
SVA	¥ 8.3 billion	¥ 12.8 billion* ¹	¥12.7 billion	¥ 15.9 billion* ³	+¥3.2 billion
ROE* ²	11.4%	15.0%	13.5%	14.1%	+0.6%
Shareholders' Equity Ratio	41.7%	42.0%	47.4%	—	—
D/E Ratio	0.54 times	0.40 times	0.38 times	—	—

*1 Calculated at the weighted average cost of capital (WACC) of 6%, tax rate of 40% (FY2018 is 33%)

*2 The cost of capital target is 8%

*3 Calculated at the weighted average cost of capital (WACC) of 6%, tax rate of 33%

*Forex rate (Second Three-Year Plan 1\$: ¥110.00, 1€: ¥125.00) (FY2018 Actual 1\$: ¥110.36, 1€: ¥130.01)
(Third Mid-Term Management Plan FY2020 forecast 1\$: ¥105.00, 1€: ¥120.00)

Sanwa Global Vision 2020: Third Mid-Term Management Plan Strategies

Under the Sanwa Group Third Mid-Term Management Plan, which covers the two-year period from FY2019 to FY2020, we are working towards the goal of establishing the foundation for becoming the top brand as a major global player. In particular, I would like to focus on explaining the positioning of the region-specific strategies that form the core of the Management Plan.

Based on the results of the First Three-Year Plan (FY2013-FY2015), we defined the three-year period covered by the Second Three-Year Plan (FY2016 to FY2018) as one in which the Sanwa Group will strengthen its competitiveness as a major global player. During FY2018, the final fiscal year of the Second Three-Year Plan, net sales tracked the figures announced at the start as planned, but profits fell short of the initial targets primarily due to a higher than expected rise in steel prices and various costs. However, the Group recorded record high numbers for net sales and operating income.

Despite continued expansion, our businesses in Japan experienced a backwards slide in performance due to market factors. Overseas, however, residential doors and door openers served as drivers for continued growth in both volume and quality for our businesses in North America. In Europe, the success of structural reforms led to greater sales in the industrial door business, primarily, and helped businesses here achieve wide-spread improvements in profitability. Our businesses in China and Asia maintained profitability for two consecutive years, but the speed of growth remained lower than expected.

“Two years to establish the foundation for becoming the top brand as a major global player” is the Sanwa Group’s goal for the Third Mid-Term Management Plan. As part of this goal, the Group is aiming to become a central global presence as a major global player in the access systems industry and is aiming to expand our position as a top brand from G7 markets, as we stand today, to G20 markets. Over the long term, we will promote system standardization in cooperation between production, sales, and installation, and focus heavily on improving business efficiency for the purpose of working towards overall optimization.

Among net sales by product for our businesses in Japan during fiscal 2018, maintenance and service experienced the strongest growth at approximately 15%. This business is already one of the Group’s strengths, but we foresee greater growth when the new periodic inspection reporting system for fire prevention equipment goes into full effect in fiscal 2019.

Basic Strategies

Two years to establish the foundation for becoming the top brand as a major global player

Core Business

- 1 Expand and strengthen business areas in core businesses in Japan, the U.S. and Europe

Growing Business

- 2 Strengthen service segments and expand business model
- 3 Enhance operation bases of China Business and Asia Business

Reinforcing Business

- 4 Reform work styles and improve productivity
- 5 Promote ESG to develop a corporate structure that is more trusted by society

Japan

The status of orders in fiscal 2019 remains robust following similar levels during the previous fiscal year. Meanwhile, the tight supply-demand balance has deepened labor shortages at every level, including manufacturing, logistics, and installation. Although a combination of concentrated deliveries and natural disaster recovery response was one factor, in fiscal 2018 the occurrence of delivery management problems made it clear that the Group's supply systems do not stand on a firm footing. Currently, we are focusing our energies on efforts to solve this problem.

As a fundamental strength of the Group, the supply chain was the highlight setting us apart from our competition. Currently, however, product supply capability and labor shortage problems have emerged as urgent challenges, so will be taken up as important themes in the new Mid-Term Management Plan.

Meanwhile, against a backdrop of rising raw material, logistics, and installation costs, we are no longer able to avoid passing these increases on to customers. In this respect, as well, we will proceed with an awareness of our status as price leader and as the top brand in the industry.

Although it may seem obvious, in fiscal 2019 we will keep in mind our goal of delivering high-quality products and properly installing these as scheduled. And we will tighten cooperation between manufacturing, sales, and installation, in particular, to achieve a high level of added value. Moreover, we will work to further promote multi-product sales by expanding strategic growth products such as partitions, stainless steel doors, automatic doors.

North America

North America has experienced strong market conditions over the past few years, allowing the door and door opener divisions to achieve steady growth in sales. Through fiscal 2020, we will continue working to expand our core businesses to achieve our targets for net sales and profit. Still, there are many challenges in strategic sectors, and problems remain for introducing and operating ERP*¹, restructuring downstream strategies, and undertaking other measures.

In fiscal 2018, we began operating an ERP system at our main shutter plant, but problems occurred when modifying the workflow in response to the system's introduction. As such, this measure has not progressed as expected. In terms of downstream strategies, we are investigating frameworks for how we will implement these strategies for sales, installation, and service operations, and we will exchange information with our distributors as we move forward with a sharper focus. In terms of the organization, we are considering returning sales and installation professionals to the door division as part of restructuring from a long-term perspective.

In consideration of introducing new products to and expanding the product lineup for existing businesses, we will investigate adding product groups that we do not currently supply. Another important initiative will be working to generate synergy, for example by expanding the product lineup through M&As and deploying expertise related to products sold in Europe to the North American market.

*1 ERP (Enterprise Resources Planning): A Central Information System designed to properly allocate and effectively utilize the resources and elements (people, things, money, information) that form the foundation of corporate management.

Basic Strategies 1 Expand and strengthen business areas in core businesses in Japan, the U.S. and Europe

Japan Measures

Grow as an access system company by establishing our position in each business field

Core Business	• Promotion of customer strategy, unrivalled product appeal
Growing Business	• Strategy to defeat rival manufacturers in competition for market share
Domestic Group	• Strengthening of synergies through cooperation, business optimization of Group companies in Japan
Maintenance & Service Business	• Taking advantage of periodic inspection reporting system for fire prevention equipment to expand repair and maintenance businesses

Strengthen the structure for business expansion

Enhancement of product development capabilities	Human resource strategy and work-style reforms	Reinforcement of manufacturing, logistics and installation systems
Improvement of safety awareness and management system	Preparing for the next 10 years (AI, IoT, ZEB..)	Further improvement of product quality and enhancement of the quality management system

North America Measures

ODC: Strengthening core business segments while entering adjacent business fields

Existing Businesses	<ul style="list-style-type: none"> • Gain share in the residential and commercial door markets by improving quality and maximizing customer satisfaction • Reinforce sales channels including addition of resources in major metropolitan areas • Implement the West Coast strategy in manufacturing and sales • Restructuring of the forward integration strategy
New Businesses	<ul style="list-style-type: none"> • Expand access controls business into offering security related equipment • Enter peripheral business fields

■ Europe

During fiscal 2018, our businesses in Europe saw a steep rise in the industrial door business. This gain led to an overall net sales growth of 10.7% on a euro basis and helped maintain robust growth of 30.0% in operating income. One feature of the European market is that it is not shifting towards an oligopoly. The shutter market in Japan is dominated by the top three companies, which hold approximately 90% of market share, while the North American market is also dominated by the top three or four companies, which hold 70-80% of market share. In Europe, however, the top three companies, including our own, account for only 50% of the market. The European market is also composed of many countries and different markets. Our sales over the past three years have been robust, and despite moderate market growth, we feel there is still plenty of room to expand our share of the market. During fiscal 2020, the final fiscal year of the Third Mid-Term Management Plan, we have set a target of expanding net sales by just over 8% compared with fiscal 2018. The priority policies include further strengthening the industrial and hinged door businesses, expanding sales throughout the European region, and expanding our share of the garage door business. Along with expanding and strengthening existing businesses through these policies, we will work to reform operational processes (estimate and ordering process digitalization, efficient systemization of production, logistics, and sales) through digitalization.

There are also still untapped, attractive regions within the European market, so we will proceed with M&As in a way that fills in these parts of the mosaic.

Europe Measures

NF: Further strengthen industrial segment and promote digitalization through NF4.0

Industrial Business	<ul style="list-style-type: none"> Expand sales as a total solution provider
Hinge Door Business	<ul style="list-style-type: none"> Expand sales throughout Europe by enhancing product lineup
Garage Door Business	<ul style="list-style-type: none"> Increase market share throughout Europe by strengthening brand power and expanding sales channels
Reform Operational Processes	<ul style="list-style-type: none"> Promote digitalization in processes, including sales, service, production and logistics

■ China/Asia

Starting in fiscal 2019, Shanghai Baosteel-Sanwa Door, Sanwa Shutter (H.K.), and An-Ho Metal Industrial (Taiwan), among our businesses in China, and Vina-Sanwa (Vietnam), among our businesses in Asia, were brought into the scope of consolidation. The scale of sales in Asia as a whole is still small at just over ¥10 billion (including unconsolidated businesses), so including these businesses in our consolidated accounts has only now just brought us to the starting line. In China, we will consider the three companies: Shanghai Baosteel-Sanwa Door for shutters, Novoferm Shanghai for doors, and Sanwa Shutter (Hong Kong) and their integration into a single operation to expand business.

In other regions of Asia, we will work to expand the facilities at Sanwamas Metal Industry in Indonesia as our second location after Vietnam. Both of these countries have large populations and a growing middle-income group. We will also investigate expanding into other ASEAN countries, including Malaysia, the Philippines, and Myanmar.

■ Strengthening service segments: Expanding added value in this division with remarkable growth

Consolidated net sales for our service businesses in fiscal 2018 reached ¥49 billion, making for significant growth of 1.5 times the net sales recorded in fiscal 2015, the first year of the Second Three-Year Plan. We aim to increase consolidated net sales in fiscal 2020 to ¥55 billion, 12.2% growth compared

Basic Strategies 3 Enhance bases of China/Asia Business

Measures

China Business

Companies Covered: Baosteel-Sanwa, NF Shanghai, An-Ho Metal, Sanwa Shutter (H.K.)

- Integrate operations in the Eastern China, where BaoSteel-Sanwa and NF Shanghai are located
 - Strengthen the door business and businesses for logistics facilities
- Expand businesses in the Southern China
 - Strengthen collaboration with Sanwa Shutter (H.K.) and BaoSteel-Sanwa
- Expand the Taiwan business
 - Boost production capacity

Asia Business

Companies Covered: Vina-Sanwa, Sanwamas, Dongbang NF, Sun Metal

- Enhance operation basis of production and installation
 - Increase production capacity and implement measures to strengthen installation capacity at Vina-Sanwa
 - Reinforce production facilities at Sanwamas
 - Optimize production at ASEAN areas

What Direction to Take?

Third Mid-Term Management Plan



with fiscal 2018. Our strategy here consists of two essential parts, namely (i) providing service businesses that meet the needs of customers in regions throughout the world, including Japan, the U.S., Europe, and Asia, and (ii) working to cultivate new customers and expand the business model. In Japan, a new periodic inspection reporting system for fire prevention equipment will go into full effect starting in fiscal 2019, which we expect to drive further growth. The service segment includes businesses that utilize the strengths of the Sanwa Group. Along with investigating M&As, we hope to grow by demonstrating the brand power of a leading manufacturer.

■ Reforming work styles and improving productivity: Improving efficiency by utilizing systems

Work-style reforms are a requirement of the times and a theme that we cannot avoid. For this reason, we are employing AI, IoT, and other systems in all sales, design, manufacturing, installation, maintenance, and management processes in order to improve the efficiency of business. Including the systemization and digitalization of ODC and NF, as discussed as part of the region-specific strategies on the previous page, we believe that we can advance work-style reforms in a more beneficial direction by strengthening global initiatives. As a result, we feel these initiatives will help raise productivity and contribute to expanded profits.

Basic Strategies ② Strengthen service segments and expand business model

Providing service businesses that meet the needs of customers in various regions/Cultivating new customers and expanding the business model

Measures

	FY2015	FY2018	FY2020 (Target)
Consolidated Service Business Net Sales	¥32.5 billion	¥49.0 billion	¥55.0 billion (vs. FY2018 +12.2%)

*Not including Asia

Initiatives

Japan	<ul style="list-style-type: none"> • Increase market share of legal inspection • Expand general repair and service businesses
ODC	<ul style="list-style-type: none"> • Expand direct sales businesses of direct sales divisions, such as CDS • Introduce the field service system
NF	<ul style="list-style-type: none"> • Expand businesses centered on the industrial door business • Introduce the field service system

Basic Strategies ④ Reform work styles and improve productivity

Improve productivity through work-style reforms and enhanced operational efficiency using latest information systems, such as AI and IoT, in all processes from sales, to design, manufacturing, installation, maintenance and management.

Measures

Japan	<ul style="list-style-type: none"> • Optimize businesses of Group companies in Japan/Collaborate on sales systems/Improve operational efficiency through use of IT, etc. • Improve installation productivity by enhancing ease of installation/Develop labor-saving products and products that can be installed quickly • Improve productivity by strengthening the manufacturing system/Strengthen plant supply capabilities and improve quality/Enhance prompt delivery by building the logistics system • Reduce long work hours through work-style reforms, improve efficiency through IoT and RPA
China/Asia	<ul style="list-style-type: none"> • Support for cooperation between two companies in Shanghai (BaoSteel-Sanwa and NF Shanghai) through Sanwa Shanghai (regional control company) • Rebuild production and supply systems in each area

ODC	<ul style="list-style-type: none"> • Achieve operational innovation by introducing ERP • Improve productivity by introducing the field service system • ASD (door division): Improve production capacity and quality by promoting automated production • Automatic doors: Improve productivity and quality
Novoferm	<ul style="list-style-type: none"> • Continue to improve operational efficiency through NF3.0 • Reform operational processes through NF4.0 (digitalization) • Consolidate U.K. businesses (BGS, NFUK) • Optimize dock leveler production and supply chains, etc. • Strengthen production capacity of industrial door plants

Capital Policy: ¥30 billion in strategic investments over two years

From cash flows, we will allocate ¥30 billion to strategic investments for growth and steadily expand SVA and ROIC in order to build up corporate value.

In fiscal 2001 we adopted SVA as a performance indicator, and work with a particular awareness of capital cost and capital efficiency, not simply profit and loss, in North America and Europe.

After reaching ¥12.7 billion in fiscal 2018, SVA is expected to reach ¥15.9 billion in fiscal 2020. Moreover, ROIC reached 15.0% in fiscal 2018 and is forecast to reach 16.4% in fiscal 2020. With both indicators steadily rising under the current Mid-Term Management Plan, we feel this signifies we are accumulating corporate value.

Among performance results, for some time our approach has been to emphasize the operating income ratio. Although the actual operating income ratio for fiscal 2015 during the First Three-Year Plan was 7.3% and the actual ratio for fiscal 2018 during the Second Three-Year Plan was 7.7%, our target is to achieve 10%. By increasing the operating income ratio, we expect to further improve ROE and other indicators.

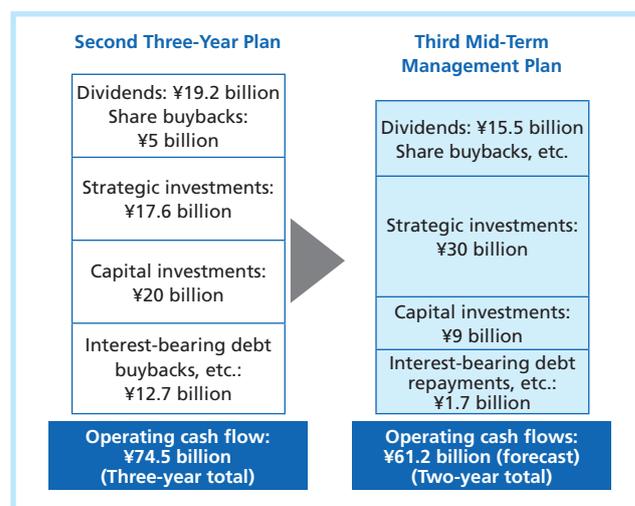
In terms of strategic investments, we plan to allocate approximately ¥30 billion to capital investments and M&As over the two fiscal years of 2019 and 2020 with a focus on promoting multi-product sales, strengthening service businesses, and

growth sectors where synergy effects are anticipated.

Specifically, we expect to provide approximately ¥20 billion in strategic investments for M&As and ¥10 billion for equipment.

Shareholder returns were set at an annual dividend of ¥32, as initially forecast. In fiscal 2019, we plan to raise the annual dividend by ¥2 to ¥34 (eight consecutive years of dividend increases: planned). The payout ratio for fiscal 2018 was 34.4%, with a target of 35% for fiscal 2020.

Cash flow allocation policy



Financial Strategy

Key Figures

	FY2018 Actual	FY2020 Forecast
SVA (Effective corporate tax rate: 33%)	¥12.7 billion	¥15.9 billion
ROIC (WACC: 6%)	15.0%	16.4%
* The amount of improvement in corporate value is confirmed by SVA, and the ratio of improvement by ROIC.		
ROE (Cost of capital: 8%)	13.5%	14.1%
Payout Ratio	34.4%	Around 35%
FCF (Before strategic investment allocation)	¥18.2 billion	¥28.0 billion
D/E Ratio	0.38	0.35
Shareholders' Equity Ratio	47.4%	47.8%

Financial Policy in the Third Mid-Term Management Plan

Prioritize strategic investments to become a major global player

- | | |
|---------------------|---|
| Dividends | <ul style="list-style-type: none"> ■ Payout ratio target of 35% |
| Share buybacks | <ul style="list-style-type: none"> ■ Prioritize growth investments including M&A. Consider share buybacks if there are no substantial cash outflows related to such investments. |
| Capital investments | <ul style="list-style-type: none"> ■ In principle, we make capital investments necessary for maintaining and continuing existing businesses within the range of depreciation and amortization. ■ Allocate FCF to strategic investments. |

ESG Message: Key Issues of human resource development and safety

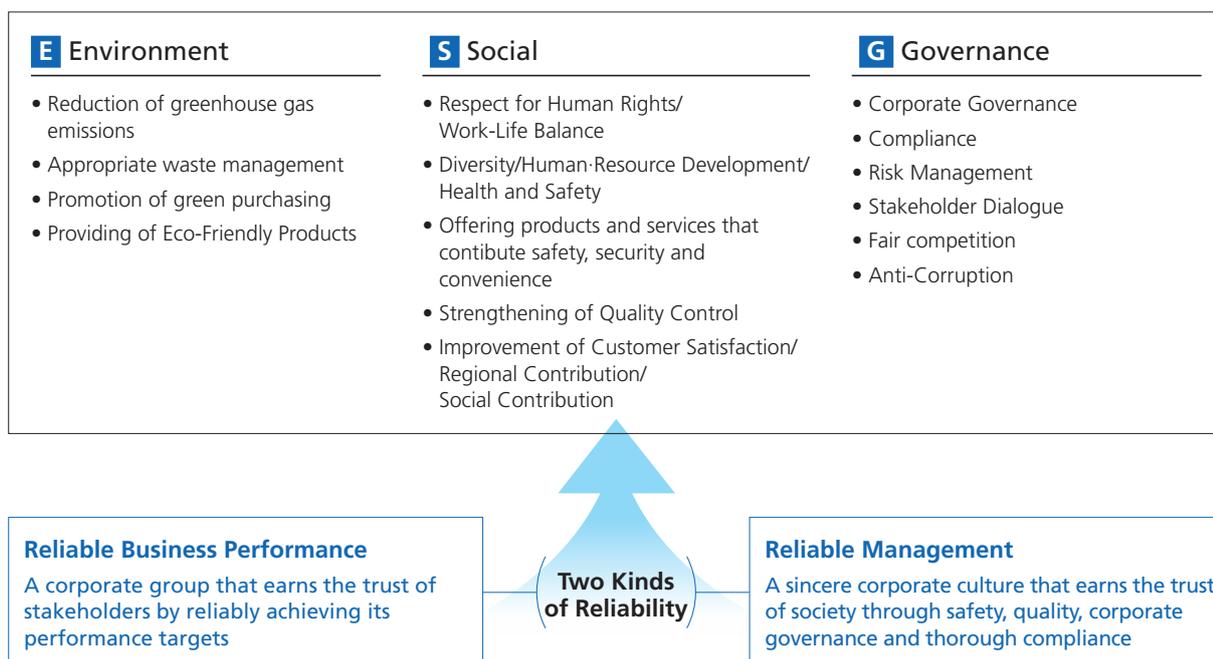
Under the concept of ESG, we place particular importance on human resource development and work to expand systems that enable employees to reach their full potential. Ensuring safety will also influence the future of the company. We will earn the trust of society through uncompromising safety, quality, and compliance.



The perspectives of Environment (E), Social Responsibility (S), and Governance (G), in short ESG, are essential to sustainable corporate growth. Since our founding, we have valued reliability and trust, and have undertaken related initiatives as a matter of course long before ESG became a focus of the market. Although we naturally emphasize all of these themes, we consider those involving Social Responsibility (S) to be of particular importance. In fact, of the 20 key issues that we have identified and undertake, 10 of these fall within the scope of Social Responsibility. Although some of the aspects related to human rights, labor practices, and consumer issues are somewhat abstract and vague, we feel that clearly defining the direction of these measures is a key point because this is also an area in which the understanding of people changes continuously.

Basic Strategies 5 Promote ESG to develop a corporate structure that is more trusted by society

Increase Sanwa's "two kinds of reliability" through cooperation among all divisions to promote important ESG issues, and link this to sustainable growth into the future



Among issues of Social Responsibility (S), human resource development is of particular importance. Historically, our employees have held a high sense of professional awareness and morals, so our turnover rate has also tended to be low. These types of human resources are our most important management resource, and we make every effort to establish systems that allow our employees to reach their full potential. In addition to our employees, the installation technicians that ultimately ensure quality are similarly important. This field is also being affected by aging, which has made it difficult to secure personnel. Likewise, we see our challenge as firmly approaching this issue by enhancing the training system and putting other systems into place. Our business is unique in that we rely heavily on outsourcing to affiliated companies for not just installation, but also for the design and production divisions. Without these partners, our business would not stand. Under our spirit of valuing all of those who help create the Sanwa Brand and our sense of working together towards a common goal, going forward we will continue to act by combining our capabilities within this strong relationship of trust.

The second area is safety. We constantly strive to reduce accidents at manufacturing and installation sites to as close to zero as possible. Work sites that are rife with accidents do not attract good people, so we also tackle this challenge with an awareness of its relationship to our future.

Our growth foundation stands on Two Kinds of Reliability. In short, these are Reliable Business Performance and Reliable Management. The latter refers to earning the trust of society through uncompromising safety, quality, governance, and compliance. Instead of approaching both of these with the same weight, we place a greater emphasis on the latter.

In terms of Environment (E), we implement initiatives designed to reduce greenhouse gases and waste as a matter of course, but we also believe it is our responsibility as a manufacturer to develop and provide eco-friendly products that contribute to energy savings and waterproof products that protect life and property from global warming related flood damage. At the same time, we also feel that developing and providing these products is a business opportunity in the face of climate change.

Finally, in terms of Governance (G), we are aware that we must consciously increase the transparency of decision-making. We hope to earn a greater level of trust among all our shareholders and other stakeholders as we work towards sustainable growth.