



SANWA HOLDINGS CORPORATION

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INTEGRATED REPORT

For the year ended March 31, 2020

2020

Our Mission

The Sanwa Group is committed to offering products and services that provide safety, security and convenience to further contribute to the prosperity of society.

Our Values

- To deliver products and services to satisfy all customers.
- To become a true global player and be highly valued in each market in the world.
- To bring together the creativity of each individual in a team environment for the enhancement of corporate value.

PDCA SAKURA

The employees of the Sanwa Group, not satisfied with the current situation, maintain a critical mindset in doing their jobs in order to continue to pursue their best work. We review results in terms of whether or not we did things as originally planned. If not, we think about the reason why we didn't get the intended results. Getting back to the basics such as increasing good aspects and improving bad ones is part of the Plan-Do-Check-Act (PDCA) cycle. PDCA SAKURA represents this concept as the Sanwa Group symbol. We even planted PDCA SAKURA cherry blossom trees on the grounds of main Group facilities.



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Editorial policy

To present the Sanwa Group's management and corporate activities, we have published this Integrated Report. The report is edited in a holistic manner to include non-financial information such as corporate social responsibility activities in addition to information on management direction and strategy and a review of operations. In editing this report, we have referred to the "International Integrated Reporting Framework" proposed by the International Integrated Reporting Council (IIRC).

Forward-looking statements

This Integrated Report includes forward-looking statements pertaining to expectations, plans, strategies, management goals, future performance, expenses, revenues, income and other forecasts formulated on past experiences. Forward-looking statements necessarily entail some degree of uncertainty, and the content conveyed in the results as well as underlying factors identified in the report may differ materially from actual results depending on changes in those factors.

Reporting period

Fiscal years are years ended March 31 of the following calendar year. For example, fiscal 2019 is the year ended March 31, 2020.

Message from the Chairman



In the 64 years since its establishment, the Sanwa Group has grown and is now doing business in 26 countries and regions worldwide with over 11,000 employees on a consolidated basis. The Group, which began as a shutter business in Amagasaki, Hyogo Prefecture, went on to promote a multi-product sales strategy, extending its product lineup to address diverse needs. We have also worked on globalization, developing our business on a global level, as an important business theme. We consider it our mission to provide people across the globe with safety, security and convenience and have achieved what we have through our mantra of taking PDCA to the next level. However, we believe that we are only halfway to reaching our ultimate goal of becoming a major global player.

The world has entered an era of rapid change and turmoil. The effects of the spread of the novel coronavirus (COVID-19) will not be short-lived. We must accept a new normal created by the crisis and rapidly develop new business approaches. In addition, all of humanity faces the issue of climate change caused by global warming. The Group must tackle these issues head-on through our business activities, contributing to the creation of a sustainable future by providing people with safe communities and lifestyles. This is our mission and my dream.

From April 2020, as Director and Chairman, I will pass on the spirit of our establishment to the next generation and be willing to continue to devote myself to the enduring development of the Group. I hope that our shareholders, investors and all of our stakeholders will continue to offer their support, helping our Group flourish.

Toshitaka Takayama
Director, Chairman

Message from the President



Even as times change, we will continue to provide unchanging levels of safety, security, and convenience.

As the representative of the Sanwa Group, I first wish to express my deepest sympathies and condolences to those who have lost their lives or been stricken with the novel coronavirus (COVID-19).

Yasushi Takayama

Representative Director, President

Things That Can and Cannot Be Changed

Our founder once said, "If we compare a building or a house to the human body, shutters are the *kabuto* and *yoroi* (helmet and armor, in English) that people wear." Shutters, which in Japanese are called *yoroi-do* (armored doors), protect us. This is in line with the basic view behind the Company's mission, which is to offer "products and services that provide safety, security and convenience to further contribute to the prosperity of society," so the social significance of our businesses comes first in corporate management. As Representative Director, President, I will be unwavering in keeping this view alive.

As long as we run a company, we need to turn a profit. However, since profits come as a result of our social significance, namely our efforts to provide safety, security and convenience, I believe that contribution to society will lead to sustainable growth for the Company. Our current chairman speaks of "two kinds of reliability" – reliable business performance, which arises from the growth of each business, and reliable management, which consists of safety, quality and corporate governance, among other aspects. Building up both types of reliability is critical. We will continue to manage our businesses based on these basic views.

Responding to Climate Change

Modern society is in the midst of a huge wave of change. I believe that we must also change to adapt to changes in society. For example, while shutters initially became popular as a means of protection from crime, the purposes for installing shutters have diversified over time, as demands for fireproof, smokeproof, and earthquake-proof functions grew, in order to use them as protection in the event of fires and earthquakes. Furthermore, as the impacts of natural disasters intensify due to larger typhoons and increasingly frequent localized torrential rains, we are now required to meet the needs for waterproof and windproof functions, in order to deal with this unprecedented environmental change. We are aware of these needs, and will work to create products that respond to both climate change and disaster prevention, and to deliver safety, security and convenience to people's lives.

Responding to the Current Market

To meet the needs of society, we must not only develop products that respond to climate change, but also to the changing social structure. The shopping arcades that supported our development in the early years following our foundation have gradually decreased in number with the passage of time, and have been replaced by giant shopping centers and convenience stores. Large-scale distribution centers have also emerged with the growth of e-commerce businesses. This is just one example of how people's lifestyles have changed. I believe that the Company has been able to achieve continuous growth by creating new products and services that are suited to new purposes. In this way, we have been able to respond flexibly to such changes in society. Going forward, we will continue to pursue our multi-product sales strategy, and work to stay one step ahead of changes in society.

Sustainable Growth through Globalization

One of our main business goals is to bring safety, security and convenience not only to people in Japan, but to people all over the world. In 1996, we entered the North American market ahead of the rest of the industry, and this was followed by a large-scale expansion of our business into Europe and Asia. As we have expanded our global operations, our corporate value has steadily increased, and I am proud to say that we have become a corporate group that is able to contribute all over the world.

Recently, there has been a move toward protectionism, and although there is a risk that the COVID-19 crisis will exacerbate this tendency, I do not believe that the globalization of the world economy that has occurred over the past few decades will be reversed. The same is true for us, and we are going to be bringing our ideas to the rest of the world, and will continue to pursue global operations. We have already established business bases in North America and Europe. In Asia, we also included four subsidiaries into the scope of consolidation in fiscal 2019, and are determined not to take any steps backward. We will continue to establish business foundations in Asia to complement our bases in Japan, the U.S. and Europe.

Value Created in Our Service Businesses

One of the key goals of the Third Mid-Term Management Plan is to “strengthen service segments and expand our business model” as society has been shifting towards an emphasis on “using services” in addition to “owning products.” Our access systems, which are used frequently in people’s daily lives, play an important role in supporting infrastructure, such as control functions including crime prevention, as well as fireproof, waterproof, and other disaster prevention functions. Accordingly, maintenance services are part of our responsibility to ensure that customers will be able to use our systems for a longer period of time. Going forward, we will contribute to maintaining and improving infrastructure by expanding our service businesses.

We must take our mission of providing safety, security and convenience to another level as we look ahead to the next era. This idea is also exemplified by the “Society 5.0” concept that the Japanese government is currently promoting. I believe we need to further promote a shift to digitalization, and we regard this one of our tasks. We will be able to develop new fields and technologies by combining our own capabilities with measures such as collaborative partnerships and M&A with external partners.

Aggressive Investment in Growth with Awareness of Capital Efficiency

In fiscal 2001 we adopted SVA* as a performance indicator, and have operated in each region with a particular awareness of capital cost and capital efficiency, not simply profit and loss. We are working to increase our corporate value by steadily improving SVA and ROIC through the effective use of free cash flow for strategic investments. As one aspect of our strategic investment plan, we actively engaged in M&A even under difficult conditions. For example, in 2009, in the wake of the financial crisis, we acquired Wayne Dalton Corporation in North America. Going forward, we will continue to compete on a global level and make wise strategic investments in order to achieve sustainable growth.

Improving productivity is another task that cannot be ignored. Since our response to the IoT and IT holds the key to the promotion of operational efficiency of every process from sales to installation, we will continue to invest in information systems in Japan, the U.S., Europe and Asia.

Regarding shareholder returns in fiscal 2019, we executed a share buyback worth ¥5 billion. The annual dividend has been raised to ¥34 in fiscal 2019, which marks the eighth consecutive years of increases, and we achieved our target payout ratio of 35%. In fiscal 2020, even though we are forecasting a sharp drop in revenue and profits, we are forecasting to keep our annual dividend at ¥34, in line with our policy of maintaining stable dividends.

*SVA (Sanwa Value Added): Our unique indicator of added value:
NOPAT (net operating profit after tax) – invested capital × WACC (weighted average cost of capital: 6%)

Human Resources as the Source of Value Creation

Our employees have a strong sense of responsibility, and this has been the case for many years in our corporate culture. This is one of the reasons that we have been able to establish a superior position compared to other companies in the industry. However, change is also happening in this area. The average age of our employees has gone down,



and the Company is undergoing a generational change. While I want our veteran employees, who possess expertise and skills, to fulfil their potential, we will not be able to adapt to changes in younger generations if things are done in the same way as they were in the past. We will need to undertake work-style reforms in our own way as the Sanwa Group.

The Company offers a variety of job types, such as sales, design, production and installation, and has introduced a training system called the “Sanwa Professional Human Resources Training Plan” to enable employees to learn all of these operations in a uniform manner. One of our strengths is that vertical communication takes place rapidly and accurately; however, going forward horizontal cooperation will become increasingly important for improving customer satisfaction. New ideas and innovations cannot emerge without the free thinking that comes from linking both vertical and horizontal communication. I believe an environment that is filled with diverse human resources, and a workplace that is comfortable for both men and women alike facilitates the generation of wide-ranging ideas. At present, the Sanwa Group operates in 26 countries and regions, and we will work to encourage the creation of synergies as “one Sanwa.”

Strengthening Governance

The Company has positioned corporate governance as an important management issue. We delegate authority to Group companies appropriately, while working to ensure effective governance as Sanwa Holdings in terms of important decisions. Furthermore, our Board of Directors will appropriately monitor management risks within the Group, and function as a communicative forum in which adequate deliberation time is given and more vigorous debate takes place in order to maintain and strengthen the effectiveness of the Board of Directors.

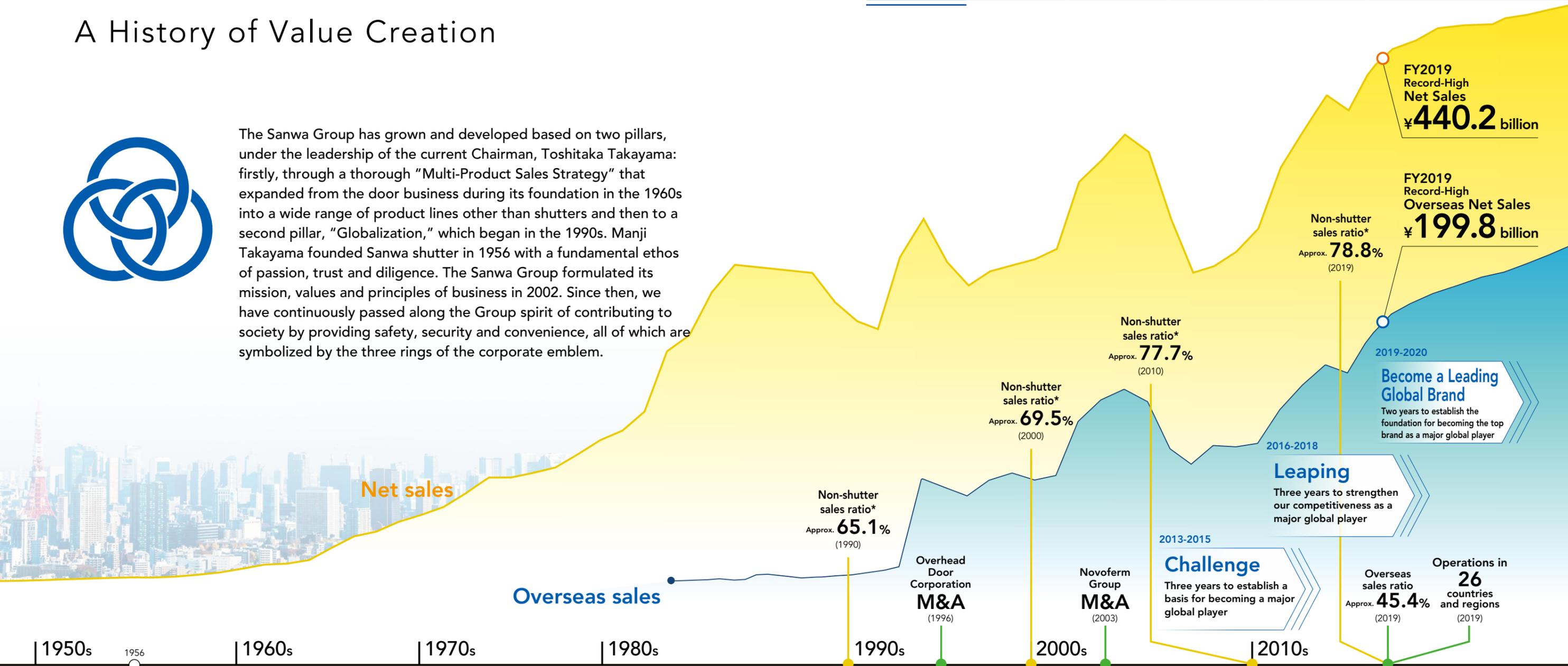
To Our Stakeholders

We have grown and will continue to grow thanks to the support of not only our employees, but also of our various stakeholders including clients, suppliers, installers, and partner companies that work with us in areas such as manufacturing, logistics, design, and installation. We will strive to become a corporate group that is capable of contributing to the creation of a sustainable society in the 21st century, so that our stakeholders can feel proud to be connected to the Sanwa Group. Please look forward to seeing what the future will bring.

A History of Value Creation



The Sanwa Group has grown and developed based on two pillars, under the leadership of the current Chairman, Toshitaka Takayama: firstly, through 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 a 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 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 sales ratio: Domestic consolidated net sales excluding net sales of heavy-duty and lightweight shutters/Domestic consolidated net sales x 100

Entry into the shutter industry

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



Deliveries just after the foundation

Multi-Product Sales

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.

Expanding the Multi-Product Strategy

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

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 have contributed to the building of a sustainable society by expanding our environmentally conscious products that address climate change, and a lineup of disaster prevention products with flood prevention, earthquake resistance, wind resistance and other functions, which help realize safety, security and convenience. We have been expanding maintenance services to comply with inspection legislation for fire prevention equipment in Japan.

Globalization

Gaining a Foothold Overseas

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

Business Expansion by Penetrating the North American Market

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

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

In 2003, we acquired 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 our Third Mid-Term Management Plan to establish a foundation in this field.

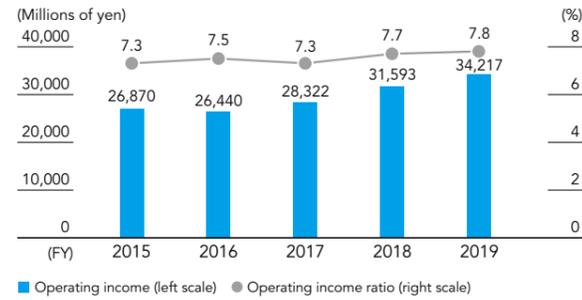
Sanwa Global Vision 2020

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.

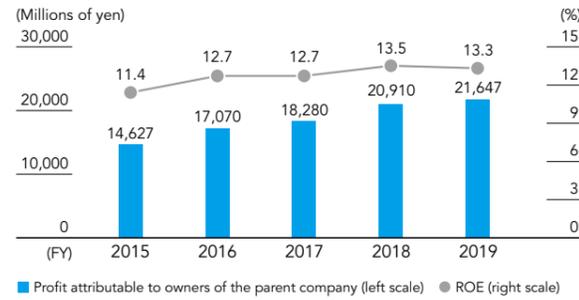
Financial & Non-Financial Highlights

Financial Indicators

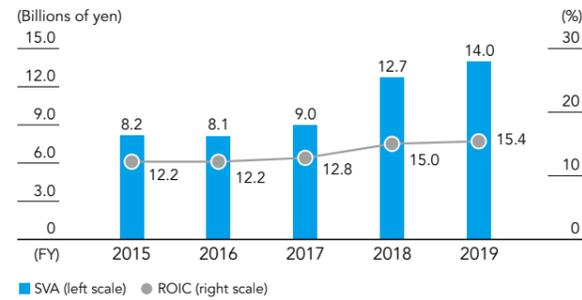
Operating Income / Operating Income Ratio



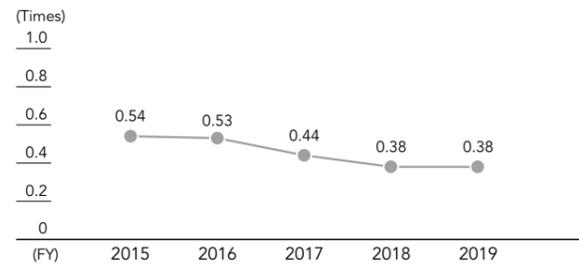
Profit Attributable to Owners of the Parent Company / ROE



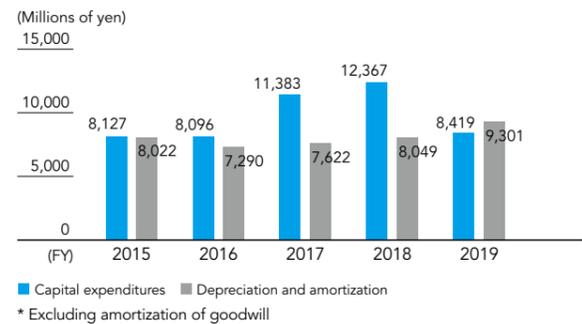
Sanwa Value Added (SVA) / Return on Invested Capital (ROIC)



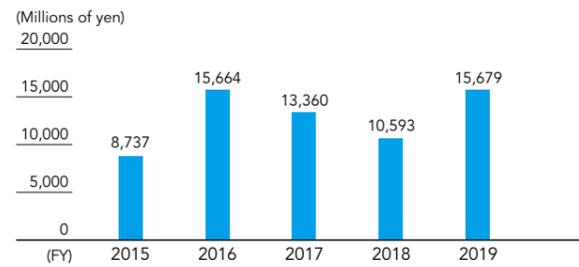
Debt/Equity Ratio



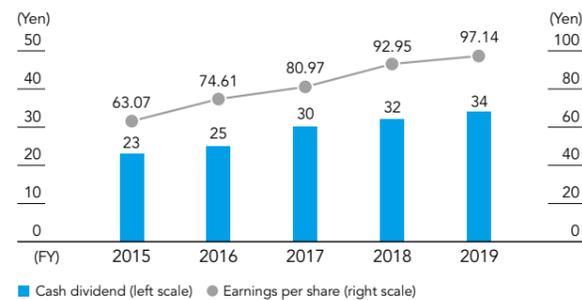
Capital Expenditures / Depreciation and Amortization*



Free Cash Flow



Cash Dividend per Share / Earnings per Share

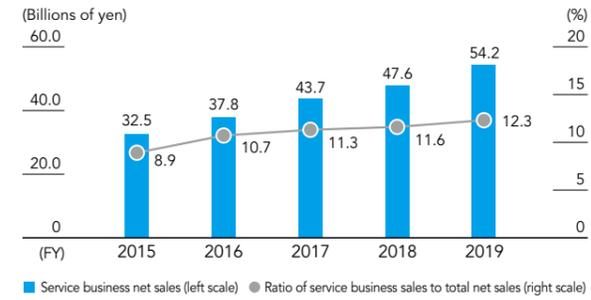


Total Assets / Shareholders' Equity Ratio

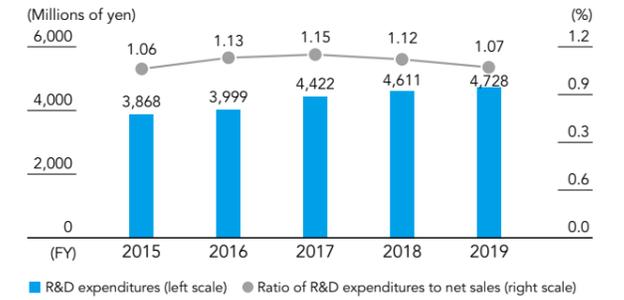


Non-Financial Highlights

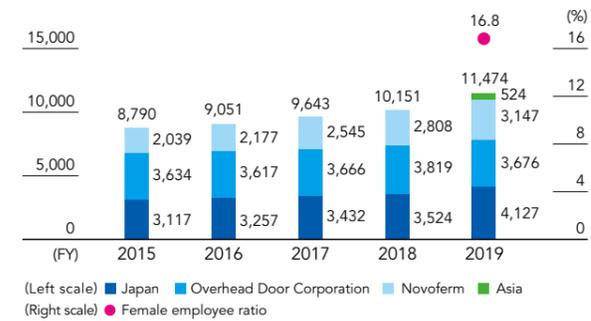
Service Business Net Sales / Ratio of Service Business Sales to Total Net Sales (Consolidated)



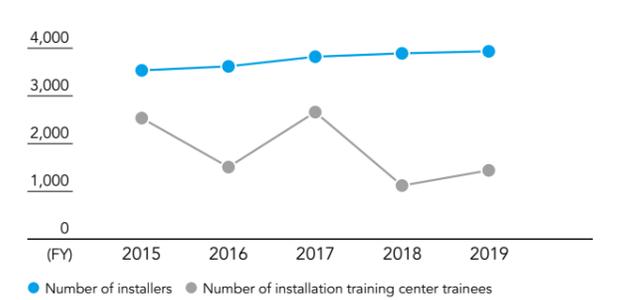
R&D Expenditures / Ratio of R&D Expenditures to Net Sales (Consolidated)



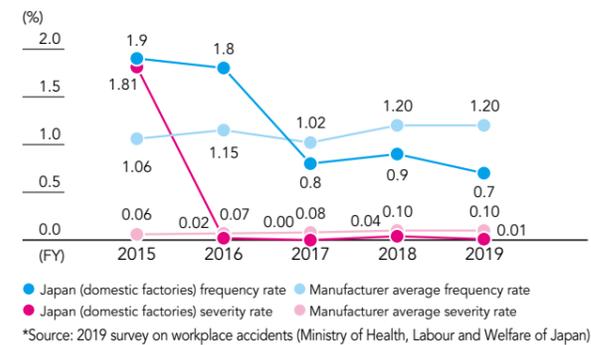
Number of Employees / Female Employee Ratio (Consolidated)



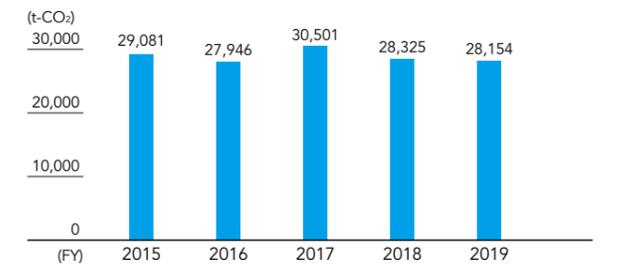
Number of Installers & Number of Installation Training Center Trainees (Sanwa Shutter)



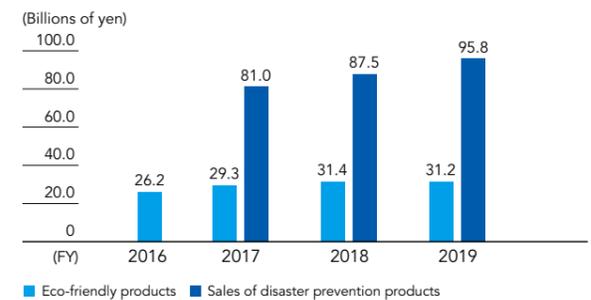
Lost-Time Injuries Frequency Rate / Severity Rate (Domestic Group Factories)



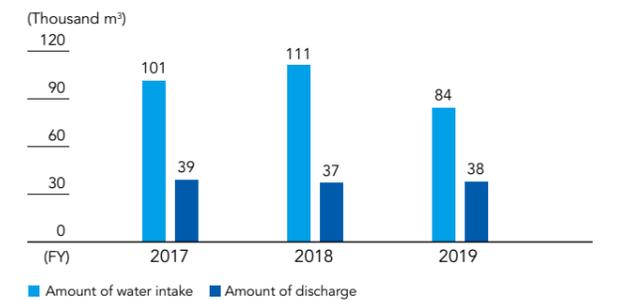
CO₂ Emissions (Domestic Group Companies)



Sales of Eco-Friendly Products / Sales of Disaster Prevention Products (Consolidated)

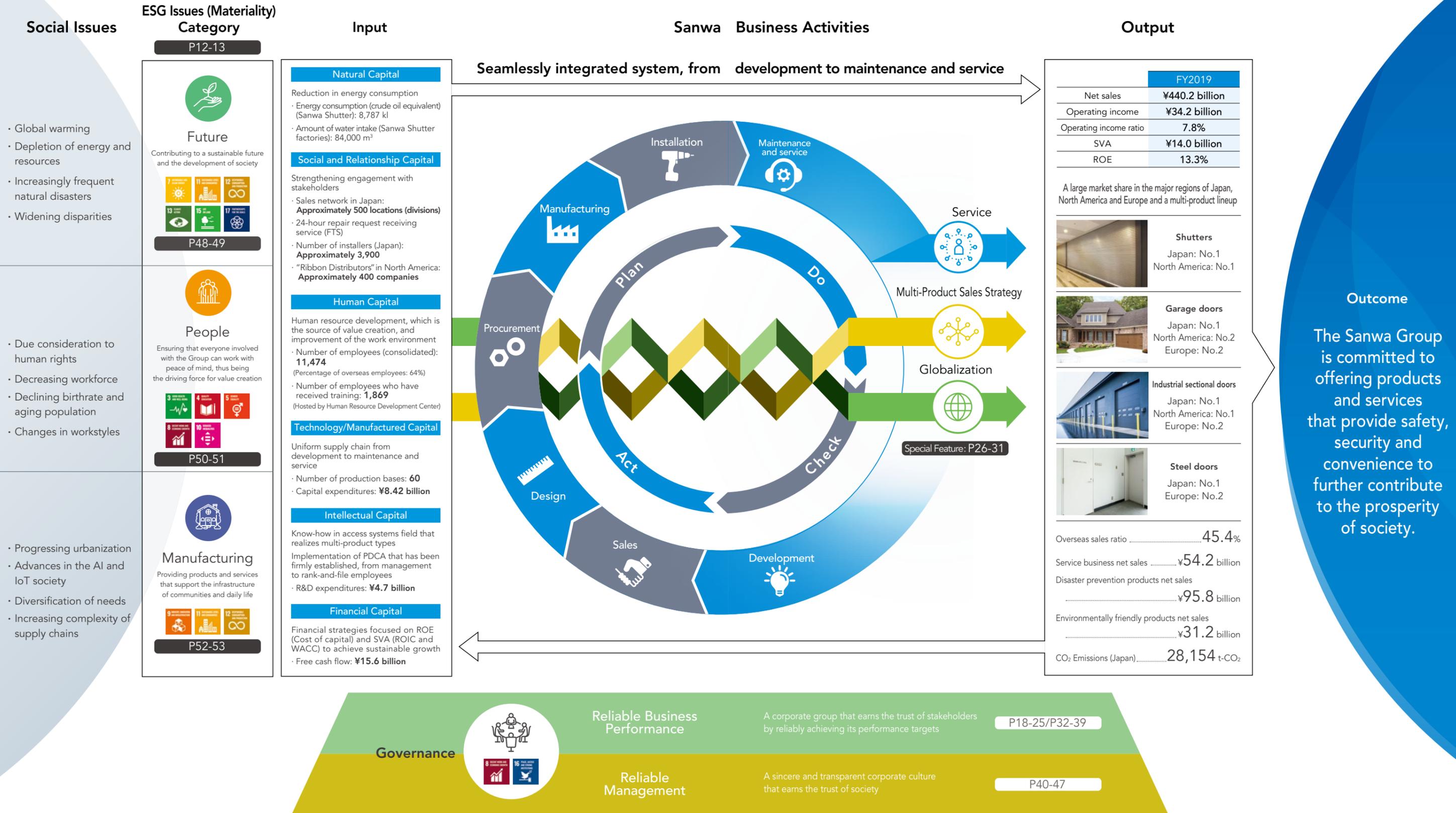


Amount of Water Intake / Discharge (Sanwa Shutter Factories)



Sanwa Value Creation Model

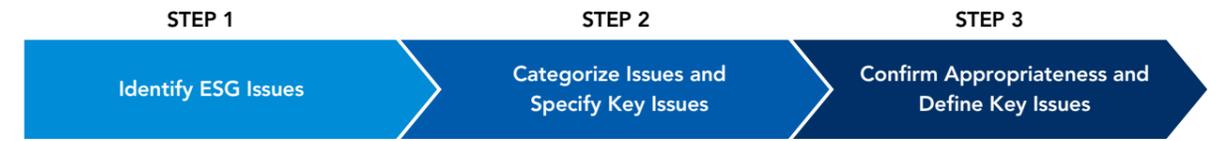
The Sanwa Group creates value by conducting business activities in line with its products and services, and ensuring sustained growth based on six types of capital, in order to address ESG issues (materiality). The value created by the Group resolves global social issues, such as changes in the economic situation and technology and climate change, and contributes to society by providing safety, security and convenience to communities and the daily lives of people around the world.



ESG (Materiality)

Decision-Making Process for Key ESG Issues (Materiality)

In recent years, companies are strongly required to take global action toward achieving a sustainable society, following significant societal changes, such as the establishment of the SDGs, the adoption of the Paris Agreement, and trends in ESG-related investment. In light of international trends and the business environment in which the Sanwa Group operates, the Group has used the process presented on the right to identify the priority ESG issues (materiality) toward which we should apply our energies.



| Categories | Background | Key Issues | Actions Taken | Action in Progress and Future Tasks |
|--|--|--|--|---|
| Future Contributing to a sustainable future and the development of society | In response to climate change, the Sanwa Group strives to reduce its emissions of greenhouse gases and waste, and we believe that it is our duty as a global comprehensive manufacturer of building materials to offer eco-friendly products that contribute to the realization of a low-carbon society. Furthermore, the Sanwa Group conducts business activities that are rooted in local communities in regions throughout the world, and we believe that contributing to local communities and society in general will lead to the sustainable development of both these communities and the Group, itself. | Response to climate change Reduction of greenhouse gas emissions | Reduced energy consumption through demand monitoring, switching to LEDs, introducing air-conditioning equipment, etc. | Gather overseas environmental impact data and set reduction targets |
| | | Appropriate waste management | Reduced waste by stepping up recycling, increasing yields, etc. | Gather overseas waste emission data and set reduction targets |
| | | Promotion of green purchasing | Promoted the 3Rs for packaging materials by reusing wooden pallets, using reusable shipping cartons, etc. | Engage in dialogue with supply chains to promote green purchasing |
| | | Providing eco-friendly products | Expanded sales of high-speed sheet shutters and other products, which contribute to climate-change mitigation | Develop and expand sales of products and services that address climate change |
| | | Regional contribution | Used locally produced materials, participated in local cleanup activities, and engaged in dialogue with local communities | Take action to develop local communities |
| | | Social contribution | Made donations to NPOs and organized events for local communities, etc. | Further promote social contribution through our main business |
| People Ensuring that everyone involved with the Group can work with peace of mind, thus being the driving force for value creation | To ensure that the Sanwa Group's products function properly as access systems, numerous resources are required, from development and production to installation and maintenance. Through efforts to respect human rights and diversity, and ensure health and safety, we are creating workplaces in which all of our stakeholders, including employees, affiliated companies, and suppliers can work with peace of mind, and developing human resources who are capable of driving the growth of the Group. We believe that these initiatives support the foundation of our business and constitute an investment in sustainable growth. | Respect for human rights | Implemented harassment training for top management, executives, and other management members | Define human rights risks |
| | | Human resource development | Implemented the Sanwa Professional Human Resources Training Plan, and developed global personnel and installers | Secure manufacturing workers and installers, and pass on skills |
| | | Work-life balance | Accurately managed working hours by deploying an attendance system and promoted telecommuting | Promote work-style reforms |
| | | Diversity | Promoted telecommuting, introduced a partial paid leave scheme for childcare, and mobilized senior workers | Take steps to increase the number of female managers and encourage male employees to take childcare leave |
| | | Health and safety | Expanded safety education by conducting DVD-based training and VR-based training, and held Sanwa Group Health & Safety Month | Promote actions to eradicate occupational accidents and step up efforts in the area of health management |
| Manufacturing Providing products and services that support the infrastructure of communities and daily life | As an essential business to continue supporting people's lifestyles and commercial infrastructure, we believe that endeavoring to offer waterproof products that are resilient to flood damage and disasters caused by extreme weather and other products and services that contribute to safety, security, and convenience, while also pursuing quality assurance and customer satisfaction, serves as the engine for increasing our corporate value. | Offering products and services that contribute to safety, security and convenience As part of the disaster prevention business, launched products to protect people's lives from disasters, such as fire-prevention products, waterproof products, wind-load-resistant products, and aseismic products, as well as products that contribute to enhancing the infrastructure functions of factories and warehouses ▶ P14 – 15 | Develop products and services that can adapt to the risks of increasingly severe natural disasters, develop products that prevent infection with the novel coronavirus and other infectious diseases, as well as products and services that are suited to the new lifestyles that have emerged due to the pandemic | |
| | | Strengthening quality control | Expanded our quality management structure, audited supply chains, and organized a skills contest | Take further actions to ensure stable quality and improve quality |
| | | Improvement of customer satisfaction | Provided business manners training for salespersons as well as installers | Further enhance customer satisfaction through customer surveys, gatherings with customers, etc. |
| Reliable Management A sincere and transparent corporate culture that earns the trust of society | The Sanwa Group is a global enterprise operating in 26 countries and regions around the world. We believe that it is important to enhance organizational resilience by building highly transparent management systems, reinforcing compliance, and properly managing risks, and to build fair, equitable, and ethical relationships in order to facilitate growth and development together with our various stakeholders. | Corporate governance | Disclosed corporate governance guidelines and conducted a questionnaire survey of members of the Board of Directors | Improve governance at overseas subsidiaries |
| | | Compliance | Provided training on a continuous basis and stepped up efforts to propagate the Compliance Code of Conduct at overseas subsidiaries | Make the internal whistleblowing system even more effective |
| | | Risk management | Established the Information Security Countermeasures Council and analyzed the current status of IT-BCP | Construct a Company-wide risk management system and respond to the pandemic |
| | | Stakeholder dialogue | Implemented proactive dialogue with customers, employees, business partners, shareholders/investors, installers, and local communities | Step up dialogue with stakeholders |
| | | Fair competition | Implemented thorough compliance with the Guidelines on Regulations Concerning Contact with Associates from Industry Peers and provided Antitrust Law training on a continuous basis | Expand the scope and content of Antitrust Law training |
| Anti-corruption | Provided compliance training prior to transfer to Asia | Formulate guidelines for bribery prevention | | |

Stakeholder Engagement

Customers, employees, business partners, shareholders/investors, installers, and local communities that support the Sanwa Group's business activities

Dialogue with Customers
 We respond to the diverse opinions and requests of our customers through our robust network, which encompasses more than 500 locations (divisions) in Japan, and 26 countries and regions worldwide.

Dialogue with Employees
 We improve our organizational culture by having senior executives inform employees about strategies or send them messages of encouragement via internal newsletters or the intranet, by exchanging opinions with them at policy briefings, etc., and through employee awareness surveys and the internal whistleblowing system.

Dialogue with Business Partners
 The "Sanwakai" group, which comprises suppliers, affiliated manufacturing companies, and other entities, serves as a forum for information sharing and mutual encouragement with the aim of taking quality, cost, delivery and environment (QCDE) to the next level. In North America, we endeavor to engage in regular dialogue with our 400 distributors located there.

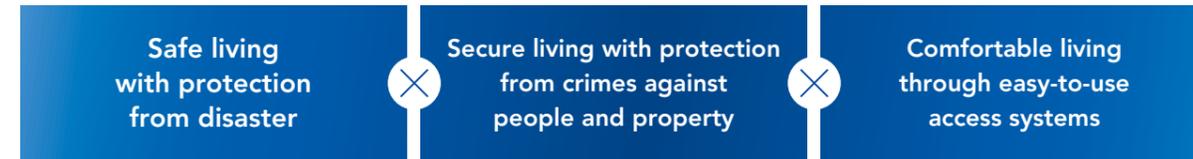
Dialogue with Shareholders and Investors
 In addition to making timely and appropriate information disclosures via our website and other channels, we hold financial results briefings twice per year, conduct individual IR meetings more than 200 times a year, have the management hold an international road show, organize briefings for individual investors, and so on.

Dialogue with Installers
 We make concerted efforts to enhance engagement with the more than 3,900 installers who are the lifeline of the Company in the realm of access systems. In addition to holding regular occupational safety meetings with them, and providing all types of training and support for benefits packages, we publish a specialized magazine for installers twice per year.

Dialogue with Local Communities
 The Sanwa Group conducts activities that are deeply rooted in local communities, such as factory tours, events for local residents, and local cleanups on Sanwa Environmental Day, in which more than 1,500 people participate each year.

Value through Business

The Sanwa Group aims to protect people's treasured lives, and create a society that is more prosperous and easier to live in by offering products and services that provide safety, security, and convenience to customers worldwide.



Protection from fire, floods and other disasters

Scale of sales
Approx. **¥95.8 Billion**
(Fiscal 2019 Consolidated)

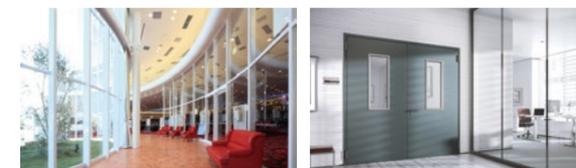


In the case of fires in places where large numbers of people gather, such as office buildings, department stores, schools, and hospitals, fire prevention equipment such as fireproof shutters and doors can stop a fire from spreading for certain period of time, by sealing off areas in response to signals from smoke and heat detectors. Waterproof shutters and doors provide flood prevention functions at the time of typhoons and localized torrential rains, and keep buildings from being inundated. These products protect people and property from disasters, and provide safe spaces.

▶ See page 15 for details regarding disaster prevention products.

Enhancing the convenience of public spaces

Scale of sales
Approx. **¥137.8 Billion**
(Fiscal 2019 Consolidated)



In the case of products such as lightweight shutters, steel doors, partitions, and automatic doors in public spaces where a large number of unspecified persons come and go, such as commercial facilities, schools, hospitals, hotels, and stations, it is important for the products to be capable of providing a pleasant space for the visiting customers.

In addition, these products offers functions to solve numerous societal problems, such as crime prevention, fireproofing, and thermal insulation.

Contributing to improving the functions of infrastructure such as factories and warehouses

Scale of sales
Approx. **¥114.5 Billion**
(Fiscal 2019 Consolidated)



Products such as heavy duty shutters, sheet shutters, and overhead sliders are required to be effective in improving productivity at factories and warehouses by ensuring that workers follow appropriate routes and making the frontlines of production and logistics friendly to both the environment and people.

In addition to fireproofing functions, shutters that open and close rapidly improve work efficiency, and a thermal insulation function that allows temperatures to be managed provides comfortable spaces, contributing to energy saving as environmental products. These products are indispensable for the development of areas such as e-commerce, which have seen significant growth in recent years.

Ensuring safe living and comfort for everyone

Scale of sales
Approx. **¥115.2 Billion**
(Fiscal 2019 Consolidated)



As lifestyles become more diverse and the trend toward a society with a low birthrate and an aging population accelerates, the environment surrounding housing is changing drastically, as it strongly reflects changes in society. Products such as garage doors, window shutters, condominium doors, and exteriors are required to offer security functions that enhance crime prevention, as well as convenient day-to-day home living, in addition to a high level of safety. Furthermore, in cold regions such as Europe, it is important for garage doors to also provide thermal insulation performance as environmental products.

Products that protect people from disasters



In recent years, there have been a growing number of cases of inundation and flooding damage caused by large-scale typhoons and localized torrential rains. Due to increasing amounts of rainfall, and the large number of cases of flooding damage both above and below floor level, it is necessary to take more measures to prevent damage from typhoons and heavy rains.

Minimizing flood damage

Flooding damage caused by large-scale typhoons and localized torrential rains is increasing due to climate change. As a new Japanese Industrial Standard (JIS) that evaluates inundation prevention functions under a unified method has been established, it is now possible to install inundation prevention equipment in accordance with the purpose of use, based on the expected depth of flooding shown on hazard maps. Sanwa Shutter Corporation and SUZUKI SHUTTER CORPORATION offer waterproof shutters and doors, as well as waterproof panels, to help minimize flooding damage to underground shopping malls and buildings.



There is an increasing number of cases of damage to window glass caused by flying objects that have become airborne and crashed into windows, due to strong winds from typhoons. As there are also cases in which winds entering a house have blown out the roof, there is a growing need for further measures to provide protection from strong winds.

Preparing for strong winds caused by large-scale typhoons and hurricanes

There have been a growing number of cases in which shutters have been blown from their guide rails by strong winds from typhoons, which are becoming increasingly larger. Sanwa Shutter Corporation's Taifu (wind-resistant) Guard offers heavy-duty shutters, as the industry's first products that use wind-resistant guide rails, and window shutters that can be installed at medium-rise condominiums. ODC's garage doors are designed to withstand the wind load from a hurricane without sacrificing their stylish designs.



Although large-scale earthquakes such as a Nankai Trough Earthquake are expected to cause even more serious damage than that caused by the Great East Japan Earthquake, it is impossible to predict when and where such major earthquakes will occur.

Preventing people from being trapped in a facility when an earthquake occurs

After an earthquake, people may find doors being unable to open or close, due to deformation of the frames by external forces. Sanwa's earthquake proof doors display strong seismic performance, enabling sufficient clearance to be maintained between the door and frame to allow it to open, and feature earthquake-proof metal fittings as standard equipment, to ensure that people will be able to safely open the door to evacuate a facility after an earthquake, without fear of being trapped inside.



Sliding entrance door for indoor hallway, Smood Yuraku | Common-area earthquake-proof steel door, AKUZO



Power outages can occur when electric cables are damaged by flying objects due to strong winds from a typhoon, when power poles collapse due to a landslide caused by heavy rain, or when electric cables have been struck and damaged by lightning. Power outages can also be caused by earthquakes.

External power source enabling automatic rolling even during a power outage

Previously, shutters had to be rolled up while securing a safe foothold, after having been closed through manual operation or by rolling down under their own weight after receiving a disaster signal.

With the introduction of a power supply system, a connection is provided to a battery or power generator, enabling users to open the electric shutters even in the event of a power outage. This system can be utilized as a business continuity plan (BCP) measure.



Shutter power supply system for opening shutter, E Connect

Risks and Opportunities

| Categories | Main Risks/Opportunities | Responses |
|--|---|---|
| External Environment | <ul style="list-style-type: none"> Impact on business due to declining housing starts and construction investment as a result of changes in economic trends Impact on business due to fluctuations in financial markets such as exchange rates and interest rates Impact on the Group's business due to global political, societal, and economic trends Impact on business due to terrorism or riots at the Group's overseas facilities | <ul style="list-style-type: none"> Increase productivity and reduce costs through the promotion of multi-product sales initiatives Hedge against exchange rate risk, interest-rate risk, etc. Continuously gauge global political, societal, and economic conditions, analyze the impact on business, and respond appropriately |
| Supply Chain/Procurement | <ul style="list-style-type: none"> Impact on business due to sudden price hikes for steel or other auxiliary materials Impact on business due to overreliance on specific suppliers or supplier bankruptcies | <ul style="list-style-type: none"> Build close relationships with multiple suppliers and establish/expand alternative procurement methods for major components |
| R&D/New Products | <ul style="list-style-type: none"> Loss of competitiveness due to delays in developing advanced technologies or application to products/services, or insufficient product improvement <p>Opportunity: Capture growth opportunities through revolutionary technologies</p> | <ul style="list-style-type: none"> Perform information gathering regarding customer needs and strengthen capabilities in advanced technologies and development |
| Production/Quality/Installation/Inspection | <ul style="list-style-type: none"> Impact on business due to a decline in supply capability caused by the aging of production facilities, a decrease in the number of manufacturing personnel, or a decline in manufacturing technology level Impact on business due to late deliveries Loss of reliability due to recalls, product defects, etc. Loss of reliability due to accidents involving products or their installation Impact on business due to a decrease in the number of installers, installer aging, or a decline in installation abilities Impact on business due to inadequate maintenance inspections of fire prevention equipment <p>Opportunity: Expand service business in response to inspection legislation</p> | <ul style="list-style-type: none"> Continuously upgrade production facilities Prompt delivery through integration of production and logistics systems Thorough product quality control Expand recruitment of installers and enhance installation training Increase the number of fire prevention equipment inspectors and provide education to improve their abilities Expand the range of easy to install products/processes |
| Regulatory Risks | <ul style="list-style-type: none"> Risks from the establishment/revision of legal requirements Risk of infringement of patents or other intellectual property rights Risk of litigation, investigations by regulatory authorities, or imposition of penalties | <ul style="list-style-type: none"> Keep everyone informed by sending alerts on legal revisions to relevant departments, and organizing study meetings, training sessions, etc. Establish a structure by working closely with law offices |
| Compliance | <ul style="list-style-type: none"> Loss of trust as a result of fraud, scandals, legal violations, etc. Loss of trust as a result of false financial statements or window-dressing Loss of trust due to personnel- or labor-related problems Risk of inappropriate accounting estimates (setting of various provisions and allowances) | <ul style="list-style-type: none"> Foster a corporate climate based on our Compliance Code of Conduct Conduct compliance trainings Eradicate false accounting and false order booking through thorough internal audits Compliance with Article 36 (Overtime Work and Work on Days Off) of the Labor Standards Act through deployment of a working-hours management system Expand the paid vacation acquisition program Ensure the proper calculation of accounting estimates and conduct thorough internal audits |
| Information Security | <ul style="list-style-type: none"> Impact of information leaks, system failures due to infections with computer viruses, cyberattacks, etc., or data loss | <ul style="list-style-type: none"> Address cybersecurity risks under the Sanwa Group Information Management System based on our Information Security Policy |
| Human Resources | <ul style="list-style-type: none"> Risk of being unable to steadily secure or retain high added-value talent Risk of being unable to steadily secure installers or address problems associated with aging <p>Opportunity: Capture long-term growth opportunities by expanding the Professional Human Resources Training Plan</p> | <ul style="list-style-type: none"> Continuously generate innovation through the hiring of high-value-added talent and improve our ability to respond to diversifying customer needs Expand the Professional Human Resources Training Plan Expand systems for developing and training installers |
| M&A/Investments | <ul style="list-style-type: none"> Unanticipated risks associated with acquisitions and investments <p>Opportunity: Achieve growth by venturing into unserved areas and expanding business domains</p> | <ul style="list-style-type: none"> Perform proper analyses of market trends, acquisition prices, strategies, etc. |
| Climate Change/Major Disasters | <ul style="list-style-type: none"> Climate-change risks such as carbon-tax burden, regulations on greenhouse gas emissions, and increases in compliance costs Risk of deterioration in quality at installation sites, lower work efficiency, and increase in occupational accidents resulting from global warming. Impact on our supply systems and our suppliers' business due to damage caused by major disasters such as large-scale typhoons, localized torrential rains, and major earthquakes Risk of tightening of environment-related laws and regulations <p>Opportunity: Achieve growth by expanding sales of eco-friendly products</p> <p>Opportunity: Expand profit opportunities by supplying disaster prevention-related products (products that are fireproof, smokeproof, waterproof, wind resistant, etc.)</p> | <ul style="list-style-type: none"> Have individual factories and offices work to ensure environmental protection in line with the Sanwa Group Environmental Policy Consider and implement countermeasures for climate-change risk at the CSR Promotion Council Set CO₂-reduction targets and implement initiatives for their achievement Develop and supply waterproof or wind resistant-related products Ensure business continuity by formulating a BCP |
| Infectious-Disease (Pandemic) Risk | <ul style="list-style-type: none"> Impact on our supply systems and our suppliers' business due to damage caused by the global spread of infectious diseases (pandemics) Impact on business due to lost sales opportunities, and delays in or suspension of operations as a result of protracted pandemics Lost opportunities due to delays in responding to customer needs <p>Opportunity: Expand profit opportunities by supplying antibacterial products, contactless products, etc.</p> | <ul style="list-style-type: none"> Develop a crisis management manual and strengthen infection prevention measures Implement initiatives to respond to customer needs |

Impact of the Novel Coronavirus (COVID-19)

In 2020, the novel coronavirus has spread throughout the world, and it is inevitable that the Sanwa Group's business performance will be affected. Therefore, we anticipate a significant drop in revenues and profits compared with the previous year. Although there are no problems regarding our supply systems in Japan, the United States, or Europe, the economic impact of lockdowns and other measures that have been implemented by each country has been substantial. While we expect a gradual economic recovery to occur, we believe that the negative impact will continue throughout fiscal 2020.

External Environment and Status of the Company's Production, Sales, and Installation (as of July 2020)

| Japan | North America | Europe | Asia |
|---|---|---|--|
| <p>External Environment</p> <ul style="list-style-type: none"> Declaration of a Nationwide State of Emergency (April and May) Disruptions at some construction sites | <p>External Environment</p> <ul style="list-style-type: none"> Construction sites in some states suspended work (March and April) From the end of April, states and counties began lifting lockdowns, and resumed economic activities | <p>External Environment</p> <ul style="list-style-type: none"> From the end of March, economic activities halted completely in Italy, France, Spain, the U.K., etc. From mid-April, countries began lifting lockdowns and gradually resumed economic activities | <p>External Environment</p> <ul style="list-style-type: none"> Economic activity in China slowed down after the Chinese New Year Currently, generally normal economic activities are maintained in China, Vietnam, etc. |
| <p>Status of Business</p> <ul style="list-style-type: none"> Sales and administrative departments, etc. have staggered working hours and introduced remote working to the greatest extent possible, and are focused on preventing infection None of the factories were significantly affected, and they are maintaining normal operations Installations may see slow progress at some sites, and there may be delays in finalizing incoming orders and other work disruptions | <p>Status of Business</p> <ul style="list-style-type: none"> ODC's operations have been designated as an essential business by the U.S. government Sales and administrative departments are generally working remotely Although some factories suspended their operations temporarily, there was no major impact, and all factories are currently maintaining normal operations | <p>Status of Business</p> <ul style="list-style-type: none"> Sales and administrative departments are generally working remotely Factories in Germany and the Netherlands are maintaining normal operations Although operations at factories in Italy, France, Spain, and the U.K. were suspended (until the end of April), all factories are currently maintaining normal operations | <p>Status of Business</p> <ul style="list-style-type: none"> Suspension periods for production and sales activities have ended in China, Hong Kong, and Taiwan (February and March), and normal operations are being maintained In Vietnam, production and sales activities are being maintained at normal levels |

Issues for the Sanwa Group after the Novel Coronavirus

Products that contribute to the prevention of COVID-19 and other infectious diseases



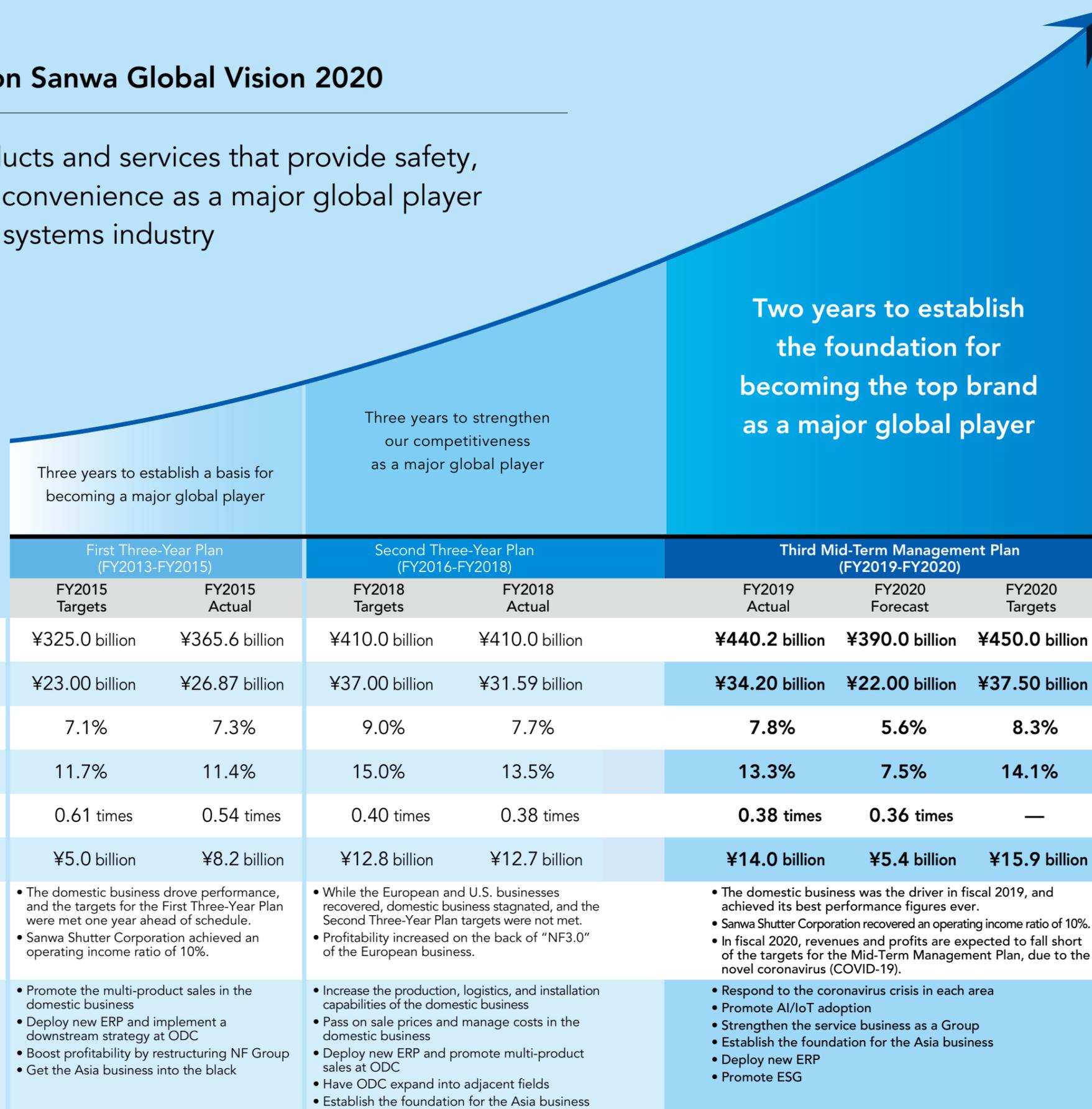
After the COVID-19 pandemic has settled, the adoption of new lifestyles (the "new normal") will be required, and as people are greatly concerned about infection prevention and working environments are changing drastically, it is necessary for us to identify the risks and opportunities for the Sanwa Group.

The Sanwa Group has been engaged in the development and sales of products that use antibacterial materials, as well as products that allow contactless operation. In addition, we will be taking initiatives to develop and manufacture products that provide safety measures for preventing infection, such as easy-to-install partitions to serve as barriers to infectious droplets, products that emit UV light as an antibacterial measure, and products that emphasize ventilation functions for avoidance of the three C's (closed spaces, crowded places, close-contact settings). Furthermore, we are now engaged in the development of an electrically-operated toilet booth. In line with the Sanwa Group's mission of "providing safety, security, and convenience," we will continue working to create a society in which people around the world will be able to live with peace of mind.

Long-Term Vision and Mid-Term Management Plan

Reflections on 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



Vision 2010: Outcomes and Issues

Achievements

- Globalize
- Strengthen multi-product sales

Remaining tasks

- Expand the foundation of the Asia business
- Reinforce global synergies
- Strengthen the service business

Sanwa Global Vision 2020

Outline

Promote global management, from the initial phase to the development phase

Targets

- (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
- (4) Promote realization of Group synergy in global markets

In fiscal 2013, we launched our long-term management vision, "Sanwa Global Vision 2020." This vision is built upon the achievements of "Sanwa Vision 2010" (fiscal 2001 to fiscal 2012), evolving from the initial phase of corporate value creation through global group management to a new phase of growth and success. We are now implementing the Third Mid-Term Management Plan (fiscal 2019 to fiscal 2020), the declared objective of which is to establish a foundation for becoming the top brand as a major global player.

Progress of the Third Mid-Term Management Plan

Fiscal 2019 was unaffected by the coronavirus disease, and the domestic business drove both sales and profits to record levels.

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 Foundation

4. Reform work styles and improve productivity

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

► Core Business

Basic Strategies

1

Expand and strengthen business areas in core businesses

Japan

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

Core Business

- Ensure the profitability of shutters and doors

Multi-Product Sales Strategy

- Expand sales of partitions, entrances, waterproof products, etc. through Group cooperation

Service Business

- Expand orders received in response to new legal requirements for inspections, and respond to demand for post-disaster restoration work

Strengthening Supply Capabilities

- Secure production, logistics, and installation capacity during busy periods

In fiscal 2019, although we received a record number of orders in Japan, we were able to complete the work with no major difficulties by boosting productivity and strengthening internal cooperation.

This was due to successfully passing on increases in installation expenses and logistics costs to customers in the form of higher sale prices, as well as strengthening supply capability by expanding production capacity for doors and other products, and enhancing efficiency in logistics and installation.

In addition, orders received also rose steadily in the service business, as customers complied with new legal requirements to perform inspections, or asked us to repair installations that had been damaged as a result of natural disasters. This increase in orders also contributed to our strong domestic operating performance.

North America

ODC: Strengthening core business segments while entering adjacent business fields

Door Business

- Step up residential retrofitting
- Expand sales of commercial doors

Door Opener Business

- Expand the development of new products such as Wi-Fi-enabled products
- Expand our retail strategy
- Transfer door opener manufacturing to Mexico

In North America, although we struggled somewhat in the first half of fiscal 2019, there was a recovery in the second half, particularly in the residential market. This was thanks to the implementation of a channel strategy, especially in large urban areas, as well as the running of promotions targeting end users. Meanwhile, in the non-residential segment, although market conditions were soft throughout the year, we endeavored to maintain and enhance our market share through strategic pricing.

As for the door opener business, performance held steady as a result of launching new products, expanding our retail strategies through such measures as reinforcing sales at home centers, and increasing productivity by moving production to our Mexico Plant.

Europe

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

Industrial Business

- Improved productivity as a result of expansion of Alpha Deuren International's plant

Hinge Door Business

- Leverage the acquisition of Robust AB in order to expand sales in Sweden and the U.K.

Garage Door Business

- Strengthen sales operations in the U.K.

The industrial business remains the main performance driver in Europe. Productivity improved thanks to Alpha Deuren International's expansion of its plant, which also enabled us to keep up with booming demand. Measures to boost dock leveler output capacity also proceeded smoothly.

Meanwhile, in the hinge door business, the newly-acquired Robust AB played a central role in enabling us to expand our sales in Sweden, the U.K., and beyond.

Regarding the garage door business, although we faced intensifying competition, the improved operational efficiency resulting from the NF4.0 digitalization drive contributed to the performance of the Europe business as a whole, which held steady.

► Growing Business

Basic Strategies

2

Strengthen service segments and expand business model

- Provide service businesses that meet the needs of customers in various regions to cultivate new customers and expand our business model
- Enhance Synergies from the addition of Suzuki Shutter Corporation to the Group

In fiscal 2019, we were able to substantially increase consolidated service business net sales, from ¥47.6 billion in fiscal 2018 to ¥54.2 billion.

This was largely due to a substantial increase in sales at Sanwa Shutter Corporation maintenance service, stemming from an expansion in legally-required inspections of fireproof equipment, as well as solid performance from the newly acquired Suzuki Shutter Corporation, which contributed to the growth of the domestic business.

We have also introduced field service systems and improved productivity in both North America and Europe. In Europe, we are pursuing integration synergies via Novoferm UK, which was made subject to consolidation in 2017, and BGS, which we acquired in 2018.

Basic Strategies

3

Enhance operation bases of Asia business

- From fiscal 2019, four companies were brought into the scope of consolidation. In addition, Suzuki Shutter (HK) will be brought into the scope of consolidation from fiscal 2020.
- Bring about recovery by further localizing operations

Starting in fiscal 2019, Shanghai Baosteel-Sanwa Door, An-Ho Metal Industrial (Taiwan), Sanwa Shutter (H.K.) and Vina-Sanwa (Vietnam) were brought into the scope of consolidation. However, due to recent market changes and delays in localization, net sales were ¥6.4 billion, and we incurred an operating loss of ¥0.35 billion.

In fiscal 2020, we will be aiming to get into the black in Asia by achieving a recovery through a further localization of operations, and by bringing Suzuki Shutter (HK) into the scope of consolidation.

► Reinforcing Business Foundation

Basic Strategies

4

Reform work styles and improve productivity

- Enhance operational efficiency using the latest information systems, such as AI and IoT
- Improve productivity through work-style reforms

We are pursuing various methods to improve productivity in each region. For example, in fiscal 2019, we introduced mobile PCs and updated our teleconferencing system in Japan. As a result, this contributed substantially to efforts to promote teleworking in response to the spread of the coronavirus.

In North America, we improved both productivity and quality by promoting production automation in the door division. Meanwhile, in Europe we optimized our production and supply systems, and transformed our business processes by pushing forward with digitalization through NF4.0.

Basic Strategies

5

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

- Future: Expand the range of products that are adapted to climate change
- People: Take measures to foster new value and competitive strength
- Manufacturing: Provide important protection for daily life through a diverse range of products
- Reliable Management (governance, stronger compliance, risk management)

Japan has recently been hit by a series of large-scale disasters. This has continued in fiscal 2019, with Chiba and other Eastern Japan areas being struck by large-scale typhoons. As our mission is to provide infrastructure that protects people's lives and property from such disasters, including typhoons and water damage, we will continue to offer products that guard against damage from natural disasters.

In fiscal 2020, we will need to re-acknowledge viruses as a new threat, and take actions, going forward to address risks from external factors.

Financial Strategy

The Company will prioritize strategic investments for growth when allocating its free cash flows, and enhance our corporate value by steadily expanding SVA and ROIC. As part of such strategic investment, we estimate a total of ¥30 billion to be used for capital investments and M&As over the two fiscal years of 2019 and 2020. In fiscal 2019, approximately ¥15 billion was invested, including about ¥10.6 billion for M&As of SUZUKI SHUTTER CORPORATION, Robust AB, and other companies, and about ¥4.3 billion for strategic capital investments. In fiscal 2020, we will continue to make proactive investments that contribute to long-term growth.

| | FY2019 Actual | FY2020 Forecast | |
|---|---------------|-----------------|---|
| SVA (Effective corporate tax rate: 33%) | ¥14.0 billion | ¥5.4 billion | SVA and ROIC for fiscal 2020 are expected to decline due to a decrease in operating income. |
| ROIC (WACC: 6%) | 15.4% | 9.5% | |
| ROE (Cost of capital: 8%) | 13.3% | 7.5% | ROE for fiscal 2020 is expected to fall to the level of the cost of shareholders' equity. |
| Payout Ratio | 35.0% | 60.1% | Due to dividends that are forecast to be the same amount as in the previous fiscal year, a temporary increase is anticipated. |
| Free Cash Flow | ¥15.6 billion | ¥10.2 billion | Free cash flows will be allocated preferentially to strategic investments. |
| D/E Ratio | 0.38 times | 0.36 times | D/E ratio and shareholders' equity ratio are expected to be maintained at a level sufficient for safety, in light of ratings and interest conditions. |
| Shareholders' Equity Ratio | 46.3% | 46.9% | |

Major revisions were made for fiscal 2020 due to the impact of COVID-19.

Approach to cash flows and allocation of strategic investments

First Three-Year Plan Actual
(Three-year total)

- Cash dividends: ¥10.5 billion
- Share buybacks: ¥10.0 billion
- M&A: ¥14.0 billion
- Strategic investments: ¥10.0 billion
- Capital investments: ¥13.0 billion
- Repayment of interest-bearing debt, etc.: ¥8.9 billion

Operating cash flow: ¥66.4 billion

Second Three-Year Plan Actual
(Three-year total)

- Cash dividends: ¥19.0 billion
- Share buybacks: ¥5.0 billion
- M&A: ¥5.8 billion
- Strategic investments: ¥11.8 billion
- Capital investments: ¥20.0 billion
- Repayment of interest-bearing debt, etc.: ¥12.9 billion

Operating cash flow: ¥74.5 billion

Third Mid-Term Management Plan Forecast
(Two-year total)

- Cash dividends: ¥15.5 billion
- M&A: ¥20.0 billion
- Strategic investments: ¥10.0 billion
- Capital investments: ¥9.0 billion
- Repayment of interest-bearing debt, etc.: ¥6.7 billion

Operating cash flow: ¥61.2 billion (Forecast)

Strategic Investment Policy of the Third Mid-Term Management Plan

We expect to allocate approximately ¥30 billion to capital investments and M&As over the two-year period, focusing on investments for promoting multi-product sales and in growth sectors where synergy effects are anticipated.

FY2019 Actual
Approximately ¥15.0 billion

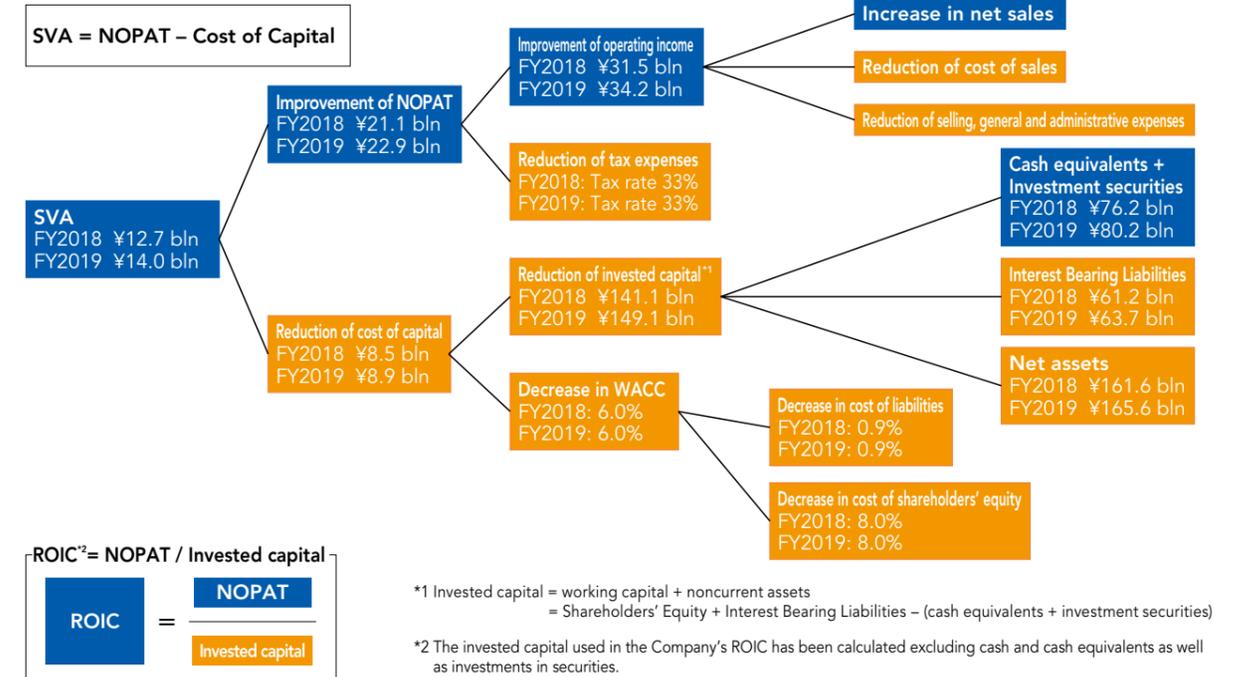
(Breakdown)

- M&As: Approximately ¥10.6 billion (SUZUKI SHUTTER CORPORATION and Robust AB)
- Strategic capital investments: Approximately ¥4.3 billion (New CAD system, new ERP system, new production line at the Mexico plant, etc.)

Management with an awareness of the cost of capital

1. SVA as a management indicator

Since fiscal 2001, the Company has adopted SVA (Sanwa Value Added) as a management indicator, and uses it as an indicator for making decisions regarding M&As, and as an indicator for evaluating the business performance of each Group company.



2. Cost of capital

· Cost of shareholders' equity and ROE

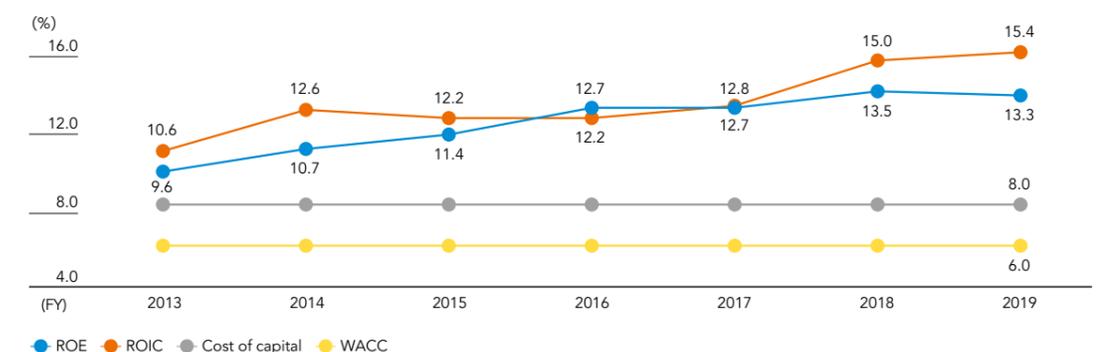
The Company aims for a cost of shareholders' equity of roughly 8.0%.

The breakdown includes a beta of 1.0 to 1.5, an equity risk premium of 5.0 to 6.0, and a risk-free rate of 0.5 to 1.5 times. By referring to each of these items, the Company recognizes the cost of shareholders' equity to be around 8.0%. Meanwhile, ROE has been maintained at 10% or higher since 2014, which exceeds the level of the cost of shareholders' equity (8.0%), thereby leading to an increase in corporate value.

· WACC and ROIC

The Company recognizes its weighted average cost of capital (WACC) to be 6.0%, which is calculated with a cost of shareholders' equity of 8.0% and a cost of liabilities of 0.5 to 1.0.

Due to a steady increase in net operating profit after tax (NOPAT), ROIC has been 10% or higher since fiscal 2014, significantly exceeding the WACC.



Capital Policy

1. Financial foundation

· Optimal capital structure

The shareholders' equity ratio was 46.3% as of March 31, 2020 (shareholders' equity: ¥164,065 million). In the Third Mid-Term Management Plan, it was estimated to be 47.8%, and has maintained a level in excess of 45% since fiscal 2017. The Company's basic approach to its financial strategy is that it does not excessively use financial leverage.

· Ratings

A stable financial foundation is essential in order to safely return profits and repay debts to stakeholders, including shareholders and creditors. To this end, the Company has obtained issuer ratings of A+ from Japan Credit Rating Agency, Ltd. (JCR) and A from Rating and Investment Information, Inc. (R&I), as objective indicators (both ratings are as of March 2020).

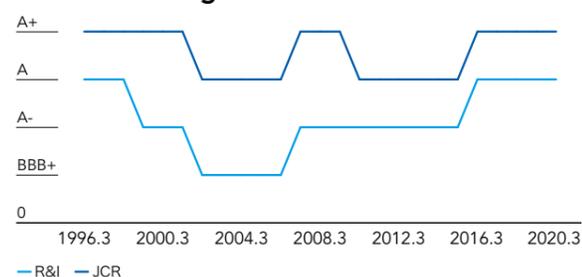
| | |
|--|---|
| Japan Credit Rating Agency, Ltd. (JCR) | Rating and Investment Information, Inc. (R&I) |
| A+ | A |

As of March 31, 2020

| | |
|---|---|
| Total assets 354,023 (Millions of yen) | |
| Current assets 222,532 (62.9%) | Current liabilities 114,071 (32.2%) |
| Non-current assets 131,491 (37.1%) | Non-current liabilities 74,318 (21.0%) |
| Net assets 165,633 (46.8%) | |

Percentage figures in parentheses show composition ratios.

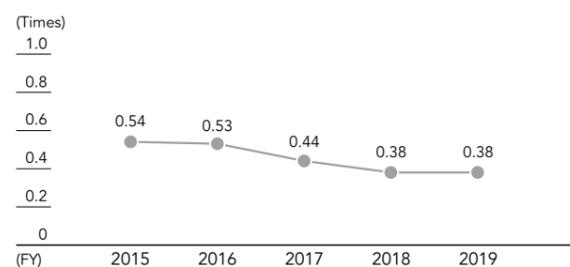
Trends in ratings



2. Financing and D/E ratio

The D/E ratio was 0.38 times as of March 31, 2020. The revised forecast for D/E ratio in the Third Mid-Term Management Plan was 0.36 times, and we are moving closer to this forecast. However, because the Company places the highest priority on future growth, it will proactively pursue M&As. If our funds on hand are insufficient to successfully carry out M&As, the Company will consider increasing its interest-bearing debt.

D/E ratio



Shareholder Returns

In order to further promote management aimed at increasing corporate value while also improving the corporate culture and strengthening the management foundation, the Company's basic policy is to maintain a stable dividend payout ratio and distribute profits based on consolidated performance, targeting a payout ratio of 35%.

For fiscal 2019, we paid an annual dividend of ¥34 per share (¥17 per share for both the interim and year-end dividends), as planned. For fiscal 2020, while the performance outlook predicts significant decreases in both revenue and profits, our forecast is to pay an annual dividend of ¥34 per share (¥17 per share for both interim and year-end dividends),

For fiscal 2019, we paid an annual dividend of ¥34 per share (¥17 per share for both the interim and year-end dividends), as planned. For fiscal 2020, while the performance outlook predicts significant decreases in both revenue and profits, our forecast is to pay an annual dividend of ¥34 per share (¥17 per share for both the interim and year-end dividends), which is the same amount as in fiscal 2019, in light of our cash flows and capital position.

In terms of share buybacks, ¥5.0 billion of shares were purchased and cancelled in fiscal 2019. In fiscal 2020, we will carry out comprehensive shareholder returns while considering investments and funds on hand.

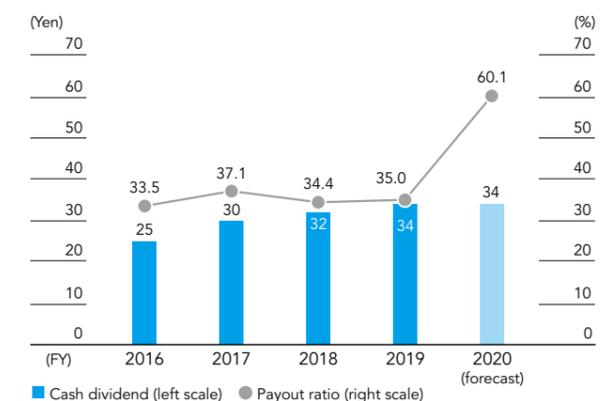
Dividends

- FY2019 dividend
Forecast an annual dividend of ¥34 per share, with an increase of ¥2 (interim dividend of ¥17 and year-end dividend of ¥17)
Note: Payout ratio target of 35%
- FY2020 dividend (forecast)
Forecast an annual dividend of ¥34 per share, the same amount as in fiscal 2019

Share buybacks

- Announced share buybacks on July 31, 2019
Amount of buybacks: ¥5 billion
The number of shares acquired: 4,133 thousand shares
Buyback period: August 1, 2019 to November 27, 2019
4,000 thousand shares out of those acquired were cancelled on February 19, 2020.
Note: Share buybacks are carried out flexibly while considering the Company's cash position, in order to prioritize strategic investments.

Cash dividend / Payout ratio



Outlook for Fiscal 2020

Our outlook is based on the assumption that the impact of COVID-19 on each sector will continue at least throughout fiscal 2020. We expect consolidated net sales to decrease 11.4% year on year to ¥390.0 billion. A decrease of 10.6% is expected in the first half of the fiscal year, while a decrease of

12% is expected in the second half, with the greatest decrease expected in the second quarter. Operating income is expected to decrease 35.7% year on year to ¥22.0 billion.

This outlook will be revised, as necessary, depending on the situation.

Full-year consolidated forecast

| | FY2020 Forecast | FY2020 First half | FY2020 Second half | FY2019 actual | Year-on-year change (amount) | Year-on-year change (%) |
|---|-----------------|-------------------|--------------------|---------------|------------------------------|-------------------------|
| Net sales | 390.0 | 178.0 | 212.0 | 440.2 | (50.2) | (11.4) |
| Operating income | 22.0 | 5.1 | 16.9 | 34.22 | (12.22) | (35.7) |
| Profit attributable to owners of the parent company | 12.5 | 2.3 | 10.2 | 21.65 | (9.15) | (42.3) |

(Billions of yen, %)

Special Feature: Value that Generates a Competitive Advantage

[Sources of the Sanwa Group's Value Creation]



Service



Multi-Product Sales



Globalization

Based on its mission of offering products and services that provide safety, security, and convenience to further contribute to the prosperity of society, the Sanwa Group will be executing various strategies and continuing to grow. The sources of the value creation that will support this growth are the characteristics and strengths that are unique to the Sanwa Group, which we describe as our "service business," a "multi-product sales strategy," and "globalization." By organically combining these strengths, we will deliver even more value to society.

Strengthen Service Segments and Expand Business Model

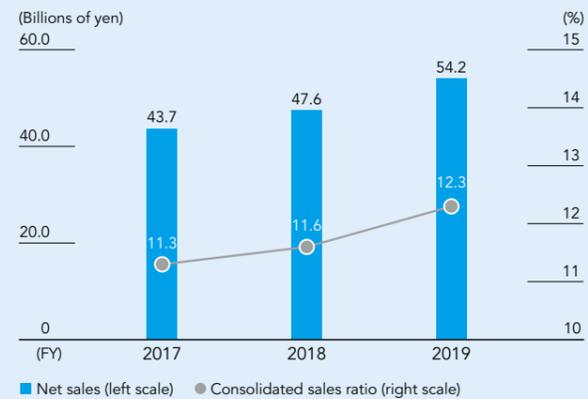


Service

Fiscal 2019 Service Business Net Sales (Consolidated)

¥54.2 billion

Service Business Net Sales

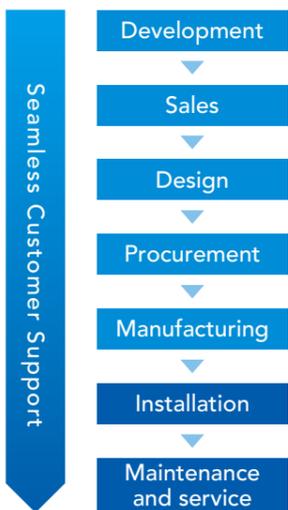


The Sanwa Group supports our customers at every stage, from product development through sales, design, procurement, manufacturing, installation, maintenance and service. In Japan, in particular, we have established a business model based on our capabilities in the areas of installation and maintenance, and this model has already become a driver for future growth.

Installation quality is obviously critical. However, when a product manufacturer also assumes responsibility for ensuring installation ability and managing progress, it increases the value delivered to its customers, such as general contractors and building firms. In addition, by handling repairs and service after completion of installation by a highly specialized manufacturer, we are able to provide added value to the end users.

In buildings, shutters and doors play critical roles in controlling entry to prevent crime and protecting against fires and other disasters, and constitute access systems, while installation and service serve as an important key for delivering products to customers and ensuring that they can use them with peace of mind, on a day-to-day basis.

By expanding the service business, the Sanwa Group aims to further enhance safety, security, and convenience, in order to protect human lives and societal infrastructure from fires and other disasters.



Japan

In Japan, our sophisticated nationwide network, which is centered on Sanwa Shutter Corporation, constitutes a powerful infrastructure.

In 2016, a partial amendment to the Building Standards Act came into force, introducing a periodic inspection report system for fire prevention equipment, such as fireproof shutters and doors. Full-scale implementation of the measures began in fiscal 2019, and we have been aiming to further reinforce and expand our operations in this area. For example, we have been striving to attract new maintenance customers, and to secure and train qualified personnel. We have also been doing our utmost for recovery from natural disasters, which have become a frequent occurrence in recent years, and will continue to contribute to the maintenance of societal infrastructure in this way.



North America



Our sales structure in the North American market mainly involves selling through a network of about 400 distributors and several thousands of dealers, rather than directly to customers. However, by also being able to perform installation and service, we are strongly cementing our presence there.

As a key measure, we have restructured NS, a direct sales division centered on Canada's CDS, and placed it under the control of the door division. In addition, we will be working to further expand our service business while endeavoring to expand the number of automatic door plants through M&As, and to attract more incoming orders for services such as periodic inspections, and boosting our capabilities in this area.

Europe

Novoferm Group acquired Norsud of France in 2016, and Bolton Gate Services Ltd. (BGS) of the U.K. in 2018. These acquisitions allowed us to expand our operations to the industrial doors business area, in addition to the areas in which we have been operating our service business.

Going forward, we will be strengthening and leveraging synergies from our sales and service network, which encompasses Norsud, BGS, and Horton UK, in order to further reinforce our service structure across Europe, mainly in the realm of industrial doors, which require frequent maintenance.



Total Solutions from Multi-Product Sales

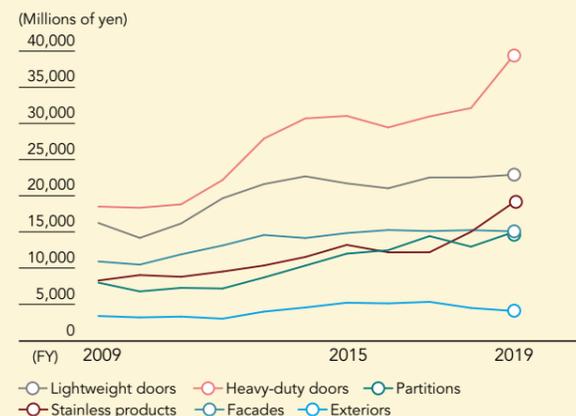


Multi-Product Sales

Fiscal 2019 Non-Shutter Sales Ratio (on a domestic, consolidated basis)

78.8%

Sales Trend in the Non-Shutter Business

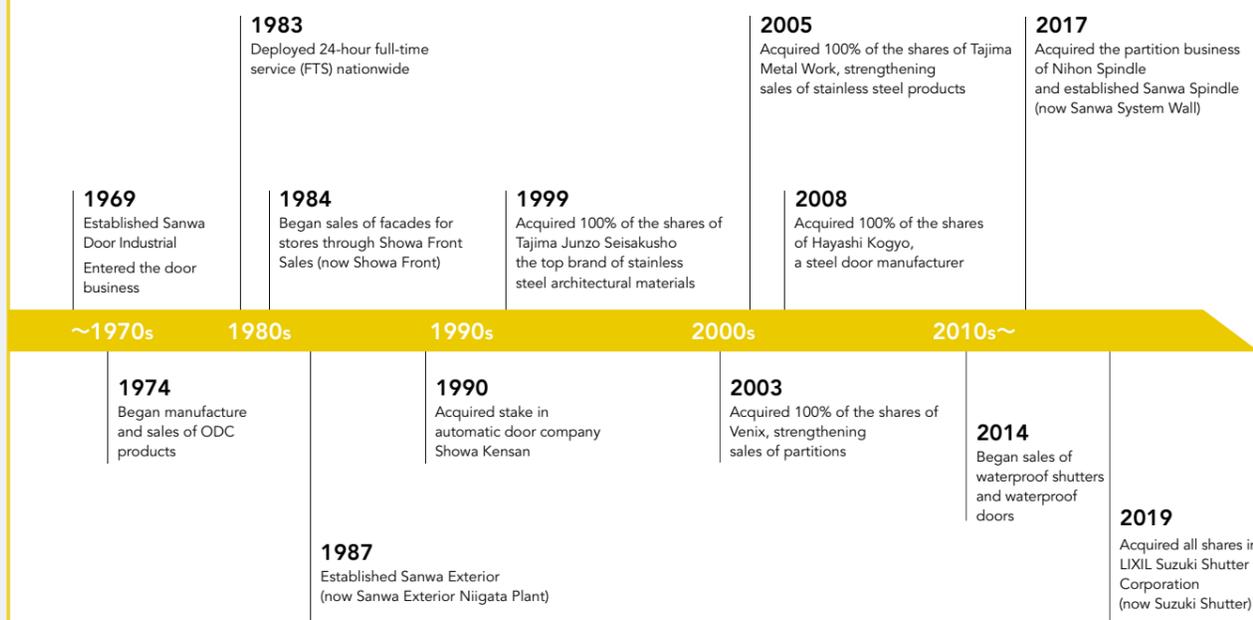


* Non-shutter sales ratio: Domestic consolidated net sales excluding net sales of heavy-duty and lightweight shutters/Domestic consolidated net sales x 100

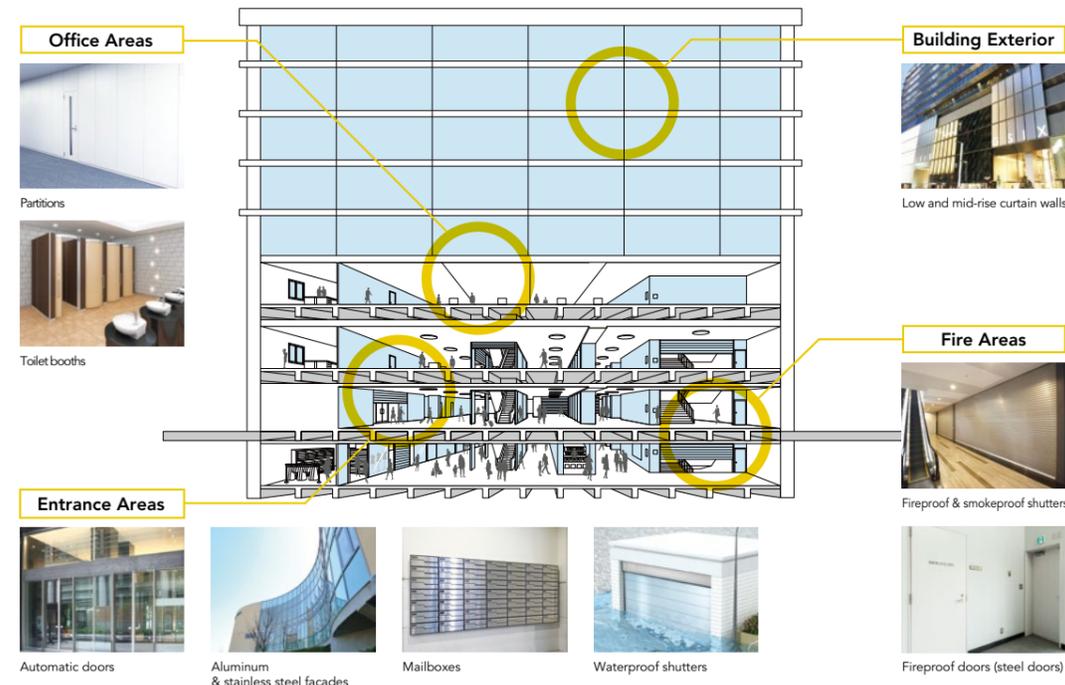
The Sanwa Group has always kept pace with the times, in order to develop products that are suited to the various situations that people experience in their lives. In the early years after our foundation, we manufactured lightweight shutters. However, we entered the door business in the late 1960s, as Japan moved into a period of intense growth. From the 1980s, we promoted the diversification of product types through M&As, acquired leading companies with a strong brand presence in each field, and worked on multi-product sales, starting with Showa Front for store fronts, Showa Kensen for automatic door engines, Venix for partitioning products, Sanwa Tajima Corporation for stainless steel products, and Sanwa System Wall for wooden school partitioning.

The Sanwa Group currently has 18 domestic subsidiaries. As a result, we are able to offer a vast range of products including shutters, steel doors, overhead doors, exteriors, automatic doors, stainless steel and aluminum facades, and partitions, and are ranked No. 1 in the industry in terms of the number of products that contribute to safe, secure, and convenient lifestyles. We aim to solve the issues faced by society through the provision of a wide variety of product groups that have been cultivated through our multi-product sales strategy.

Transition of Our Multi-Product Sales Strategy in Japan



Our Products for Buildings



Sanwa Group products deliver greater safety, peace of mind and comfort

Multi Products



Enlarge our Presence through Globalization



Globalization

Fiscal 2019 Overseas Sales Ratio

45.4%

Overseas Sales Ratio

38.1%

FY2009

45.4%

FY2019

Overseas Employee Ratio

63.6%

FY2009

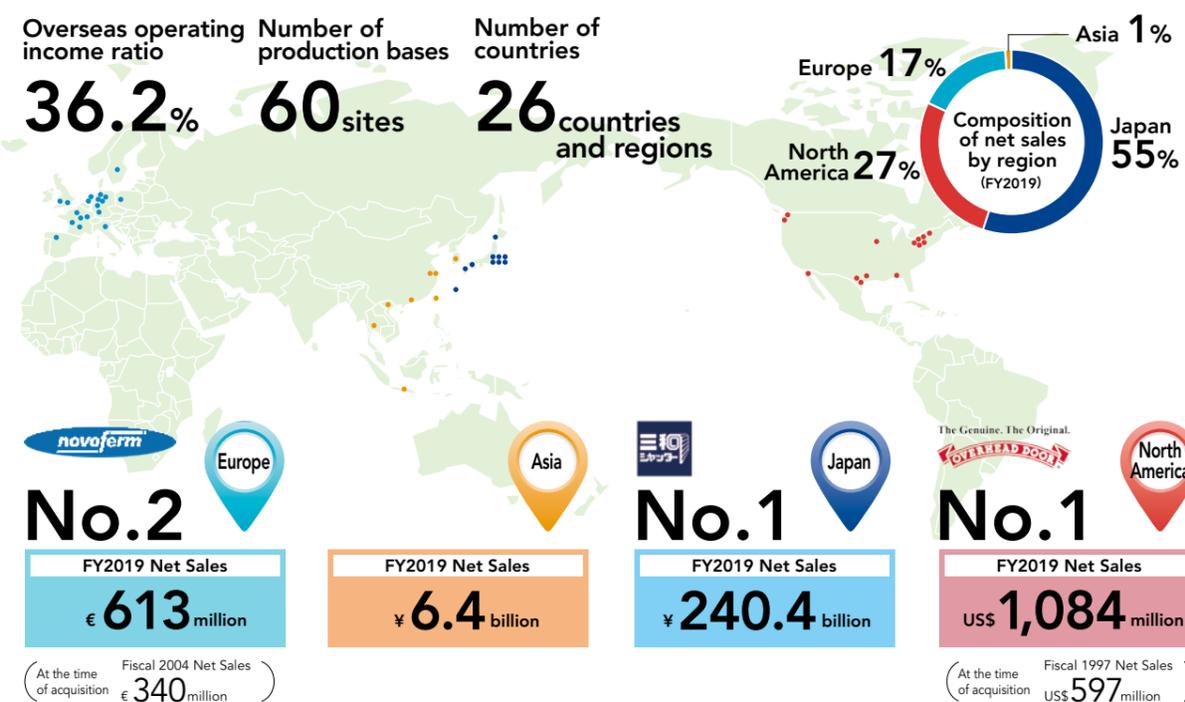
64.0%

FY2019

One of the Group's strengths is its globalization, and after venturing abroad before other Japanese companies in the industry with the establishment of Sanwa Shutter (Hong Kong) in 1986, we continued to expand overseas, and now engage in business in 26 countries and regions around the world. Our steps toward full-fledged globalization have also been marked by acquisitions such as Overhead Door Corporation (ODC), which has the top market share in North America, in 1996, and Novoferm Group (NF Group), a long-established European manufacturer of doors and shutters, in 2003.

When operating in global markets, it is important to keep in mind that countries all have different histories, cultures, and legal regulations, and to adapt to each region's needs and attributes. To maximize post-acquisition synergies, mutual understanding and clear communication are critical. Accordingly, we endeavor to increase interest in each other's technologies and products, while engaging in collaborative development, selling one another's products, and providing mutual assistance toward opening new markets.

We will therefore continue to enlarge our presence, in order to establish ourselves as the top brand and as a major global player in the access systems industry, and thereby offer safety, security, and convenience all over the world.



Notes: 1. The sales figures for each region include internal sales
2. The exchange rates for fiscal 2019 were \$1: ¥109.24 and €1: ¥122.15

North America



1996: Acquired Overhead Door Corporation
2009: Acquired Wayne Dalton Corporation
2011: Acquired Creative Door Services of Canada
2012: Acquired DCI and ADA
2013: Acquired TAC
2014: Acquired HAO (currently DSC)
2018: Acquired LUX ODC

ODC, which we acquired in 1996, boasts a top-tier market share in North America and will mark its 100th anniversary in 2021. In 2009, in the wake of the financial crisis, we also acquired our competitor, Wayne Dalton, thereby establishing a solid position in the garage door market.

Moving into the 2010s, in 2011 we acquired Creative Door Services (CDS), which installs and services automatic doors in Canada, and later purchased distributors that handle installation work. As such, we expanded our service business to match the respective regions and businesses. Looking forward, we will continue to maintain and expand our core businesses, while also broadening our business domains through entry into adjacent fields.

Europe



2003: Acquired Novoferm Group
2014: Acquired Alpha Deuren of the Netherlands
2016: Acquired Norsud of France
2017: Acquired additional shares in Novoferm UK, making it a wholly-owned subsidiary
2018: Acquired BGS of the U.K.
2019: Acquired Robust AB of Sweden

NF Group, which we acquired in 2003, is a long-established manufacturer that traces its history back to 1955. With Germany as its main hub, it has manufacturing bases and distribution networks throughout Europe, and has achieved the number-two market share. Entering the 2010s, we rapidly expanded our industrial-use product business through the acquisition of Alpha Deuren, while the subsequent purchases of Norsud and BGS allowed us to further strengthen our sales and service network.

More recently, in 2019, we snapped up Robust AB, which is engaged in the hinged doors business in Sweden, Norway, and the U.K. This move allowed us to advance into regions in which we still only have a small share of the market. Going forward, we will be pursuing synergies arising from integration with the companies we have acquired, and aggressively expanding our industrial doors business and service business, in order to establish a larger presence in the European market.

Asia



1986: Established Sanwa Shutter (Hong Kong)
1988: Established An-Ho Metal Industrial in Taiwan
1991: Established Sun Metal in Thailand
1996: Established Sanwamas Metal Industry in Indonesia
2005: Established Novoferm (Shanghai)
2006: Established Shanghai Baosteel-Sanwa Door
2008: Established Vina-Sanwa in Vietnam
2019: Acquired Suzuki Shutter (Hong Kong)

The Sanwa Group also operates in Asia, including the ASEAN nations and China. However, we have not based our strategy on the acquisition of local companies, as we have in Europe and North America. Instead, we have established joint ventures (JVs) with local capital. This means that it is necessary for us to perform tasks such as establishing distribution channels and training installers by ourselves. For this reason, we are currently focused on establishing a foundation in each market. We are also taking on the challenge of expanding commercial opportunities across Asia, and are ready to move forward to the next stage. For example, we are promoting further localization and strengthening cooperation among Group companies.

Regional Operations

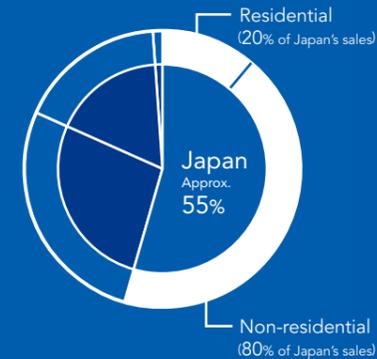
JAPAN

Maintain the profitability of core products and achieve growth through multi-product sales initiatives

Meiji Takayama
Representative Director and President, Sanwa Shutter Corporation



Net Sales Composition by Region



Strengths

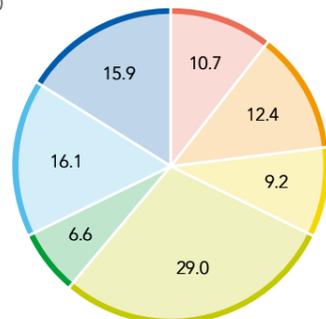
- Number-one share in Japan in six fields, including shutters and doors
- Seamlessly integrated business model from development and production to installation and after-sales service
- Nationwide sales network comprising 500 locations and more than 3,900 installers

Tasks

- Enhance productivity through higher efficiency of production and logistics
- Improve profitability of orders received
- Pass on to customers increases in raw materials prices and other costs

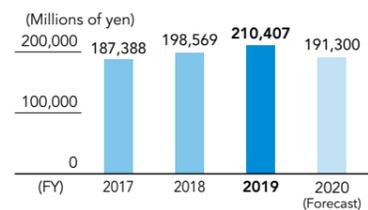
Sanwa Shutter Corporation

Net Sales Composition by Product (%)

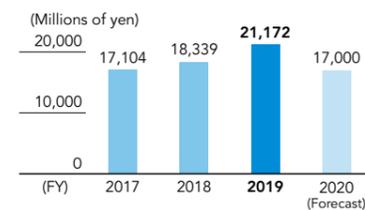


- Lightweight shutters
- Heavy-duty shutters
- Shutter-related (overhead doors, high-speed sheet shutters, etc.)
- Commercial building / condominium doors
- Partitions
- Maintenance services
- Others (residential doors, window-related products, exterior fittings, stainless-steel entrances, aluminum fronts, automatic door operators)

Net Sales

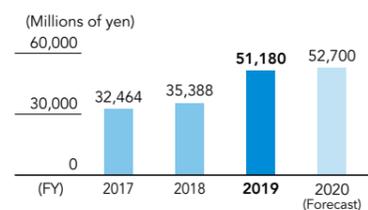


Operating Income

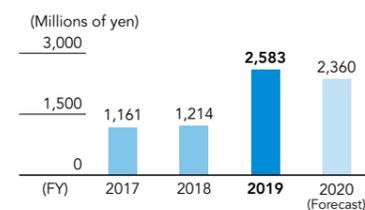


Domestic subsidiaries

Net Sales



Operating Income



Note: Figures for net sales and operating income exclude internal transactions

Fiscal 2019 Business Performance and Fiscal 2020 Outlook

In fiscal 2019, Sanwa Shutter Corporation dealt with a record number of orders received with no major difficulties and revenues from heavy-duty shutters and doors for buildings, condominiums, etc. increased. The maintenance and service business also performed robustly in response to demand for legally required inspections. As a result, net sales increased 6.0% year on year to ¥210.41 billion. Operating income increased 15.4% year on year to ¥21.17 billion due to higher volume and sale prices. In other domestic subsidiaries, the effect of bringing a new subsidiary into the scope of consolidation contributed to a 44.6% increase year on year in net sales to ¥51.2 billion and a 112.8% increase year on year in operating income to ¥2.58 billion.

For fiscal 2020, Sanwa Shutter Corporation is forecasting net sales of ¥191.3 billion (a decrease of 9.1% year on year) and

operating income of ¥17.0 billion (a decrease of 19.7% year on year) due to the impact of COVID-19. In the first quarter (from April to June), the spread of COVID-19 began to have an impact, and this is expected to continue through the second quarter. We believe that signs of recovery will finally begin to be seen from the second half onward. However, factors such as delays in finalizing new incoming orders and slower progress with completing on-site work are likely to have an impact throughout the year. The trend at other domestic subsidiaries will be the same as that for Sanwa Shutter Corporation. However, we are projecting an increase in sales of 3.0% year on year to ¥52.7 billion and a decrease in operating income of 8.7% year on year to ¥2.36 billion due to the effect of the consolidation of SUZUKI SHUTTER CORPORATION.

HIGHLIGHTS

Launched Fireproof Panel, "Magical Taika Plus"

Magical Taika Plus is a fireproof partition for installation in factories, warehouses, etc. It features an insertable panel structure secured by screws at the top and bottom, and the use of an installation-assist robot called a Giraffe allows installation to be completed more than twice as fast as with the ALC (autoclaved lightweight concrete) or LGS (light gauge steel) methods. The opening can be combined with one of Sanwa Shutter Corporation's fireproof shutters, doors, etc. to save space and reduce the time taken for installation.



SUZUKI SHUTTER CORPORATION Joins the Group

SUZUKI SHUTTER CORPORATION was founded in 1903, and was the first company in Japan to manufacture and sell shutters. SUZUKI SHUTTER CORPORATION offers a full range of products from heavy-duty shutters to lightweight shutters and other products for homes and small stores and currently focuses on shutter maintenance services. By integrating its long history and outstanding customer base with the Sanwa Group, we will be aiming to create new synergies and drive further growth.



Headquarters of SUZUKI SHUTTER CORPORATION (Tokyo)

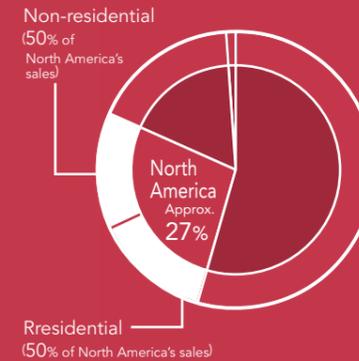
NORTH AMERICA

Maintaining and expanding core businesses while entering into adjacent business fields

Kelly Terry
Overhead Door Corporation
President & CEO



Net Sales Composition by Region



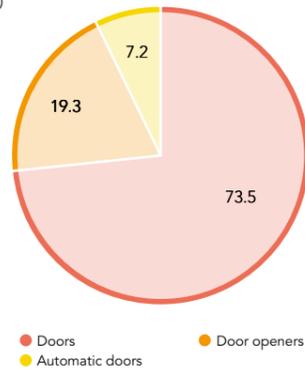
Strengths

- Powerful brand and top-tier market share in North America
- Strong sales network of about 400 "Ribbon Distributors"

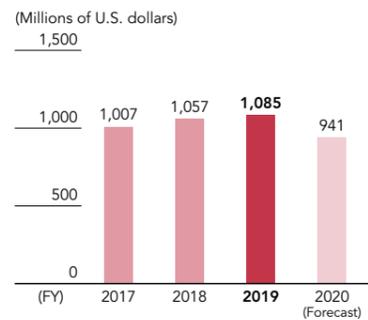
Tasks

- Strengthen channel strategies for each product and application
- Reinforce the service business by proving support to distributors and dealers in the door business
- Build strength in regions in which we have a low market share
- Smoothly deploy a new ERP

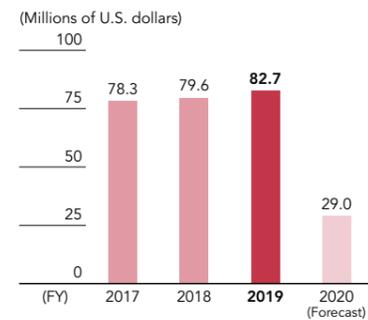
Net Sales Composition by Product (%)



Net Sales



Operating Income



Forex Rate

| FY | 2017 | 2018 | 2019 | 2020 (Forecast) |
|------------------|---------|---------|---------|-----------------|
| Forex Rate (1\$) | ¥112.04 | ¥110.36 | ¥109.24 | ¥105.00 |

Note: Figures for net sales and operating income exclude internal transactions

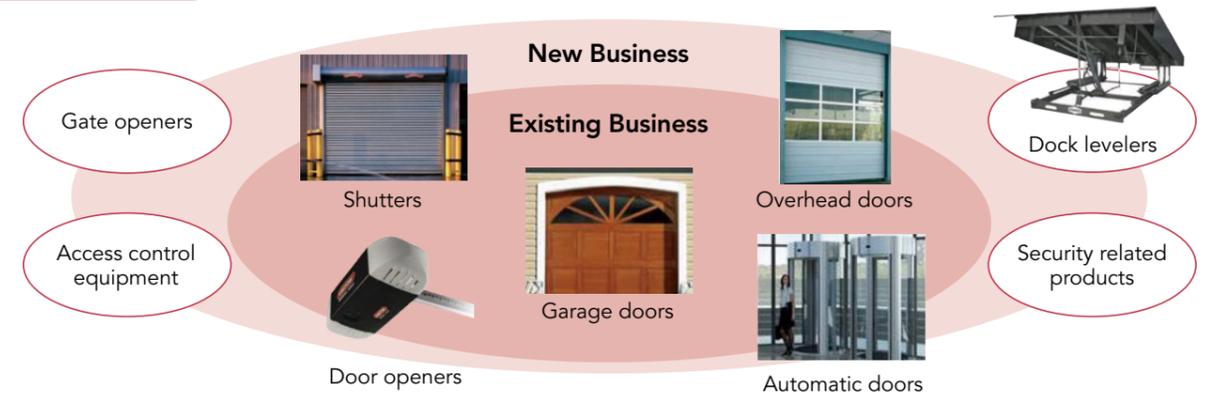
Fiscal 2019 Business Performance and Fiscal 2020 Outlook

In fiscal 2019, our mainstay door business and door opener business performed steadily, and as a result, net sales totaled ¥118.5 billion, up 1.6% year on year. Operating income was ¥9.03 billion, up 2.9% year on year, due to passing on higher materials prices to customers in the form of higher sale prices and cost reductions. U.S. dollar basis, net sales increased by 2.6% year on year to \$1,085 million, and operating income increased by 3.9% to \$82.7 million.

For fiscal 2020, we estimate a 16.6% drop year on year in net sales to ¥98.8 billion and a 66.3% drop year on year

in operating income to ¥3.05 billion. Although COVID-19 had little impact up to the first quarter (from January to March), we expect to see an effect in the second quarter and a recovery beginning in the fourth quarter. Of the three regions of Japan, North America, and Europe, we forecast that North America will be impacted by the pandemic for the longest period. On a U.S. dollar basis, we estimate net sales decreasing by 13.3% to \$941 million, with operating income down 64.9% to \$29 million.

Basic Strategies Maintain and expand core business segments while entering into adjacent business fields



HIGHLIGHTS

Launched Genie Models 6170 and 6070

Two shaft-direct openers for residential garage doors, Models 6170 and 6070 have been released by Genie as new-style openers. Unlike the conventional design, in which the opener is attached to the ceiling, these openers can be attached directly to the garage wall. This represents that an opener can be easily installed even in a high-ceiling garage, and brings a clean and open look to the garage. The freed-up space can be used for storage or other purposes.

We will continue working to develop products that deliver convenience to people's lives.



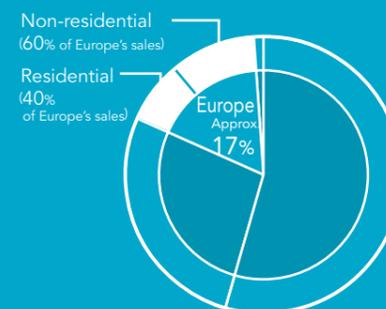
EUROPE

Further strengthen industrial segment and promote digitalization through NF4.0

Rainer Schackmann
Novoferm Group CEO



Net Sales Composition by Region



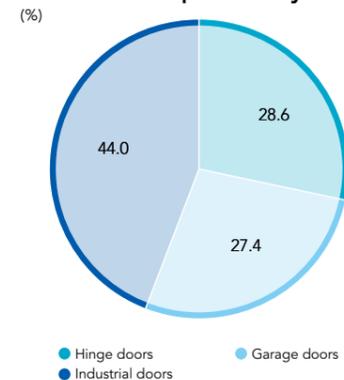
Strengths

- Operates in the mainstay markets of Germany and the Netherlands as well as in other European countries such as France, the U.K., Italy and Spain
- Agile M&A strategy and ability to respond to local needs in each region
- Integrated sales, manufacturing, and logistics network built through structural reform, and increased productivity

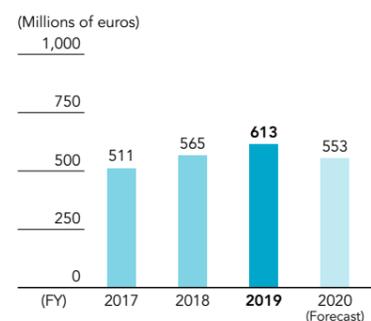
Tasks

- Strengthen competitive edge in regions in which we have a low market share
- Generate synergies from integration with acquired companies

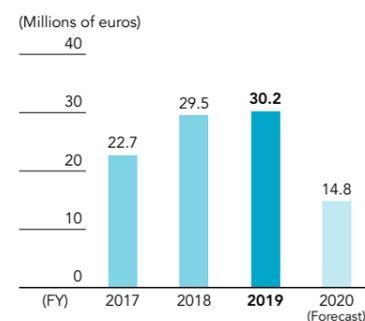
Net Sales Composition by Product (%)



Net Sales



Operating Income



Forex Rate

| FY | 2017 | 2018 | 2019 | 2020 (Forecast) |
|-----------------|---------|---------|---------|-----------------|
| Forex Rate (1€) | ¥127.22 | ¥130.01 | ¥122.15 | ¥115.00 |

(Note) Figures for net sales and operating income exclude internal transactions

Fiscal 2019 Business Performance and Fiscal 2020 Outlook

In fiscal 2019, the strong and expanding industrial door business and the acquisition of Robust AB led to a rise in net sales by 2.0% year on year to ¥74.9 billion. Operating income fell 3.7% year on year to ¥3.69 billion, as exchange rate fluctuations offset overall success in passing on higher materials price to customers in the form of higher sale prices. On a euro basis, net sales increased by 8.5% year on year to €613 million, and operating income increased by 2.5% year on year to €30.2 million.

For fiscal 2020, we predict that net sales will drop by 15.1%

year on year to ¥63.6 billion, with operating income dropping by 53.9% year on year to ¥1.70 billion due to the impact of COVID-19. Europe began to be affected by COVID-19 in the first quarter (from January to March), earlier than Japan or North America, and the impact was greatest in the second quarter. We expect a recovery to occur to a certain extent in the fourth quarter. On a euro basis, we anticipate that net sales will drop by 9.8% year on year to €553 million, with operating income dropping by 51.0% year on year to €14.8 million.

HIGHLIGHTS

Released Sectional Garage Door, "ISO 70"

ISO 70 is a 70mm-thick sectional garage door featuring panels offering superior insulation performance. A double floor seal located at the bottom of the door maintains close contact with the floor, preventing dirt being blown inside by the wind while reducing heat loss. The door can also be combined with a Thermo frame set as an option, which improves insulation performance by up to 15%.



Synergies with Robust AB

The NF Group has positioned the hinge door business (particularly anticrime and fireproof doors) in Northern Europe and the U.K. as an important and promising market for the future, and expect it to see solid growth over the next few years. With the acquisition of Robust AB, we will strengthen the NF Group's hinge door business, and will be pursuing further growth by maximizing synergies between the two entities.



Headquarters of Robust AB (Sweden)

ASIA

Increase consolidated businesses by enhancing Group integrated management



Net Sales Composition by Region

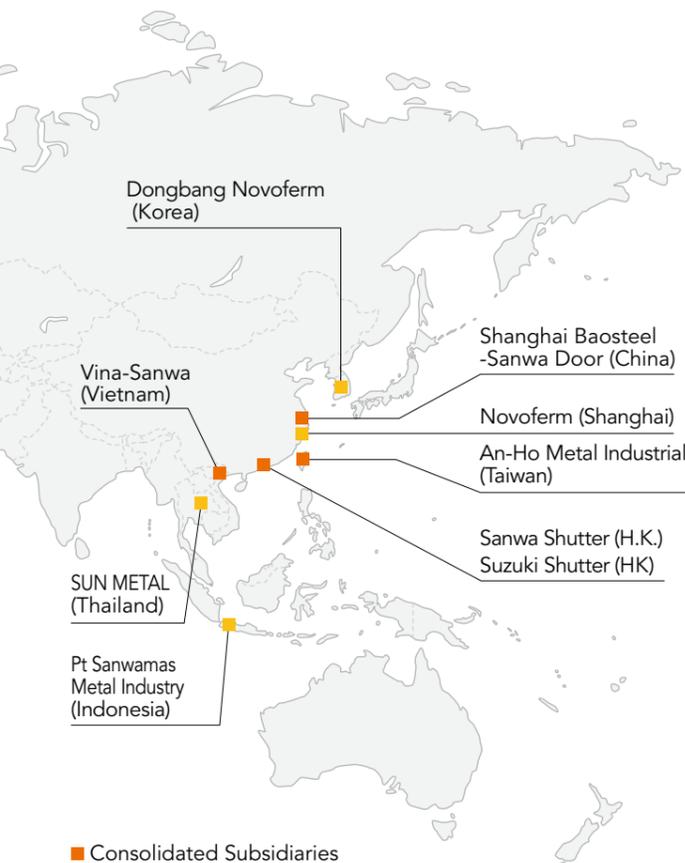


Strengths

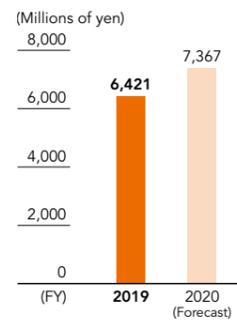
- Product lineup and exceptional quality utilizing Sanwa Group technology
- Production and sales structures that utilize all bases

Tasks

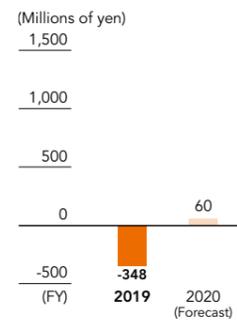
- Promote localization to meet needs in each region
- Establish a network of distributors and optimize manufacturing bases



Net Sales



Operating Income



Fiscal 2019 Business Performance and Fiscal 2020 Outlook

In fiscal 2019, we newly brought Shanghai Baosteel-Sanwa Door, An-Ho Metal Industrial, Sanwa Shutter (H.K.), and Vina-Sanwa into the scope of consolidation, and worked to establish the business foundation by enhancing management synergies of each Group company. Net sales in fiscal 2019 were ¥6.4 billion. However, we recorded an operating loss of ¥348 million and were unable to establish a profit base.

In fiscal 2020, although we anticipate the effect of COVID-19 in Asia mainly in the first quarter, projecting net sales of ¥7.4 billion, a 14.7% increase year on year and operating income of ¥60 million, an improvement of ¥408 million from the previous fiscal year, due mainly to factors such as the effect of bringing Suzuki Shutter (HK) into the scope of consolidation.

HIGHLIGHTS

Aiming for Further Business Expansion by Consolidating the Asia Business

Regarding the Asia business, in view of the separate strategies from each company and for each country that we saw in the past, we regard Greater China and ASEAN members as separate markets, and are aiming to further achieve business expansion through the supply of each other's products and the centralization of production facilities. We are taking steps to rapidly adapt to the needs of each market environment, and will pursue integration synergies from the merger with Sanwa Shutter (H.K.) of two companies that joined the Group in September 2019, namely Suzuki Shutter (HK) and Suzuki Shutter (Macau). In fiscal 2019, Shanghai Baosteel-Sanwa Door, An-Ho Metal Industrial, Sanwa Shutter (H.K.), and Vina-Sanwa were brought into the scope of consolidation, and Suzuki Shutter (HK) will be consolidated in fiscal 2020. With these initiatives, we will be working to ensure that we can accelerate the speed of growth.



New Models of Heat-Insulating Fireproof Doors at Novoferm (Shanghai)

Novoferm (Shanghai) launched new models of heat-insulating fireproof door that are certified as fireproof doors under China's building standards law. All of these models, which are constructed from steel or stainless steel, cleared heat-blocking and fireproofing tests for the three fire-resistance classes of 90 minutes, 60 minutes, and 30 minutes, and they meet a wide range of needs as they can be designed to be as high as three meters, which is top class in the industry. In addition, the new models help reduce CO₂ emissions as they are 8-9% lighter than previous versions by partially replacing magnesium sheets used as structural material with aerated concrete.

Corporate Governance

HIGHLIGHTS

| | |
|--|---|
| Number of Board of Directors Meetings / Attendance Rate Fiscal 2019 10/97.8% | Number of Audit & Supervisory Committee Meetings / Attendance Rate 10/100% |
| Exercise Ratio of Voting Rights at 85th Ordinary General Meeting of Shareholders 87.97% | Number of Explanatory Sessions for Individual Investors Fiscal 2019 9 |

Basic Approach to Corporate Governance

As a global access systems company that is developing business in 26 countries and regions in North America, Europe and Asia as well as in Japan, Sanwa Holdings Corporation achieves business growth through good faith and fair business activities on the basis of the Company's "Mission," "Our Values," "Principles of Business" and "Compliance Code of Conduct" while aiming to instill "two kinds of reliability" (reliable business performance and reliable management). Continuing to grow and improve corporate value, the Company will also contribute to the sustainable development of society while positioning corporate governance, which forms its foundation, as an important management issue.

17, in order to make decisions promptly and resolutely to address changes in the business environment on a global basis, and to ensure the diversity of opinions. In accordance with its standards, directors are appointed based on their ability, insight, and experience, as well as other qualities that are necessary to monitor and oversee corporate management from a global perspective, and to make important business decisions. The incumbent nine directors are composed of a corporate manager, multiple persons with experience in international business, a person with expert knowledge in finance and accounting, and a legal expert, thereby securing the diversity of the Board members.

We will continue examining methods to secure the diversity of the Board members, not only in terms of seeking gender diversity, but also through the election of non-Japanese directors as a global company, and recommend persons who are considered to be well-qualified as candidates for directors.

Corporate Governance Structure

The details of specific measures to enhance our business execution and supervisory functions are set out below. By adopting this system, we believe that we can establish a system to ensure the appropriateness of operations and enhance corporate governance.

Status of Compliance with the Corporate Governance Code

We are responding to the principles prescribed in the Corporate Governance Code of the Tokyo Stock Exchange. However, the following principles are not implemented for the reasons set out below.

(Principle 4-10-1: Establishment of an Independent, Voluntary Advisory Committee)

Each of the Company's directors is working to actively stimulate deliberations by the Board. Independent outside directors engage in lively discussions, stating their opinions based on their advanced insight, specialized knowledge and global experience. The Board receives appropriate recommendations from our independent outside directors. The Audit & Supervisory Committee (comprising three members, two of whom are independent outside directors) verifies the candidates for director and director compensation and other matters discussed at meetings of the Board of Directors and, at times, expresses its opinion as part of a framework that aims to strengthen the independence, objectivity and accountability of the Board of Directors. To enhance objectivity and transparency going forward, we will conduct multi-faceted investigations into the option of establishing a voluntary advisory committee.

(Principle 4-11: Preconditions for Board and Audit & Supervisory Board Effectiveness)

In its Articles of Incorporation, the Company stipulates that the appropriate number of directors shall be no more than

Specific Measures for Enhancing Business Execution and Supervisory Function

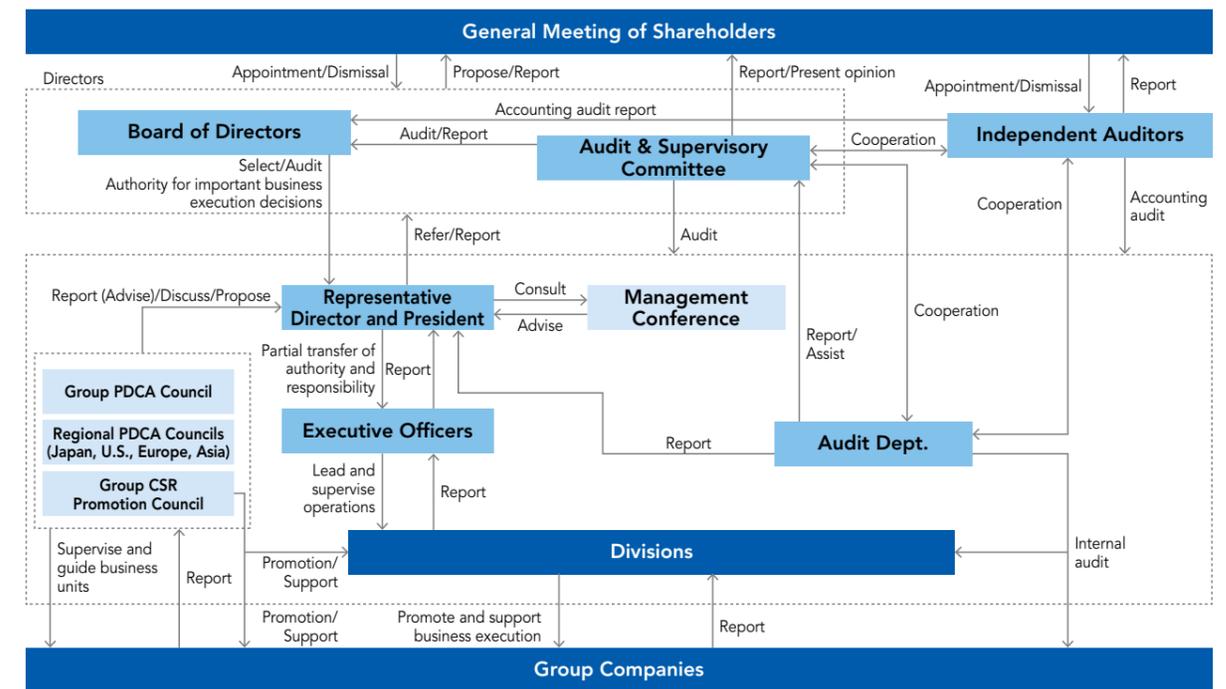
Management Conference

In accordance with the transition to a company with an Audit & Supervisory Committee structure, from the perspective of speeding up management decisions a director (Executive Officer, President for fiscal 2020) was entrusted to make "significant decisions concerning business execution," excluding matters prescribed by law. Consequently, set up as an advisory body to the delegated director (hereinafter, Executive Officer, President), a Management Conference deliberates and reports on important management issues, and assists the Executive Officer, President in making decisions and strengthening the flexibility of business execution. Discussing (1) matters concerning important business execution decisions delegated by the Board of Directors to the Executive Officer, President, (2) matters deemed necessary by the Executive Officer, President from among the Board of Directors' meeting agenda items, and (3) other important, management-related matters deemed necessary by the Executive Officer, President, the Management Conference works in conjunction with the Board of Directors in the making of quick and efficient management decisions.

Detailed Supervision/Audits of Business Execution by Group and Regional PDCA Councils

Group and Regional PDCA Councils consist of directors who are not Audit & Supervisory Committee members, directors serving as full-time Audit & Supervisory Committee members and senior management such as executive officers. At the councils, which convene on a quarterly basis, directors oversee the progress of management plans and provide guidance on management issues, while the directors who are Audit & Supervisory Committee members audit the status of business execution by executive officers.

The Sanwa Group's Corporate Governance Structure



Group CSR Promotion Council

To enable the Group to carry out CSR activities, such as ESG, risk management, and compliance, in an integrated manner, a Group CSR Promotion Council has been established, chaired by the executive officer in charge of the Corporate Planning Unit at Sanwa Holdings.

Convening four times a year, deliberating and reporting on the status of themes that include Group-wide CSR policies and ESG initiatives, Group-wide risk assessment and countermeasures as well as compliance measures, the Group CSR Promotion Council works to improve and avoid damage to corporate value. Furthermore, each Group company has a CSR Promotion Committee in place that plans and promotes activities that are integrated with the workplace and works to promote CSR activities.

Evaluation Process and Guidelines

| | | |
|---|---|---|
| End of Fiscal 2017 after conclusion of Board of Directors' meeting • Handing out of questionnaire on Board of Directors' effectiveness | Fiscal 2018 First Board of Directors' meeting • Analysis and evaluation of effectiveness based on the response results | Improvements Made • Early advance distribution of Board meeting materials |
| End of Fiscal 2018 after conclusion of Board of Directors' meeting • Conducted questionnaire based on previous year's results (22 questions in all) | Fiscal 2019 First Board of Directors' meeting • Analysis and evaluation of effectiveness based on comparative aggregation with previous year and response results | Improvements Made • Sufficient provision of information other than Board of Directors' meeting materials |
| End of Fiscal 2019 after conclusion of Board of Directors' meeting • Conducted questionnaire based on previous year's results (25 questions in all) | Fiscal 2020 First Board of Directors' meeting • Based on the response results, the evaluation with regard to the Board's effectiveness was confirmed | Points to Be Improved • Improvement of secretariat system • Early distribution of materials for Board meetings to ensure effective deliberations |

Result of Evaluations of Board of Directors' Effectiveness

The Company has been conducting a questionnaire on the effectiveness of the Board of Directors at the conclusion of Board of Directors' meetings since the end of fiscal 2017. In fiscal 2019 as well, we obtained responses from all directors, and at the first Board meeting in fiscal 2020 they analyzed and evaluated effectiveness based on the response results. As a result, although there were issues raised, we evaluated that our Board of Directors is functioning effectively. Going forward, we will continue to make improvements to enhance the effectiveness of the Board of Directors.

Board of Directors' Evaluation Implementation Guidelines

| |
|--|
| (Content that could be evaluated) Subjects of evaluation: All nine fiscal 2019 directors Implementation method: Anonymous survey (freedom to express own opinions) Question content: 25 questions in all, related to the degree of deliberation at Board of Directors' meetings, the status of ensuring the effectiveness of the Board of Directors, the status of the Board of Directors' management, and the self-evaluation of Company and outside directors Evaluation Method: Compilation of questionnaire results, implementation of comparative aggregation with previous year The results of the questionnaire were reported at a Board of Directors' meeting and, based on the response results, the evaluation with regard to the Board's effectiveness was confirmed. |
| (Content that could be evaluated) • Each director is proactive in ensuring lively deliberations • It was confirmed that the Board of Directors is functioning effectively (Points to be improved) • Improvement of secretariat system • Early distribution of materials for Board meetings to ensure effective deliberations (Other opinions expressed) There were opinions given on further ensuring diversity of the Board of Directors through the election of foreign directors, etc. |

Reasons for Appointment of Outside Directors

| Name | Reasons for Selecting the Candidate | Supplementary Explanation | Independent Officer | Audit & Supervisory Committee member |
|---|--|--|---------------------|--------------------------------------|
| Masanaka Yokota Attendance at Board of Directors meetings —% | Since his diagnosis of corporate management in a broad range of industries in Japan and overseas as a consultant, and his achievements and knowledge related to management reform will contribute to enhancing the corporate value of the Company and strengthening the functions of the Board of Directors, the Company has determined that he is qualified as an Outside Director. | The Sanwa Group has no business relationship with the company where Mr. Masanaka Yokota concurrently serves. Moreover, concerning transactions between the Sanwa Group and the corporate group where he concurrently serves, the average transaction amount for the past three fiscal years was less than 1% of the annual consolidated net sales of each of the groups, and the Company has determined that he has no conflict of interest with ordinary shareholders. | ○ | |
| Tsunekatsu Yonezawa Attendance at Board of Directors meetings 100% | He has engaged in corporate management for many years as a company executive. Based on his possessing global experience in management and economics in addition to a high level of knowledge, and his achievements in auditing the execution of business at the Company and in providing appropriate advice and suggestions to management with regard to overall management from his independent position, as Outside Corporate Auditor since 2015 and as outside director serving as Audit and Supervisory Committee member since 2016, the Company continues to determine that he is qualified as an outside director serving as Audit and Supervisory Committee member. | Mr. Yonezawa is a former employee of Marubeni-Itochu Steel Inc. (MISI), which has a business relationship with the Group. The Group and the MISI Group have transactions involving the Sanwa Group's purchase of raw materials and the sale of Sanwa Group products. However, the amount of transactions between the Sanwa Group and the MISI Group accounted for less than 1% of the Sanwa Group's and the MISI Group's annual consolidated net sales in each of the past three fiscal years. Therefore, the Company determined that Mr. Yonezawa satisfies the independence criteria for the Company's outside directors and has no conflict of interest with ordinary shareholders. | ○ | ○ |
| Akira Gokita Attendance at Board of Directors meetings 90% | Although Mr. Gokita has not been involved in the management of the Company other than as an outside director in the past, he has many years of experience as a prosecutor and lawyer, and since 2016 he has applied his extensive experience and knowledge as a legal professional to audits of the execution of the Company's management and has provided appropriate advice and recommendations to management as an outside director serving as an Audit & Supervisory Committee member. He has therefore been determined to be qualified to continue as an outside director serving as an Audit & Supervisory Committee member. | The Company had a legal consultation agreement with Mr. Gokita until December 2015, but the contract has since been terminated. In the Company's independence criteria for outside officers, the annual compensation to be paid to experts in such areas as law is limited to less than ¥10 million. For the duration of the agreement, the monthly legal fees paid to Mr. Gokita were ¥100,000 (there was no payment for compensation outside of the advisory agreement). Therefore, the Company determined that Mr. Gokita meets the independence criteria for the Company's outside directors and has no conflict of interest with ordinary shareholders. | ○ | ○ |

Compensation of Directors

Policies for Determining Compensation and Amounts of Compensation of Directors and Audit & Supervisory Committee Members

With regard to the compensation of directors (excluding directors serving as Audit & Supervisory Committee members), a director delegated by the Board of Directors (Representative Director and Chairman [CEO] Toshitaka Takayama for fiscal 2019) determines the compensation for each director based on the policies below, which are set by the Board of Directors. (Stock options are determined by the Board of Directors.) The Company does not currently have a voluntary compensation committee, but the Audit & Supervisory Committee has the authority to verify and form opinions, from policy decisions with regard to compensation to the amounts decided, thereby ensuring objectivity and transparency. The policy for determining compensation for directors who are Audit and Supervisory Committee members will be determined based on the following policies, in consultation with directors who are Audit and Supervisory Committee members.

Policies for Determining Compensation of Directors and Audit & Supervisory Committee Members

► Basic Concept of Compensation for Directors

Compensation of directors and Audit & Supervisory Committee members is intended to contribute to continual improvement of the Company's business performance and corporate value. The Company designs its compensation system so that the level and structure of compensation are in accordance with the roles and responsibilities required of the Company's directors and Audit & Supervisory Committee members, and enable the recruitment and retention of well-qualified people.

► Compensation of Directors

(1) Compensation of directors (excluding directors serving as Audit & Supervisory Committee members)
The compensation of directors consists of base compensation, performance-linked variable compensation, and stock options. The compensation of outside directors, however, consists only of base compensation. The total amounts of base compensation and performance-linked variable compensation shall be within the limits of the total compensation determined by the General Meeting of Shareholders. The total amount of stock options shall be within the limit for stock options, also determined by the General Meeting of Shareholders.

(2) Compensation of directors serving as Audit & Supervisory Committee members

Comprises only base compensation, the total amount of which shall be within the limit for the amount of compensation determined by the General Meeting of Shareholders.

(3) Base compensation

The base compensation for each director (excluding directors serving as Audit & Supervisory Committee members) is set for each position based on consolidated performance with reference to the compensation levels of other companies presented by a specialized outside organization. The compensation for each director serving as an Audit & Supervisory Committee member is determined by discussion among the Directors who are Audit and Supervisory Committee members, also with reference to the compensation levels of other companies presented by a specialized outside organization.

(4) Performance-linked compensation

For performance-linked compensation, a standard amount is set for each executive position based on the Company's consolidated business results with reference to the compensation levels of other companies presented by a specialized outside organization. The standard amount of this type of compensation is determined by taking into account standard amount indicators and the levels of contribution of each executive director, evaluated quantitatively and qualitatively. As far as serving as a reward that functions as a sound incentive for sustainable growth that reflects the Company's business performance is concerned, consolidated operating income has been selected as the primary indicator of performance-linked compensation, the amount of which is calculated on that indicator basis following the Company's set standards.

(5) Stock options

Stock options are provided to further raise the incentive of directors (excluding directors serving as Audit & Supervisory Committee members and non-executive directors) to increase the Company's corporate value by sharing not only the benefits from stock price increases but also the risk of stock price declines with shareholders. The number of stock options allotted to each director (excluding directors serving as Audit & Supervisory Committee members and non-executive directors) is decided by the Board of Directors, taking the director's duties into consideration.

| Classification | Total Compensation (Millions of yen) | Total Compensation by Type (Millions of yen) | | | Number of Officers Eligible |
|--|--------------------------------------|--|---------------------------------|---------------|-----------------------------|
| | | Base Compensation | Performance-Linked Compensation | Stock Options | |
| Directors (excluding directors serving as Audit & Supervisory Committee members and outside directors) | 385 | 215 | 136 | 33 | 4 |
| Directors serving as Audit & Supervisory Committee members (excluding outside directors) | 33 | 33 | — | — | 1 |
| Outside directors (excluding Audit & Supervisory Committee members) | 10 | 10 | — | — | 1 |
| Outside directors (Audit & Supervisory Committee members) | 40 | 40 | — | — | 2 |

(Notes)

- The amount paid to directors does not include the portion of employee's salary for those directors who concurrently serve as employees.
- The compensation limit for directors (excluding directors serving as Audit & Supervisory Committee members) is ¥680 million per year (as approved at the 81st Ordinary General Meeting of Shareholders held on June 28, 2016). For performance-linked compensation, consolidated operating income has been adopted as the key indicator to provide incentives that enable sustainable growth based on the consolidated performance of the Company as a whole. In fiscal 2019, consolidated operating income was ¥34.2 billion (actual result for the fiscal year ended March 31, 2019, an 8.3% year-on-year increase) compared to the initial forecast of ¥34.0 billion.
- Separately from (2) above, the compensation limit for director stock options (excluding outside directors and directors serving as Audit & Supervisory Committee members) is within ¥60 million per year (as approved at the 81st Ordinary General Meeting of Shareholders held on June 28, 2016).
- The compensation limit for directors serving as Audit & Supervisory Committee members is ¥100 million per year (as approved at the 81st Ordinary General Meeting of Shareholders held on June 28, 2016).
- Stock options are in the amount recorded in the current fiscal year related to stock acquisition rights granted as stock options.

Strategic Shareholdings

Strategic shareholdings are shares of business partners that the Company holds to build good business relationships with them and improve its corporate value from a medium- to long-term perspective through the smooth promotion of business. The rationality of strategic shareholdings is compared and verified by the Board of Directors for the holding benefits (dividends received + business transaction benefits) and capital cost against the acquisition price (current weighted average cost of capital [WACC] = 6%) for each share. As occasion demands, the Company considers selling stocks for which there is insufficient rationale while regularly scrutinizing the benefits of all such shareholdings and determining whether they remain appropriate.

Investment stocks held for purposes other than net investment totaled 41 shares, worth ¥9,703 million (as of the end of March 2020).

The Company exercises its voting rights related to strategic shareholdings in accordance with the following standard: (Standard for the exercise of the Company's voting rights)

The Company shall exercise its voting rights based on a comprehensive judgment regarding whether the proposal will contribute to the sustainable growth of the issuer of shares, and whether it will contribute to the maintenance and enhancement of the corporate value of the Company, among other matters.

Internal Control System

In accordance with the provisions of the Companies Act, the Company passed a resolution on its "Basic Policy for Building an Internal Control System" at a Board of Directors' meeting and is appropriately establishing an internal control system based on that basic policy. Passed by resolution at the Board of Directors' meeting held on March 27, 2019, the basic policy has been partially revised, as a strengthening measure for the prevention of misconduct. Also, every year, we check the execution status of the internal control system and report the results to the Board of Directors and, via business reports, to shareholders. We will continue to strengthen corporate governance by making improvements.

Dialogue with Shareholders and Investors

To increase the transparency of its corporate activities, the Group will endeavor to achieve sustainable growth and increase corporate value by disclosing information in a timely and appropriate manner and reflecting dialogue with shareholders

and investors in management.

Group Governance

The Company strives to strengthen governance of the Group by transferring authority to each Group company as deemed appropriate, and verifying the implementation status of the PDCA cycle for measures designed to heighten the "two kinds of reliability" (reliable business performance and reliable management) through the Regional PDCA Councils presided over by the director in charge of that region.

Each Group company autonomously manages itself as an independent enterprise and fulfills management responsibilities by complying with laws and internal regulations and rules. In addition, the director in charge of each region oversees the business decisions and the status of business execution of each company, providing guidance for improving the transparency of business management. This process ensures and promotes proper operations of the Group.

Functions as Corporate Pension Asset Owner

With regard to the pension management system, we established the Sanwa Shutter Corporate Pension Fund. In addition to a full-time managing director, management is undertaken by directors and representatives selected from each Group company. The management of the reserve fund is based on management guidelines established by the corporate pension fund, and important matters, such as decisions on asset allocation policy and recipients entrusted with assets, are resolved by a board of representatives using external consultants. The fund is managed and controlled in an appropriate manner to prevent conflicts of interest between pension beneficiaries and the Company. We carry out stewardship activities that can be implemented as corporate pension funds, such as the assigning of employees familiar with the practical side of the business to the full-time director, the Board of Trustees requiring that each investment institution entrusted with assets fulfills its stewardship responsibilities, and the receiving of reports on the results.

Please see the Company's website for detailed information regarding corporate governance.



<https://www.sanwa-hldgs.co.jp/english/csr/effort/governance/>

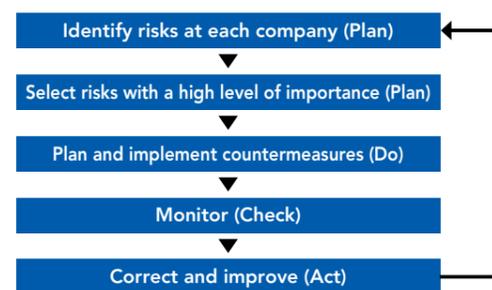
Risk Management and Compliance

HIGHLIGHTS

| | | |
|--|---|--|
| Number of reports made using internal whistleblower system | Number of participants in compliance training | Number of participants in Antitrust Law training |
| Fiscal 2019: 53 | Fiscal 2019: 214 | Fiscal 2019: 187 |

Implementing Risk Management

The Sanwa Group identifies, analyzes, and evaluates business execution-related risks as well as undertakes measures required to avoid and/or mitigate risks. As an organization dedicated to promoting risk management, the Group CSR Promotion Council reports and deliberates on the Sanwa Group's basic risk management policies, risk management-related plans, and the progress of initiatives. In addition, the subordinate Quality, Environment and CSR Promotion Council and each Group company's CSR Promotion Council manage risks by appropriately and rapidly responding to risks that occur during the course of each company's business activities.



This cycle is repeated annually to identify and reevaluate risks.

Enhancement of Information Security

In June 2019, the Sanwa Group established the Information Security Countermeasures Council chaired by the executive officer in charge of the Corporate Planning Unit. The Information Security Countermeasures Council identifies security risks Group-wide (including overseas operations); investigates, formulates and implements various measures to maintain and increase security levels; and aims to formulate security measures based on the latest information received mainly from external organizations. As examples of specific measures, we have provided training on targeted e-mail attacks and implemented measures to raise awareness of security measures among companies in our supply chain and partner companies that dispatch staff to us.



Compliance Training

With the aims of enhancing awareness of the importance of compliance and eliminating violations of laws and rules, we provide training on a nationwide basis once every two years to managers at domestic Group companies. This training features lectures designed to brush up the participants' knowledge of laws related to our business, such as Antitrust Law, Construction Business Act, Waste Management and Public Cleansing Act, and Labor Standards Act. It also includes lectures concerning safety obligations, harassment, and risks relating to information security and other areas, thereby fostering compliance awareness.



We are also working to instill compliance awareness at overseas Group companies. We invited a lawyer who is familiar with circumstances overseas to give an explanatory lecture on practical methods to deal with bribery, including actual cases involving foreign capital companies. In fiscal 2019, this lecture was attended by 20 persons, including both Japanese stationed overseas and executives.

Compliance Code of Conduct: Conceptual Diagram



Messages from Outside Directors

Becoming Even More Indispensable to Society

Masanaka Yokota
Outside Director



Work styles have changed dramatically, including the normalization of remote work, throughout the world. New initiatives for non-contact forms of working and other styles are needed, not only for offices, but also at production sites and out in the field. I am confident that the Company's commitment to manufacturing as one of the major global players in the access systems industry, where the Company's strength lies, will be enough to meet these changes in society.

In an era in which the sustainability of society is more important than ever before, I believe that the role of an outside director is to assist in ensuring that a company's governance is properly maintained. I hope that I will be able to contribute to invigorating discussions at the Board of Directors, while leveraging my experience and remaining conscious of my perspective as an outsider.

Beyond Sanwa Global Vision 2020

Tsunekatsu Yonezawa
Outside Director (Audit & Supervisory Committee Member)



It is important to proceed with structural reforms, including a revamp of organizations and systems. The need to establish new work styles in response to the COVID-19 pandemic is one example. The Company already has a lineup of products in the field of disaster prevention, such as products with fireproof and waterproof specifications, and it must improve development to further enhance their effectiveness in order to contribute to society from the perspective of ESG. In addition, given that the domestic market offers little room for expansion, further business development in global markets will be a key factor for growth. To that end, it will be even more important to develop human resources who can adapt to the global environment.

Going forward, I believe that it is becoming increasingly important to establish a management structure that is well-balanced.

Transparency and Effectiveness in Corporate Governance

Akira Gokita
Outside Director (Audit & Supervisory Committee Member)



I believe the essence of corporate governance is this: directors should fulfill their duty of diligence and the Board of Directors should supervise business execution in a transparent and effective way in order to perform management oversight from the standpoint of shareholders and other stakeholders and to enhance corporate value over the medium- to long-term.

As a company with an Audit & Supervisory Committee, the Company's Board of Directors comprises nine directors, including Audit & Supervisory Committee Members, one-third of whom are independent outside directors. We are working to ensure the transparency and effectiveness of corporate governance, including through constructive debate between outside directors and executive directors.

Management Team

Directors



Toshitaka Takayama
Director, Chairman

August 1963 Joined the Company
 April 1972 Director
 April 1974 General Manager of Construction Material Div.
 April 1974 Managing Director
 January 1977 Head of Construction Material Dept.
 April 1980 Director, Vice President
 May 1981 Representative Director, President
 August 1985 Representative Director, President, SHOWAFRONT Sales Co. (currently SHOWAFRONT Co., Ltd.)
 June 2000 Executive Officer, President
 October 2007 Representative Director, Chairman of the Board, Sanwa Shutter Corporation
 April 2012 CEO & COO
 June 2012 Representative Director, Chairman
 April 2019 Director, Sanwa Shutter Corporation (present post)
 April 2020 Director, Chairman (present post)

Attendance at Board of Directors meetings 100%
 Number of Company Shares Held 1,860,800 Shares



Yasushi Takayama
Representative Director, President

October 2006 Joined the Company
 April 2008 General Manager of TCR Div.
 April 2009 General Manager of Structural Reform Div.
 April 2010 Director, Senior Executive Officer, Sanwa Shutter Corporation
 April 2010 Responsible for Group Function, Sanwa Shutter Corporation
 April 2011 Senior Executive Officer
 April 2011 Assistant Director of Overseas Business
 April 2012 Senior Managing Executive Officer
 April 2012 Responsible for Corporate Planning
 June 2012 Director
 April 2016 Executive Officer, Vice President
 April 2016 Deputy President
 April 2017 Representative Director, President (present post)
 April 2017 COO
 April 2019 Representative Director, Chairman of the Board, Sanwa Shutter Corporation
 April 2020 Executive Officer, President (present post)

Attendance at Board of Directors meetings 100%
 Number of Company Shares Held 112,787 Shares



Hiroatsu Fujisawa
Director, Senior Managing Executive Officer
Global Business Unit

April 2003 President and CEO, Marubeni-Itochu Steel America Inc.
 April 2009 Representative Director and President, DRESSER JAPAN, LTD.
 November 2012 Joined the Company
 April 2013 Senior Executive Officer
 April 2013 Responsible for Strategic Re-Engineering Unit
 June 2014 Director (present post)
 April 2015 Responsible for Europe Business Unit
 April 2016 Responsible for Europe and Americas Business Unit
 April 2017 Senior Managing Executive Officer (present post)
 April 2017 Responsible for Global Business Unit (present post)
 April 2019 Head of Europe Business
 February 2020 Head of Asia Business (present post)

Attendance at Board of Directors meetings 100%
 Number of Company Shares Held 26,100 Shares



Teiko Zaima
Director
Audit & Supervisory Committee Member

March 1975 Joined the Company
 April 2004 General Manager of Accounting Div.
 October 2007 General Manager of Accounting Div., Sanwa Shutter Corporation
 April 2010 Executive Officer, Sanwa Shutter Corporation
 April 2012 Senior Executive Officer, Sanwa Shutter Corporation
 April 2015 Standing Advisor of the Company
 June 2015 Corporate Auditor
 June 2016 Director serving as Audit and Supervisory Committee Member (present post)

Attendance at Board of Directors meetings 100%
 Attendance at Audit & Supervisory Committee meetings 100%
 Number of Company Shares Held 23,400 Shares



Tsunekatsu Yonezawa
Outside Director
Audit & Supervisory Committee Member

April 1971 Joined ITOCHU Corporation
 April 1996 General Manager of Thin Plate Department I, ITOCHU Corporation
 April 1999 General Manager of Oceania (Stationed in Sydney), ITOCHU Corporation (concurrent)
 President, ITOCHU Australia Ltd.
 June 2001 Executive Officer, ITOCHU Corporation
 October 2001 Member of the Board, General Manager of Iron & Steel Division-I, Marubeni-Itochu Steel Inc.
 April 2004 Vice President, Member of the Board, Marubeni-Itochu Steel Inc.
 April 2005 President and CEO, Member of the Board, Marubeni-Itochu Steel Inc.
 April 2009 Chairman, Member of the Board, Marubeni-Itochu Steel Inc.
 April 2012 Advisory Board Member, Marubeni-Itochu Steel Inc.
 April 2013 Director (Assistant to President), ITOCHU Corporation
 June 2015 Outside Corporate Auditor, the Company
 June 2016 Outside Director serving as Audit and Supervisory Committee Member (present post)

Attendance at Board of Directors meetings 100%
 Attendance at Audit & Supervisory Committee meetings 100%
 Number of Company Shares Held — Shares



Akira Gokita
Outside Director
Audit & Supervisory Committee Member

April 1978 Assumed the office of Public Prosecutor, Tokyo District Public Prosecutors Office (Criminal Affairs Division and Trial Division)
 March 1979 Mito District Public Prosecutors Office
 March 1982 Tokyo District Public Prosecutors Office (Criminal Affairs Division and Special Investigation Division)
 March 1985 Osaka District Public Prosecutors Office (Special Investigation Division)
 March 1987 Tokyo District Public Prosecutors Office (Special Investigation Division)
 March 1988 Retired from Public Prosecutor
 April 1988 Registered as an attorney at law
 May 1994 Representative, Gokita and Mitsuura Law Office (present post)
 June 2010 Outside Director, Ichiyoshi Securities Co., Ltd. (present post)
 June 2016 Outside Director serving as Audit and Supervisory Committee Member, the Company (present post)

Attendance at Board of Directors meetings 90%
 Attendance at Audit & Supervisory Committee meetings 100%
 Number of Company Shares Held — Shares



Hiroyuki Yamazaki
Director, Senior Executive Officer
Corporate Planning Unit

April 1983 Joined Sumitomo Corporation
 April 2016 Representative Director, Executive Vice President, SCSK Corporation
 September 2017 Joined the Company
 April 2018 Senior Executive Officer (present post)
 Subleader of Corporate Planning Unit (Concurrent)
 General Manager of Corporate Planning Dept.
 April 2020 Responsible for Corporate Planning Unit (present post)
 June 2020 Director (present post)

Attendance at Board of Directors meetings — %
 Number of Company Shares Held 2,300 Shares



Meiji Takayama
Director (Part-time)

October 2006 Joined the Company
 April 2009 General Manager of Sales Promotion Dept., Building Business Div., Sanwa Shutter Corporation
 April 2010 Executive Officer, General Manager of Corporate Sales Dept., Building Materials Div., Sanwa Shutter Corporation
 April 2011 Director, Sanwa Shutter Corporation
 April 2011 Senior Executive Officer, Head of Building Materials Div., Sanwa Shutter Corporation
 April 2012 Senior Managing Executive Officer, Head of Building Materials Div., Sanwa Shutter Corporation
 April 2013 Senior Managing Executive Officer, Head of Sales Development Div., Sanwa Shutter Corporation
 April 2014 Senior Managing Executive Officer, Head of Business Strategy Div., Sanwa Shutter Corporation
 April 2016 Representative Director, Sanwa Shutter Corporation
 April 2016 Executive Officer, Vice President and Deputy President, Sanwa Shutter Corporation
 April 2017 Representative Director, President, Sanwa Shutter Corporation (present post)
 April 2017 Chief Executive Officer, Sanwa Shutter Corporation (present post)
 June 2017 Director (present post)

Attendance at Board of Directors meetings 100%
 Number of Company Shares Held 88,338 Shares



Masanaka Yokota
Outside Director

June 2003 Director, JMA Consultants Inc.
 January 2009 President, JMAC China
 June 2013 Managing Director, JMA Consultants Inc.
 April 2015 President, JMAC Europe S.p.A
 June 2020 Executive Adviser, JMA Consultants Inc. (present post)
 June 2020 Outside Director, the Company (present post)

Attendance at Board of Directors meetings — %
 Number of Company Shares Held 3,000 Shares

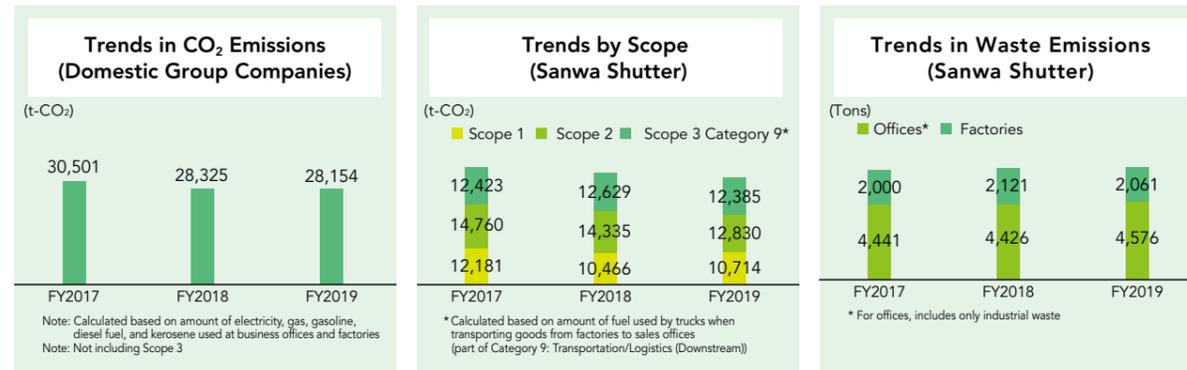
Senior Executive Officers and Executive Officers

| | | |
|--------------------------|---------------------|--|
| Senior Executive Officer | Toshiaki Doba | Head of Europe and Americas Business, Global Business unit |
| Senior Executive Officer | Kenichiro Motomachi | Subleader, Corporate Planning Unit |
| Executive Officer | Takenobu Hoizumi | Subleader, Global Business Unit |

ESG Materiality Initiatives



Future Contributing to a Sustainable Future and the Development of Society



Responding to Climate Change

The Sanwa Group regards climate change as an important management issue, and is carrying out various initiatives to reduce greenhouse gas emissions, as well as providing eco-friendly products that help to reduce energy use. Through these initiatives, we are contributing to the establishment of a sustainable and prosperous society.

Sanwa Shutter has established and operates an environmental management system based on ISO 14001, and has set goals under three themes: "Reduce: Reduce logistics energy, facility energy, and waste emissions," "Create: Bring to the market eco-products and eco-friendly design products," and "Purchase: Promote green procurement." We are implementing measures for these themes. As a means of reflecting on our progress and results with achieving each goal, and discussing improvement measures, the Quality, Environment and CSR Promotion Council is held twice a year, and lively discussions are carried out.

| Themes | Fiscal 2019 Environmental Targets | FY2019 Actual |
|----------|--|--|
| Reduce | Reduce logistics energy consumption units ¹ by 1% compared with fiscal 2018 | Factories: 0.0495 (Target 0.0518) |
| | Reduce facility energy consumption units ² by 1% compared with fiscal 2018 | Offices: 0.0232 (Target 0.0239) Factories: 0.1131 (Target 0.1158) |
| | Reduce industrial waste units ³ by 2% compared with fiscal 2017 | Offices: 21.75 (Target 23.23) |
| | Reduce waste units ⁴ by 1% compared with fiscal 2018 | Factories: 34.85 (Target 35.50) |
| Create | Commercialize eco-products | Two themes (Two or more target themes) |
| | Study and research eco-products | Two themes (Three or more target themes) |
| | Commercialize eco-friendly design products | Ten themes (Ten or more target themes) |
| Purchase | Promote green procurement and improve logistics | Switch to 4Ms ⁵ in 4 projects (target: 4 projects) |

*1 Basic Unit: Amount of energy used (crude oil kl equivalent) / value of goods shipped (¥ million)
 *2 Basic Unit (Offices): Amount of energy used (crude oil kl equivalent) / total floor area (m²)
 Basic Unit (Factories): Amount of energy used (crude oil kl equivalent) / value of goods shipped (¥ million)
 *3 Basic Unit: Amount of industrial waste (kg) / net sales (¥ million)
 *4 Basic Unit: Amount of waste (kg) / value of goods shipped (¥ million)
 *5 Man, Machine, Method, Material

Initiatives at Overseas Subsidiaries

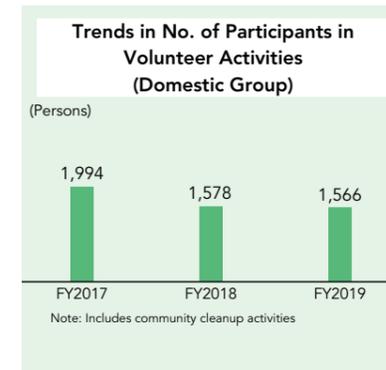
ODC has reduced its electricity usage by introducing a highly-energy-efficient air-conditioning system, installing ceiling windows, and switching to LED lighting. At each site, efforts are being made to promote recycling of packaging materials and scrap metal. In addition, the Sales Center in San Francisco is producing wood chips from sawdust, and using them for flower beds, etc.

The NF Group has acquired ISO 14001 certification for six plants, which are two plants in Germany, two plants in Netherlands, and Robust AB's plants in Poland and Sweden. These plants are working to reduce their energy usage. By switching to LED lighting and installing motion sensors and light and darkness sensors, they are helping to reduce the amount of electricity used and electricity charges.

In Asia, Shanghai Baosteel-Sanwa Door, Novoferm (Shanghai), and Vina-Sanwa have also obtained ISO 14001, and are endeavoring to reduce the environmental impact of all their production processes. For example, they have deployed devices for periodically measuring noise levels and gas emissions and treating waste gas. They are also recycling packaging materials and improving packaging methods. In addition, An-Ho Metal Industrial has introduced a twice-yearly "Public Transport Day," on which employees travel to and from work by train or bus, as part of initiatives to reduce greenhouse gas emissions.



An employee commuting on a motorbike | Public Transport Day



Recipients of Donations from Sanwa Group Social Contribution Club* in Fiscal 2019

- Childline Support Center Japan
- Family House®
- Make-A-Wish of Japan
- ATOPICCO Network for Children of the Earth
- JEAN
- JOICFP
- Nanbyonet (National Support Network for Children with Intractable Diseases)
- Kids' Door
- Paralym Art

* A volunteer organization for officers and employees that was established in 2006. The Company matches donations from members with its own donation of the same amount (matching gift program), and the donations are made to various organizations each year.

Regional Contribution and Social Contribution

Sanwa Shutter, which was established in the city of Amagasaki in Hyogo Prefecture, has been in business for 64 years, and currently operates in 26 countries and regions around the world. We conduct business activities that are firmly rooted in the local communities as a way of supporting people's lives. We contribute to the development of local communities by manufacturing products that match the climate and culture of the regions, such as wooden partitions and toilet booths that are made of locally-produced materials. Shanghai Baosteel-Sanwa Door has concluded a memorandum of understanding (MOU) with the local residents' association as part of its efforts to integrate with the community, and engages in regular exchange activities to create a better local community.



Conclusion of MOU by Shanghai Baosteel-Sanwa Door

In addition, we make donations as an outstanding corporate citizen, while returning technology and know-how we have acquired to society in order to help resolve social issues.

Social Contribution to Fight against COVID-19

At Okinawa Sanwa Shutter, employees voluntarily assembled 1,100 medical face shields and donated them to 26 medical institutions, elderly care facilities, etc. in Okinawa Prefecture.

At ODC, two employees from the installation department joined a local charity group and delivered meals to firefighters, police officers, hospital staff, etc. every morning before starting work for about one month.

The NF Group made donations to local communities, donated protective gowns and surgical masks, dispatched volunteers to elderly care facilities to wash clothes, and donated 5,000 meals to medical personnel, among others.

Shanghai Baosteel-Sanwa Door has also donated face masks worth 3,000 yuan to local communities.

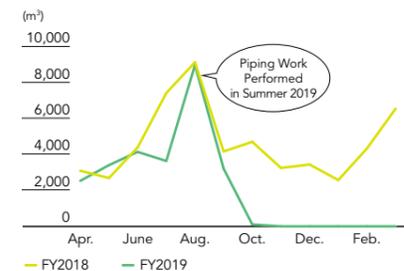


Assembling medical face shields at Okinawa Sanwa Shutter | NF Group donated 5,000 meals to medical personnel

TOPIC

Initiatives Concerning Water Use

Trends of Amount of Groundwater Extracted at Sanwa Shutter Ota Door Plant



As the climate changes, forests are destroyed, and the population of developing and emerging countries increases, water risks are increasing worldwide.

Although production activities performed by the Company, namely cutting and forming metal materials and assembling them into products, involves less use of water than total output, a certain amount of water needs to be used for some of our processes.

At Sanwa Shutter Corporation's factories, we are endeavoring to reduce water use and releases of wastewater by making effective use of water circulation systems for coating equipment and chilling equipment that circulates cold water from tanks.

Previously, at the Ota Door Plant, groundwater was used to supplement the shortfall in the cooling capacity of the cooling tower. However, as a result of combining pipes to supply cool water from chilling equipment in the plant, the amount of groundwater used has been substantially reduced.

(Amount of groundwater extracted in the second half of fiscal 2018: 24,804m³ → Second half of fiscal 2019: 103m³)

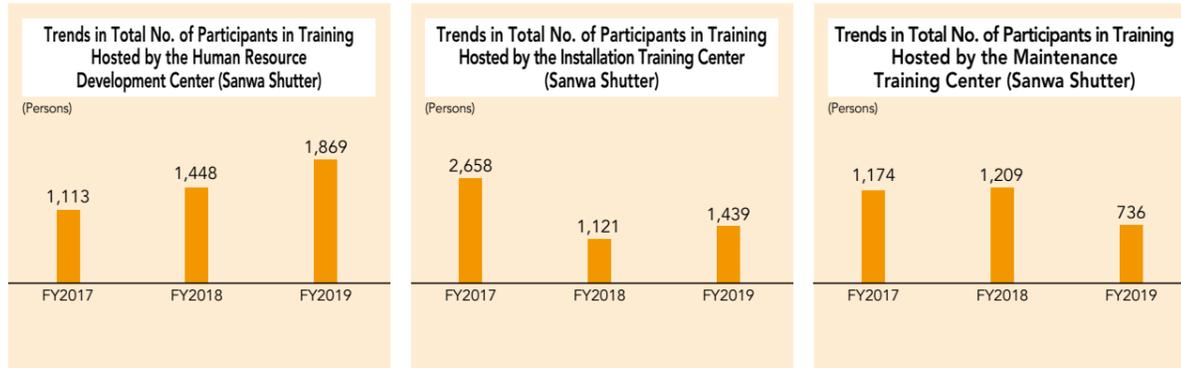


Cooling tower



People

Ensuring That Everyone Involved with the Group Can Work with Peace of Mind, Thus Being the Driving Force for Value Creation



Respect for Human Rights

The Sanwa Group recognizes the diverse set of values held by individuals and respects the character and individuality of each person from the perspective of respect for human rights and conducts business activities giving due consideration to the human rights of all stakeholders, including customers, shareholders and employees.

We provide compliance training, including the prevention of harassment, for managers at domestic Group companies every other year. In fiscal 2019, we provided a training program focused on harassment for 854 people from top management, executives, and managers of domestic Group companies. Through continued awareness activities, the Group is working to eliminate harassment and enhance human rights awareness.

ODC also pursues social contribution activities aimed at improving rights of children. For example, it makes donations to the Boys & Girls Clubs of America, which provides after-school programs that enable boys and girls in the U.S. to develop strong characters and demonstrate their capabilities to the full.



Harassment prevention training for top management



Donation of art and craft supplies to Boys & Girls Clubs of America

Human Resource Development

The Sanwa Group views human resources as its most important management resource and focuses on the development of human resources capable of creating value by enhancing systems and a work environment that enable employees to maximize their capabilities.

Sanwa Shutter has introduced a new training system called the "Sanwa Professional Human Resources Training Plan" since fiscal 2019. Through job rotations over the course of two years, this system provides new college graduates with the opportunity to learn about sales, installation, factory work, and design. The goal of this system is to train human resources that can make decisions through a comprehensive, optimized field of view. In addition, although installers, who are our important business partners, are getting older as the working age population shrinks, we are taking advantage of highly experienced senior workers to accompany younger workers when they perform installations and repairs and to train successors. In this way, we are endeavoring to ensure stable installation capabilities and pass on their skills to the next generation.



Installers who support access systems

Work-Life Balance and Diversity

Along with appropriately managing working hours and reforming long working hours, the Sanwa Group has also introduced a telecommuting scheme to promote a balance between finding fulfillment in work and a rich, fulfilling life among all its employees. Due to the impact of the current COVID-19 epidemic, as many as around 2,200 domestic employees have experienced teleworking. Going forward, we will be making active use of mobile PCs and videoconferencing systems to create diverse working environment, which will help us in improving productivity and securing outstanding employees.

In addition, the Group believes that it can create new value that contributes to the resolution of customer and social issues by nurturing an organizational culture that respects and embraces the diversity of each employee. The Sanwa Group promotes the active role of women, cultivates global competence, mobilizes senior workers, and employs those with disabilities. These measures develop human resources that can drive growth and maximize the capabilities of the organization.

In November 2019, NF Germany was certified as a "Top Career Chance" company for its efforts in helping employees develop their careers in a survey by *Focus Money* magazine.



Top Career Chance seal of certification

Health and Safety

As a company engaged in manufacturing, the Sanwa Group recognizes that ensuring the health and safety of employees, affiliated companies' employees, and installers is fundamental to our sustainability and our responsibility as a Company.

In line with the annual health and safety action plan, we work to provide safety education, ensure adherence to rules, share information about actual cases, improve environment to reduce workloads, etc., as a means of eliminating occupational accidents. Sanwa Shutter also provides safety training using virtual reality (VR) technology, which allows employees to experience accidents that can occur at construction sites, such as a fall or a cut, from the point of view of a victim, thereby focusing on reducing the occurrence of accidents.

Asian subsidiaries, Shanghai Baosteel-Sanwa Door and Novoferm (Shanghai), have obtained OHSAS 18001, which is a standard for occupational health and safety management systems, and are endeavoring to create comfortable working environment and raise levels of health and safety.

In addition, as part of our "health management" initiatives, we have designated May as "Sanwa Group Health & Safety Month" since fiscal 2019. We have carried out various initiatives to create opportunities for each and every employee to confront their own health and lifestyle habits.



Safety training with VR technology



Safe production meeting at Novoferm (Shanghai)



Manufacturing

Providing Products and Services that Support the Infrastructure of Communities and Daily Life

The Sanwa Group's Quality Objectives

1. Improve product safety
2. Improve the quality of products and installation quality
3. Improve the quality of services and business etiquette
4. Increase traceability

Sanwa Shutter's Quality Objectives

Strengthen our corporate structure by ensuring product quality with a focus on customers and work sites

1. Reduce complaints and financial losses by analyzing complaints
2. Reduce product accidents by reinforcing structures
3. Reduce complaints received by customer centers through the provision of education and training
4. Improve structures for traceability

ODC's Quality Objectives

1. Offer the highest complete "Delivered Quality Rate" in the industry
2. Instill a "Safety culture"
3. Improve customer service and support

NF Group's Quality Objectives

1. Improving on time delivery
2. Improving quality ratio
3. Improving Productivity
4. Improving safety ratio
5. Improving inventory ratio

Asia Quality Objectives

1. Reduce number of defects
2. Reduce financial losses

Strengthening Quality Control

The Sanwa Group works to improve quality and safety, the primary responsibilities of a manufacturer, in all processes from development to sales, production, installation and maintenance. Each company implements measures aimed at achieving the quality targets it has set and endeavors to improve quality throughout the entire supply chain by conducting quality audits of suppliers and proposing improvements. At Novoferm (Shanghai), dedicated quality inspectors verify dimensions and appearance, and only products carrying a pass sticker with the name of the inspector can be shipped out.

In addition, to ensure that its access systems can be used with peace of mind, the Sanwa Group regards ensuring stability in installation quality as an important task. Sanwa Shutter Corporation is working to enhance the skills of installers by providing them with training in welding and training to become licensed as product installers. Norsud, which is part of the NF Group and whose strength is its industrial door installation and service business in France, organized an "Installer Day" in May 2019, shared their vision and exchanged opinions with 56 participants.



Pass sticker carrying the quality inspector's name at NF | Installer Day at Norsud

Improvement of Customer Satisfaction

The Sanwa Group always conducts business activities from the viewpoint of customers and makes use of the feedback it has received from customers to improve its products and services. Through this approach, we are striving to become a corporate group that is continuously chosen by society. Sanwa Shutter Corporation implements various initiatives to enhance customer satisfaction, including operating a 24-hour-a-day, 365-day-a-year repair request receiving system called FTS (Full Time Service) throughout Japan as part of its efforts to create an environment in which customers can use its access systems with peace of mind. In addition, education for call center personnel is carried out by using on-site showrooms, videoconferencing systems, etc. Sales and administrative staff receive training in business manners, while installers learn manners and rules through actual role-playing as part of training programs designed to improve their manners. Through the training, we are promoting initiatives to enhance customer satisfaction.

The NF Group regards a rate of claim expenses against net sales as a common KPI, assess it by country, and the results are shared with all the companies. Factory production officers and quality control officers work closely with departments that handle claims to reduce the number of claims and claim expenses, thereby aiming to maximize customer satisfaction.



Training for improving manners

Manufacturing that Reflects Climate Change

Climate change is a global problem that needs to be tackled with urgency. The Sanwa Group believes it essential to address climate change using the two approaches of "mitigation" to reduce emissions of CO₂ and other greenhouse gases, and "adaptation" to respond to the various phenomena that arise as a consequence of climate change.

The Sanwa Group, a corporate group engaging in manufacturing, is active in bringing to the market "eco-products" and "eco-friendly design products" as a means of achieving mitigation. Eco-products have eco-friendly features that come into play during the use phase of the product lifecycle, including high-speed sheet shutters that help reduce energy use by enhancing the airtightness of openings at factories and warehouses and improving air conditioning efficiency. Eco-friendly design products have eco-friendly features that come into play during the procurement, manufacturing, distribution (logistics), sale, and disposal phases from the perspective of lifecycle assessment (LCA).

Regarding adaptation, we will contribute to the creation of a safe, secure, and convenient future through the provision of

waterproof products, such as waterproof shutters and doors, which protect urban functions and people's lives from rising sea levels and torrential rain due to unusual weather, as well as window shutters, which protect windows from flying objects due to increasingly intense typhoons.

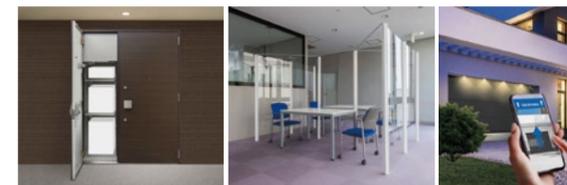
By strategically offering products as a means of addressing climate change from the perspectives of both mitigation and adaptation, we will create opportunities, such as responding to risks, expanding demand, and creating new markets, as market needs change.



ODC's high-speed sheet shutter | Waterproof door

TOPIC

Offering Products and Services that Contribute to Safety, Security, and Convenience



Tredoor Rusu Raku, condominium door equipped with a parcel drop-off locker

Self-assembly partition, Famipla

Garage door that can be opened and closed from a smartphone

By providing customers throughout the world with products and services that deliver safety, security, and convenience, the Sanwa Group aims to help people protect their precious lives and create a society in which they can live in affluence and comfort.

We are offering products that are designed to match social needs and diverse lifestyles. For example, our Tredoor Rusu Raku condominium doors feature a drop-off locker to resolve the problem of being away from home when a delivery service drops off a parcel and meet the needs for non-face-to-face interaction, and we also offer window shutters and garage doors that can be opened and closed automatically via smartphone or AI speaker.

In addition, as a means of addressing the issue of crowded hospital waiting rooms and preventing droplet contagion at meeting areas, we have launched a re-designed self-assembly partition called Famipla, which features transparent acrylic panels. We are contributing to facilitate the transition to new work styles with our manufacturing capabilities.

12-Year Summary (As of March 31, 2020)

Sanwa Vision 2010 (FY2001–FY2012)

Global development and growth in the 21st century, implementation of the PDCA cycle and enhancement of CSR activities

Sanwa Global Vision 2020 (FY2013–FY2020)

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

| | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 (Forecast) |
|---|----------|----------|---------|---------|---------|----------|----------|---------|----------|----------|----------|-------------------|
| Operating Results (Millions of yen) | | | | | | | | | | | | |
| Net sales | 232,029 | 237,295 | 248,214 | 265,913 | 311,957 | 339,045 | 365,615 | 353,922 | 385,673 | 409,990 | 440,161 | 390,000 |
| Overseas sales ratio (%) | 38.1 | 56.0 | 41.0 | 39.3 | 41.7 | 43.8 | 44.7 | 44.4 | 46.1 | 46.4 | 45.4 | 43.5 |
| Cost of sales | 173,108 | 179,399 | 186,683 | 196,631 | 225,954 | 242,273 | 260,078 | 250,068 | 273,155 | 291,301 | 310,925 | — |
| Gross profit | 58,921 | 57,895 | 61,530 | 69,281 | 86,003 | 96,771 | 105,537 | 103,854 | 112,517 | 118,689 | 129,235 | — |
| Operating income | 5,624 | 4,562 | 8,855 | 14,174 | 20,649 | 26,334 | 26,870 | 26,440 | 28,322 | 31,593 | 34,217 | 22,000 |
| Ordinary income | 4,829 | 4,033 | 8,190 | 13,988 | 20,316 | 25,975 | 26,161 | 25,278 | 27,898 | 30,437 | 33,469 | 21,000 |
| Profit attributable to owners of the parent company | (725) | (2,443) | 3,297 | 7,181 | 10,161 | 12,857 | 14,627 | 17,070 | 18,280 | 20,910 | 21,647 | 12,500 |
| Research and development expenses | 2,750 | 2,436 | 2,456 | 2,440 | 3,149 | 3,505 | 3,868 | 3,999 | 4,422 | 4,611 | 4,728 | — |
| Capital expenditures | 3,894 | 3,495 | 2,897 | 4,293 | 7,116 | 7,727 | 8,127 | 8,096 | 11,383 | 12,367 | 8,419 | — |
| Depreciation and amortization (excluding amortization of goodwill) | 4,651 | 5,063 | 5,348 | 5,428 | 6,180 | 7,188 | 8,022 | 7,290 | 7,622 | 8,049 | 9,301 | — |
| Cash Flows (Millions of yen) | | | | | | | | | | | | |
| Cash flows from operating activities | 17,870 | 3,717 | 5,453 | 14,855 | 19,728 | 22,304 | 24,378 | 23,670 | 26,532 | 24,271 | 32,301 | — |
| Cash flows from investing activities | (22,287) | (3,791) | (9,253) | (5,313) | 5,932 | (27,080) | (15,641) | (8,006) | (13,172) | (13,677) | (16,622) | — |
| Cash flows from financing activities | 17,914 | (14,252) | 312 | (4,340) | 3,876 | 10,625 | (25,702) | (838) | (20,505) | (11,349) | (10,466) | — |
| Cash and cash equivalents (end of year) | 34,912 | 20,306 | 16,825 | 22,275 | 52,307 | 58,605 | 41,516 | 56,290 | 49,263 | 47,977 | 54,618 | — |
| Free cash flows | (4,417) | (74) | (3,800) | 9,542 | 25,660 | (4,776) | 8,737 | 15,664 | 13,360 | 10,593 | 15,679 | — |
| Financial Position (at Balance Sheet Date) (Millions of yen) | | | | | | | | | | | | |
| Total assets | 246,599 | 218,933 | 226,579 | 241,771 | 281,917 | 323,327 | 310,269 | 323,393 | 331,686 | 338,432 | 354,023 | 360,000 |
| Interest-bearing debt | 74,628 | 59,892 | 61,607 | 60,799 | 69,153 | 88,484 | 70,798 | 74,739 | 65,945 | 61,217 | 63,730 | 60,760 |
| Net assets | 96,109 | 86,021 | 85,522 | 97,134 | 113,956 | 126,748 | 130,334 | 139,905 | 151,121 | 161,603 | 165,633 | 170,735 |
| Working capital | 56,151 | 52,188 | 59,833 | 69,593 | 71,051 | 80,820 | 84,012 | 82,982 | 90,794 | 96,162 | 105,235 | — |
| Cash Conversion Cycle (CCC) (Days) | 91.6 | 83.3 | 82.4 | 84.7 | 78.8 | 81.7 | 82.3 | 86.1 | 82.2 | 83.2 | 83.5 | — |
| Financial Indicators | | | | | | | | | | | | |
| Net income (loss) per share (Yen) | (3.0) | (10.2) | 13.7 | 29.9 | 42.4 | 54.1 | 63.1 | 74.6 | 81.0 | 93.0 | 97.1 | 56.6 |
| Net assets per share (Yen) | 399.56 | 357.59 | 355.37 | 404.57 | 474.63 | 541.49 | 565.64 | 607.16 | 667.09 | 713.50 | 742.90 | — |
| Cash dividends per share (Yen) | 5 | 8 | 8 | 10 | 13 | 16 | 23 | 25 | 30 | 32 | 34 | 34 |
| Operating income ratio (%) | 2.4 | 1.9 | 3.6 | 5.3 | 6.6 | 7.8 | 7.3 | 7.5 | 7.3 | 7.7 | 7.8 | 5.6 |
| R&D expenditures to net sales ratio (%) | 1.2 | 1.0 | 1.0 | 0.9 | 1.0 | 1.0 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | — |
| Return on assets (%) | (0.30) | (1.05) | 1.48 | 3.07 | 3.88 | 4.25 | 4.62 | 5.39 | 5.58 | 6.20 | 6.11 | — |
| Return on equity (%) | (0.8) | (2.7) | 3.8 | 7.9 | 9.6 | 10.7 | 11.4 | 12.7 | 12.7 | 13.5 | 13.3 | 7.5 |
| ROIC (%) | 2.9 | 2.6 | 4.9 | 7.7 | 10.6 | 12.6 | 12.2 | 12.2 | 12.8 | 15.0 | 15.4 | — |
| SVA (Billions of yen) | (3.5) | (3.5) | (1.2) | 1.9 | 5.4 | 7.8 | 8.2 | 8.1 | 9.0 | 12.7 | 14.0 | 5.4 |
| Debt/equity ratio (Times) | 0.78 | 0.70 | 0.72 | 0.63 | 0.61 | 0.70 | 0.54 | 0.53 | 0.44 | 0.38 | 0.38 | 0.36 |
| Shareholders' equity ratio (%) | 38.9 | 39.3 | 37.7 | 40.1 | 40.4 | 39.1 | 41.7 | 43.0 | 45.2 | 47.4 | 46.3 | 46.9 |
| Liquidity ratio (Times) | 1.2 | 1.7 | 1.6 | 1.7 | 1.6 | 1.7 | 1.8 | 1.8 | 1.7 | 1.7 | 1.9 | — |
| Payout ratio (%) | — | — | 58.3 | 33.4 | 30.7 | 29.6 | 36.5 | 33.5 | 37.1 | 34.4 | 35.0 | 60.1 |

Notes: Working capital: accounts receivable + inventory – accounts payable

R&D expenditures to net sales ratio: R&D expenditures ÷ net sales × 100 (%)

ROIC: Return on invested capital. Net operating profit after tax (NOPAT) ÷ invested capital* × 100

*1 Invested capital attributed to Sanwa Group ROIC is calculated by subtracting cash & deposits and securities.

*2 The effective tax rate changed from 40% to 33% starting in fiscal 2018.

SVA: Our unique indicator of added value. NOPAT – invested capital × WACC (6%)

CCC: Accounts receivable turnover days + inventory turnover days – accounts payable turnover days

Consolidated Balance Sheets

Sanwa Holdings Corporation and Subsidiaries As of March 31, 2020 and 2019

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|------------------|------------------|------------------------------------|
| | 2020 | 2019 | 2020 |
| ASSETS | | | |
| Current assets: | | | |
| Cash and deposits (Note 3) | ¥ 47,127 | ¥ 43,007 | \$ 436,361 |
| Short-term investments (Notes 3, 4, 10) | 9,600 | 8,013 | 88,889 |
| Notes and accounts receivable, trade (Note 10) | 88,441 | 82,563 | 818,898 |
| Electronically recorded monetary claims (Note 10) | 9,283 | 9,526 | 85,954 |
| Inventories (Note 5) | 61,917 | 56,475 | 573,306 |
| Other current assets | 7,828 | 6,607 | 72,481 |
| Allowance for doubtful accounts | (1,666) | (1,405) | (15,426) |
| Total current assets | 222,532 | 204,789 | 2,060,481 |
| Non-current assets: | | | |
| Property, plant and equipment: | | | |
| Land | 21,574 | 18,505 | 199,759 |
| Buildings and structures | 61,275 | 54,740 | 567,361 |
| Machinery and equipment | 81,714 | 77,329 | 756,611 |
| Right-of-use assets | 4,163 | - | 38,546 |
| Construction in progress | 3,189 | 4,122 | 29,528 |
| | 171,917 | 154,697 | 1,591,824 |
| Less accumulated depreciation | (102,826) | (94,515) | (952,093) |
| Total property, plant and equipment | 69,091 | 60,182 | 639,731 |
| Intangible assets: | | | |
| Goodwill | 5,264 | 6,769 | 48,741 |
| Other intangible assets (Note 6) | 18,028 | 17,231 | 166,926 |
| Total intangible assets | 23,292 | 24,001 | 215,667 |
| Investments and other assets: | | | |
| Investments in securities (Notes 4, 10) | 25,159 | 36,949 | 232,954 |
| Long-term loans receivable | 538 | 578 | 4,981 |
| Net defined benefit asset (Note 8) | 5,621 | 6,088 | 52,046 |
| Deferred income taxes (Note 15) | 4,916 | 3,011 | 45,519 |
| Other assets | 3,319 | 3,096 | 30,731 |
| Allowance for doubtful accounts | (448) | (265) | (4,148) |
| Total investments and other assets | 39,107 | 49,459 | 362,102 |
| Total non-current assets | 131,491 | 133,642 | 1,217,509 |
| Total assets | ¥ 354,023 | ¥ 338,432 | \$ 3,277,991 |

The accompanying notes are an integral part of these statements.

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|--|------------------|------------------|------------------------------------|
| | 2020 | 2019 | 2020 |
| LIABILITIES AND NET ASSETS | | | |
| Current liabilities: | | | |
| Short-term debt (Notes 7, 10) | ¥ 12,666 | ¥ 20,390 | \$ 117,278 |
| Notes and accounts payable, trade (Note 10) | 54,407 | 52,401 | 503,769 |
| Accrued income taxes | 5,851 | 4,479 | 54,176 |
| Accrued expenses | 24,381 | 22,551 | 225,750 |
| Other current liabilities | 16,763 | 19,045 | 155,213 |
| Total current liabilities | 114,071 | 118,868 | 1,056,213 |
| Non-current liabilities: | | | |
| Long-term debt (Notes 7, 10) | 54,579 | 40,826 | 505,361 |
| Net defined benefit liability (Note 8) | 13,688 | 11,901 | 126,741 |
| Deferred income taxes (Note 15) | 4,241 | 3,467 | 39,269 |
| Other long-term liabilities | 1,808 | 1,763 | 16,741 |
| Total long-term liabilities | 74,318 | 57,959 | 668,130 |
| Total liabilities | 188,389 | 176,828 | 1,744,343 |
| NET ASSETS (Note 12) | | | |
| Shareholders' equity | | | |
| Common stock: | | | |
| Authorized — 550,000,000 shares at March 31, 2020 and 2019 | | | |
| Issued — 231,000,000 shares at March 31, 2020 and 235,000,000 shares at March 31, 2019 | 38,413 | 38,413 | 355,676 |
| Capital surplus | 39,902 | 39,902 | 369,463 |
| Retained earnings | 91,725 | 81,741 | 849,306 |
| Treasury stock, at cost | | | |
| (10,154,344 shares at March 31, 2020 and 10,020,866 shares at March 31, 2019) | (10,036) | (8,989) | (92,926) |
| Total shareholders' equity | 160,005 | 151,068 | 1,481,528 |
| Accumulated other comprehensive income: | | | |
| Net unrealized holding gains on securities | 94 | 2,219 | 870 |
| Deferred gains (losses) on hedges | 41 | (25) | 380 |
| Foreign currency translation adjustments | 6,531 | 8,853 | 60,472 |
| Remeasurements of defined benefit plans | (2,607) | (1,593) | (24,139) |
| Total accumulated other comprehensive income | 4,059 | 9,454 | 37,583 |
| Stock acquisition rights (Note 13) | 281 | 248 | 2,602 |
| Non-controlling interests | 1,286 | 832 | 11,907 |
| Total net assets | 165,633 | 161,603 | 1,533,639 |
| Total liabilities and net assets | ¥ 354,023 | ¥ 338,432 | \$ 3,277,991 |

Consolidated Statements of Operations

Sanwa Holdings Corporation and Subsidiaries
For the years ended March 31, 2020 and 2019

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|--|------------------|------------------|------------------------------------|
| | 2020 | 2019 | 2020 |
| Net sales | ¥ 440,161 | ¥ 409,990 | \$ 4,075,565 |
| Cost of sales (Note 14) | 310,925 | 291,301 | 2,878,935 |
| Gross profit | 129,235 | 118,689 | 1,196,620 |
| Selling, general and administrative expenses (Notes 13, 14) | 95,017 | 87,095 | 879,787 |
| Operating income | 34,217 | 31,593 | 316,824 |
| Other income (expenses): | | | |
| Interest and dividend income | 777 | 756 | 7,194 |
| Interest expenses | (751) | (637) | (6,954) |
| Equity in losses of non-consolidated subsidiaries and affiliates | (148) | (599) | (1,370) |
| Other, net (Note 16) | (1,789) | (1,065) | (16,565) |
| Other income (expenses), net | (1,911) | (1,546) | (17,694) |
| Net profit before income taxes | 32,306 | 30,046 | 299,130 |
| Income taxes (Note 15) | | | |
| Current | 10,624 | 8,200 | 98,370 |
| Deferred | (7) | 812 | (65) |
| Total income taxes | 10,616 | 9,012 | 98,296 |
| Net profit | 21,689 | 21,034 | 200,824 |
| Profit attributable to non-controlling interests | 41 | 123 | 380 |
| Profit attributable to owners of the parent company | ¥ 21,647 | ¥ 20,910 | \$ 200,435 |

| | Yen | | U.S. dollars (Note 1) |
|-----------------------------|---------|---------|-----------------------|
| | 2020 | 2019 | 2020 |
| Per share: (Note 21) | | | |
| Net profit — Basic | ¥ 97.14 | ¥ 92.95 | \$ 0.90 |
| — Diluted | 96.89 | 92.73 | 0.90 |
| Cash dividends | 34.00 | 32.00 | 0.32 |

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

Sanwa Holdings Corporation and Subsidiaries
For the years ended March 31, 2020 and 2019

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|-----------------|-----------------|------------------------------------|
| | 2020 | 2019 | 2020 |
| Net profit | ¥ 21,689 | ¥ 21,034 | \$ 200,824 |
| Other comprehensive income (Note 17) | | | |
| Net unrealized holding gains on securities | (2,123) | (1,361) | (19,657) |
| Deferred losses on hedges | 66 | 109 | 611 |
| Foreign currency translation adjustments | (2,453) | (2,563) | (22,713) |
| Remeasurements of defined benefit plans | (1,013) | 62 | (9,380) |
| Share of other comprehensive income of non-consolidated subsidiaries and affiliates accounted for using the equity method | 130 | (143) | 1,204 |
| Total other comprehensive income (Note 17) | (5,394) | (3,896) | (49,944) |
| Comprehensive income | ¥ 16,294 | ¥ 17,137 | \$ 150,870 |
| Comprehensive income attributable to: | | | |
| Owners of the parent company | ¥ 16,297 | ¥ 17,064 | \$ 150,898 |
| Non-controlling interests | (2) | 73 | (19) |

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Sanwa Holdings Corporation and Subsidiaries
For the years ended March 31, 2020 and 2019

| | Millions of yen | | | | | | | | | | |
|---|-----------------|-----------------|-------------------|-------------------------|--|---------------------------|--|---|--------------------------|---------------------------|------------------|
| | Common stock | Capital surplus | Retained earnings | Treasury stock, at cost | Net unrealized holding gains on securities | Deferred losses on hedges | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Stock acquisition rights | Non-controlling interests | Total net assets |
| Balance at March 31, 2018 | ¥ 38,413 | ¥ 39,902 | ¥ 67,403 | (¥ 8,988) | ¥ 3,583 | ¥ (134) | ¥ 11,558 | ¥ (1,656) | ¥ 213 | ¥ 825 | ¥ 151,121 |
| Cumulative effects of changes in accounting policies | | | 401 | | | | | | | | 401 |
| Restated balance | 38,413 | 39,902 | 67,804 | (8,988) | 3,583 | (134) | 11,558 | (1,656) | 213 | 825 | 151,523 |
| Net changes during the year | | | | | | | | | | | |
| Cash dividends | | | (6,974) | | | | | | | | (6,974) |
| Profit attributable to owners of the parent company | | | 20,910 | | | | | | | | 20,910 |
| Purchase of treasury stock | | | | (1) | | | | | | | (1) |
| Net changes during the year other than shareholders' equity | | | | | (1,364) | 109 | (2,704) | 62 | 34 | 7 | (3,855) |
| Total net changes during the year | - | - | 13,936 | (1) | (1,364) | 109 | (2,704) | 62 | 34 | 7 | 10,080 |
| Balance at March 31, 2019 | ¥ 38,413 | ¥ 39,902 | ¥ 81,741 | (¥ 8,989) | ¥ 2,219 | ¥ (25) | ¥ 8,853 | ¥ (1,593) | ¥ 248 | ¥ 832 | ¥ 161,603 |
| Net changes during the year | | | | | | | | | | | |
| Cash dividends | | | (7,385) | | | | | | | | (7,385) |
| Profit attributable to owners of the parent company | | | 21,647 | | | | | | | | 21,647 |
| Change of scope of consolidation | | | (242) | | | | | | | | (242) |
| Change of scope of equity method | | | (82) | | | | | | | | (82) |
| Purchase of treasury stock | | | | (5,000) | | | | | | | (5,000) |
| Disposal of treasury stock | | | (0) | 0 | | | | | | | 0 |
| Retirement of treasury stock | | | (3,953) | 3,953 | | | | | | | - |
| Net changes during the year other than shareholders' equity | | | | | (2,124) | 66 | (2,322) | (1,013) | 33 | 454 | (4,906) |
| Total net changes during the year | - | - | 9,984 | (1,046) | (2,124) | 66 | (2,322) | (1,013) | 33 | 454 | 4,030 |
| Balance at March 31, 2020 | ¥ 38,413 | ¥ 39,902 | ¥ 91,725 | (¥ 10,036) | ¥ 94 | ¥ 41 | ¥ 6,531 | ¥ (2,607) | ¥ 281 | ¥ 1,286 | ¥ 165,633 |

| | Thousands of U.S. dollars (Note 1) | | | | | | | | | | |
|---|------------------------------------|-----------------|-------------------|-------------------------|--|---------------------------|--|---|--------------------------|---------------------------|------------------|
| | Common stock | Capital surplus | Retained earnings | Treasury stock, at cost | Net unrealized holding gains on securities | Deferred losses on hedges | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Stock acquisition rights | Non-controlling interests | Total net assets |
| Balance at March 31, 2019 | \$ 355,676 | \$ 369,463 | \$ 756,861 | \$(83,231) | \$ 20,546 | \$(231) | \$ 81,972 | \$(14,750) | \$ 2,296 | \$ 7,704 | \$ 1,496,324 |
| Net changes during the year | | | | | | | | | | | |
| Cash dividends | | | (68,380) | | | | | | | | (68,380) |
| Profit attributable to owners of the parent company | | | 200,435 | | | | | | | | 200,435 |
| Change of scope of consolidation | | | (2,241) | | | | | | | | (2,241) |
| Change of scope of equity method | | | (759) | | | | | | | | (759) |
| Purchase of treasury stock | | | | (46,296) | | | | | | | (46,296) |
| Disposal of treasury stock | | | (2) | 0 | | | | | | | (2) |
| Retirement of treasury stock | | | (36,602) | 36,602 | | | | | | | - |
| Net changes during the year other than shareholders' equity | | | | | (19,667) | 611 | (21,500) | (9,380) | 306 | 4,204 | (45,426) |
| Total net changes during the year | - | - | 92,444 | (9,685) | (19,667) | 611 | (21,500) | (9,380) | 306 | 4,204 | 37,315 |
| Balance at March 31, 2020 | \$ 355,676 | \$ 369,463 | \$ 849,306 | \$(92,926) | \$ 870 | \$ 380 | \$ 60,472 | \$(24,139) | \$ 2,602 | \$ 11,907 | \$ 1,533,639 |

Consolidated Statements of Cash Flows

Sanwa Holdings Corporation and Subsidiaries
For the years ended March 31, 2020 and 2019

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|--|-----------------|-----------------|------------------------------------|
| | 2020 | 2019 | 2020 |
| Cash flows from operating activities: | | | |
| Net profit before income taxes | ¥ 32,306 | ¥ 30,046 | \$ 299,130 |
| Adjustments for: | | | |
| Depreciation and amortization | 9,301 | 8,049 | 86,120 |
| Amortization of goodwill | 2,260 | 1,449 | 20,926 |
| Impairment loss | 536 | - | 4,963 |
| Equity in losses of non-consolidated subsidiaries and affiliates | 148 | 599 | 1,370 |
| Interest and dividend income | (777) | (756) | (7,194) |
| Interest expenses | 751 | 637 | 6,954 |
| Increase in allowance for doubtful accounts | 355 | 27 | 3,287 |
| Increase (decrease) in allowance for bonuses | 3 | (122) | 28 |
| Decrease in net defined benefit liability and asset | (141) | (1,072) | (1,306) |
| Increase (decrease) in notes and accounts receivable | 2,039 | (3,101) | 18,880 |
| Decrease in inventories | (2,157) | (5,345) | (19,972) |
| Decrease (increase) in notes and accounts payable | (1,631) | 2,478 | (15,102) |
| Other, net | (823) | (138) | (7,620) |
| Subtotal | 42,173 | 32,752 | 390,491 |
| Interest and dividend income received | 811 | 721 | 7,509 |
| Interest expenses paid | (745) | (626) | (6,898) |
| Income taxes paid | (9,937) | (8,575) | (92,009) |
| Net cash provided by operating activities | 32,301 | 24,271 | 299,083 |
| Cash flows from investing activities: | | | |
| Payments for purchase of investments in securities | (1,619) | (1,134) | (14,991) |
| Proceeds from sales of investments in securities | 4,635 | 1,255 | 42,917 |
| Payments for purchase of tangible and intangible assets | (8,419) | (12,367) | (77,954) |
| Acquisition of investments in subsidiaries resulting in change in scope of consolidation | (10,580) | (1,519) | (97,963) |
| Payments for advances | (506) | (2,972) | (4,685) |
| Proceeds from collections of advances | 253 | 1,930 | 2,343 |
| Other, net | (385) | 1,130 | (3,565) |
| Net cash used in investing activities | (16,622) | (13,677) | (153,907) |
| Cash flows from financing activities: | | | |
| Decrease (increase) in short-term loans, net | (1,498) | 1,414 | (13,870) |
| Proceeds from long-term loans | 6,894 | 5,091 | 63,833 |
| Repayments of long-term loans | (11,902) | (10,265) | (110,204) |
| Proceeds from issuance of bonds | 10,000 | - | 92,593 |
| Repayments of bonds | (1,500) | (550) | (13,889) |
| Purchase and disposal of treasury stock, net | (5,000) | (1) | (46,296) |
| Cash dividends paid | (7,385) | (6,974) | (68,380) |
| Cash dividends paid to non-controlling interests | (73) | (65) | (676) |
| Other, net | (1) | - | (9) |
| Net cash used in financing activities | (10,466) | (11,349) | (96,907) |
| Effect of exchange rate changes on cash and cash equivalents | (183) | (529) | (1,694) |
| Net Increase (decrease) in cash and cash equivalents | 5,029 | (1,285) | 46,565 |
| Cash and cash equivalents at beginning of year | 47,977 | 49,263 | 444,231 |
| Changes in cash and cash equivalents by changing the scope of consolidation | 1,610 | - | 14,907 |
| Cash and cash equivalents at end of year (Note 3) | ¥ 54,618 | ¥ 47,977 | \$ 505,722 |

The accompanying notes are an integral part of these statements.

1. Basis of Presenting Consolidated Financial Statements

Sanwa Holdings Corporation (the "Company") and its domestic subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Japanese Corporate Act and the Financial Instruments and Exchange Law and in accordance with accounting principles and practices generally accepted in Japan, which are different from the accounting and disclosure requirements of International Accounting Standards.

The accounts and records of the Company's overseas subsidiaries have been prepared in accordance with either International Financial Reporting Standards or US GAAP for the Company's consolidation process, except for certain items which are required to be adjusted in the consolidation process.

Amounts less than one million yen and one thousand U.S. dollars are rounded down. Therefore, total or subtotal amounts may not correspond with the aggregation of such account balances.

The accompanying consolidated financial statements are prepared based on the consolidated financial statements of the Company and its subsidiaries (the "Group"), which were filed with the Director of Kanto Local Finance Bureau as required by the Financial Instruments and Exchange Law.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader, using the approximate exchange rate at March 31, 2020, which was ¥108 to US\$1.00.

2. Summary of Significant Accounting Policies

(a) Scope of Consolidation

The scope of consolidation for the fiscal year ended March 31, 2020 (FY2019) includes Sanwa Holdings Corporation and its 61 consolidated subsidiaries. Equity method accounting is applied to investments in 4 non-consolidated subsidiaries and 1 affiliate at March 31, 2020 (FY2019).

In the fiscal year ended March 31, 2020, Showa Kengan Co., Ltd., Tajima Metalwork Co., Ltd., Sanwa Electronics Engineering Co., Ltd., Hayashi Kogyo Co., Ltd., Shanghai Baosteel-Sanwa Door Co., Ltd., Sanwa Shutter (H.K.) Ltd., An-Ho Metal Industrial Co., Ltd., Vina-Sanwa Company Liability Ltd., and Novoferm Polska Sp. z o.o. were included in the scope of consolidation because their significance increased, and Suzuki Shutter Corporation, Robust AB and four other companies were included in the scope of consolidation because the Company acquired shares of their stock. Glomot-Penot Systems S.A.S., Alutomanu Industrie S.A.S., Lux Overhead Door Corporation and WDC Holdings were excluded from the scope of consolidation because they were liquidated due to business restructuring, and Novoferm Europe Ltd. was excluded from the scope of consolidation due to a merger.

In the fiscal year ended March 31, 2020, Showa Kengan Co., Ltd., Tajima Metalwork Co., Ltd., Sanwa Shutter (H.K.) Ltd., An-Ho Metal Industrial Co., Ltd., Vina-Sanwa Company Liability Ltd., and Shanghai Baosteel-Sanwa Door Co., Ltd. were excluded from the scope of application of the equity method and included in the scope of consolidation because their significance increased. In addition, PT. Sanwamas Metal Industry was included in the scope of application of the equity method because its significance increased, while Suzuki Shutter (HK) Limited and Suzuki Shutter (Macau) Company

Limited were included in the scope of application of the equity method because the Company acquired shares of their stock.

In the fiscal year ended March 31, 2020, SCI Parc Industriel Maurice Hollande was excluded from the scope of application of the equity method due to the sale of its shares.

(b) Foreign Currency Translation

All asset and liability accounts of foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rates prevailing at the respective fiscal year-end and revenue and expense accounts are translated into Japanese yen at average exchange rates during the fiscal year.

Shareholders' equity accounts of foreign subsidiaries and affiliates are translated at historical rates. The resulting translation differences are debited or credited to foreign currency translation adjustment or to non-controlling interests in shareholders' equity.

(c) Cash Equivalents

All highly liquid investments with original maturities of three months or less are considered to be cash equivalents.

(d) Short-term Investments and Investments in Securities

The Group adopted the Accounting Standards for Financial Instruments issued by the Business Accounting Deliberation Council. In accordance with these standards, securities are classified into four categories: trading securities, held-to-maturity debt securities, equity investments in associates, and other securities. Based on this classification, securities with a maturity of less than one year are

included in “Short-term investments” as current assets.

Marketable securities classified as other securities are carried at fair value with the unrealized gain and loss, net of applicable tax, reported in a separate component of shareholders’ equity. Non-marketable securities classified as other securities are carried at cost determined by the moving average method. Realized gain and loss and declines in value judged to be other than temporary on other securities are charged to income.

(e) Inventories

Inventories of the domestic consolidated companies are valued at cost, determined by the gross average method (Carrying amount in the balance sheet is calculated with consideration of write-downs due to decreased profitability). The costs of inventories held by foreign consolidated subsidiaries are stated at the lower of cost or market value by the first-in, first-out method or the moving average method.

(f) Property, Plant and Equipment (Excluding Lease Assets)

Property, plant and equipment is stated at cost. Depreciation is computed by the declining-balance method over the estimated useful lives of assets, except that the straight-line method is applied to buildings (other than fixtures attached to the buildings) acquired subsequent to April 1, 1998 and fixtures attached to the buildings and structures acquired subsequent to April 1, 2016. The consolidated subsidiaries outside of Japan adopt the straight-line method for depreciation.

Costs of maintenance, repairs and minor renewals are charged to income in the year incurred, although major renewals and improvements are capitalized.

(g) Amortization of Goodwill

Amortization of goodwill is determined on a case by case basis and is generally amortized over a period not exceeding 20 years.

(h) Leased Assets

Leased assets related to finance lease transactions that do not transfer ownership rights are amortized under the straight-line method based on the lease term as the useful life with residual value of zero.

(i) Accounting Method for Retirement Benefits

The Group recognizes pension and severance costs for employees based on the estimates of the pension obligations and the plan assets at the balance sheet date. The benefit formula basis is applied as the method for attributing the expected retirement benefit to periods of service for the calculation of the retirement benefit obligation.

Actuarial differences are amortized principally over a 10-year period, which is within the average remaining service period of employees, using the

straight-line method from the fiscal year when the difference was generated. Prior service cost of the domestic consolidated companies is amortized when the prior services cost is generated.

Prior service cost of certain foreign subsidiaries is amortized over a 10-year period.

Certain consolidated subsidiaries have calculated their retirement benefit obligation and retirement benefit expenses based on the amount which would be payable at the year-end if all eligible employees terminated their services voluntarily (the “Simplified Method”).

(j) Revenue Recognition

The Group recognizes revenue at the time products are shipped, which is when title and risk of loss pass to the customer. The Group recognizes revenue related to installation of products at the time installation is complete.

However, revenues and costs of construction contracts, of which the percentage of completion can be reliably estimated, are recognized by the percentage-of-completion method. To estimate the progress of such construction projects, the Group measures the percentage of completion by comparing costs incurred to date with the most recent estimate of total costs required to complete the project (cost to cost basis). If a reliable estimate cannot be made, revenues and costs of construction contract are recognized by the completed-contract method.

(k) Research and Development Expenses and Software

Research and development expenses are charged to income when incurred.

Expenditure relating to software developed for internal use is charged to income when incurred, except if it contributes to the generation of income or to the future cost savings. Such expenditures capitalized as assets are amortized using the straight-line method over their estimated useful lives of five years.

(l) Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations. Deferred income taxes are recorded to reflect the expected future tax consequence of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

(m) Net Income per Share

The computation of basic net income (loss) per share is based on the weighted-average number of shares of common stock outstanding. The average number of shares used in the computation was 222,852 thousand and 224,979 thousand for the fiscal years ended March 31, 2020 and 2019, respectively.

Cash dividends per share shown in the consolidated statements of operations are the amounts applicable to the respective years.

(n) Derivative and Hedging Activities

The Group utilizes derivative transactions related to foreign currency exchange rates in order to reduce their risk exposure arising from fluctuations in these rates and prices, to reduce the cost of the funds financed and to improve their return on invested funds.

Derivative transactions currently utilized by the Group include interest rate swap contracts and currency swap contracts.

Net assets or liabilities arising from derivative transactions are measured at fair value, with unrealized gain or loss included in earnings. Hedging transactions, which meet the criteria of hedge accounting, are accounted for using deferral hedge accounting that requires the unrealized gain or loss to be deferred as a liability or asset until gain or loss relating to the hedge object is recognized.

In addition, certain forward exchange contracts are accounted for using the allocation method and the special method, respectively, which are regulated in the standard. The allocation method requires recognized foreign currency receivables or payables covered by forward exchange contracts to be translated at such contract rates.

The Group has established a control environment, which includes policies and procedures for risk assessment and for the approval, reporting and monitoring of derivative transactions. The Group does not engage in derivative transactions for trading purposes. The Group is exposed to certain market risks arising from derivative transactions. The Group is also exposed to the risk of credit loss in the event of non-performance by the counterparties to those transactions. However, the Group does not anticipate non-performance by any of these counterparties, all of whom are financial institutions with high credit ratings.

The Group evaluates hedge effectiveness by comparing the cumulative changes in cash flows or the changes in fair value of the hedged items with the corresponding changes in the hedging derivative instruments.

The assessment of hedging effectiveness regarding forward exchange contracts, which are accounted for under the above allocation method and special method, is omitted.

(o) Other Significant Matters for Preparation of Consolidated Financial Statements

Application of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System

With regard to the items that were reviewed in the non-consolidated tax return filing system in line

with the transition from the Consolidated Taxation System to the Group Tax Sharing System established in the “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 8 of 2020), the Company and its domestic consolidated subsidiaries do not apply paragraph 44 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, issued on February 16, 2018), in accordance with the treatment in paragraph 3 of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (PITF No. 39, issued on March 31, 2020), and the amounts of deferred tax assets and deferred tax liabilities are based on the provisions of the tax law prior to the amendment.

(p) Reclassifications

Certain reclassifications of the financial statements for the fiscal year ended March 31, 2019 have been made to conform to the presentation for the fiscal year ended March 31, 2020.

(q) Changes in Accounting Policies

Application of IFRS 16 (Leases)

IFRS 16 (Leases) is applied from the beginning of the fiscal year ended March 31, 2020 at the Company’s overseas subsidiaries that have adopted International Financial Reporting Standards (IFRS). As a transitional measure upon the application of IFRS 16, these subsidiaries use an approach whereby the cumulative effect from application of this standard is recognized at the date of initial application. As a result, in line with application of this accounting standard, right-of-use assets under property, plant and equipment in the consolidated balance sheets as of March 31, 2020 increased ¥4,163 million (\$38,546 thousand), lease obligations under current debt increased ¥731 million (\$6,769 thousand), and lease obligations under long-term debt increased ¥2,784 million (\$25,778 thousand).

The effect of this change on profit and loss for the fiscal year ended March 31, 2020 is immaterial.

(r) Additional Information

Accounting Estimates

In preparing the consolidated financial statements for the fiscal year ended March 31, 2020, the Company examined the impact of the COVID-19 pandemic, which was generally expected to last until the end of the year, in setting accounting estimates and assumptions, but as for its judgments depending on how the situation changes in the future, the Company believes the pandemic may potentially have a material impact on the consolidated financial statements for the fiscal year ending March 31, 2021 and after.

(s) Accounting Standards Issued but Not Yet Effective

- Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, issued on March 31, 2020)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, issued on March 31, 2020)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, issued on March 31, 2020)

(1) Overview

The International Accounting Standards Board (IASB) and the U.S. Financial Accounting Standards Board (FASB) together developed a comprehensive accounting standard for revenue recognition, and released the standard for Revenue from Contracts with Customers (IASB's IFRS 15 and FASB's Topic 606) in May 2014. IFRS 15 was applied from fiscal years beginning on or after January 1, 2018, and Topic 606 was applied for fiscal years beginning after December 15, 2017. Accordingly, the ASBJ's comprehensive accounting standard for revenue recognition was developed, and was released along with implementation guidance.

The ASBJ's basic policy in its development of the accounting standard for revenue recognition was to establish a new standard incorporating the basic principles of IFRS 15 as the starting point to allow for comparability of financial statements, which is one of the benefits of ensuring consistency with IFRS 15, and to add alternative accounting treatments for any items requiring consideration due to conventional practices in Japan, provided that such treatments do not impair comparability.

(2) Planned Date of Application

To be applied from the beginning of the fiscal year ending March 31, 2022

(3) Effect of the Application of the Accounting Standard

The amount of the effect was under review when the consolidated financial statements were prepared.

- Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, issued on July 4, 2019)
- Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9, issued on July 4, 2019)
- Accounting Standard for Financial Instruments (ASBJ Statement No. 10, issued on July 4, 2019)
- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, issued on July 4, 2019)

(1) Overview

The International Accounting Standards Board (IASB) and the U.S. Financial Accounting Standards Board (FASB) established similar detailed guidance on fair value measurement (IFRS 13, "Fair Value Measurement" and FASB Accounting Standards Codification Topic 820, "Fair Value Measurement.")

Accordingly, the ASBJ made efforts to ensure the consistency of Japanese GAAP with international accounting standards regarding guidance and disclosure of fair value, primarily for financial instruments, and the Accounting Standard for Fair Value Measurement was released.

The ASBJ's basic policy in its development of the accounting standard for fair value measurement was to adopt essentially all of the provisions of IFRS 13 to improve the comparability of financial statements between companies in Japan and overseas by using uniform measurement methods, and to add alternative accounting treatments for any items requiring consideration due to conventional practices in Japan, provided that such treatments do not significantly impair comparability.

(2) Planned Date of Application

To be applied from the beginning of the fiscal year ending March 31, 2022

(3) Effect of the Application of the Accounting Standard

The amount of the effect was under review when the consolidated financial statements were prepared.

- Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31, issued on March 31, 2020)

(1) Overview

Paragraph 125 of the International Accounting Standards (IAS) 1, "Presentation of Financial Statements" ("IAS 1"), released in 2003 by the International Accounting Standards Board (IASB), requires disclosure of sources of estimation uncertainty. There have been requests to consider requiring disclosure of sources of estimation uncertainty under Japanese GAAP as information in the notes to financial statements, as this information is of value to users of financial statements. In response, the ASBJ developed and issued the Accounting Standard for Disclosure of Accounting Estimates (hereinafter, "the Standard").

The ASBJ's basic policy in its development of the Standard was, rather than to expand individual notes, to state the general principle (disclosure objectives), and then to allow the company to decide the specific information to be disclosed in light of the disclosure objectives. In its development, the ASBJ referred to the provisions of paragraph 125 of IAS 1.

(2) Planned Date of Application

To be applied from the beginning of the fiscal year ending March 31, 2021

- Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections (ASBJ Statement No. 24, March 31,

2020)

(1) Overview

A recommendation was made to consider enhancing the note regarding "accounting principles and procedures used in cases where the provisions of the relevant accounting standards are unclear." In response, the ASBJ made the necessary revisions and issued the Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections.

When enhancing the note on "accounting principles and procedures used in cases where the provisions of the relevant accounting standards are unclear," the ASBJ decided to take over the provisions of the explanatory notes on corporate accounting principles (notes 1-2) in order to avoid affecting conventional practices in cases where the provisions of the relevant accounting standards are unclear.

(2) Planned Date of Application

To be applied from the beginning of the fiscal year ending March 31, 2021

3. Cash and Deposits

The balances of cash and deposits reflected in the accompanying consolidated balance sheets at March 31, 2020 and 2019 were reconciled to the balances of cash and cash equivalents in the accompanying consolidated statements of cash flows for the years ended March 31, 2020 and 2019 as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|----------|---------------------------|
| | 2020 | 2019 | 2020 |
| Cash and deposits | ¥ 47,127 | ¥ 43,007 | \$ 436,361 |
| Securities | 9,600 | 8,013 | 88,889 |
| Time deposits with maturities of more than three months | (10) | (30) | (93) |
| Debt securities with maturities of more than three months | (2,099) | (3,013) | (19,435) |
| Cash and cash equivalents at end of period | ¥ 54,618 | ¥ 47,977 | \$ 505,722 |

4. Short-term Investments, Investments in Securities and Investments in Non-consolidated Subsidiaries and Affiliates

At March 31, 2020 and 2019, other securities, which are included in short-term investments and investment in securities, were as follows:

| | Millions of yen | | | Thousands of U.S. dollars | | | | | |
|--|-----------------|-------------------|------------------------|---------------------------|-------------------|------------------------|----------------|-------------------|------------------------|
| | 2020 | | | 2019 | | | 2020 | | |
| | Carrying value | Acquisition costs | Unrealized gain (loss) | Carrying value | Acquisition costs | Unrealized gain (loss) | Carrying value | Acquisition costs | Unrealized gain (loss) |
| Securities whose carrying value exceeds their acquisition costs: | | | | | | | | | |
| Equity securities | ¥ 4,949 | ¥ 2,628 | ¥ 2,321 | ¥ 10,548 | ¥ 7,028 | ¥ 3,519 | \$ 45,824 | \$ 24,333 | \$ 21,491 |
| Bonds and debentures | 2,860 | 2,854 | 6 | 9,186 | 9,154 | 32 | 26,481 | 26,426 | 56 |
| Other | 3,504 | 3,503 | 0 | 3,006 | 3,005 | 0 | 32,444 | 32,435 | 0 |
| Subtotal | ¥ 11,314 | ¥ 8,986 | ¥ 2,327 | ¥ 22,741 | ¥ 19,188 | ¥ 3,553 | \$ 104,759 | \$ 83,204 | \$ 21,546 |
| Securities whose carrying value does not exceed their acquisition costs: | | | | | | | | | |
| Equity securities | ¥ 4,994 | ¥ 6,954 | ¥ (1,959) | ¥ 1,934 | ¥ 2,208 | ¥ (274) | \$ 46,241 | \$ 64,389 | \$ (18,139) |
| Bonds and debentures | 8,721 | 8,826 | (104) | 5,384 | 5,400 | (15) | 80,750 | 81,722 | (963) |
| Other | 4,912 | 5,006 | (94) | 2,924 | 3,004 | (79) | 45,481 | 46,352 | (870) |
| Subtotal | ¥ 18,628 | ¥ 20,787 | ¥ (2,158) | ¥ 10,242 | ¥ 10,613 | ¥ (370) | \$ 172,481 | \$ 192,472 | \$ (19,981) |
| Total | ¥ 29,943 | ¥ 29,774 | ¥ 168 | ¥ 32,984 | ¥ 29,801 | ¥ 3,182 | \$ 277,250 | \$ 275,685 | \$ 1,556 |

Unlisted equity securities (carrying value for the years ended March 31, 2020 and 2019 amounted to ¥471 million (\$4,361 thousand) and ¥259 million, respectively) for which it is extremely difficult to determine the fair value are not included in the above table.

Information regarding sales of other securities for the years ended March 31, 2020 and 2019 is summarized as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---------------------|-----------------|----------|---------------------------|
| | 2020 | 2019 | 2020 |
| Proceeds from sales | ¥ 14,909 | ¥ 85,555 | \$ 138,046 |
| Gross realized gain | 58 | 154 | 537 |

The Group has recognized loss on impairment of marketable securities classified as other securities in the amount of ¥0 million for the year ended March 31, 2019.

At March 31, 2020 and 2019, investments in non-consolidated subsidiaries and affiliates were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|-------------------|-----------------|----------|---------------------------|
| | 2020 | 2019 | 2020 |
| Equity securities | ¥ 4,345 | ¥ 11,719 | \$ 40,231 |
| Advances | 321 | 341 | 2,972 |
| | ¥ 4,666 | ¥ 12,060 | \$ 43,204 |

5. Inventories

Inventories at March 31, 2020 and 2019 comprised the following:

| | Millions of yen | | Thousands of U.S. dollars |
|----------------------------|-----------------|----------|---------------------------|
| | 2020 | 2019 | 2020 |
| Finished goods | ¥ 10,730 | ¥ 9,640 | \$ 99,352 |
| Work in process | 25,372 | 23,965 | 234,926 |
| Raw materials and supplies | 25,814 | 22,869 | 239,019 |
| | ¥ 61,917 | ¥ 56,475 | \$ 573,306 |

6. Other Intangible Assets

Other intangible assets at March 31, 2020 and 2019 comprised the following:

| | Millions of yen | | Thousands of U.S. dollars |
|-----------|-----------------|----------|---------------------------|
| | 2020 | 2019 | 2020 |
| Trademark | ¥ 5,021 | ¥ 5,071 | \$ 46,491 |
| Software | 8,475 | 8,216 | 78,472 |
| Other | 4,531 | 3,944 | 41,954 |
| | ¥ 18,028 | ¥ 17,231 | \$ 166,926 |

7. Short-term Debt, Long-term Debt and Lease Obligations

Short-term debt, long-term debt and lease obligations at March 31, 2020 and 2019 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|----------|---------------------------|
| | 2020 | 2019 | 2020 |
| Short-term debt (unsecured) | ¥ 6,187 | ¥ 6,845 | \$ 57,287 |
| Current portion of long-term debt | 5,747 | 12,045 | 53,213 |
| 0.100% unsecured bonds, due 2019 | - | 1,500 | - |
| Current portion of lease obligations | 731 | - | 6,769 |
| Short-term debt | ¥ 12,666 | ¥ 20,390 | \$ 117,278 |
| 0.494% unsecured bonds, due 2022 | 20,000 | 20,000 | 185,185 |
| 0.370% unsecured bonds, due 2026 | 10,000 | 10,000 | 92,593 |
| 0.290% unsecured bonds, due 2029 | 10,000 | - | 92,593 |
| Unsecured loans from banks and other financial institutions maturing 2021 - 2025 with average interest rate from 0.30% to 3.20% | 17,542 | 22,872 | 162,426 |
| Lease obligations | 3,515 | - | 32,546 |
| Long-term debt | ¥ 61,058 | ¥ 52,873 | \$ 565,352 |
| Less, current portion | (6,478) | (12,045) | (59,981) |
| Long-term debt | ¥ 54,579 | ¥ 40,826 | \$ 505,361 |

Aggregate annual maturities of long-term debt and lease obligations at March 31, 2020 were as follows:

| Years ending March 31 | Millions of yen | | Thousands of U.S. dollars | |
|-----------------------|-----------------|------------------|---------------------------|------------------|
| | Long-term debt | Lease obligation | Long-term debt | Lease obligation |
| 2022 | ¥ 20,950 | ¥ 491 | \$ 193,981 | \$ 4,546 |
| 2023 | 9,645 | 328 | 89,306 | 3,037 |
| 2024 and thereafter | 21,200 | 1,964 | 196,296 | 18,185 |
| | ¥ 51,795 | ¥ 2,784 | \$ 479,583 | \$ 25,778 |

8. Retirement and Severance Benefits

The Company and its consolidated subsidiaries have funded and unfunded defined benefit pension plans and defined contribution pension plans to provide for the retirement of employees. The defined benefit pension plans are paid either in a lump sum or as a pension based on the employee's salary and years of service. In the lump-sum payment plans, a lump sum is paid as a retirement benefit based on salary and years of service.

For the defined benefit pension plans and lump-sum payment plans of certain consolidated subsidiaries, the simplified accounting method is used to calculate net defined benefit liability and retirement benefit expense.

Information on retirement benefits for the fiscal years ended March 31, 2020 and 2019 was as follows:

1. Defined Benefit Pension Plan

(1) Changes in Retirement Benefit Obligations (excludes application of simplified accounting method)

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|----------|---------------------------|
| | 2020 | 2019 | 2020 |
| Beginning balance of retirement benefit obligations | ¥ 41,452 | ¥ 43,723 | \$ 383,815 |
| Increase due to new consolidation | 873 | - | 8,083 |
| Service cost | 1,540 | 1,504 | 14,259 |
| Interest cost | 499 | 494 | 4,620 |
| Actual differences arising during the year | 2,407 | (671) | 22,287 |
| Retirement benefits paid | (3,209) | (2,831) | (29,713) |
| Other | (308) | (767) | (2,852) |
| Ending balance of retirement benefit obligations | ¥ 43,255 | ¥ 41,452 | \$ 400,509 |

(2) Changes in Plan Assets (excludes application of simplified accounting method)

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------|---------------------------|
| | 2020 | 2019 | 2020 |
| Beginning balance of plan assets | ¥ 36,166 | ¥ 37,090 | \$ 334,870 |
| Expected return on plan assets | 1,117 | 1,161 | 10,343 |
| Actual differences arising during the year | 131 | (1,383) | 1,213 |
| Contribution made by the Company and consolidated subsidiaries | 1,108 | 1,533 | 10,259 |
| Retirement benefits paid | (2,367) | (2,001) | (21,917) |
| Other | (113) | (233) | (1,046) |
| Ending balance of plan assets | ¥ 36,042 | ¥ 36,166 | \$ 333,722 |

(3) Changes in Net Defined Benefit Liability (only application of simplified accounting method)

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|-------|---------------------------|
| | 2020 | 2019 | 2020 |
| Beginning net defined benefit liability | ¥ 527 | ¥ 517 | \$ 4,880 |
| Increase due to new consolidation | 217 | - | 2,009 |
| Retirement benefits expense | 156 | 90 | 1,444 |
| Retirement benefits paid | (51) | (45) | (472) |
| Contribution to plan | (42) | (36) | (389) |
| Other | 46 | - | 426 |
| Ending net defined benefit liability | ¥ 853 | ¥ 527 | \$ 7,898 |

(4) Reconciliation of Retirement Benefit Obligations and Plan Assets with Net Defined Benefit Liabilities and Assets on the Consolidated Balance Sheets (includes application of simplified accounting method)

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------|---------------------------|
| | 2020 | 2019 | 2020 |
| Funded retirement benefit obligations | ¥ 37,284 | ¥ 36,169 | \$ 345,222 |
| Plan assets | (36,597) | (36,731) | (338,861) |
| | 686 | (562) | 6,352 |
| Unfunded retirement benefit obligations | 7,380 | 6,375 | 68,333 |
| Net amount of liability and asset on consolidated balance sheets | 8,067 | 5,812 | 74,694 |
| | | | |
| Net defined benefit liability | 13,688 | 11,901 | 126,741 |
| Net defined benefit asset | (5,621) | (6,088) | (52,046) |
| Net amount of liability and asset on consolidated balance sheets | ¥ 8,067 | ¥ 5,812 | \$ 74,694 |

(5) Retirement Benefit Expenses

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|---------|---------------------------|
| | 2020 | 2019 | 2020 |
| Service cost | ¥ 1,540 | ¥ 1,504 | \$ 14,259 |
| Interest cost | 499 | 494 | 4,620 |
| Expected return on plan assets | (1,117) | (1,161) | (10,343) |
| Amortization of actuarial differences | 809 | 669 | 7,491 |
| Retirement benefit expenses using the simplified method | 156 | 90 | 1,444 |
| Retirement benefit expenses for defined benefit pension plans | ¥ 1,888 | ¥ 1,598 | \$ 17,481 |

(6) Remeasurements of Defined Benefit Plans

Breakdown of remeasurements of defined benefit plans (before deduction of tax effects)

| | Millions of yen | | Thousands of U.S. dollars |
|-----------------------|-----------------|------|---------------------------|
| | 2020 | 2019 | 2020 |
| Actuarial differences | ¥ (1,423) | ¥ 47 | \$ (13,176) |
| Total | ¥ (1,423) | ¥ 47 | \$ (13,176) |

(7) Accumulated Remeasurements of Defined Benefit Plans

Breakdown of accumulated remeasurements of defined benefit plans (before deduction of tax effects)

| | Millions of yen | | Thousands of U.S. dollars |
|------------------------------------|-----------------|-----------|---------------------------|
| | 2020 | 2019 | 2020 |
| Unrecognized actuarial differences | ¥ (3,593) | ¥ (2,169) | \$ (33,269) |
| Total | ¥ (3,593) | ¥ (2,169) | \$ (33,269) |

(8) Plan Assets**a. Breakdown of pension assets**

| | 2020 | 2019 |
|---------------------------------|------|------|
| Bonds | 51% | 52% |
| Stocks | 28% | 28% |
| Cash and deposits | 0% | 0% |
| General life insurance accounts | 17% | 16% |
| Other | 4% | 4% |
| Total | 100% | 100% |

b. Determination of long-term expected rate of return on plan assets

The long-term expected rate of return on plan assets is determined by considering the current and expected allocation of plan assets and the current and expected long-term rates of return in the future for the various components of the plan assets.

(9) Basic Assumptions for Calculating Retirement Benefit Obligations

| | 2020 | 2019 |
|---|-------------|-------------|
| Discount rate | (0.2%)-4.4% | (0.2%)-4.4% |
| Expected rate of return on plan assets | 0.2%-6.8% | 1.0%-6.8% |
| Expected rate of increase in compensation level | 1.5%-6.1% | 1.5%-6.1% |

2. Defined Contribution Pension Plans**Contributions to defined contribution pension plan**

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|-------|---------------------------|
| | 2020 | 2019 | 2020 |
| Contributions to defined contribution pension plan | ¥ 1,028 | ¥ 974 | \$ 9,519 |

9. Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets under finance lease contracts, commencing on or before March 31, 2008 that do not transfer ownership to the lessee at March 31, 2017 and 2016, which would have been reflected in the accompanying consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

Obligations under non-cancelable operating leases as of March 31, 2020 and 2019 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---------------------|-----------------|---------|---------------------------|
| | 2020 | 2019 | 2020 |
| Due within one year | ¥ 1,202 | ¥ 1,289 | \$ 11,130 |
| Due after one year | 2,444 | 2,959 | 22,630 |
| | ¥ 3,647 | ¥ 4,248 | \$ 33,769 |

Note: Certain overseas subsidiaries adopted IFRS 16 (Leases) as of the fiscal year ended March 31, 2020. Therefore, operating leases for these subsidiaries are included only in the figures for the fiscal year ended March 31, 2019.

10. Financial Instruments**1. Status of Financial Instruments****(1) Policy for financial instruments**

In light of plans for financing, the Group raises the funds it requires through bank loans and bond issuance.

The Group manages temporary fund surpluses through financial assets that have high levels of safety. The Group reduces customer credit risk by applying internal policies for managing credit risk. Long-term debt and bonds are taken out principally for the purpose of capital expenditure and acquisitions.

The Group limits the use of derivatives to the volume of long-term debt and bonds and actual requirements based on established internal control rules, and does not engage in speculative transactions.

(2) Types of financial instruments and related risk

Trade receivables - notes receivable and accounts receivable - electronically recorded monetary claims - are exposed to credit risk in relation to customers.

The Group holds securities and investments in securities, which are mainly issued by companies who have business relationships with the Group, and these securities are exposed to the risk of fluctuation in market prices. Trade payables - notes payable and accounts payable - mostly have payment due dates within one year.

Bank loans and bonds are taken out principally for the purpose of working capital, capital expenditure and acquisitions, which are exposed to liquidity risk and interest-rate risk.

Currency swap is almost always used as a hedge as a type of derivative transaction.

(3) Risk management for financial instruments

(a) Monitoring of credit risk (the risk that customers or counterparties may default)

In accordance with the internal policies for managing credit risk of the Group, the Group monitors credit-worthiness of its main customers periodically, and monitors due dates and outstanding balances by customer.

To minimize credit risk when entering into derivative transactions, counterparties are limited to financial institutions with high ratings.

(b) Monitoring of market risks

Derivatives mainly include currency swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables.

Investments in securities, primarily the equity securities of corporations with which the Group does business, are exposed to the risk of fluctuations in market price. The Group manages this risk by periodically examining market prices and the financial condition of the issuing entities.

The Group executes and manages derivative transactions within the limits of established internal rules and regulations, and reduces credit risk by limiting counterparties to highly creditworthy financial institutions.

(c) Monitoring of liquidity risk for financing (the risk that the Companies may not be able to meet obligations on the scheduled due dates)

(4) Supplementary explanation of items relating to the market value of financial instruments

The Group manages the liquidity risk mainly through the cash-flow plans, which are prepared by the financial department.

In order to achieve more efficient and flexible financing, the Group contracts line-of-credit agreements with certain financial institutions.

2. Fair Value of Financial Instruments

Amounts recognized in the consolidated balance sheets, fair values and the differences between them on March 31, 2020 and 2019 are as shown below.

Moreover, items for which it is extremely difficult to determine fair values are not included in the following table (see (Note 2)).

| Millions of yen | | | |
|--|-------------|-------------|------------|
| 2020 | | | |
| | Book value | Fair value | Difference |
| (1) Cash and deposits | ¥ 47,127 | ¥ 47,127 | ¥ - |
| (2) Notes and accounts receivable, trade | 88,441 | 88,441 | - |
| (3) Electronically recorded monetary claims | 9,283 | 9,283 | - |
| (4) Securities and investments in securities | 29,943 | 29,943 | - |
| Total assets | ¥ 174,795 | ¥ 174,795 | ¥ - |
| (1) Notes and accounts payable, trade | (54,407) | (54,407) | - |
| (2) Short-term debt | (11,934) | (11,940) | (5) |
| (3) Long-term debt | (51,795) | (51,843) | (47) |
| Total liabilities | ¥ (118,137) | ¥ (118,191) | ¥ (53) |

Note: Lease obligations are excluded from Short-term debt and Long-term debt in the amounts of ¥731 million (\$6,769 thousand) and ¥2,784 million (\$25,788 thousand), respectively.

| Millions of yen | | | |
|--|-------------|-------------|------------|
| 2019 | | | |
| | Book value | Fair value | Difference |
| (1) Cash and deposits | ¥ 43,007 | ¥ 43,007 | ¥ - |
| (2) Notes and accounts receivable, trade | 82,563 | 82,563 | - |
| (3) Electronically recorded monetary claims | 9,526 | 9,526 | - |
| (4) Securities and investments in securities | 32,984 | 32,984 | - |
| Total assets | ¥ 168,082 | ¥ 168,082 | ¥ - |
| (1) Notes and accounts payable, trade | (52,401) | (52,401) | - |
| (2) Short-term debt | (20,390) | (20,401) | (10) |
| (3) Long-term debt | (40,826) | (41,197) | (371) |
| Total liabilities | ¥ (113,618) | ¥ (114,000) | ¥ (381) |

| Thousands of U.S. dollars | | | |
|--|----------------|----------------|------------|
| 2020 | | | |
| | Book value | Fair value | Difference |
| (1) Cash and deposits | \$ 436,361 | \$ 436,361 | \$ - |
| (2) Notes and accounts receivable, trade | 818,898 | 818,898 | - |
| (3) Electronically recorded monetary claims | 85,954 | 85,954 | - |
| (4) Securities and investments in securities | 277,250 | 277,250 | - |
| Total assets | \$ 1,618,472 | \$ 1,618,472 | \$ - |
| (1) Notes and accounts payable, trade | (503,769) | (503,769) | - |
| (2) Short-term debt | (110,500) | (110,556) | (46) |
| (3) Long-term debt | (479,583) | (480,028) | (435) |
| Total liabilities | \$ (1,093,861) | \$ (1,094,361) | \$ (491) |

Note 1: Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions.

Assets

(1) Cash and deposits and (2) Notes and accounts receivable, trade and (3) Electronically recorded monetary claims

Since these items are settled in a short period, their carrying value approximates fair value.

(4) Securities and investments in securities

The fair value of equity securities is based on quoted market prices. The fair value of debt securities is based on either quoted market prices or prices provided by the financial institutions making markets in these securities.

For information on securities classified by holding purpose, please refer to Note 4. in the notes to the consolidated financial statements.

Liabilities

(1) Notes and accounts payable, trade and (2) Short-term debt

Since these items are settled in a short period of time, their carrying value approximates fair value.

(3) Long-term debt

(Long-term debt)

The fair value of long-term debt payable is calculated by applying a discount rate to the total of principal and interest. That discount rate is based on the assumed interest rate if a similar new loan was entered into.

Because long-term debt payable with variable interest rates is based on the condition that interest rates are revised periodically and their fair values are almost the same as their book values, the relevant book values are used.

A specially treated interest rate swap is accounted for as an integral part of long-term debt payable, or the subject of hedging, so that the fair value of the swap is stated by being included in the fair value of long-term debt payable.

(Bonds)

The fair value of bonds issued by the Company is based on market prices when market prices are readily available. The fair value of bonds without market prices is measured as the present value, calculated by discounting the total amount of principal and interest at a rate determined by taking into account the remaining maturity of each bond and the current credit risk.

Derivative transactions

For information on derivative transactions, please refer to Note 11. "Derivative transactions" in the notes to the consolidated financial statements.

Note 2: Financial instruments for which it is extremely difficult to determine market values were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|----------|---------------------------|
| | 2020 | 2019 | 2020 |
| | Book value | | Book value |
| Investments in non-consolidated subsidiaries and affiliates | ¥ 4,345 | ¥ 11,719 | \$ 40,231 |
| Other securities | | | |
| Unlisted equity securities | 471 | 259 | 4,361 |

Because it is recognized that these do not have market values or that the market values are extremely difficult to determine, they are not included in the chart above.

Note 3: Planned redemption amounts after the balance sheet date for monetary assets and investment securities with monetary assets and maturity dates.

| | Millions of yen | | | |
|--|------------------|-----------------|------------------|-----------------|
| | 2020 | | 2019 | |
| | Within 1 year | Over 1 year | Within 1 year | Over 1 year |
| Cash and deposits | ¥ 47,127 | - | ¥ 43,007 | - |
| Notes and accounts receivable, trade | 88,441 | - | 82,563 | - |
| Electronically recorded monetary claims | 9,283 | - | 9,526 | - |
| Securities and investments in securities | | | | |
| Other securities (Bonds) | 2,100 | 9,580 | 3,012 | 11,557 |
| Other securities (Others) | 7,500 | 1,000 | 5,000 | 920 |
| Total | ¥ 154,452 | ¥ 10,580 | ¥ 143,111 | ¥ 12,478 |

| | Thousands of U.S. dollars | |
|--|---------------------------|------------------|
| | 2020 | |
| | Within 1 year | Over 1 year |
| Cash and deposits | \$ 436,361 | - |
| Notes and accounts receivable, trade | 818,898 | - |
| Electronically recorded monetary claims | 85,954 | - |
| Securities and investments in securities | | |
| Other securities (Bonds) | 19,444 | 88,704 |
| Other securities (Others) | 69,444 | 9,259 |
| Total | \$ 1,430,111 | \$ 97,963 |

For information in respect to the redemption schedule of bonds and long-term loans, please refer to Note 7. "Short-term Debt, Long-term Debt and Lease obligations" in the notes to the consolidated financial statements.

11. Derivative Transactions

Derivative transactions to which hedge accounting is not applied at March 31, 2020 and 2019 are as follows:

| | Millions of yen | | | | | |
|--------------------------------|------------------|------------|------------------------|------------------|------------|------------------------|
| | 2020 | | | 2019 | | |
| | Contract amounts | Fair value | Unrealized gain (loss) | Contract amounts | Fair value | Unrealized gain (loss) |
| Currency swap contracts: | | | | | | |
| Over-the-counter transactions | | | | | | |
| Receive in dollar, pay in euro | ¥ 6,040 | ¥ (96) | ¥ (96) | ¥ 11,709 | ¥ 172 | ¥ 172 |

| | Thousands of U.S. dollars | | |
|--------------------------------|---------------------------|------------|------------------------|
| | 2020 | | |
| | Contract amounts | Fair value | Unrealized gain (loss) |
| Currency swap contracts: | | | |
| Over-the-counter transactions | | | |
| Receive in dollar, pay in euro | \$ 55,926 | \$ (889) | \$ (889) |

Derivative transactions to which hedge accounting is applied at March 31, 2020 and 2019 are as follows:

| | Millions of yen | | | | | |
|---|------------------|-------------|------------|------------------|-------------|------------|
| | 2020 | | | 2019 | | |
| | Contract amounts | Over 1 year | Fair value | Contract amounts | Over 1 year | Fair value |
| Currency swap contracts: | | | | | | |
| Classification: Deferral hedge accounting | | | | | | |
| Hedged item: Long-term debt interest | | | | | | |
| Receive in euro, pay dollar | ¥ 74 | ¥ - | ¥ 59 | ¥ 294 | ¥ 76 | ¥ (36) |
| Foreign currency forward contracts: | | | | | | |
| Classification: Special method | | | | | | |
| Hedged item: Short-term receivables | | | | | | |
| Receive in cyn, pay yen | ¥ 1,634 | ¥ - | ¥ (16) | ¥ 1,412 | ¥ - | ¥ (21) |
| Foreign currency forward contracts: | | | | | | |
| Classification: Special method | | | | | | |
| Hedged item: Short-term receivables | | | | | | |
| Receive in yen, pay cyn | ¥ 140 | ¥ - | ¥ (0) | ¥ 142 | ¥ - | ¥ (2) |

| | Thousands of U.S. dollars | | |
|---|---------------------------|-------------|--------------|
| | 2020 | | |
| | Contract amounts | Over 1 year | Market value |
| Currency swap contracts: | | | |
| Classification: Deferral hedge accounting | | | |
| Hedged item: Long-term debt interest | | | |
| Receive in euro, pay dollar | \$ 685 | \$ - | \$ 546 |
| Foreign currency forward contracts: | | | |
| Classification: Special method | | | |
| Hedged item: Short-term receivables | | | |
| Receive in cyn, pay yen | \$ 15,130 | \$ - | \$ (148) |
| Foreign currency forward contracts: | | | |
| Classification: Special method | | | |
| Hedged item: Short-term receivables | | | |
| Receive in yen, pay cyn | \$ 1,296 | \$ - | \$ (1) |

Note: The fair value is provided by financial institutions with which the Company made the contracts.

12. Shareholders' Equity

The Law provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met.

The Company's legal reserve included in retained

earnings is nil at March 31, 2020 and 2019.

Movements in common stock and treasury stock for the years ended March 31, 2020 and 2019 were summarized as follows:

1. Stock Information

| | Thousands of Shares | | | |
|--------------------------------|------------------------------|----------|----------|------------------------|
| | 2020 | | | |
| | Balance at beginning of year | Increase | Decrease | Balance at end of year |
| Shares issued: Common Stock | 235,000 | - | 4,000 | 231,000 |
| Treasury stock: Treasury Stock | 10,020 | 4,133 | 4,000 | 10,154 |

The decrease in common stock of 4,000 thousand shares is due to cancellation of 4,000 thousand shares by the resolution of the Board of Directors. The increase in treasury stock of 4,133 thousand shares is due to purchases of 4,133 thousand shares by the resolution on board meeting and purchases of 0 thousand shares of less than one voting unit and the decrease in treasury stock of 4,000 thousand shares is due to cancellation of 4,000 thousand shares by the resolution of the Board of Directors, sales of 0 thousand shares at the requests of shareholders who own less than one voting unit.

| | Thousands of Shares | | | |
|--------------------------------|------------------------------|----------|----------|------------------------|
| | 2019 | | | |
| | Balance at beginning of year | Increase | Decrease | Balance at end of year |
| Shares issued: Common Stock | 235,000 | - | - | 235,000 |
| Treasury stock: Treasury Stock | 10,019 | 0 | - | 10,020 |

The increase in treasury stock is purchases of 0 thousand shares of less than one voting unit.

2. Dividend Information

| Dividends paid in fiscal year ended March 31, 2020 | 2020 | | | | | | |
|--|--------------------|------------------|---------------------|---------------------|-----------------|-----------------|---------------------------|
| | Resolution | Record date | Effective date | Dividends per share | | Total dividends | |
| | | | | Yen | U.S. dollars | Millions of yen | Thousands of U.S. dollars |
| Shareholders' meeting on June 26, 2019 | March 31, 2019 | June 27, 2019 | 16.0 | 0.15 | 3,599 | 33,324 | |
| Board of Directors on October 31, 2019 | September 30, 2019 | December 4, 2019 | 17.0 | 0.16 | 3,785 | 35,046 | |
| Dividends paid after March 31, 2020 | 2020 | | | | | | |
| Resolution | Record date | Effective date | Dividends per share | | Total dividends | | |
| Shareholders' meeting on June 24, 2020 | March 31, 2020 | June 25, 2020 | 17.0 | 0.16 | 3,754 | 34,759 | |
| Dividends paid in fiscal year ended March 31, 2019 | 2019 | | | | | | |
| Resolution | Record date | Effective date | Dividends per share | | Total dividends | | |
| Shareholders' meeting on June 27, 2018 | March 31, 2018 | June 28, 2018 | 15.0 | | 3,374 | | |
| Board of Directors on October 31, 2018 | September 30, 2018 | December 5, 2018 | 16.0 | | 3,599 | | |
| Dividends paid after March 31, 2019 | 2019 | | | | | | |
| Resolution | Record date | Effective date | Dividends per share | | Total dividends | | |
| Shareholders' meeting on June 26, 2019 | March 31, 2019 | June 27, 2019 | 16.0 | | 3,599 | | |

13. Stock Options

1. Amount of Expense Appropriation and Accounting Name during the Fiscal Years Ended March 31, 2020 and 2019

Equity deal expense (included in "Selling, general and administrative expenses") was ¥33 million (\$305 thousand) and ¥34 million for the fiscal years ended March 31, 2020 and 2019 respectively.

2. The Contents, Scale, and Change in Stock Options

(1) The contents of stock options

| | June 2008 stock option | June 2009 stock option |
|---------------------------------------|---|---|
| Company | Sanwa Holdings Corporation | Sanwa Holdings Corporation |
| Resolution date | June 26, 2008 | June 30, 2009 |
| Grantee classification and the number | 1 director | 1 director |
| Type and number of shares | Common stock of the Company: 49,000 shares | Common stock of the Company: 52,000 shares |
| Date of grant | July 15, 2008 | July 15, 2009 |
| Exercise period of rights | For 30 years from grant date (from July 16, 2008 to July 15, 2038) | For 30 years from grant date (from July 16, 2009 to July 15, 2039) |
| | June 2010 stock option | June 2011 stock option |
| Company | Sanwa Holdings Corporation | Sanwa Holdings Corporation |
| Resolution date | June 30, 2010 | June 29, 2011 |
| Grantee classification and the number | 1 director | 1 director |
| Type and number of shares | Common stock of the Company: 61,000 shares | Common stock of the Company: 63,000 shares |
| Date of grant | July 15, 2010 | July 14, 2011 |
| Exercise period of rights | For 30 years from grant date (from July 16, 2010 to July 15, 2040) | For 30 years from grant date (from July 15, 2011 to July 14, 2041) |
| | June 2012 stock option | June 2013 stock option |
| Company | Sanwa Holdings Corporation | Sanwa Holdings Corporation |
| Resolution date | June 28, 2012 | June 26, 2013 |
| Grantee classification and the number | 3 directors | 3 directors |
| Type and number of shares | Common stock of the Company: 90,000 shares | Common stock of the Company: 49,000 shares |
| Date of grant | July 13, 2012 | July 12, 2013 |
| Exercise period of rights | For 30 years from grant date (from July 14, 2012 to July 13, 2042) | For 30 years from grant date (from July 13, 2013 to July 12, 2043) |
| | June 2014 stock option | June 2015 stock option |
| Company | Sanwa Holdings Corporation | Sanwa Holdings Corporation |
| Resolution date | June 26, 2014 | June 26, 2015 |
| Grantee classification and the number | 4 directors | 4 directors |
| Type and number of shares | Common stock of the Company: 40,000 shares | Common stock of the Company: 26,900 shares |
| Date of grant | July 14, 2014 | July 13, 2015 |
| Exercise period of rights | For 30 years from grant date (from July 15, 2014 to July 14, 2044) | For 30 years from grant date (from July 14, 2015 to July 13, 2045) |
| | June 2016 stock option | June 2017 stock option |
| Company | Sanwa Holdings Corporation | Sanwa Holdings Corporation |
| Resolution date | June 28, 2016 | June 28, 2017 |
| Grantee classification and the number | 4 directors | 4 directors |
| Type and number of shares | Common stock of the Company: 38,400 shares | Common stock of the Company: 35,700 shares |
| Date of grant | July 14, 2016 | July 14, 2017 |
| Exercise period of rights | For 30 years from grant date (from July 15, 2016 to July 14, 2046) | For 30 years from grant date (from July 15, 2017 to July 14, 2047) |
| | June 2018 stock option | June 2019 stock option |
| Company | Sanwa Holdings Corporation | Sanwa Holdings Corporation |
| Resolution date | June 27, 2018 | June 26, 2019 |
| Grantee classification and the number | 4 directors | 4 directors |
| Type and number of shares | Common stock of the Company: 36,800 shares | Common stock of the Company: 37,600 shares |
| Date of grant | July 13, 2018 | July 12, 2019 |
| Exercise period of rights | For 30 years from grant date (from July 14, 2018 to July 13, 2048) | For 30 years from grant date (from July 13, 2019 to July 12, 2049) |

(2) Scale, and change in stock options**(2)-1 Number of stock options**

| | Shares | | | | | | | | | | | |
|----------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | June 2008 stock option | June 2009 stock option | June 2010 stock option | June 2011 stock option | June 2012 stock option | June 2013 stock option | June 2014 stock option | June 2015 stock option | June 2016 stock option | June 2017 stock option | June 2018 stock option | June 2019 stock option |
| Before vested | | | | | | | | | | | | |
| Beginning of period | - | - | - | - | - | - | - | - | - | - | - | 36,800 |
| Granted | - | - | - | - | - | - | - | - | - | - | - | 37,600 |
| Forfeited | - | - | - | - | - | - | - | - | - | - | - | - |
| Vested | - | - | - | - | - | - | - | - | - | - | - | 36,800 |
| Unvested | - | - | - | - | - | - | - | - | - | - | - | 37,600 |
| After vested | | | | | | | | | | | | |
| Beginning of period | 49,000 | 52,000 | 61,000 | 63,000 | 90,000 | 49,000 | 40,000 | 26,900 | 38,400 | 35,700 | - | - |
| Vested | - | - | - | - | - | - | - | - | - | - | - | 36,800 |
| Exercised | - | - | - | - | - | - | - | - | - | - | - | - |
| Expired | - | - | - | - | - | - | - | - | - | - | - | - |
| Exercisable | 49,000 | 52,000 | 61,000 | 63,000 | 90,000 | 49,000 | 40,000 | 26,900 | 38,400 | 35,700 | 36,800 | - |

(2)-2 Unit value and exercise period for stock option rights

| | Yen | | | | | | | | | | | |
|---------------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | June 2008 stock option | June 2009 stock option | June 2010 stock option | June 2011 stock option | June 2012 stock option | June 2013 stock option | June 2014 stock option | June 2015 stock option | June 2016 stock option | June 2017 stock option | June 2018 stock option | June 2019 stock option |
| Exercise price | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Average share price at exercise | - | - | - | - | - | - | - | - | - | - | - | - |
| Fair value unit price (Date of grant) | 301 | 263 | 250 | 243 | 252 | 515 | 625 | 921 | 810 | 975 | 928 | 885 |

| | U.S. dollars | | | | | | | | | | | |
|---------------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | June 2008 stock option | June 2009 stock option | June 2010 stock option | June 2011 stock option | June 2012 stock option | June 2013 stock option | June 2014 stock option | June 2015 stock option | June 2016 stock option | June 2017 stock option | June 2018 stock option | June 2019 stock option |
| Exercise price | 0.009 | 0.009 | 0.009 | 0.009 | 0.009 | 0.009 | 0.009 | 0.009 | 0.009 | 0.009 | 0.009 | 0.009 |
| Average share price at exercise | - | - | - | - | - | - | - | - | - | - | - | - |
| Fair value unit price (Date of grant) | 2.787 | 2.435 | 2.315 | 2.250 | 2.333 | 4.769 | 5.787 | 8.528 | 7.500 | 9.028 | 8.593 | 8.194 |

3. Assumptions Used in Estimation of the Fair Value of Stock Options

Valuation method for estimating fair value was the Black-Scholes model. The major assumptions used for the 2019 stock option plan are as follows:

| Major assumptions | 2019 plan | |
|----------------------------|-----------|---------------|
| Estimated volatility | a | 28.3% |
| Estimated remaining period | b | 9 years |
| Estimated dividend | c | ¥32 per share |
| Risk-free rate | d | (0.18%) |

- (a) Estimated volatility was computed by the closing stock prices of common stock in each trading day from July 5, 2010 to July 8, 2019.
(b) The remaining period was reasonably estimated.
(c) The estimated dividend was calculated based on the dividend amount applicable to the year ended March 31, 2019.
(d) The risk-free rate was determined based on the rate of Japanese government bonds, for which redemption dates corresponded to the estimated remaining period.

14. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses were ¥4,241 million (\$39,269 thousand) and ¥3,970 million for the fiscal years ended March 31, 2020 and 2019, respectively.

Research and development expenses included in cost of sales were ¥487 million (\$4,509 thousand) and ¥641 million for the fiscal years ended March 31, 2020 and 2019, respectively.

15. Income Taxes

The Company and its domestic subsidiaries are subject to several taxes based on income, which in the aggregate resulted in a statutory tax rate of approximately 30.6% for the fiscal years ended March 31, 2020 and 2019 respectively. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

The effective rates for the fiscal years ended March 31, 2020 and 2019 differ from the Company's statutory tax rates for the following reasons:

| | 2020 | 2019 |
|---|-------|-------|
| Statutory tax rate | 30.6% | 30.6% |
| Expenses not deductible for income tax purposes | 0.2 | (0.4) |
| Depreciation of goodwill | 2.3 | 1.3 |
| Change in valuation allowance | 0.6 | (0.3) |
| Other | (0.8) | (1.2) |
| Effective tax rate | 32.9 | 30.0 |

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at March 31, 2020 and 2019 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-------------------|-------------------|---------------------------|
| | 2020 | 2019 | 2020 |
| Deferred tax assets: | | | |
| Allowance for bonuses | ¥ 1,410 | ¥ 1,196 | \$ 13,056 |
| Net defined benefit liability | 4,490 | 4,099 | 41,574 |
| Tax loss carryforwards(Note) | 1,046 | 871 | 9,685 |
| Securities | 276 | 255 | 2,556 |
| Investment in affiliates securities | 392 | 155 | 3,630 |
| Impairment loss | 1,609 | 1,492 | 14,898 |
| Other | 5,028 | 3,757 | 46,556 |
| Subtotal | 14,254 | 11,827 | 131,981 |
| Valuation allowance (Deficits)(Note) | (440) | (217) | (4,074) |
| Valuation allowance (Temporary difference) | (2,573) | (1,912) | (23,824) |
| Less valuation allowance subtotal | (3,013) | (2,130) | (27,898) |
| Total | ¥ 11,240 | ¥ 9,697 | \$ 104,074 |
| Deferred tax liabilities: | | | |
| Depreciation | (6,986) | (5,817) | (64,685) |
| Net unrealized holding gains on securities | (69) | (982) | (639) |
| Net defined benefit asset | (2,720) | (2,807) | (25,185) |
| Other | (790) | (547) | (7,315) |
| Total | ¥ (10,566) | ¥ (10,154) | \$ (97,833) |
| Net deferred tax assets | ¥ 674 | ¥ (456) | \$ 6,241 |

Note: Amounts of deficits, valuation allowance and related deferred tax assets by tax loss carry-forwards for the year ended March 31, 2020 and 2019 respectively.

| | Millions of yen | | | | | | |
|---------------------|-----------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|------------------|----------|
| | 2020 | | | | | | |
| | Within 1 year | More than 1 year, within 2 years | More than 2 year, within 3 years | More than 3 year, within 4 years | More than 4 year, within 5 years | More than 5 year | Total |
| Deficits (*1) | 333 | 150 | 61 | 61 | 61 | 378 | 1,046 |
| Valuation allowance | (78) | (88) | 0 | 0 | 0 | (273) | (440) |
| Deferred tax assets | 254 | 62 | 61 | 61 | 61 | 104 | 605 (*2) |

| | Millions of yen | | | | | | |
|---------------------|-----------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|------------------|----------|
| | 2019 | | | | | | |
| | Within 1 year | More than 1 year, within 2 years | More than 2 year, within 3 years | More than 3 year, within 4 years | More than 4 year, within 5 years | More than 5 year | Total |
| Deficits (*1) | 312 | 225 | 141 | 56 | 13 | 121 | 871 |
| Valuation allowance | (91) | (7) | (12) | (13) | (13) | (80) | (217) |
| Deferred tax assets | 221 | 218 | 129 | 43 | - | 41 | 653 (*2) |

| | Thousands of U.S. dollars | | | | | | |
|---------------------|---------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|------------------|------------|
| | 2020 | | | | | | |
| | Within 1 year | More than 1 year, within 2 years | More than 2 year, within 3 years | More than 3 year, within 4 years | More than 4 year, within 5 years | More than 5 year | Total |
| Deficits (*1) | 3,083 | 1,389 | 565 | 565 | 565 | 3,500 | 9,685 |
| Valuation allowance | (722) | (815) | 0 | 0 | 0 | (2,528) | (4,074) |
| Deferred tax assets | 2,352 | 574 | 565 | 565 | 565 | 963 | 5,602 (*2) |

(*1) Deficits are the amount after multiplying the statutory tax rate.

(*2) Regarding deficits of ¥1,046 million (\$9,685 thousand) and ¥871 million (amount after multiplying the statutory tax rate), the Company records deferred tax assets of ¥605 million (\$5,602 thousand) and ¥653 million for the fiscal years ended March 31, 2020 and 2019, respectively.

Regarding deficits, valuation allowance related to the portion deemed to be recoverable based on future taxable income forecasts is not recognized.

16. Other Income (Expenses)

Other, net, for the fiscal years ended March 31, 2020 and 2019 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|-----------|---------------------------|
| | 2020 | 2019 | 2020 |
| Loss on sales and disposal of fixed assets | ¥ (27) | ¥ (20) | \$ (250) |
| Gain on sales of investments in securities | 56 | 154 | 519 |
| Impairment loss (Note) | (536) | - | (4,963) |
| Write-down of investments in securities | - | (1) | - |
| Loss on restructuring cost of subsidiary | (203) | (180) | (1,880) |
| Loss on liquidation of subsidiaries | (3) | (21) | (28) |
| Loss on trouble measures | (313) | - | (2,898) |
| Other, net | (760) | (997) | (7,037) |
| | ¥ (1,789) | ¥ (1,065) | \$ (16,565) |

Note: The Company recognized impairment losses on the following asset groups in the fiscal year ended March 31, 2020.

| Location | Use | Asset type | Millions of yen | Thousands of U.S. dollars |
|------------------------|-----------------|--|-----------------|---------------------------|
| Amagasaki, Hyogo Pref. | Business assets | Machinery and equipment, tools, furniture and fixtures, and software | ¥371 | \$3,435 |
| | - | Goodwill | ¥164 | \$1,518 |
| | | | ¥536 | \$4,963 |

(Method of grouping assets)

The Group, in principle, groups business assets based on the business management organization. Idle assets that are not expected to be used in the future are grouped by individual asset.

(Background to recognition of impairment loss)

As future cash flows of business assets had fallen below the book value, the Company has reduced the book value to the recoverable amount, and recorded the reduction as an impairment loss in extraordinary losses. In addition, the Company had recorded goodwill based on the assumption of excess earning power at the time of acquisition of shares of Sanwa System Wall Co., Ltd., a consolidated subsidiary of the Company. However, since the business performance has fallen below the initial business plan, the reduction in the unamortized balance of goodwill has been accounted for as a one-time expense, based on a conservative review of the business plan.

(Method of determining recoverable amount)

The Company measures the recoverable amount of business assets based on the value in use. As negative future cash flows are expected, the value in use is measured at the residual value. In addition, the recoverable amount of goodwill is measured with a value in use of zero.

17. Other Comprehensive Income

The reclassification adjustments and tax effects for components of other comprehensive income (loss) for the fiscal years ended March 31, 2020 and 2019 are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|-----------|---------------------------|
| | 2020 | 2019 | 2020 |
| Unrealized holding gains on securities: | | | |
| Amount arising during the year | ¥ (3,019) | ¥ (1,808) | \$ (27,954) |
| Reclassification adjustments for losses realized in net income | (35) | (154) | (324) |
| Before tax effect | (3,055) | (1,963) | (28,287) |
| Tax effect | 931 | 601 | 8,620 |
| Total unrealized holding gains on securities | (2,123) | (1,361) | (19,657) |
| Deferred losses on hedges: | | | |
| Amount arising during the year | 95 | 158 | 880 |
| Reclassification adjustments for losses realized in net income | - | - | - |
| Before tax effect | 95 | 158 | 880 |
| Tax effect | (29) | (48) | (269) |
| Total deferred losses on hedges | 66 | 109 | 611 |
| Foreign currency translation adjustments: | | | |
| Amount arising during the year | (2,453) | (2,563) | (22,713) |
| Reclassification adjustments for losses realized in net income | - | - | - |
| Total foreign currency translation adjustments | (2,453) | (2,563) | (22,713) |
| Remeasurements of defined benefit plans: | | | |
| Amount arising during the year | (1,957) | (385) | (18,120) |
| Reclassification adjustments for losses realized in net income | 533 | 432 | 4,935 |
| Before tax effect | (1,423) | 47 | (13,176) |
| Tax effect | 410 | 15 | 3,796 |
| Total remeasurements of defined benefit plans | (1,013) | 62 | (9,380) |
| Share of other comprehensive income of non-consolidated subsidiaries and affiliates accounted for using the equity method: | | | |
| Amount arising during the year | 130 | (143) | 1,204 |
| Total other comprehensive income | ¥ (5,394) | ¥ (3,896) | \$ (49,944) |

18. Segment Information

1. Outline of reportable segments

Reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Management Conference of the Company to make decisions on the allocation of management resources and assess performance.

The Group is primarily engaged in the manufacture and sales of steel construction materials for commercial and residential construction, as well as the maintenance and service business for these products. The Group mainly comprises Sanwa Shutter Corporation in Japan, Overhead Door Corporation in North America, Novoferm GmbH in Europe, and Shanghai Baosteel-Sanwa

Door Co., Ltd., Sanwa Shutter (H.K.) Ltd., An-Ho Metal Industrial Co., Ltd., and Vina-Sanwa Company Liability Ltd. in Asia. Local legal entities are independent management units, and formulate overall regional management strategies for their products and conduct separate business activities. Accordingly, the Group is comprised of regional segments and divided into legal entities, based on the manufacture and sales systems. The Group's four reportable segments are "Japan," "North America," "Europe" and "Asia."

The major products and services of each reportable segment are as follows:

[Japan]

Rolling shutters, shutter-related products, door products for buildings, partitions, stainless steel products, store front products, window products, residential door products, exterior products, residential garage door products, automatic door products, and the maintenance and service business, etc.

[North America]

Rolling shutters, shutter-related products, industrial sectional door products, residential garage door products, openers for garage doors and other doors, automatic door products, and the maintenance and service business, etc.

[Europe]

Rolling shutters, shutter-related products, door products, industrial sectional door products, residential garage door products, openers for garage doors and other doors, and the maintenance and service business, etc.

[Asia]

Rolling shutters, shutter-related products, door products, residential garage door products, and the maintenance and service business, etc.

2. Calculation method used for sales, income or loss, assets and other items on each reportable segment

Accounting policies of the reportable business segments are the same as those noted in "Note 2. Summary of Significant Accounting Policies." The amount of income on reportable segments is based on operating income. Inter-segment sales and transfers between segments are based on market price.

Information about operations in reportable segments of the Group for the fiscal years ended March 31, 2020 and 2019, was as follows:

(1) Reportable Segments

| | Millions of yen | | | | | | |
|---------------------------------------|-----------------|---------------|---------|--------|----------|-------------|----------------------------------|
| | 2020 | | | | | | Consolidated financial statement |
| | Japan | North America | Europe | Asia | Total | Adjustments | |
| Sales to customers | ¥240,407 | ¥118,398 | ¥74,897 | ¥6,395 | ¥440,099 | ¥62 | ¥440,161 |
| Intersegment sales or transfers | 190 | 78 | 25 | 12 | 306 | (306) | - |
| Total sales | 240,597 | 118,477 | 74,923 | 6,407 | 440,405 | (244) | 440,161 |
| Segment income (loss) | ¥26,246 | ¥9,033 | ¥3,692 | ¥(348) | ¥38,623 | ¥(4,405) | ¥34,217 |
| Segment assets | ¥149,266 | ¥74,584 | ¥54,051 | ¥6,144 | ¥284,045 | ¥69,977 | ¥354,023 |
| Depreciation and amortization | 2,862 | 3,462 | 2,853 | 84 | 9,262 | 38 | 9,301 |
| Investment in equity method companies | - | - | - | - | - | 2,019 | 2,019 |
| Capital expenditures | 2,423 | 3,237 | 2,679 | 20 | 8,360 | 58 | 8,419 |

| | Millions of yen | | | | | |
|---------------------------------------|-----------------|---------------|---------|----------|-------------|----------------------------------|
| | 2019 | | | | | |
| | Japan | North America | Europe | Total | Adjustments | Consolidated financial statement |
| Sales to customers | ¥219,559 | ¥116,574 | ¥73,394 | ¥409,528 | ¥462 | ¥409,990 |
| Intersegment sales or transfers | 0 | 32 | 70 | 102 | (102) | - |
| Total sales | 219,559 | 116,607 | 73,464 | 409,631 | 359 | 409,990 |
| Segment income (loss) | ¥22,258 | ¥8,780 | ¥3,834 | ¥34,874 | ¥(3,280) | ¥31,593 |
| Segment assets | ¥137,047 | ¥69,968 | ¥49,042 | ¥256,059 | ¥82,372 | ¥338,432 |
| Depreciation and amortization | 2,813 | 3,202 | 1,998 | 8,014 | 34 | 8,049 |
| Investment in equity method companies | - | 223 | - | 223 | 6,043 | 6,267 |
| Capital expenditures | 2,571 | 3,978 | 5,803 | 12,353 | 14 | 12,367 |

Thousands of U.S. dollars

| | 2020 | | | | | | Consolidated financial statement |
|---------------------------------------|--------------|---------------|------------|------------|--------------|-------------|----------------------------------|
| | Japan | North America | Europe | Asia | Total | Adjustments | |
| Sales to customers | \$ 2,225,991 | \$ 1,096,278 | \$ 693,491 | \$ 59,213 | \$ 4,074,991 | \$ 574 | \$ 4,075,565 |
| Intersegment sales or transfers | 1,759 | 722 | 231 | 111 | 2,833 | (2,833) | - |
| Total sales | 2,227,750 | 1,097,009 | 693,731 | 59,324 | 4,077,824 | (2,259) | 4,075,565 |
| Segment income (loss) | \$ 243,019 | \$ 83,639 | \$ 34,185 | \$ (3,222) | \$ 357,620 | \$ (40,787) | \$ 316,824 |
| Segment assets | \$ 1,382,093 | \$ 690,593 | \$ 500,472 | \$ 56,889 | \$ 2,630,046 | \$ 647,935 | \$ 3,277,991 |
| Depreciation and amortization | 26,500 | 32,056 | 26,417 | 778 | 85,759 | 352 | 86,120 |
| Investment in equity method companies | - | - | - | - | - | 18,694 | 18,694 |
| Capital expenditures | 22,435 | 29,972 | 24,806 | 185 | 77,407 | 537 | 77,954 |

Adjustments are as follows;

- (1) Adjustments on segment sales mainly consist of adjustments of intersegment transactions and sales which are not included in the reportable segments.
 - (2) Adjustments on segment income or loss mainly consist of adjustments of inter-segment transaction and income or loss which are not included in the reportable segments.
 - (3) Adjustments on segment assets mainly consist of the eliminations of investment balance and corporate assets.
 - (4) Adjustments on depreciation and amortization consist of adjustments of depreciation and amortization to which are not included in the reportable segments.
 - (5) Adjustments on investment in equity method companies consist of adjustments of investment in equity method companies to which are not included in the reportable segments.
 - (6) Adjustments on capital expenditures consist of adjustments of capital expenditures to which are not included in the reportable segments.
- Segment income or loss is reconciled primarily to operating income on the consolidated statement of income.
- Major countries in each region
North America: USA, Canada and Mexico, etc. Europe: Germany, France, Netherlands and England, etc.
Asia: China, Hong Kong, Taiwan, Vietnam
- Matters related to changes in reportable segments, etc.
(Addition of a reportable segment and revision of the allocation method)
From the fiscal year ended March 31, 2020, "Asia" has been added to reportable segments, as Shanghai Baosteel-Sanwa Door Co., Ltd., Sanwa Shutter (H.K.) Ltd., An-Ho Metal Industrial Co., Ltd., and Vina-Sanwa Company Liability Ltd. were included in the scope of consolidation.
In addition, in order to more appropriately reflect operating results by reportable segment, the allocation method for corporate expenses, etc. was revised, and the calculation method for income or loss of reportable segments was changed.
Segment information for the fiscal year ended March 31, 2019 has been prepared and stated based on the calculation method for income or loss after the changes.

(2) Related Information

a) Information on Products and Each Service

| | Millions of yen | | | | |
|--------------------|-----------------|-------------|-------------------------------|---------|--------------|
| | 2020 | | | | |
| | Commercial | Residential | Maintenance/ Home improvement | Other | Consolidated |
| Sales to customers | ¥ 281,837 | ¥ 110,298 | ¥ 45,074 | ¥ 2,950 | ¥ 440,161 |

| | Millions of yen | | | | |
|--------------------|-----------------|-------------|-------------------------------|---------|--------------|
| | 2019 | | | | |
| | Commercial | Residential | Maintenance/ Home improvement | Other | Consolidated |
| Sales to customers | ¥ 255,969 | ¥ 108,155 | ¥ 42,627 | ¥ 3,239 | ¥ 409,990 |

| | Thousands of U.S. dollars | | | | |
|--------------------|---------------------------|--------------|-------------------------------|-----------|--------------|
| | 2020 | | | | |
| | Commercial | Residential | Maintenance/ Home improvement | Other | Consolidated |
| Sales to customers | \$ 2,609,602 | \$ 1,021,278 | \$ 417,352 | \$ 27,315 | \$ 4,075,565 |

b) Information on Each Region

| | Millions of yen | | | | |
|-------------------------------|-----------------|---------------|----------|-------|----------|
| | 2020 | | | | |
| | Japan | North America | Europe | Asia | Total |
| Property, plant and equipment | ¥ 32,913 | ¥ 13,913 | ¥ 21,391 | ¥ 872 | ¥ 69,091 |

| | Millions of yen | | | |
|-------------------------------|-----------------|---------------|----------|----------|
| | 2019 | | | |
| | Japan | North America | Europe | Total |
| Property, plant and equipment | ¥ 29,725 | ¥ 13,980 | ¥ 16,475 | ¥ 60,182 |

| | Thousands of U.S. dollars | | | | |
|-------------------------------|---------------------------|---------------|------------|----------|------------|
| | 2020 | | | | |
| | Japan | North America | Europe | Asia | Total |
| Property, plant and equipment | \$ 304,750 | \$ 128,824 | \$ 198,065 | \$ 8,074 | \$ 639,731 |

19. Business Combination

Business combination due to acquisition in the year ended March 31, 2020

(1) Outline of business combination

1. Name and main business of acquired company

Name of acquired company: LIXIL SUZUKI SHUTTER CORPORATION

Main business of acquired company: Manufacture, sales, installation, and maintenance and service of shutters and disaster prevention products

2. Main reasons for business combination

In Japan, the Group has been working to strengthen its core shutter and steel door businesses, and expand the maintenance and service business, including in response to the periodic inspection reporting system for fire prevention equipment. The acquisition of LIXIL SUZUKI SHUTTER CORPORATION is expected to generate significant synergies in the shutter and steel door businesses, in which the Group has top share, by combining the Group's region-based sales network with LIXIL SSUZUKI SHUTTER CORPORATION's strong customer base, which has been cultivated over its 117-year history. In addition, we expect to establish a stronger market position by increasing our share in core products and expanding profits as we work to achieve "Sanwa Global Vision 2020."

3. Date of combination

September 30, 2019

4. Legal method used for combination

Purchase of shares with cash

5. Name of controlling entity after combination

SUZUKI SHUTTER CORPORATION

6. Percentage of voting rights acquired

100 percent

7. Principal reason for deciding to acquire the company

The principal reason was the purchase of shares with cash by a consolidated subsidiary of the Company.

(2) Period of the acquired company's financial results included in the consolidated financial statements

October 1, 2019 to March 31, 2020

(3) Acquisition cost of the acquired company and breakdown of consideration by type

| | |
|--|---------------------|
| Cash consideration of the acquisition: | ¥8,221 million |
| | [\$76,120 thousand] |
| Acquisition cost: | ¥8,221 million |
| | [\$76,120 thousand] |

(4) Details and amount of major costs associated with the acquisition

Advisory fees, etc.: ¥117 million [\$1,083 thousand]

(5) Amount of goodwill, reason for its recognition, and amortization method and period

(i) Amount of goodwill: ¥745 million [\$6,898 thousand]

(ii) Reason for its recognition:

Since the fair value of net assets at the time of acquisition fell below the acquisition cost, the difference was recognized as goodwill.

(iii) Amortization method and period

One-time amortization in the fiscal year ended March 31, 2020

(6) The amount of assets acquired and liabilities assumed of the business of SUZUKI SHUTTER CORPORATION at the date of acquisition were as follows:

| | Millions of yen | Thousands of U.S. dollars |
|-----------------------|-----------------|---------------------------|
| Current assets | ¥ 7,125 | \$ 65,972 |
| Fixed assets | 4,330 | 40,093 |
| Total assets | 11,456 | 106,074 |
| Current liabilities | 3,089 | 28,602 |
| Long-term liabilities | 890 | 8,241 |
| Total liabilities | 3,980 | 36,852 |

20. Information on Related Parties

Fiscal years ended March 31, 2020 and 2019

Not applicable.

21. Per Share Information

| | Yen | | U.S. dollars |
|----------------------------|----------|--------|--------------|
| | 2020 | 2019 | 2020 |
| Net assets per share | ¥ 742.90 | 713.50 | \$ 6.88 |
| Earnings per share | 97.14 | 92.95 | 0.90 |
| Diluted earnings per share | 96.89 | 92.73 | 0.90 |

Note: The basis for calculation

1 Earnings per share

| | Yen | | U.S. dollars |
|--|----------|----------|--------------|
| | 2020 | 2019 | 2020 |
| Profit attributable to owners of parent | ¥ 21,647 | 20,910 | \$ 200,435 |
| Amount not attributable to common shareholders | - | - | - |
| Profit related to common shares attributable to owners of parent | 21,647 | ¥ 20,910 | 200,435 |

| | Thousand shares | |
|---|-----------------|---------|
| | 2020 | 2019 |
| Average number of common shares during the period | 222,852 | 224,979 |
| Increase in common stock: | | |
| Stock subscription rights | 564 | 527 |

2 Net assets per share

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|-----------|---------------------------|
| | 2020 | 2019 | 2020 |
| Total net assets | ¥ 165,633 | ¥ 161,603 | \$ 1,533,639 |
| Deductions from total net assets: | | | |
| Stock subscription rights | 281 | 248 | 2,602 |
| Non-controlling interests | 1,286 | 832 | 11,907 |
| Total net assets attributable to common stockholders | 164,065 | 160,522 | 1,519,120 |

| | Thousand shares | |
|--|-----------------|---------|
| | 2020 | 2019 |
| Number of shares of common stock used in the calculation of net assets per share | 220,845 | 224,979 |

22. Subsequent Events

Fiscal years ended March 31, 2020 and 2019

Not applicable.

Independent Auditor's Report

To the Board of Directors Sanwa Holdings Corporation

Opinion

We have audited the accompanying consolidated financial statements of Sanwa Holdings Corporation and its consolidated subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as at March 31, 2020, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, summary of significant accounting policies, other explanatory information.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit and Supervisory Committee is responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are

appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit & Supervisory Committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit & Supervisory Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Conflicts of Interest

We have no interest in the Group which should be disclosed in accordance with the Certified Public Accountants Act.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Kyoritsu Audit Corporation
Tokyo, Japan
June 23, 2020

Kiyoshi Asada
Representative Partner, Engagement Partner
Certified Public Accountant

Hiroshi Suzuki
Engagement Partner
Certified Public Accountant

Corporate Overview (As of March 31, 2020)

| | |
|--------------------------|---|
| Head Office | Shinjuku Mitsui Building 52F Nishi-Shinjuku 2-1-1, Shinjuku-ku, Tokyo 163-0478, Japan Phone: +81-3-3346-3019 |
| Established | April 10, 1956 |
| Capital (Paid-In) | ¥38,413 million |
| Employees | 11,474 (consolidated) |
| Stock Listings | Tokyo Stock Exchange |
| Transfer Agent | Mitsubishi UFJ Trust and Banking Corporation Corporate Agency Department Higashisuna 7-10-11, Koto-ku, Tokyo 137-8081, Japan |
| Common Stock | Authorized: 550,000,000 shares Issued: 231,000,000 shares Number of shareholders: 13,157 |

Total Shareholders' Return

| FY | 2015 | 2016 | 2017 | 2018 | 2019 |
|-----|------|-------|-------|-------|-------|
| (%) | 96.4 | 122.2 | 162.7 | 160.0 | 110.8 |

(Comparison value: TOPIX Total Return Index) (89.2) (102.3) (118.5) (112.5) (101.8)

Principal Shareholders

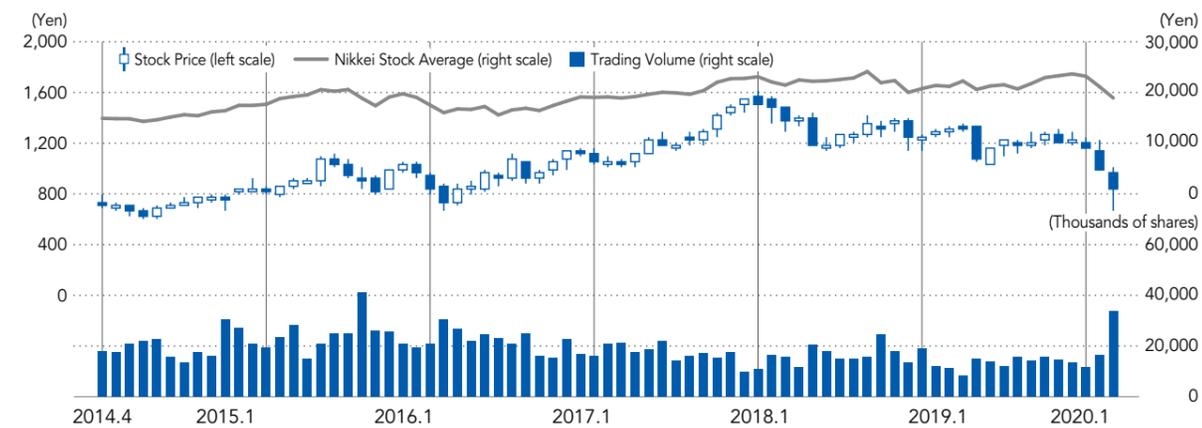
| Shareholder name | Percentage of voting rights (%) |
|--|---------------------------------|
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 7.52 |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 6.25 |
| Sumitomo Mitsui Banking Corporation | 5.09 |
| The Dai-ichi Life Insurance Company, Limited | 3.67 |
| SSBTC CLIENT OMNIBUS ACCOUNT | 3.22 |
| Aioi Nissay Dowa Insurance Co., Ltd. | 2.44 |
| Mitsubishi UFJ Trust and Banking Corporation | 2.10 |
| Nippon Steel Nisshin Co., Ltd. | 1.80 |
| JP MORGAN CHASE BANK 385632 | 1.78 |
| Japan Trustee Services Bank, Ltd. (Trust Account 5) | 1.72 |

Notes:
 1. The Company holds treasury stock, which is excluded from the major shareholders listed above. Number of shares held: 10,154,344 shares.
 2. Percentage of voting rights is calculated based on the total number of shares issued excluding treasury stock.
 3. Nippon Steel Nisshin Co., Ltd. conducted a merger on April 1, 2020, in which Nippon Steel Nisshin Co., Ltd. was the absorbed company and Nippon Steel Corporation was the surviving company.

Stock Price Trend

| | High (Yen) | Low (Yen) |
|--------------------------------|------------|-----------|
| April 1, 2010 – March 31, 2011 | 367 | 204 |
| April 1, 2011 – March 31, 2012 | 333 | 222 |
| April 1, 2012 – March 31, 2013 | 492 | 282 |
| April 1, 2013 – March 31, 2014 | 783 | 457 |
| April 1, 2014 – March 31, 2015 | 925 | 598 |
| April 1, 2015 – March 31, 2016 | 1,113 | 660 |
| April 1, 2016 – March 31, 2017 | 1,165 | 793 |
| April 1, 2017 – March 31, 2018 | 1,624 | 1,016 |
| April 1, 2018 – March 31, 2019 | 1,449 | 1,135 |
| April 1, 2019 – March 31, 2020 | 1,367 | 666 |

Stock Price Range / Trading Volume



Corporate Website and Disclosure Media

The diagram illustrates the relationship between the Corporate Website and the Integrated Report. The Corporate Website is shown as a green box, and the Integrated Report is shown as a blue box. A vertical arrow indicates that the Corporate Website provides 'Wide' information for 'Intended readers', while the Integrated Report provides 'Narrow' information. A horizontal arrow indicates that the Corporate Website provides 'Overview' information, while the Integrated Report provides 'Content' and 'Details'. A QR code is provided for access to the Corporate Website.

<https://www.sanwa-hldgs.co.jp/english/>

The Company offers information on its corporate website for its stakeholders, in order to provide details regarding Sanwa Group's Corporate Philosophy and business activities. Stakeholders may also view IR information and detailed ESG-related data on this website.

Consolidated Subsidiaries and Affiliated Companies

(As of July 31, 2020)

| Region | Company Name | Established | Investment Ratio | Category | | |
|-----------------|---|--|--|-----------------------------|--------------------------|-------------------------|
| Japan | Sanwa Shutter Corporation | Oct. 2007 | 100.00% | Consolidated subsidiary | | |
| | Showa Front Co., Ltd. | Jun. 1963 | 100.00% | Consolidated subsidiary | | |
| | Okinawa Sanwa Shutter Corporation | Jan. 1996 | 100.00% | Consolidated subsidiary | | |
| | Sanwa Tajima Corporation | Oct. 1938 | 100.00% | Consolidated subsidiary | | |
| | Tajima Metalwork Co., Ltd. | Apr. 1963 | 100.00% | Consolidated subsidiary | | |
| | Sanwa System Wall Co., Ltd. | Apr. 2017 | 100.00% | Consolidated subsidiary | | |
| | Suzuki Shutter Corporation | Jul. 1936 | 100.00% | Consolidated subsidiary | | |
| | Showa Kensan Co., Ltd. | Apr. 1987 | 100.00% | Consolidated subsidiary | | |
| | Venix Co., Ltd. | Jul. 2011 | 100.00% | Consolidated subsidiary | | |
| | Showa Kensan Co., Ltd. | Jul. 1967 | 100.00% | Consolidated subsidiary | | |
| | Hayashi Kogyo Co., Ltd. | Dec. 1973 | 100.00% | Consolidated subsidiary | | |
| | Sanwa Electronics Engineering Co., Ltd. | Apr. 1954 | 100.00% | Consolidated subsidiary | | |
| | Yoshida Seisakusho Co., Ltd. | Mar. 1955 | 100.00% | Non-consolidated subsidiary | | |
| | Metalwork Kansai Co., Ltd. | Oct. 1969 | 100.00% | Non-consolidated subsidiary | | |
| | Ace Co., Ltd. | Apr. 1969 | 100.00% | Non-consolidated subsidiary | | |
| | Sanwa Mitaka K.K. | Apr. 2003 | 100.00% | Non-consolidated subsidiary | | |
| | Living110.com Co., Ltd. | Nov. 2000 | 100.00% | Non-consolidated subsidiary | | |
| | Asia | China | Shanghai Baosteel - Sanwa Door Co., Ltd. | Apr. 2006 | 80.00% | Consolidated subsidiary |
| | | | Novoform (Shanghai) Co., Ltd. | Dec. 2005 | 100.00% | Equity-method affiliate |
| Hong Kong/Macau | | Sanwa Shutter (H.K.) Ltd. | Oct. 1986 | 100.00% | Consolidated subsidiary | |
| | | Suzuki Shutter (HK) Limited | 1967 | 100.00% | Consolidated subsidiary* | |
| | | Suzuki Shutter (Macau) Company Limited | 2005 | 100.00% | Consolidated subsidiary* | |
| Taiwan | | An-ho Metal Industrial Co., Ltd. | Aug. 1988 | 79.02% | Consolidated subsidiary | |
| Vietnam | | Vina-Sanwa Company Liability Ltd. | Jan. 2008 | 87.63% | Consolidated subsidiary | |
| Indonesia | | Pt. Sanwamas Metal Industry | Dec. 1996 | 51.02% | Equity-method affiliate | |
| Korea | | DongBang Novoform Inc. | 1957 | 50.00% | Equity-method affiliate | |
| Thailand | | SUN METAL Co., Ltd. | Feb. 1991 | 25.60% | Affiliated company | |
| North America | Overhead Door Corporation | 1921 | 100.00% | Consolidated subsidiary | | |
| | (Access Systems Division) | | | | | |
| | (Genie) | | | | | |
| | (Horton Automatics) | | | | | |
| Europe | Germany | Novoform Germany GmbH | Apr. 1955 | 100.00% | Consolidated subsidiary | |
| | | Novoform GmbH | | | Consolidated subsidiary | |
| | | Novoform Riexinger Türenwerke GmbH | | | Consolidated subsidiary | |
| | | Novoform Siebau GmbH | | | Consolidated subsidiary | |
| | | Novoform Tormatic GmbH | | | Consolidated subsidiary | |
| | | Tor System Technik GmbH | | | Consolidated subsidiary | |
| | | Docking Solution and Service GmbH | | | Consolidated subsidiary | |
| | | Novoform Vertriebs GmbH | | | Consolidated subsidiary | |
| | Netherlands | Novoform Nederland B.V. | | | Consolidated subsidiary | |
| | | Alpha Deuren International B.V. | | | Consolidated subsidiary | |
| | France | Novoform France S.A.S. | | | Consolidated subsidiary | |
| | | Norsud S.A.S. | | | Consolidated subsidiary | |
| | Italy | Novoform Schievano s.r.l. | | | Consolidated subsidiary | |
| | | Novoform UK Limited | | | Consolidated subsidiary | |
| | U.K. | Horton Automatics Ltd. | | | Consolidated subsidiary | |
| | | The Garage Door Company | | | Consolidated subsidiary | |
| | | Bolton Gate Services Ltd. | | | Consolidated subsidiary | |
| | Switzerland | Novoform Schweiz AG | | | Consolidated subsidiary | |
| | Poland | Novoform Door SP.z o.o. | | | Consolidated subsidiary | |
| | | Novoform Polska SP.z o.o. | | | Consolidated subsidiary | |
| Spain | Novoform Alsar S.A. | | | Consolidated subsidiary | | |
| Sweden | Robust AB | | | Consolidated subsidiary | | |

* Consolidated subsidiary from fiscal 2020
 (The Sanwa Group comprises 100 subsidiaries and 12 associated companies as of March 31, 2020.)