

SANWA HOLDINGS CORPORATION



**INTEGRATED REPORT 2016**

For the year ended March 31, 2016

# Accelerating Growth as a Global Player

# Accelerating Growth as a Global Player



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





## Contents

### Introduction

A History of Value Creation .....	2
Value Creation Model .....	4
Worldwide Value .....	6
The Sanwa Group's Value in Numbers....	8

### Strategies

Mid-Term Management Plan .....	10
To Our Shareholders.....	11

### Initiatives by Region

Japan.....	15
North America .....	18
Europe .....	21
Asia .....	24

### The Foundation Supporting Growth .....

### Management

Corporate Governance.....	29
Management Team.....	36

### Financial Section

Management's Discussion and Analysis ...	38
Consolidated Financial Statements.....	40

### Corporate Data .....

#### Editorial policy:

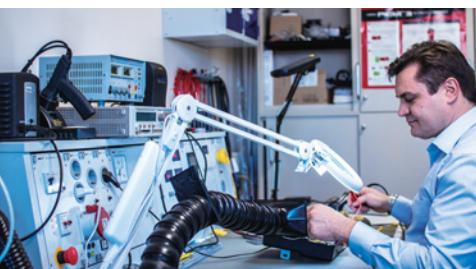
To present the Sanwa Group's management and corporate activities, we have published this Integrated Report. It includes non-financial information such as corporate social responsibility activities in addition to information on management direction and strategy and review of operations. In editing this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

#### Forward-looking statements:

This 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 2015 is the year ended March 31, 2016.



## A History of Value Creation

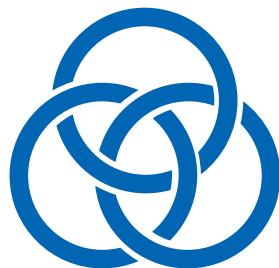
The Sanwa Group celebrated its 60th year in business in April 2016.

Guided by our mission of offering products and services that provide safety, security and convenience to further contribute to the prosperity of society, we will implement a new global strategy to generate additional growth.

### The Sanwa Group's DNA

Sanwa Shutter was founded with a fundamental ethos of passion, trust and diligence. We have earned the trust of society by not taking the easy road as we steadily build the foundation of the Company.

The Sanwa Group formulated its mission, corporate philosophy and behavior guidelines in 2002 in light of its corporate growth and business expansion. We are focusing on safety, security and convenience in providing products and services that satisfy customers.



1960-1970s

### The Beginning of the Shutter Industry

Sanwa Shutter Manufacturing Co., Ltd. began manufacturing lightweight shutters in 1956 near the Sanwa Market in Amagasaki, Hyogo. It encompassed both manufacturing and sales, and business grew from the beginning.

We established a leading position in the shutter industry in 1965. Our production capacity grew to a world-class level with the construction of six factories. We broadened our focus from the lightweight shutter business to include construction materials as we became a comprehensive construction materials business.



Photo of the Company at the time of its founding

1980s

### Increasing the Value of Access Systems as a Comprehensive Construction Materials Company

The Sanwa Group is a major player in four markets: shutters, doors, residential construction materials, and partitions. We provide 24-hour full-time service (FTS) throughout Japan so that customers can use our products with greater peace of mind. We have also established a sales company and overseas production bases.

FY1966  
Net sales ¥3,543 million

FY1976  
Net sales ¥44,871 million

FY1986  
Net sales ¥113,617 million

## Realizing Safety, Security and Convenience Worldwide

We formulated our long-term management vision, Sanwa Global Vision 2020, in fiscal 2013. We will increase corporate value with the aim of providing safe, secure and convenient products and services to customers worldwide as a major global player in the access systems industry.

1990s

### Expanding Our Business through Overseas Advance



1996: Acquisition of Overhead Door Corporation

**FY1996**  
**Net sales ¥224,426 million**

In addition to expanding overseas bases, we acquired Overhead Door Corporation, a major U.S. door manufacturer after deepening ties over many years, including an licensing agreement concluded in 1974. With the addition of ODC to the Group, we entered the commercial overhead door, shutter, and garage door opener businesses in the U.S., which enabled us to create synergy through collaborative product development and marketing while building operating bases in Europe and the United States. As a result, we took the first step in transforming ourselves into a global construction materials manufacturer leading up to the acquisition of the Novoferm Group in 2003.

2000-2010s

### Responding to Diverse Lifestyles and Needs through Multi-Product Development

**FY2016**  
**Net sales ¥367,000 million**  
(Target)

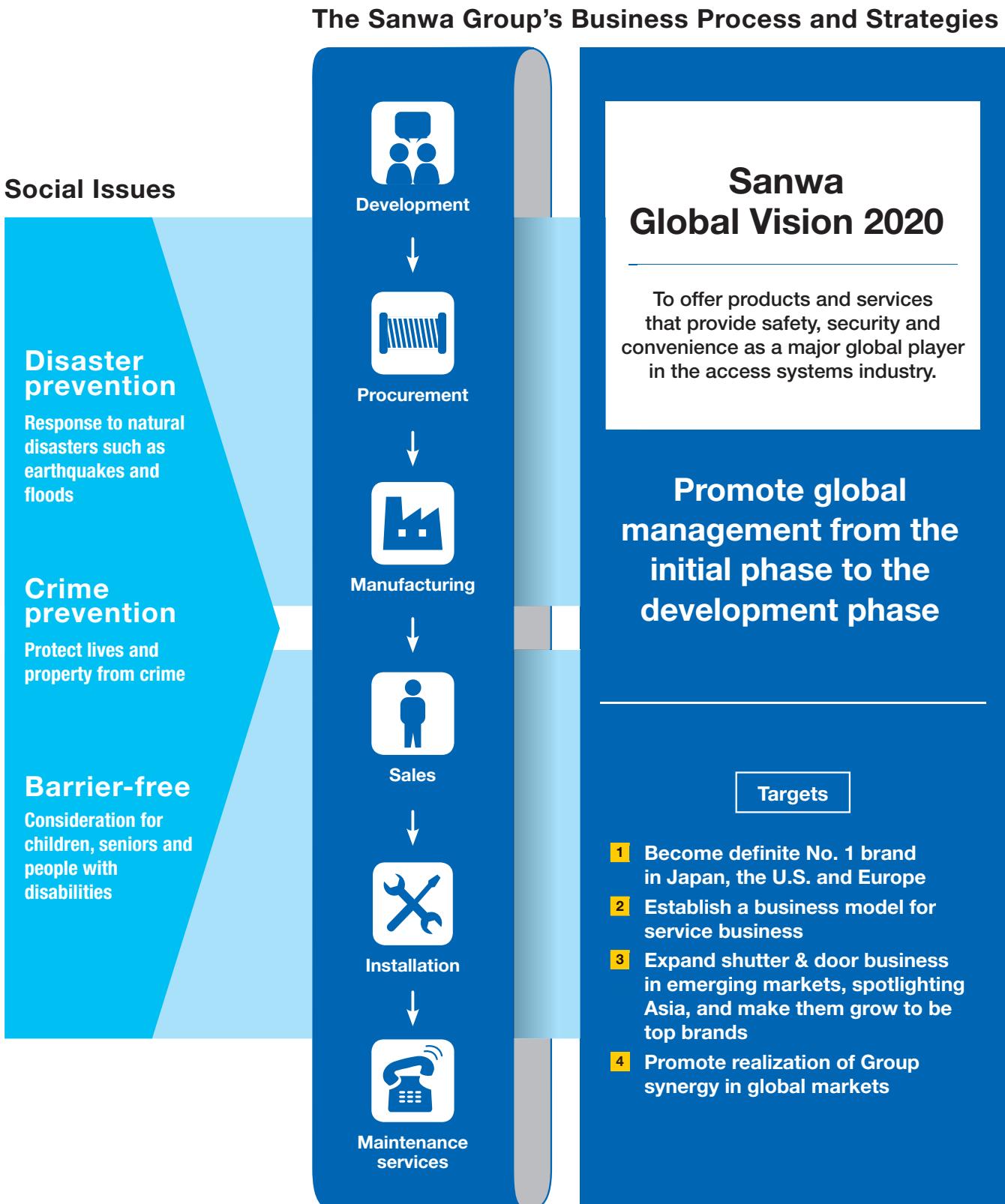
**FY2006**  
**Net sales ¥336,277 million**



Test Center

We will become a leading global brand by expanding and growing core businesses and diversifying by business and region. We took full responsibility for a serious revolving door accident in 2004 by improving safety and quality. In recent years, we have addressed diversifying social needs with a diverse lineup of high-quality products.

## Value Creation Model



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

## Reliable Business Performance

Major progress by enhancing competitiveness with a focus on Japan, North America and Europe

**Protection from disaster**



## Reliable Management

A sincere corporate culture that earns the trust of society through safety, security, absolute compliance and other features

**Protection from crimes against people and property**



**Comfort through easy-to-use access systems**



**The Sanwa Group's Mission  
Offer products and services that provide safety, security and convenience to further contribute to the prosperity of society**

## Worldwide Value



### JAPAN

Shutters	Steel hinge doors	Stainless steel products	Aluminum store fronts
<b>No. 1</b>	<b>No. 1</b>	<b>No. 1</b>	<b>No. 2</b>

Net sales: **¥211.0 billion**

Number of employees: **3,117**

Sanwa Shutter Corporation holds the top market share for both heavy-duty and lightweight shutters as well as steel doors. In addition, virtually all of its shutters and doors are made to order. With more than 3,200 installers across the country, it has built a robust installation network that allows it to respond to customers with a high degree of flexibility and expertise. Moreover, Sanwa Shutter actively conducts installer training programs to develop younger installers. In the steel door industry, Sanwa Shutter was a relative latecomer. It has expanded sales by responding flexibly to the requests of developers and design offices with heavy-duty steel doors, primarily individual front doors for condominium buildings, doors for medical and welfare facilities, and fire doors for commercial facilities and other buildings.



### Sanwa Holdings Corporation

Established: April 10, 1956

Capital (paid-in):  
¥38,413 million

Employees (consolidated):  
8,790  
(As of March 31, 2016)



### Asia

Net sales: **¥7.3 billion**

Number of employees: **671**



Note: All Group companies in Asia are equity-method affiliates.

## Number of Countries

**24** countries & regions

The Sanwa Group has business operations in 24 countries and regions, and has established a powerful presence in its key regions of Japan, North America and Europe.

## Number of Production Bases

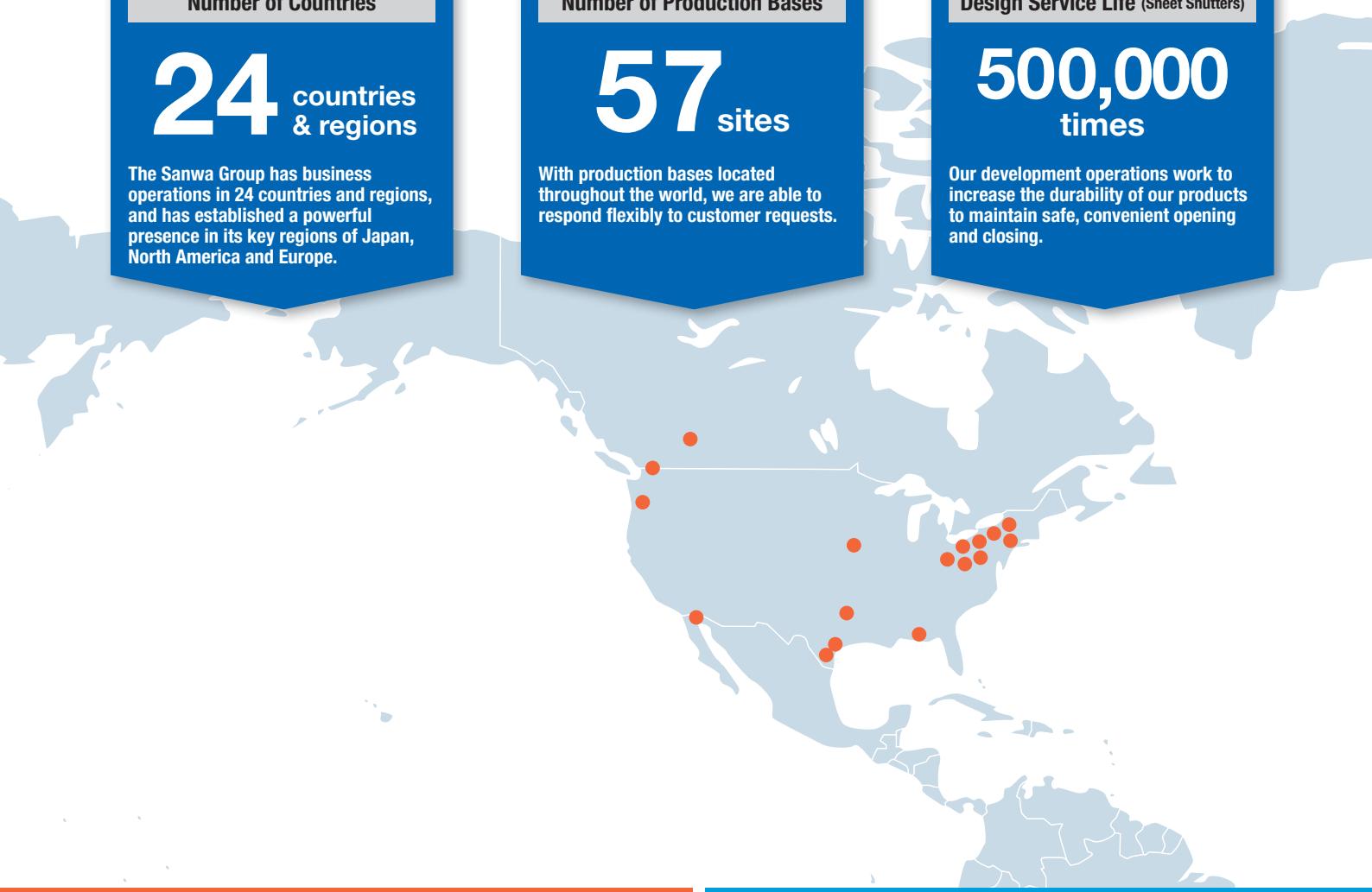
**57** sites

With production bases located throughout the world, we are able to respond flexibly to customer requests.

## Design Service Life (Sheet Shutters)

**500,000** times

Our development operations work to increase the durability of our products to maintain safe, convenient opening and closing.



## North America

## Garage doors

**No. 2**

Net sales: **¥110.1 billion**

## Commercial doors

**No. 1**

Number of employees: **3,634**

## Commercial shutters

**No. 1**

In 1996, we acquired Overhead Door Corporation of the U.S., an industry pioneer established in 1921. This company has more than 450 authorized distributors throughout the U.S., and its customers include major home improvement stores, large commercial facilities nationwide, construction companies, and installation companies that provide installation services directly to households. The company has maintained a leading market share in the garage door and commercial door industries since we acquired it.

## Europe

## Steel hinge doors

**No. 2**

Net sales: **¥53.3 billion**

## Garage doors

**No. 2**

Number of employees: **2,039**

## Industrial sectional doors

**No. 2**

Number of employees: **2,039**

We acquired Novoferm, the number-two door and garage-door manufacturer in Europe, in October 2003. Germany accounts for about half of Novoferm's sales, followed by France, Italy, the Netherlands and other countries. With our acquisition of Alpha Deuren International B.V. in June 2014, we also have the number-two market share in the European industrial sectional door market.

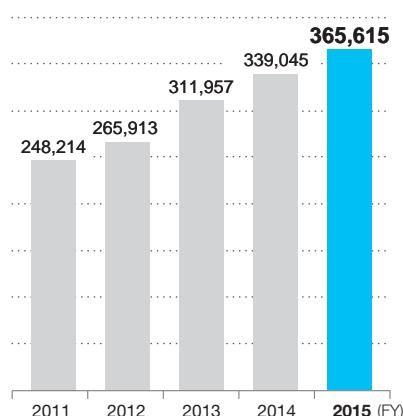


# The Sanwa Group's Value in Numbers

## Financial and Non-Financial Highlights

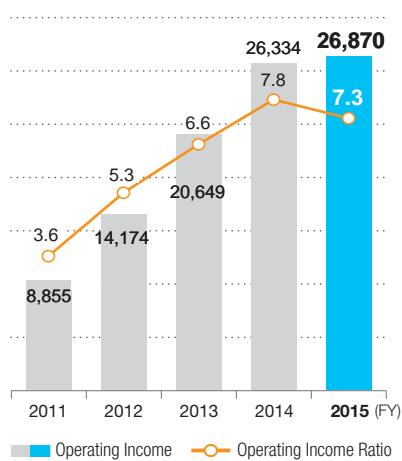
### Net Sales

(Millions of yen)



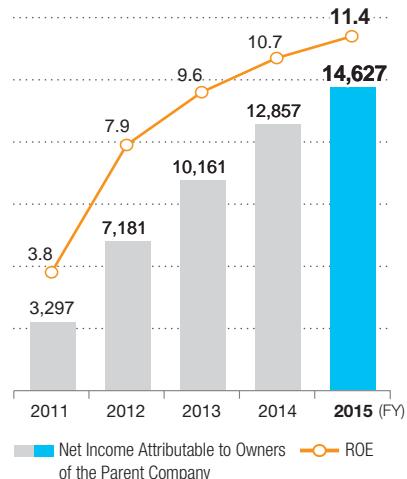
### Operating Income & Operating Income Ratio

(Millions of yen / %)



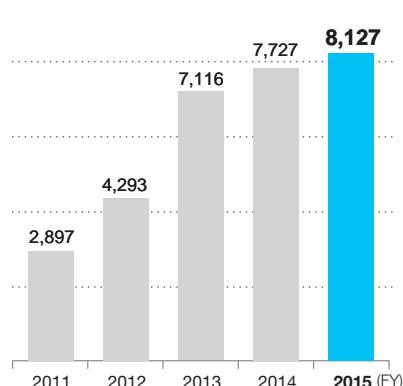
### Net Income Attributable to Owners of the Parent Company & ROE

(Millions of yen / %)



### Capital Expenditures

(Millions of yen)



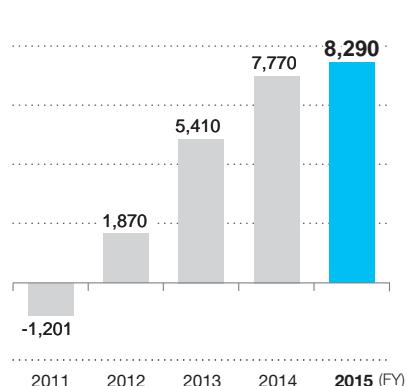
### Debt / Equity Ratio

(Times)



### Sanwa Value Added\* (SVA)

(Millions of yen)



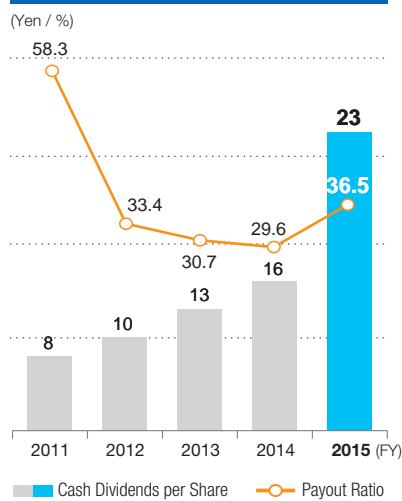
\*Our unique indicator of added value

## Consolidated Financial Summary

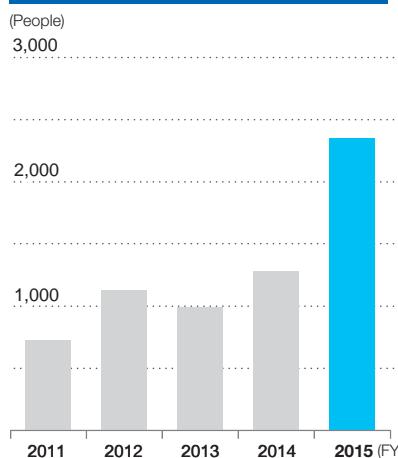
(Millions of yen)

	FY2011	FY2012	FY2013	FY2014	FY2015
<b>Net sales</b>	¥248,214	¥265,913	¥311,957	¥339,045	¥365,615
<b>Gross profit</b>	61,530	69,281	86,003	96,771	105,537
<b>Operating income</b>	8,855	14,174	20,649	26,334	26,870
<b>Net income attributable to owners of the parent company</b>	3,297	7,181	10,161	12,857	14,627
<b>Cash flows from operating activities</b>	5,453	14,855	19,728	22,304	24,378
<b>Cash flows from investing activities</b>	(9,253)	(5,313)	5,932	(27,080)	(15,641)
<b>Cash flows from financing activities</b>	312	(4,340)	3,876	10,625	(25,702)
<b>Total assets</b>	226,579	241,771	281,917	323,327	310,269
<b>Interest-bearing debt</b>	61,607	60,799	69,153	88,484	70,798

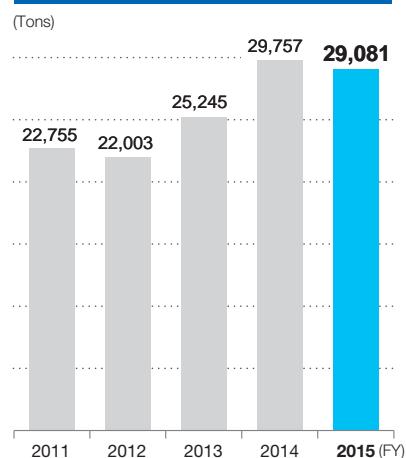
### Cash Dividends per Share & Payout Ratio



### Number of Trainees at Installation Training Centers (Japan)

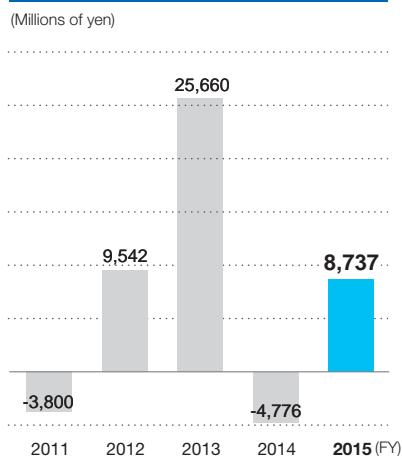


### CO<sub>2</sub> Emissions (Japan)

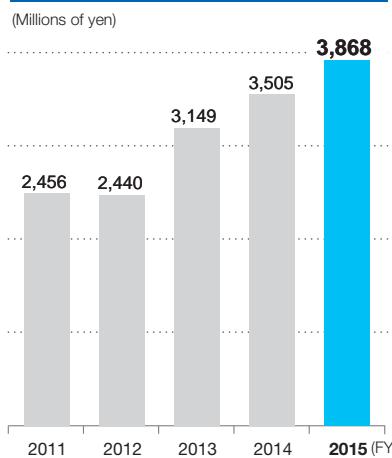


Note: CO<sub>2</sub> emissions are calculated from the consumption amounts of electricity, gas, gasoline, diesel fuel and kerosene.

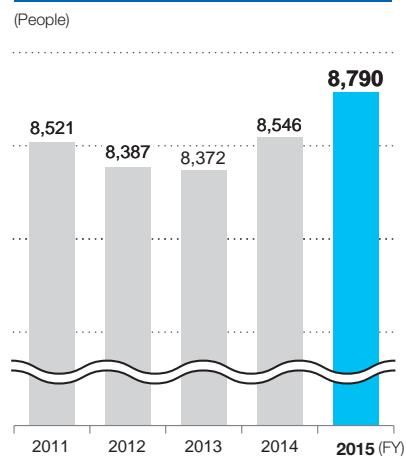
### Free Cash Flow



### Research and Development Expenditures (Consolidated)



### Number of Employees (Consolidated)



### Per Share Data

(Yen)

	FY2011	FY2012	FY2013	FY2014	FY2015
<b>Net income attributable to owners of the parent company</b>	¥ 13.72	¥ 29.93	¥ 42.38	¥ 54.09	¥ 63.07
<b>Net assets</b>	355.37	404.57	474.63	541.49	565.64
<b>Dividends</b>	8	10	13	16	23

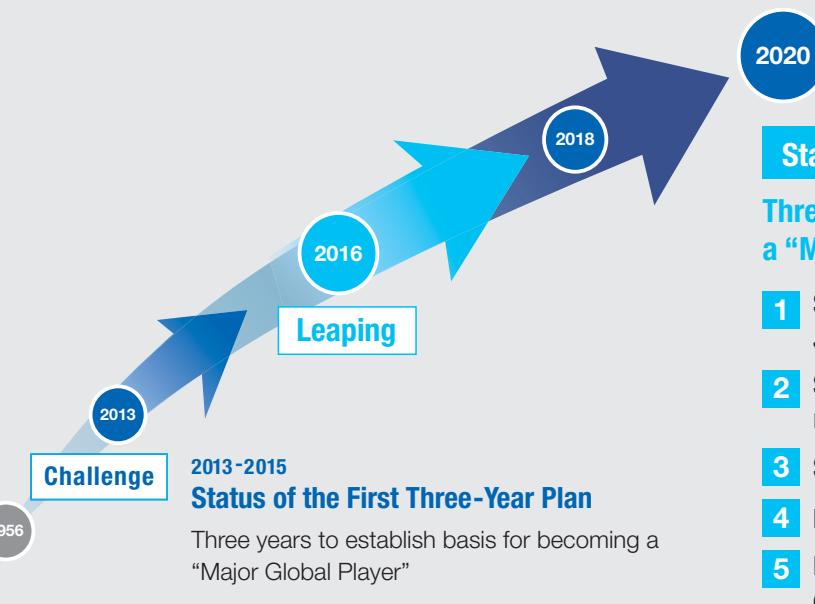
### Financial Indicators

<b>Operating income ratio (%)</b>	3.6	5.3	6.6	7.8	7.3
<b>Return on equity (%)</b>	3.8	7.9	9.6	10.7	11.4
<b>Return on assets (%)</b>	1.5	3.1	3.9	4.3	4.6
<b>Shareholders' equity ratio (%)</b>	37.7	40.1	40.4	39.1	41.7
<b>Debt / equity ratio* (times)</b>	0.72	0.63	0.61	0.70	0.54

\*Debt / equity ratio = Interest-bearing debt ÷ Total shareholders' equity

## Mid-Term Management Plan

### 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.

2020

#### Status of the Second Three-Year Plan (FY2016-FY2018)

**Three years to strengthen our competitiveness as a "Major Global Player."**

- 1 Strengthen our competitiveness and establish top brands in Japan, the U.S. and Europe
- 2 Strengthen our service segments and expand our business model
- 3 Strengthen our Asian business base
- 4 Realize a competitive advantage through our global operations
- 5 Maintain and improve our corporate culture to earn the trust of society

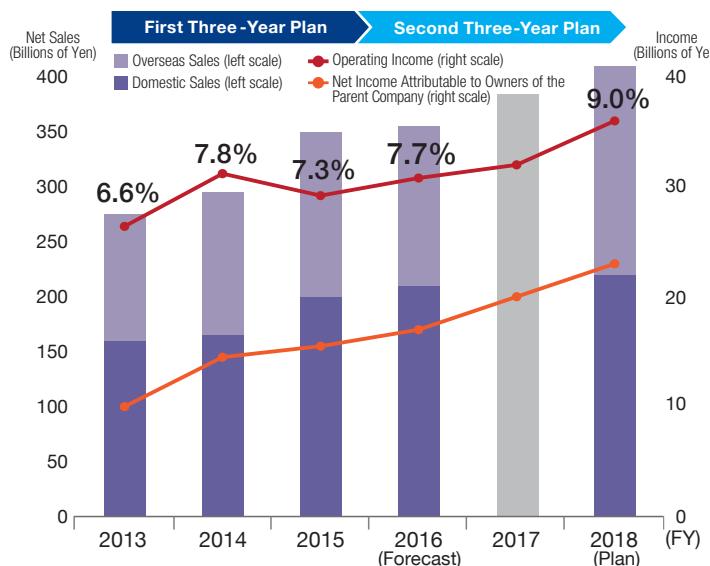
### Numerical Targets in FY2018

Main objective of the Second Three-Year Plan (FY2016 – FY2018) is to enhance our industrial competitiveness as a "Major Global Player" in the access systems industry.

**1 Both sales and profits expected to continue to hit record highs.**

**2 Set the operating income ratio target of 9% and improve the earnings base to reach 10% in FY2020.**

**3 Set the ROE target of 15% while maintaining a stable financial base such as a debt / equity ratio of 0.4.**



	FY2015 Actual	FY2018 Plan	Variance
<b>Net sales</b>	¥365.6 billion	¥410.0 billion	+12.1%
<b>Operating income</b>	¥26.87 billion	¥37.0 billion	+37.7%
<b>Operating income ratio</b>	7.3%	9.0%	+1.7%
<b>ROE</b>	11.4%	15.0% <sup>1</sup>	+3.6%
<b>SVA</b>	¥8.3 billion	¥12.8 billion <sup>2</sup>	+¥4.5 billion
<b>Shareholders' equity ratio</b>	41.7%	42.0%	—
<b>Debt / equity ratio</b>	0.54 times	0.40 times	—

## To Our Shareholders



**Toshitaka Takayama**  
Representative Director,  
Chairman & CEO

**Tamotsu Minamimoto**  
Representative Director,  
President & COO

### The First Three-Year Plan (FY2013–FY2015)

**While some issues remain, we have largely finished establishing the business platform to be a “Major Global Player.”**

Based on Sanwa Global Vision 2020, the First Three-Year Plan was intended to establish the business platform for becoming a “Major Global Player” in the access systems industry. While some issues still remain, we achieved most of our targets. We set five priority goals and made bold moves to further strengthen our foundation for growth.

During the three years of the plan, our domestic business exceeded the original targets in the plan and was the Group’s earnings driver. Consolidated operating income reached the target of ¥23.0 billion in fiscal 2014, one year early, and set a new record for the third consecutive year. On the other hand, the past three years also brought challenges in our overseas business operations.

In North America, problems associated with the rollout of a new Enterprise Resource Planning (ERP) system impacted the progress of our forward integration strategy and other key strategies. In Europe, Alpha Deuren International B.V., which we acquired in the previous year, contributed to earnings, but volatility in the

**The First Three-Year Plan produced solid results. In the Second Three-Year Plan, we will make rapid progress toward becoming a “Major Global Player” and further increase our corporate value by making people’s lives and communities around the world safer and more secure.**

external environment, including terrorist attacks, created a difficult operating environment. Nevertheless, signs of a turnaround have finally started to appear. The objective of achieving profitability in our Asian business was carried over into the Second Three-Year Plan.

### Review of Fiscal 2015

#### We achieved record results. Net income exceeded the target in the plan with double-digit growth.

We set new records for sales and operating income in fiscal 2015, the final year of the First Three-Year Plan. Successful product diversification measures in the domestic group, led by Sanwa Shutter Corporation, boosted the Group's performance. Although we missed our target for return on equity (ROE) by 0.3 percentage points, we achieved the targets for other indicators.

Net sales rose 7.8% year on year to ¥365.6 billion, and were up in all three of our key regions – Japan, the U.S. and Europe. In addition to strong performance in our domestic business, Alpha Deuren contributed to sales, and exchange rates in North America had a positive effect. Operating income also increased in the three key regions, rising 2.0% to ¥26.9 billion.

While operating income in Japan and Europe exceeded the forecast due to the effect of sales growth and other factors, a slowdown in North America pushed down profits. Net income attributable to owners of the

parent company increased 13.8% to ¥14.6 billion, largely due to a ¥1.38 billion improvement in special items. ROE rose 0.7 percentage points to 11.4%, increasing significantly year on year despite falling slightly short of the target.

As planned, we increased dividends per share by ¥7 from fiscal 2014 to ¥23, for a payout ratio of 36.5%. In addition to ordinary dividends of ¥20, we declared a special 60th anniversary dividend of ¥3 per share.

### The Second Three-Year Plan (FY2016-FY2018)

#### We will make rapid progress toward becoming a “Major Global Player” and strengthen our competitiveness.

We formulated the Second Three-Year Plan based on the results of the First Three-Year Plan. The next three years will be a period for strengthening our competitiveness as a “Major Global Player” by leveraging the business platform established in the previous three years. We will carry out aggressive initiatives in line with the five priority goals.

#### Strengthen our competitiveness and establish top brands in Japan, the U.S. and Europe

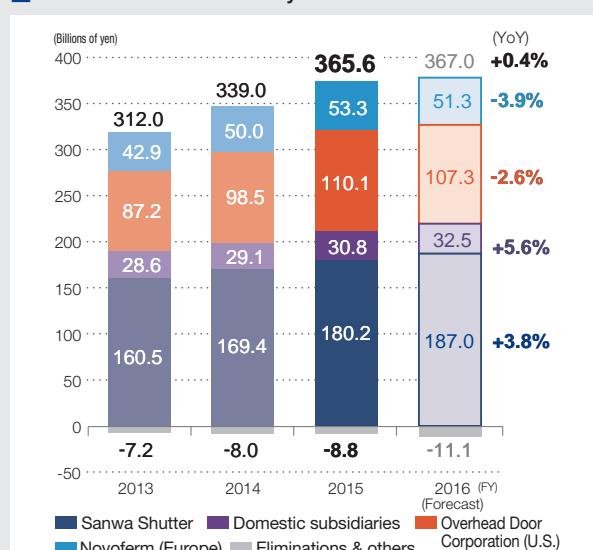
In Japan, the U.S. and Europe, we will strengthen the competitiveness of core businesses where we have a leading position by diversifying our product lineup and reorganizing businesses to establish top brands.

### FY2016 Forecast

	FY2014	YoY Change	FY2015	YoY Change	Forecast	
					FY2016	YoY Change
<b>Net sales</b>	¥339.0 billion	+¥27.0 billion	¥365.6 billion	+¥26.6 billion	<b>¥367.0 billion</b>	+¥1.4 billion
<b>Operating income</b>	¥26.33 billion	+¥5.68 billion	¥26.87 billion	+¥0.54 billion	<b>¥28.20 billion</b>	+¥1.33 billion
<b>Net income attributable to owners of the parent company</b>	¥12.86 billion	+¥2.70 billion	¥14.63 billion	+¥1.77 billion	<b>¥16.70 billion</b>	+¥2.07 billion
<b>Cash dividends</b>	¥16	+¥3	¥23*	+¥7	<b>¥25</b>	+¥2

\*Includes special 60th anniversary dividend

### Net Sales and Forecast by Sector



In Japan, we will secure profits from core products and advance our product diversification strategy to achieve further growth. In North America, we will quickly normalize production systems, which have become an issue, and will work toward the recovery of our core business based on the strong residential and commercial markets to return to a profitable growth track. In Europe, we will focus on establishing profitable growth driven by core products by implementing the “NF3.0” strategy for fundamental reforms, and the Novoferm Group will conduct unified management.

### Strengthen our service segments and expand our business model

We provide services tailored to customer needs, and also aim to develop new customers and expand our service business, in each region where we operate.

In Japan, we are increasing the number of installers and strengthening our response to the new inspection law for fire prevention equipment enacted in June 2016. In North America, we established the Installation and Service Division (ISD) to promote our forward integration strategy. In Europe, we established service bases mainly in Germany and France.

### Strengthen our Asian business base

The Sanwa Group is taking steps to strengthen its Asian business to establish a business base in a fourth region. We had been aiming for profitability in Asia in fiscal 2015,

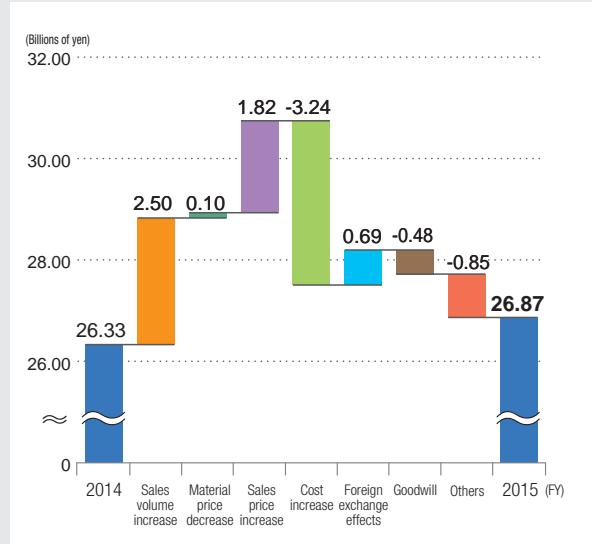
but this goal has been carried over to fiscal 2016, partly because of problems with the fireproof door license at Novoferm (Shanghai).

In our Asian business, we plan to carry out initiatives based on four main strategies: Aim for the top share in key markets, further promote localization, strengthen synergy activities among Group companies, and increase sales opportunities with cross-border cooperation.

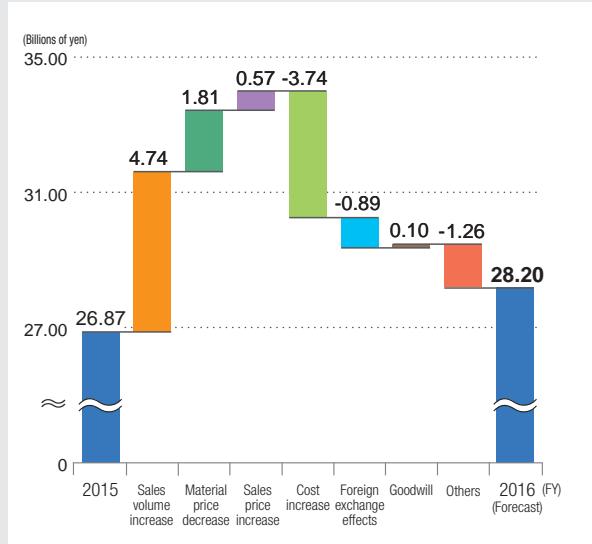
### Realize a competitive advantage through our global operations

We will compete globally by leveraging our networks in various regions in procurement and product development. More specifically, we will use Sanwa Global Procurement Center (SGPC), a company specializing in procurement for the Group, to promote procurement in low-cost countries, primarily China and elsewhere in Asia. In addition, we will utilize our global sales network in pursuing orders for large-scale projects such as airports and harbor facilities, mainly in emerging countries, and Olympic-related facilities. In fiscal 2015, we received an order for door products for the New Ulaanbaatar International Airport in Mongolia in cooperation with Dongbang Novoferm (South Korea) and Overhead Door Corporation (U.S.). We also plan to raise the efficiency of product development and step up expansion into key fields by making effective use of resources in four regions, including Asia as well as Japan, the U.S. and Europe. A successful result of this

■ FY2015 Results:  
Factors Increasing / Decreasing Operating Income



■ FY2016 Forecast:  
Factors Increasing / Decreasing Operating Income



approach in fiscal 2015 was the launch of a high-performance door developed by Overhead Door Corporation based on Novoferm's high-speed sheet shutter technology.

### Maintain and improve our corporate culture to earn the trust of society

Sanwa Holdings has placed high priority on strengthening corporate governance, and has worked to improve management soundness and transparency and business execution efficiency and agility. Conducting corporate management with integrity and earning the trust of society are prerequisites for achieving rapid progress as a "Major Global Player." Recently, with the approval of the General Meeting of Shareholders, we shifted to an Audit & Supervisory Committee structure. A company adopting such a structure is obliged to establish an Audit & Supervisory Committee in which outside directors account for a majority of the members and is permitted to partially delegate its authority of decision-making on important matters related to business execution to directors.

In addition, we will remind every employee of the importance of contributing to society by providing safety, security and convenience, which is the Sanwa Group's mission, and make Group-wide efforts to ensure thorough compliance and enhance product safety and quality.

### Performance Outlook and Shareholder Returns for Fiscal 2016

#### We anticipate record sales and profits, and plan to increase dividends.

In the external environment for fiscal 2016, the year ending March 31, 2017, the outlook for the Japanese market remains unclear, but indications point to solid conditions in the U.S. market and a continuation of the recovery trend in the European market. In these circumstances, the Sanwa Group will strengthen its competitiveness as a "Major Global Player" by aggressively carrying out the initiatives we have described, and is planning on growth in sales and profits in fiscal 2016. We project net sales of ¥367.0 billion, an increase of 0.4% compared with fiscal 2015. In overseas business, the outlook is for sales growth in local currency terms, but a decline in sales in North America and Europe in terms of yen due to changes in exchange rates. Operating income is expected to increase in Japan, the U.S. and Europe. In particular, profits are expected to improve significantly in the U.S. due to a decline in steel prices in North America. As a result, we are planning on operating income of ¥28.2 billion, a year-on-year increase of 4.9%, and net income attributable to owners of the

parent company of ¥16.7 billion, an increase of 14.2%.

The Sanwa Group's policy is to maintain a stable payout ratio (target payout ratio of 35%) and distribute dividends in proportion to consolidated results. In addition, we will place priority on making investments for future growth, including mergers and acquisitions to pursue the challenge of becoming a "Major Global Player." However, we will also actively make share buybacks if there are no appropriate investment opportunities. In November and December of 2015, we repurchased approximately 4.9 million shares. We retired approximately 4.9 million shares of treasury stock in February 2016.

Based on the above forecast and policy, we plan to increase the yearly dividend for fiscal 2016 by ¥5 compared with fiscal 2015 (excluding the 60th anniversary dividend) to ¥25 per share, a payout ratio of 34.2%.

### Enhancing Corporate Value

#### As we celebrate our 60th year in business, we will forge ahead with unwavering determination to achieve Sanwa Group Global Vision 2020.

Sixty years have passed since Sanwa Shutter Manufacturing Co., Ltd. was established in Amagasaki, Hyogo Prefecture. Thirty years ago, the Company first ventured into overseas markets, and today it has become a group with operations in North America, Europe and Asia. We are sincerely grateful for the support we have received from our stakeholders.

The Sanwa Group offers value in the forms of safety, security and convenience by protecting people's lives and communities through its products and services. In other words, the Sanwa Group's role is to protect the world from disasters and flood damage and provide security with its access systems. Through fulfillment of Sanwa Global Vision 2020, the Sanwa Group will aim to make people's lives and communities around the world safer and more secure. We see this as the fastest way to increase our corporate value.

Fiscal 2016, the initial year of the Second Three-Year Plan, will be a pivotal year for the fulfillment of Sanwa Global Vision 2020. The entire Group will work together to carry out the Second Three-Year Plan and make rapid progress toward becoming a "Major Global Player."

We would like to thank our stakeholders for their steady support of the Sanwa Group as we continue our initiatives for growth.

高 俊 隆

Toshitaka Takayama  
Representative Director,  
Chairman & CEO

## Initiatives by Region



### Japan

**We will achieve growth by securing profits from core products and diversifying our product lineup.**

**Toshifumi Nagano**

Sanwa Shutter Corporation  
Representative Director and President

#### Characteristics and Trends

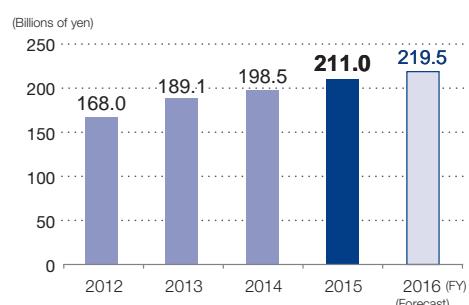
- The shutter industry\* is an oligopoly of Sanwa Shutter and three other companies
- The steel door industry is dominated by small manufacturers
- Construction and housing investment are trending moderately upward

\*Heavy-duty shutters (comparatively large products for use in buildings, factories, warehouses, and other structures) and lightweight shutters (comparatively small products for garages and shops)

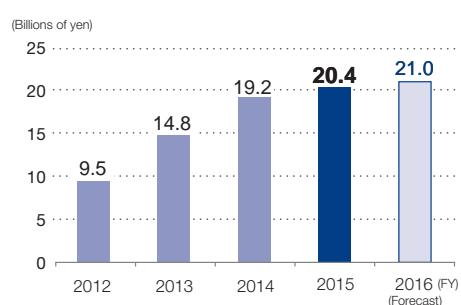
#### Strengths and Position

- Number-one share in Japan (shutters and steel doors)
- Almost all products are made to order. Our strengths include diverse product manufacturing and installation capabilities.
- Over 3,200 installation technicians throughout Japan

#### Net Sales



#### Operating Income



Note: Net sales and operating income are before elimination of inter-segment transactions.

#### Strategies

The increase in the consumption tax has been postponed, and Japan's construction market is forecast to be favorable during the Second Three-Year Plan. We will leverage the growth platform we built during the First Three-Year Plan to strengthen competitiveness with the goal of making significant progress as a "Major Global Player."

Specifically, we will further enhance our competitive position in core products such as lightweight shutters, in which our share exceeds 50%, in order to increase earnings. We will strengthen existing businesses by 1) upgrading facilities at Group companies and factories to increase production capacity; 2) upgrading our supply system for doors and partitions; and 3) strengthening Group collaboration by switching to logistics centers and using joint purchasing. In addition, we will diversify our product lineup more quickly and plan to deepen collaboration among Group companies led by the newly created Entrance Business Division within Sanwa Shutter to expand the entrance business. We will also strengthen our response to the new law for inspection of fire prevention equipment enacted in June 2016. We will upgrade our sales organization and strengthen our



installation capabilities by adding installation technicians to maintain our top share.

We will enhance our services by putting emphasis on improving and standardizing installation and maintenance procedures to address new inspection laws. We will also maintain and enhance our organization of over 3,200 installation technicians to further strengthen our potent installation and maintenance capabilities. Moreover, we will upgrade our nationwide network infrastructure to establish a dominant position as the leading company in our industry.

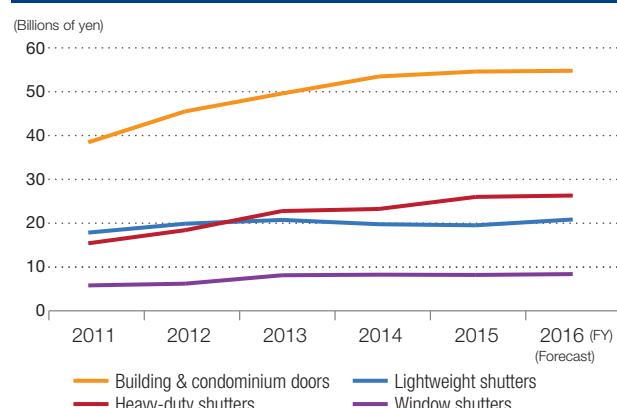
### Industry Characteristics and Market Trends

The shutter industry in Japan is an oligopoly, with Sanwa Shutter Corporation and three other companies

controlling about 90% of the market for heavy-duty shutters and lightweight shutters. Sales volume of heavy-duty shutters declined sharply beginning in the second half of 2008, but has been trending upward with the rebound in construction investment and reconstruction demand. Sales of lightweight shutters remain in a long-term downward trend, but in recent years the number of lightweight shutters installed in garages of single-family detached homes has been increasing.

By comparison, the hinged door industry has many smaller-scale manufacturers. The decrease in volume caused by the global recession continues unabated, but demand is expanding primarily for doors for offices and hotels with the gradual recovery in the housing market and private sector capital investment.

### Sales by Product (Core Products)



Building & condominium doors

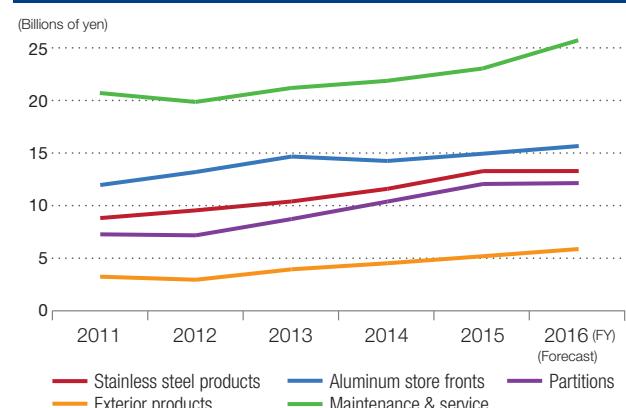


Lightweight shutters



Heavy-duty shutters

### Sales by Product (Other Products)



Aluminum store fronts



Stainless steel products



Partitions

**TOPICS****Water Guard Waterproof Shutter**

In March 2016, real estate industry leader Mitsui Fudosan Co., Ltd. installed and began using Sanwa Shutter's Water Guard Waterproof Shutter at the Coredo Nihonbashi retail facility located on the first floor of the Nihonbashi 1-Chome Mitsui Building and the Sumitomo Mitsui Bank Headquarters Building. Water Guard Waterproof Shutter is a flooding countermeasure for disasters and a part of business continuity plans. It provides safety, security and convenience, and has been used at a variety of locations since its launch in October 2014.



Waterproof shutter installed at Sumitomo Mitsui Bank Headquarters Building

## The Sanwa Group's Market Position and Strengths

We have the number-one market share in Japan for heavy-duty shutters, lightweight shutters and steel doors.

Our business structure is an advantage, as we are able to manufacture and install a wide variety of product types, and virtually all of our shutters and doors are made to order. With more than 3,200 installers across the country, we have built an unmatched and powerful installation network. This flexibility and expertise in installation and maintenance has led to responsiveness to market changes and higher profitability.

## Review of Fiscal 2015

Sales in Japan increased 6.3% year on year to ¥211.0 billion. Shutter products, which are core products, performed well, and sales of the partition, entrance and exterior products that add diversity to our product lineup increased substantially. Operating income increased 6.4% year on year to ¥20.4 billion despite higher personnel and other expenses due to business expansion.

Sanwa Shutter achieved record net sales and operating income. Other subsidiaries in Japan achieved higher sales and operating income because products that have diversified our product lineup performed well.

## Fiscal 2016 Initiatives

In fiscal 2016, we will deepen Group collaboration to strengthen our position. Sanwa Shutter expects to continue growing. We will conduct aggressive sales encompassing proposals and sales promotions, and take on the challenge of growing sales of strategic products and accommodating the new inspection laws. We forecast that lightweight shutter sales will increase marginally, while sales of heavy-duty shutters will expand steadily due to increased construction of non-residential facilities including offices, logistics centers and factories. We forecast higher sales of building and condominium doors, which should benefit from increased construction of offices. Demand for partitions remains steady, and we will energetically expand our partition business. In addition, the Sanwa Group in Japan will invest aggressively to upgrade its infrastructure and expand production capacity, and will also focus on developing human resources.

As a result of the above, we forecast that fiscal 2016 sales in Japan will increase 4.0% compared with fiscal 2015 to ¥219.5 billion. On the other hand, we forecast that operating income will increase only 2.6% to ¥21.0 billion because we expect higher personnel expenses among other factors.

**TOPICS****Showa Front Launches Low- and Mid-Rise Curtain Walls**

Showa Front launched the Low-Rise X low-rise curtain wall and the MCA-60 mid-rise curtain wall in April 2016. Both feature a high degree of design flexibility and performance. These new products address conventional low-rise demand and also mid-rise demand.



Low-Rise X (low-rise section)  
MCA-60 (mid-rise section)  
(Artist's rendering of mounting)



## North America

We will generate growth by solidifying core businesses and advancing our forward integration strategy. At the same time, we will improve product quality and speed delivery with the systematic rollout of the new ERP system.

**Dennis Stone**

Overhead Door Corporation President & CEO

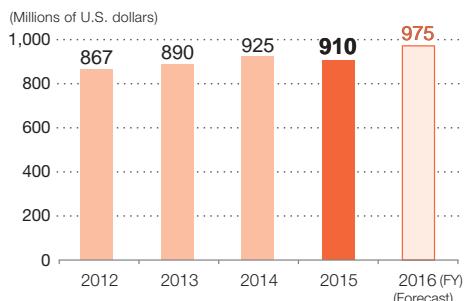
### Characteristics and Trends

- Continued growth expected in both residential and non-residential investment.
- Competitors include Chamberlain, a manufacturer of garage door openers and Clopay in the door business.
- Demand is strong for residential garage doors and door openers.

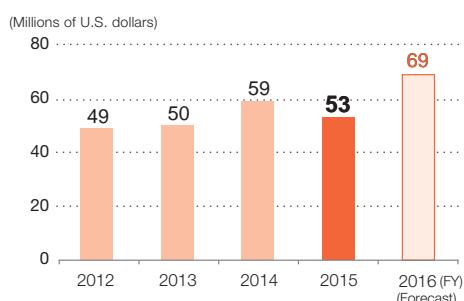
### Strengths and Position

- Business operations in the U.S., Canada and Mexico, through Overhead Door Corporation
- A powerful brand and top-tier market share
- Independent distributors network, including about 450 exclusive distributors. This is a major strength.

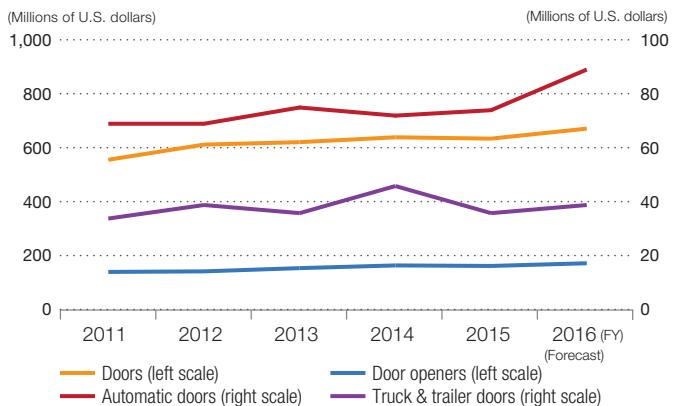
### Net Sales



### Operating Income



### Net Sales by Product



Doors



Door openers



Automatic doors



## Strategies

The U.S. economy is projected to continue to grow at a steady pace, and the construction market is also likely to expand, led by housing. In the Second Three-Year Plan, we will resolve issues carried over from the First Three-Year Plan to further enhance our operating fundamentals. We will work to strengthen and grow our core businesses while also implementing our forward integration strategy.

In order to strengthen and grow core businesses, Access Systems Division will focus on introducing a new Enterprise Resource Planning (ERP) system for the purpose of improving customer service and making operational improvements. We will also advance our residential product strategy to respond to diversifying user needs.

In the door opener business, we will develop a new professional sales channel and plan to introduce a new garage door opener. We will aim to increase our market share in the automatic door business with sales of new transit doors, which are expanding globally. In the truck and trailer door business, we will boost sales by acquiring new end users and new OEM customers.

We combined Creative Door Services (CDS) in Canada with NationServe, which was the service and install operations of Access Systems Division (ASD), to

form the new Installation and Service Division (ISD), and plan to expand the scope of this business. For the automatic door service business, we will continue our strategy of acquiring distributors, and will target customers that are widening their operations to expand the business and drive profit growth.

## Industry Characteristics and Market Trends

In Japan, the most common type of shutter is wound up and stored in a case installed above the opening. In North America, in addition to those types of shutters, there is also substantial demand for sectional doors, which are typically pieced together into horizontal panels and pulled up along a rail until they are level with the ceiling. We produce this type of door primarily as a standardized product.

If we look at the recent market environment, consumer spending has remained firm with an upturn in employment and wages, and housing investment has been increasing year by year. These trends are fueling strong demand for garage doors and residential door openers. We also expect growth in demand for commercial sectional doors, reflecting increasing investment in non-residential facilities such as distribution centers and factories.

### TOPICS

### Overhead Door Corporation Marks 95th Anniversary

Overhead Door Corporation (ODC), a leading brand in the door industry in the U.S. and the first to develop and manufacture overhead doors and electric garage door openers, is celebrating its 95th year in business in 2016. ODC has been a member of the Sanwa Group for 20 years. Today, some 450 distributors handle Overhead Door products exclusively, and are known as Red Ribbon Distributors for the ribbon in the company's logo. This network covering the entire U.S. is the linchpin of the Sanwa Group's North American business.



Photo of the logo of Overhead Door Corporation at the time of its founding

## The Sanwa Group's Position and Strengths

In North America, Overhead Door Corporation (ODC), which we acquired in 1996, is the Sanwa Group's main subsidiary, and conducts business in the U.S., Canada and Mexico. As an industry pioneer, this company has a powerful brand and is the market share leader in the shutter and commercial sectional door industry in the U.S.



Commercial-use door

## Review of Fiscal 2015

Production problems at ODC's main factory during the peak demand period in the door business had a significant impact on sales in fiscal 2015. In addition, shipments stagnated because of a slowdown in the Canadian economy, and sales of truck and trailer doors declined following special demand in the previous year. As a result, sales were down 1.7% on a local currency basis. In terms of yen, sales increased 11.8% year on year to ¥110.1 billion due to changes in exchange rates.

Operating income was ¥6.4 billion, an increase of 1.3% (a decrease of 10.9% on a local currency basis), reflecting the adverse effects of the decline in sales volume and production problems and higher costs in the door business, as well as the weakening of the Canadian dollar.

## Fiscal 2016 Initiatives

In fiscal 2016, we will work to achieve profit targets with expansion of market share, led by ODC. Efforts will focus



Transit door

on improving product quality and delivery time by systematically rolling out the new ERP system.

In the door business, we anticipate an increase in sales because of the elimination of production problems that occurred in the previous year, in addition to the recovery of the market. We are projecting solid performance in the garage door opener business, boosted by the development of a professional sales channel. Strong sales growth is expected in the automatic door business, driven by door services and expanded sales of transit doors. In the truck and trailer door business, we expect an increase in sales due to expansion of sales for OEMs. In the installation and service business, sales of commercial doors and maintenance services are projected to increase. We are assuming an exchange rate of ¥110.00 to US\$1.00.

The overall outlook for sales of the North America segment is a 2.6% year-on-year decrease in sales to ¥107.3 billion, but a 7.2% increase on a local currency basis. Operating income is forecast to increase 18.9% to ¥7.6 billion, reflecting the effect of higher sales volume with sales growth in each business.

### TOPICS

### ODC Launches Allura™ Shutter Light-Duty Door Solution

Allura™ Shutter is a light-duty rolling shutter released by ODC in October 2015. Available in 197 color variations and six wood patterns, it can meet the needs of a wide range of customers.



Allura™ Shutter



## Europe

**With our sweeping reforms, we will create “one Novoferm” and set the stage for profitable growth centered on our core products.**

**Rainer Schackmann**  
Novoferm Group CEO

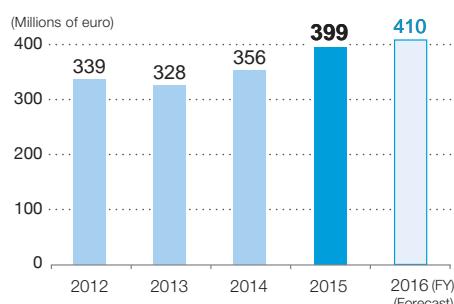
### Characteristics and Trends

- The market is recovering gradually, though conditions differ from country to country.
- Main competitors include German company Hörmann Holding GmbH & Co. KG and Swedish company ASSA ABLOY AB.
- Product standards including for fire-resistant and safety-related products will be further standardized throughout the E.U.

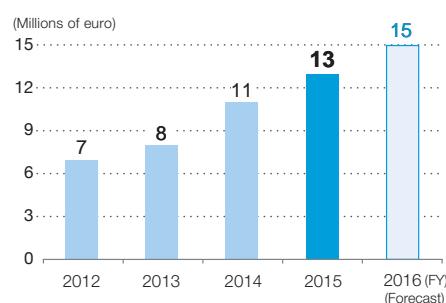
### Strengths and Position

- Business is conducted mainly by Novoferm, which operates in Germany, its main market, and in France, Italy, the Netherlands and other countries.
- Number-two share in the shutter and door market
- Strengthened position in the industrial sectional door with the acquisition of Alpha Deuren International B.V.

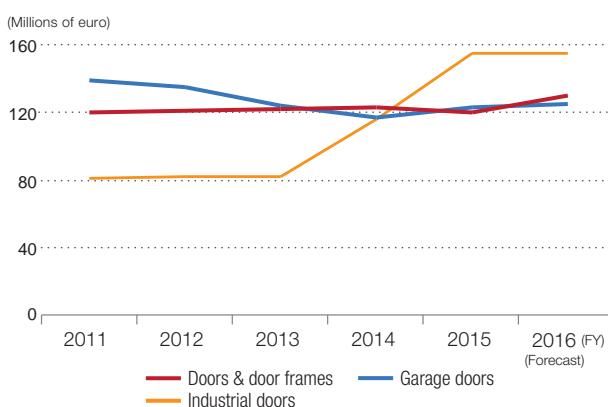
### Net Sales



### Operating Income



### Net Sales by Product



Doors & door frames



Garage doors



Industrial doors



## Strategies

The economy of Europe is forecast to continue to recovery gradually, led by expansion of personal spending and improved conditions for private capital investment due to monetary easing. Housing completions are expected to increase in Germany but remain essentially flat in Europe overall. In the Second Three-Year Plan, we will implement “NF 3.0,” a set of fundamental reforms that include withdrawing from unprofitable businesses. By restructuring operations in Europe into “one Novoferm,” we will focus on establishing the foundation for profitable growth centered on core products.

Specifically, we will enhance governance at each of our companies in Europe and implement our Group strategy. In the door and door frame business, we will use the unification of fire safety standards throughout the EU as an opportunity to expand sales as the leading solution provider for fireproof doors. We will expand our product selection with our common European platform, and strengthen support for professional architects. In addition, we will optimize our European production network. In the industrial door business, we will boost our competitiveness by consolidating production of industrial sectional doors. We will enhance our lineup of high-performance doors and shutters, promote business expansion led by Alpha Deuren

products, and restructure our installation and service network in key European markets. In the garage door business, we will work to expand our market share through differentiation by developing products that offer a high degree of design flexibility and bolstering Web-based support in the professional sales channel.

## Industry Characteristics and Market Trends

Europe, like the U.S., is a market in which standardized hinged doors, garage doors and industrial doors are dominant. Our main competitors in Europe include Hörmann Holding GmbH & Co. KG, a major German company, and ASSA ABLOY AB, a major Swedish company.

While the German economy has bottomed out, conditions in France, the Netherlands and other countries remain difficult.

## The Sanwa Group's Market Position and Strengths

Business in Europe is conducted mainly by Novoferm, which the Sanwa Group acquired in 2003. In addition to Germany, its main market, Novoferm conducts business in France, the Netherlands, Italy and other countries.

In residential products, Novoferm focuses on garage doors, doors and door frames, and has the number-two

### TOPICS    Opening of New Showroom

In April 2016, the Novoferm Group opened a showroom at its Tormatic Factory in Dortmund, Germany. The Novoferm Group's products for residential, commercial and logistics facilities are displayed in one location.



Newly opened showroom

market share in the industry. In non-residential products, it has the number-three share of the industrial door market as a result of the acquisition of Alpha Deuren International B.V. in July 2014, and the number-two share of the industrial sectional door market.



Dock leveler Novo Dock

## Review of Fiscal 2015

Sales declined in existing businesses, reflecting the weak market for non-residential doors. However, the increase in sales in the garage door business owing to the market recovery from the middle of the year, in addition to the contribution of sales from Alpha Deuren, which was acquired in the previous year, led to a 6.7% increase in overall sales to ¥53.3 billion. On a local currency basis, sales increased 12.0%.

Operating income was ¥1.7 billion, an 11.6% increase (a 17.2% increase on a local currency basis) due to sales growth and the focus on reduction of fixed costs.

## Fiscal 2016 Initiatives

In fiscal 2016, we will push through the reforms of NF 3.0 and realize the benefits from the integration of Alpha Deuren to move onto a new growth path. In the garage door business, we will secure sales growth by expanding our share of the sectional garage door market. Sales of



Fireproof door Novo Porta Premio

hinged doors in the door frame business are expected to recover, partly because of the rebound following the delay in factory shipments in the first half of fiscal 2015. We are projecting solid sales of fireproof doors with expansion of sales to customers throughout Europe. In the industrial door business, we plan to move to phase two of the integration plan with Alpha Deuren, which includes capturing orders for large-scale projects using Alpha Deuren products and expanding sales of dock equipment.

In addition, we will establish service networks in Germany and France, enhance our sales strategy for spare parts, and expand the maintenance and service business.

We are projecting sales in Europe in fiscal 2016 to decline 3.9% year on year to ¥51.3 billion. On a local currency basis, we expect sales to increase 2.8%. Operating income is projected to increase 11.7% to ¥1.9 billion as a result of the economies of scale from higher sales in each business and synergy with Alpha Deuren.

### TOPICS

### **Novoferm Group Acquires Industrial Door Company in France**

In June 2016, the Novoferm Group acquired Norsud Gestion SAS, which is headquartered in Lyon, France, and manufactures, sells, installs and services industrial doors. This acquisition expanded Novoferm's installation and service network in France, and is expected to enhance its non-residential door business in Europe.



Norsud Gestion SAS



# Asia

We will steadily execute strategies to address the key issues in each region and strengthen our business foundations.



## Main Strategies in Our Asia Business

1

### Capture the top share in key markets

- Develop differentiation strategy utilizing our strong points.
- Expand product lineup to meet market needs and then penetrate underserved markets.

2

### Further promote localization

- Acquire/expand local customers by strengthening corporate sales activities and professional architect support.
- Implement training programs in accordance with employee abilities and recruit local personnel.

3

### Strengthen synergy activities among Group companies

- Parts standardization (standardize quality control criteria and centralize procurement).
- Centralize development of strategic products.

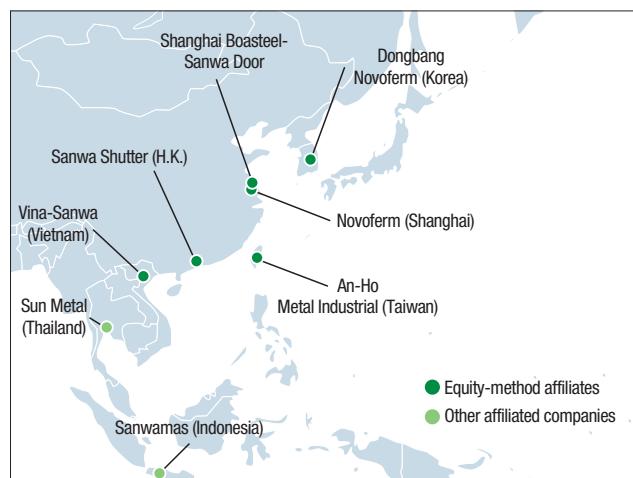
4

### Increase sales opportunities through cross-border cooperation

- Increase export business using existing locations in Asia.
- Establish business base in ASEAN countries.

## Review of Fiscal 2015

Sales in Asia in fiscal 2015 increased 40.4% year on year to ¥7.3 billion and operating loss was ¥170 million (compared to a loss of ¥180 million in the previous fiscal year). We improved the management structure at Group companies in Asia and took various measures to achieve profitability and establish the foundation for profitable growth. However, achievement of profitability in our Asia business overall was delayed because of the substantial impact of the temporary suspension of the fireproof door license of Novoferm (Shanghai). All five equity-method affiliates other than Novoferm (Shanghai) turned a profit.



## Strategies

To strengthen the foundations of our Asian business, we are implementing four main strategies. The first is capturing the top share in key markets. In addition to executing a differentiation strategy utilizing our strong points, we will offer a wide product selection anticipating customer needs and develop our presence in underserved markets. Second, we will further promote localization. This strategy involves developing and expanding local customers in addition to Japanese customers, recruiting local staff and implementing training programs based on employee abilities. The third strategy is strengthening synergy activities among Group companies, primarily through standardization of parts and development of strategic products. For the fourth strategy, increasing sales opportunities through cross-border cooperation, we will solidify our business foundation in the ASEAN region. In the Second Three-Year Plan, we are targeting net sales of ¥9.7 billion and operating income of ¥460 million from our Asia business.

In fiscal 2016, the license issue at Novoferm (Shanghai) has been resolved, and we will accelerate expansion of orders by restructuring our sales organization. For the Asia business overall, we are planning on net sales of ¥8.3 billion, a 13.7% increase from fiscal 2015, and operating income of ¥290 million.

## The Foundation Supporting Growth

### Quality

#### Target

The Sanwa Group aims to protect people's precious lives and realize a more affluent and convenient society by offering products and services that provide safety, security and convenience.

#### Support for Growth

We build trust by consistently addressing contemporary needs and customer requirements worldwide. We generate sustained growth by remaining the choice of markets and society.

**1**

Testing contracts at the Test Center in fiscal 2015

**432**

**2**

Installers in fiscal 2015

Approximately **3,200**

#### Quality Assurance Framework

Taking an uncompromising approach to safety and quality is the Sanwa Group's greatest responsibility. We have made continual improvements to our quality assurance framework, such as the establishment of the Group CSR Promotion Council to oversee safety and quality assurance for the Sanwa Group as a whole. Major Group companies have acquired ISO 9001 certification of their quality assurance systems. They implement initiatives to ensure stable quality.

#### Initiatives at the Test Center **1**

The Test Center has state-of-the-art facilities and has acquired international ISO/IEC 17025 certification to demonstrate the center's technical competence. The Test



Test Center



Fireproofing test equipment

Center assesses quality, performance and safety, and evaluates manufacturing technologies for the Sanwa Group's products as well as for products procured in Japan and overseas. In addition, we offer tours of the facility for other companies, government and industry groups, and accept new employees for training (636 people in fiscal 2015).

#### Product Development on a Global Basis

The Sanwa Group fully leverages its global network to generate synergies within the Group. We develop products on a global basis, and in fiscal 2015 we launched a high-performance shutter that Overhead Door Corporation (ODC) developed based on Novoferm's high-speed sheet shutter technology.



High-performance shutter  
Rapid Flex

#### Enhancing Installation and Service Capabilities **2**

In Japan, where installation and service of access systems such as shutters and doors is common, our installation and maintenance capabilities are a major strength and the driving force behind our growth. Initiatives at Sanwa Shutter to enhance installation and maintenance expertise include holding the "Installation Technique Contest."



Installation Technique Contest

#### Enhancing Customer Satisfaction

ODC is strengthening its relationship with its core customer segment of distributors by periodically holding discussions and exchanging information with distributors. It then uses the feedback to develop new products and improve product quality.



Gathering with Red Ribbon Distributors to celebrate ODC's 95th anniversary. Approximately 540 customers and their families participated in the event.

# Human Resources

## Target

The Sanwa Group understands that its employees are the driving force of value creation, and therefore creates a lively workplace where its people can demonstrate their skills and expertise.

## Support for Growth

A workplace environment that empowers people to work energetically with a sense of fulfillment drives sustained corporate growth by energizing the Group and maximizing the performance of individuals and the organization.

1

Training themes  
in fiscal 2015

30

2

International recruits  
in fiscal 2015

5

3

Childcare leave return  
ratio in fiscal 2015

100%

## Growth Strategy-Based Personnel Training System 1

The Sanwa Group has a growth strategy-based personnel training system to address changes in its operating environment and promotes various training initiatives to maintain sustainable growth.

We provide training based on competency for prospective hires, training for new employees, follow-up training, training for new managers, and have established the Sanwa Management School to provide training for senior managers. Additional employee development we provide includes training in business etiquette to enhance sales capabilities, training in proposal-based sales, and new product training.

We also focus on global training at Group companies. In fiscal 2015 a one-year overseas training program was conducted with Overhead Door Corporation. In addition, we conduct proactive personnel exchanges, including inviting employees of Group companies in Asia to come to Japan to receive technical training at Sanwa Shutter Corporation and other domestic Group companies (10 participants in fiscal 2015).



Overseas training at Overhead Door Corporation

## Promoting Diversity 2

We believe that empowering diverse employees is essential to increase corporate value on a global scale and are enhancing diversity initiatives such as hiring non-Japanese employees. We are also concentrating on creating the foundation to enable seniors, women and other employees to fully demonstrate their potential in order to address environmental issues including diversification of working styles and Japan's declining population.



Broad involvement of non-Japanese employees

## An Improved Work-Life Balance 3

Sanwa Shutter Corporation has established the target of increasing women managers by a factor of three compared with fiscal 2015 during the next five years, and is creating the appropriate environment through means that include career development support for women and work-life balance systems. In addition, we believe that we must reduce overtime to empower women and are therefore managing hours worked and remedying overtime.



We provide comprehensive employment support for women who are working and raising children.

# Environmental and Social Contribution Initiatives

## Target

The Sanwa Group conducts its business activities in coexistence with the environment and the local community. As a good corporate citizen, we contribute to a sustainable, affluent society.

## Support for Growth

The Sanwa Group contributes to sustainable growth by resolving social problems and issues through its business activities to increase the Group's social and corporate value.

**1**

Employee participants for cleaning activities in Sanwa Environment Day in fiscal 2015

**1,983**

**2**

Themes for developing eco- and environment-friendly products in fiscal 2015

**15**

**3**

Sanwa Group Social Contribution Club donations in fiscal 2015

**¥5 million**

## Environmental Protection System and Initiatives **1**

In accordance with the Sanwa Group Environmental Policy, we work to preserve and improve the environment and increase awareness of environmental preservation so that we are able to coexist with the Earth and contribute to the realization of a sustainable society. Major Group companies have acquired ISO 14001 and Eco-Action 21 certification and implement initiatives in line with our environmental plans.



(Left) We conduct community cleaning activities on June 10 every year.  
(Right) Novoferm Dortmund replaced lightbulbs at its factories with LED lighting.



## Development of Disaster-Prevention Products and Environmentally Friendly Products **2**

The Sanwa Group employs innovative ideas to plan and develop products that are environmentally friendly, products that help save energy, and products that use natural energy.



Window shutter with HEMS\* specifications that can be accessed via smartphone  
\*Home energy management system



This door opener Novoferm developed does not require an external power supply through the use of an attached solar panel.

## Social Contribution Activities **3**

The Sanwa Group Social Contribution Club donates money to selected causes, with funds contributed by member employees matched by the Sanwa Group. It had donated more than ¥38 million to 24 organizations as of March 31, 2016. Members also participate in volunteer activities sponsored by those organizations.



A movable sliding wall partition was donated for the lodging facility of non-profit organization "The Supporting Network for Chronic Sick Children of Japan".

## Support for Sports Activities

The Sanwa Group provides various forms of support for sports activities to raise awareness of the Group. We have hired road and track cyclist Ryo Chikatani as an employee, and have concluded a sponsorship agreement with professional female golfer Serena Aoki.



Ryo Chikatani

## Communication with the Community

The Sanwa Group actively contributes to communities as a good corporate citizen that lives in harmony with society. Since 2012, ODC has been donating money to the Boys & Girls Club of America, which helps young boys and girls to develop strong personalities and fully demonstrate their capabilities.



Children from the Boys & Girls Club of America

# Compliance and Risk Management Initiatives



<b>1</b> Compliance seminars held during fiscal 2015	<b>2</b> Attendees at compliance seminars held during fiscal 2015	<b>3</b> Risk management themes in fiscal 2015
<b>18</b>	<b>561</b>	<b>25</b>

## Basic Approach

The Sanwa Group works to increase its corporate value. In order to grow and develop, highly transparent management is required for corporate governance to function effectively. Compliance supports the foundation for doing so. We therefore work to strengthen our internal system for ethics and legal compliance.

## Promoting Compliance

We have established our Compliance Code of Conduct to support our internal compliance system for promoting sincere and transparent corporate activities.

We thoroughly inculcate the Compliance Code of Conduct by distributing a manual of case studies from each division titled *The Compliance Code of Conduct and Case Studies* to all employees.



*The Compliance Code of Conduct and Case Studies*

## Compliance Training for Use in Day-to-Day Operations **1 2**

We enhance compliance awareness and prevent legal and regulatory violations by conducting seminars at Group companies throughout Japan, primarily for managers.



Compliance seminar

## Basic Approach to Risk Management **3**

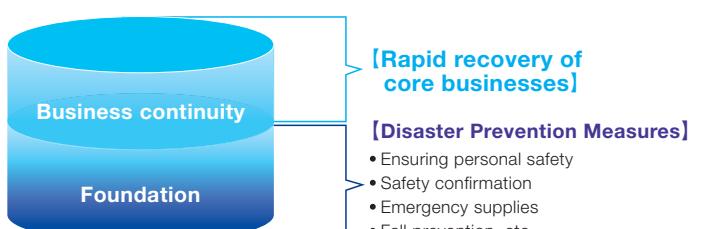
The Sanwa Group implements risk management to proactively identify risks that may affect business activities and implements countermeasures to preclude risk before it manifests.

Specifically, each Group company and main business department identifies relevant risks, formulates countermeasures, and then manages these risks. The Group's CSR Promotion Council and CSR Promotion Committees at each Group company work together within a PDCA cycle that evaluates and provides guidance about the effectiveness of the countermeasures after they have been implemented and proposes additional countermeasures as needed.

## The Sanwa Group's Business Continuation Plan

The Sanwa Group has formulated a business continuation plan (BCP) that assumes risks from an earthquake with its epicenter beneath metropolitan Tokyo. Centered on disaster prevention measures to protect employee lives and Group assets, our BCP has the objective of maintaining business operations and enabling rapid recovery.

### ■ The Sanwa Group's BCP



# Corporate Governance

## Basic Approach to Corporate Governance

Sanwa Holdings Corporation (the “Company”) is a global enterprise with Group companies in the United States, Europe and Asia. To continuously raise our corporate value through fair and equitable business transactions in a business environment characterized by intense global competition, we need a highly transparent management system that allows us to efficiently achieve our corporate vision. Therefore, we have adopted an executive officer system, and in October 2007 we shifted to a holding company structure with three purposes: 1) to improve Group-level governance, 2) to strengthen the competitiveness of operating companies and 3) to reinforce Group-level strategic functions. We will continue to work to better fulfill our corporate governance obligations by preparing systems that ensure competence in business operations.

This year (2016), we are starting the Second Three-Year Plan in our long-term management vision, Sanwa Global Vision 2020, which started in 2013. This year also marks the 60th anniversary of the Company’s establishment, and we have shifted to the structure of a “company with an Audit & Supervisory Committee” as defined in the Companies Act of Japan. The purpose of this change is to reinforce corporate governance in order to create a trusted corporate culture suitable for a “Major Global Player.”

## Corporate Governance

By resolution of the 81st General Meeting of Shareholders held on June 28, 2016, the Company transitioned from a “company with an Audit & Supervisory Board” to a “company with an Audit & Supervisory Committee” structure, with a

Board of Directors and an Audit & Supervisory Committee. The Board of Directors consists of 11 directors (including 3 directors serving as Audit & Supervisory Committee members). Three of the 11 directors are outside directors, and all three are reported as independent directors.

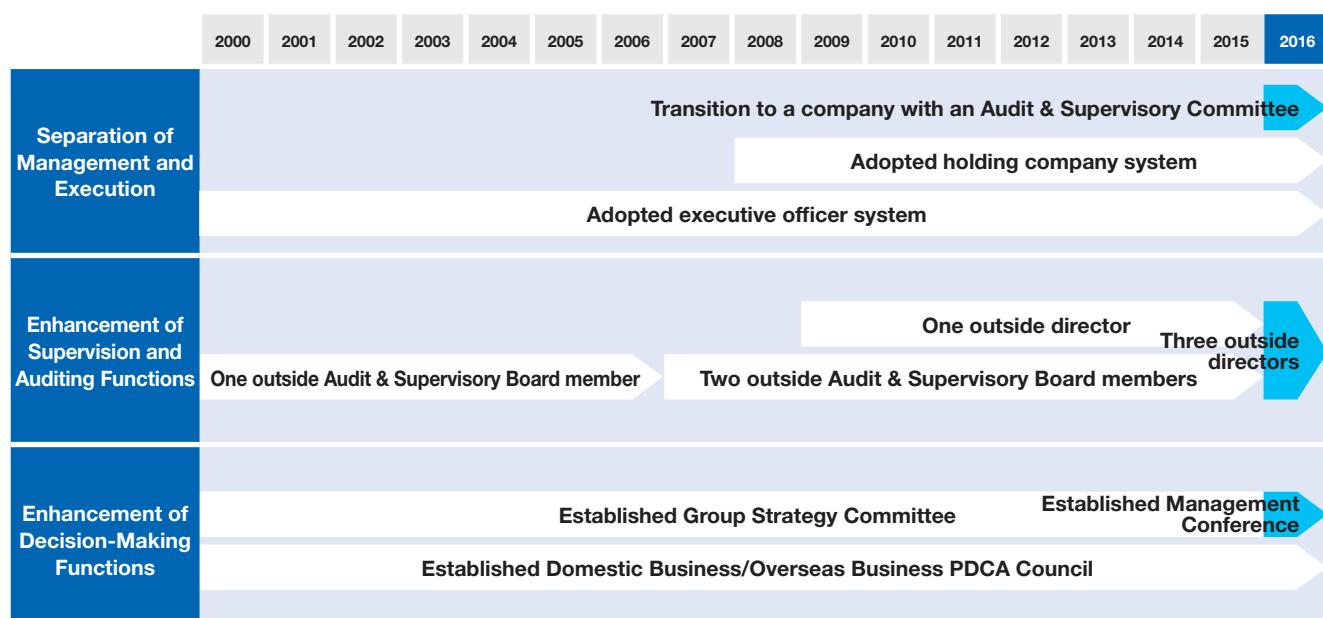
Meetings of the Board of Directors and the Audit & Supervisory Committee are held no less than once every three months in principle. At Board of Directors meetings, important management decisions are made in a timely manner, and supervision of business execution by directors is conducted. At Audit & Supervisory Committee meetings, the directors serving as Audit & Supervisory Committee members supervise the status of business execution by directors who are not Audit & Supervisory Committee members and executive officers, and report and express their opinions on the results. In this way, efforts are made to ensure legal and appropriate company management. In addition, the Company has adopted the executive officer system to separate the decision-making role of the Board of Directors and the business execution role of executive officers, with the aim of improving the efficiency of management and enhancing the function of the Board of Directors in supervising business execution by executive officers.

## Specific Measures for Improving Business Execution, Supervision and Other Functions

### Establishment of Management Conference

- With the shift to the Audit & Supervisory Committee structure, certain significant decisions on business execution, excluding matters prescribed by law, were delegated to a director (CEO) from the standpoint of expediting managerial decision-making. In connection with

### ■ Evolution of Sanwa Holdings’ Corporate Governance



this, the Management Conference has been established as an advisory body to the director (CEO) to whom these decisions are delegated. It discusses and reports on significant matters concerning management, and assists in the decision-making of the director (CEO) and in enhancing the mobility of business execution. The Management Conference discusses (1) matters concerning important decision-making delegated to the CEO by the Board of Directors, (2) matters on the agenda of the Board of Directors that the CEO deems necessary, and (3) other significant matters concerning management that the CEO judges to be necessary. Together with the Board of Directors, the Management Conference will strive to ensure swift and efficient management decision-making.

#### PDCA Council

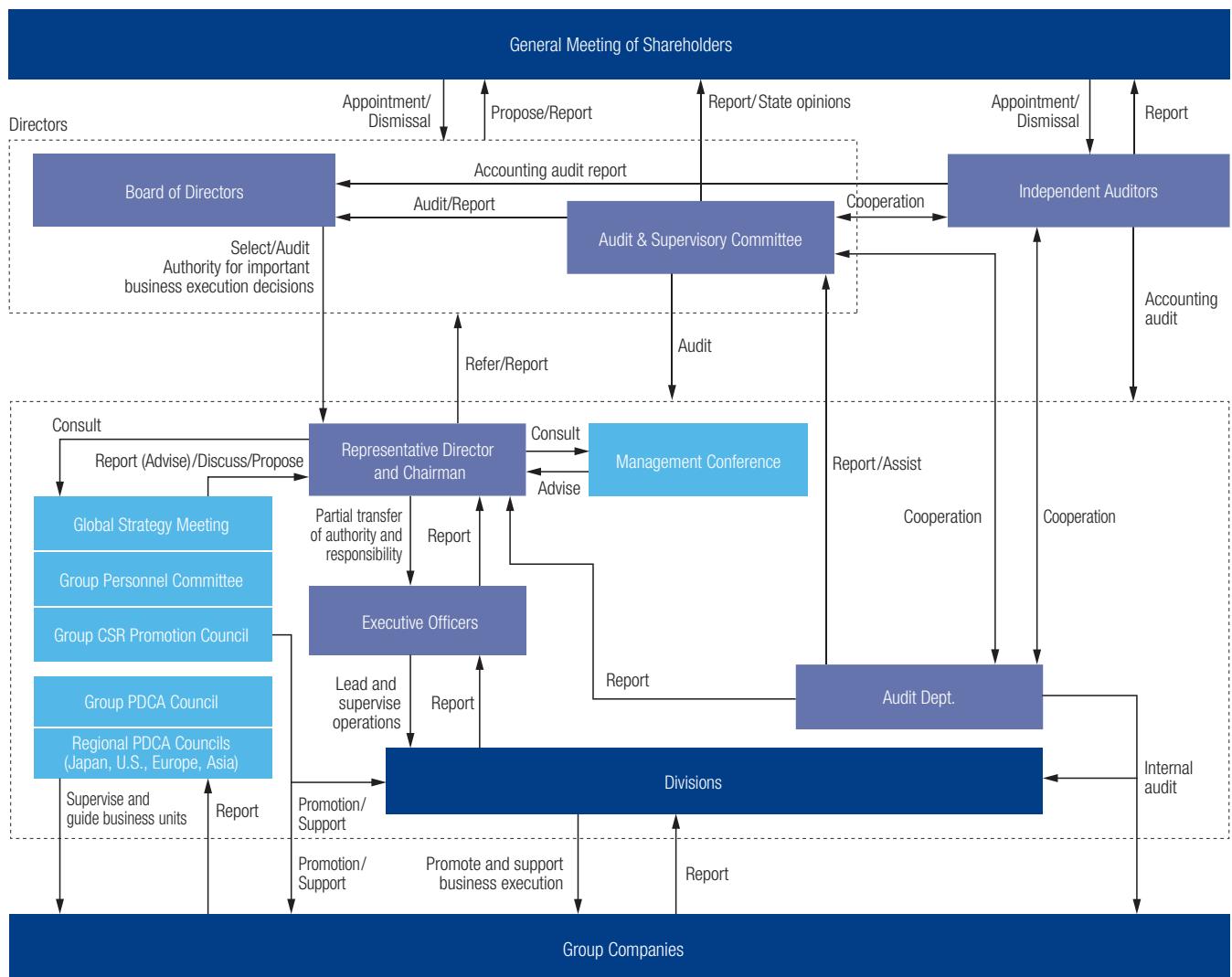
- Supervision and auditing of the details of business execution is carried out by Group and regional PDCA Councils, which are held quarterly by the directors who are

not Audit & Supervisory Committee members, directors serving as full-time Audit & Supervisory Committee members, executive officers, and other senior executives. The directors monitor progress against the management plan and provide guidance on management issues, while the directors serving as Audit & Supervisory Committee members audit the current state of business execution by the executive officers and others.

#### CSR Promotion Council

- The Group CSR Promotion Council, for which the CSR Promotion Department serves as secretariat, meets twice a year in principle to develop a consistent set of CSR activities across the Group. The council deliberates CSR policies of the entire Group, matters related to the quality assurance system and other CSR issues. We have also established CSR Promotion Committees at each Group company, which plan and promote CSR activities together with individual work sites.

### ■ Sanwa Group Corporate Governance System



### Independent Auditor

- To establish and maintain a sound corporate governance system that earns the trust of society, selected Audit & Supervisory Committee members travel directly to subsidiaries and affiliates or request reports from them. Furthermore, the Company's independent auditor, Kyoritsu Audit Corporation, conducts financial audits of the Company's major consolidated subsidiaries.

In the view of the Company, the structure outlined above constitutes a governance system that ensures the competence of the Group's business operations and fulfills its corporate governance obligations.

### Enhancing the Audit System

We have established the Audit Department as the internal audit unit, and its seven staff members conduct operational audits. The Audit Department staff members also serve as auditors of major domestic subsidiaries, and audit the business execution of those companies, share information on

the Group as a whole and enhance the quality of management and monitoring functions. In addition, we are working to enhance the internal audits of overseas subsidiaries. The Audit & Supervisory Committee is composed of three directors serving as Audit & Supervisory Committee members (including two outside directors). The Audit Department, which serves as the internal audit unit, is in charge of assisting the work of the Audit & Supervisory Committee and the directors serving as Audit & Supervisory Committee members. To ensure its independence from business execution departments, the Audit Department is required to obtain the approval of the Audit & Supervisory Committee for evaluations, personnel changes and certain other activities.

In addition to regular meetings twice a year, directors serving as Audit & Supervisory Committee members and the Audit Department hold ad hoc meetings as necessary to report the results of audits by the Audit Department, and also exchange opinions on audits and exchange information on their respective audit policies and on problems that arise

### ■ Response to Principles of the Corporate Governance Code

Disclosure Item	Disclosure Content
<b>Reasons for not implementing the following principles of the Corporate Governance Code</b>	
<b>Principle 4-8-1 (Meetings and Councils Consisting of Only Independent Outside Directors):</b>	Currently, we do not have any meetings or councils whose members consist of only independent officers. We will consider setting up meetings or councils as necessary.
<b>Principle 4-8-2 (Designation of Lead Independent Outside Director):</b>	Currently, we have appointed three independent outside directors. Two have global management experience and one is a legal professional. Each of them supervises and audits management from an independent standpoint, and as there are no particular problems, we have not designated a lead independent outside director.
<b>Disclosure based on principles of the Corporate Governance Code</b>	
<b>Principle 1-3 Basic Approach to Capital Policy</b> <b>Basic approach to capital policy:</b>	In our capital policy, we place importance on improving capital efficiency after having secured financial stability. Our basic approach is to maintain a balance between these two elements while increasing corporate value in the medium to long term by making optimal investments and providing returns to shareholders.
<b>Capital policy and financial policy:</b>	In Sanwa Global Vision 2020, we seek to become a "Major Global Player" in the access systems industry, and are placing top priority on strategic growth investments.
<b>1. Composition of Capital and Liabilities</b>	(1) Our policy is to maintain the shareholders' equity ratio at 40% or higher. (2) We will strive to maintain a debt structure that does not harm the Company's financial soundness.
<b>2. Investments</b>	(1) Capital investments In principle, we make capital investments necessary for maintaining and continuing existing businesses within the range of depreciation. (2) M&A, business tie-ups and other investments We preferentially consider investments in core businesses and in related fields that can be expected to grow into core businesses in the future.
<b>3. Shareholder Returns</b>	(1) Our target payout ratio is 35%. (2) We give preference to the type of investments listed above, but will consider repurchasing the Company's own shares if there are no substantial cash outflows related to such investments.
<b>Principle 1-4 Strategic Shareholdings</b>	In certain cases, we purchase and hold the shares of business partners to build good relationships with them and to increase the Company's corporate value from a medium- to long-term perspective through maintenance of smooth business transactions. We regularly examine whether strategic shareholdings contribute to the Company's sustainable growth and enhancement of medium- to long-term corporate value, and report to the Board of Directors about major stocks held. We exercise voting rights of strategically held shares appropriately, taking into consideration the corporate value of the issuing company, returns to shareholders, the Company's interests, and various other factors.
<b>Principle 1-7 Related Party Transactions</b>	If the Company conducts significant transactions with officers of the Company, it shall obtain the approval of the Board of Directors in advance and report on the results. When the Company conducts large transactions, it must obtain the approval of the Board of Directors based on internal decision-making regulations. Transactions with major shareholders or other related parties are examined for their appropriateness as part of the approval procedures.

Disclosure Item	Disclosure Content
<b>Principal 3-1 Enhancement of Disclosure</b>	<p>1. We formulated the Sanwa Group's "Mission, Values and Principles of Business" in 2001 to respond to changes in the operating environment while continuing the policies that have defined the Company since its establishment. The specifics are disclosed on the Company's website. (<a href="http://www.sanwa-hldgs.co.jp/english/company/idea.html">http://www.sanwa-hldgs.co.jp/english/company/idea.html</a>)  The Sanwa Group's management policy and the Mid-Term Management Plan are also disclosed on the Company's website. (<a href="http://www.sanwa-hldgs.co.jp/english/ir/strategy.html">http://www.sanwa-hldgs.co.jp/english/ir/strategy.html</a>)</p> <p>2. Our basic approach to corporate governance is available on the Company's website. (<a href="http://www.sanwa-hldgs.co.jp/english/ir/governance.html">http://www.sanwa-hldgs.co.jp/english/ir/governance.html</a>)</p> <p>3. Compensation of directors is based on their contribution to the Company's performance and sustainable improvement of corporate value. Our basic policy is to design a compensation structure and set compensation levels commensurate with the roles and responsibilities we require of the directors and that will enable us to secure and maintain well-qualified directors.  Compensation of directors (except directors serving as Audit &amp; Supervisory Committee members) consists of base compensation, compensation linked to business performance, and stock options. Compensation of directors and outside directors serving as Audit &amp; Supervisory Committee members consists of base compensation only.  Please see page 34 for details.</p> <p>4. The Company selects executives who will set and promote business directions and strategies with competitiveness on a global scale in mind. In appointing directors, we consider the overall balance and diversity of the Board of Directors and the Audit &amp; Supervisory Committee in addition to each individual's abilities, insight and experience.</p> <p>5. The backgrounds of individual directors and outside directors are disclosed in the convocation notice of the General Meeting of Shareholders for the period when each individual director was elected.</p>
<b>Principle 4-1-1 Roles and Responsibilities of the Board of Directors (1)</b>	The Board of Directors, which makes important management decisions and supervises directors' execution of business, also makes decisions on significant business execution matters that are deemed within the purview of the Board of Directors by law or the Company's Articles of Incorporation. The substance of those decisions is made clear according to the "Board of Directors Regulations" in the Company's internal regulations.
<b>Principle 4-8 Effective Use of Independent Outside Directors</b>	<p>Three of the Company's 11 directors are outside directors. We have registered all three of them with the Tokyo Stock Exchange as independent directors, and we judge that they fulfill the Company's independence criteria for outside directors.  We believe that the outside directors contribute to the Company's corporate governance in ways such as providing recommendations concerning management, supervising overall management and conflicts of interest, and increasing the transparency of the Board of Directors.</p>
<b>Principle 4-9 Independence Standards and Qualifications for Independent Outside Directors</b>	The independence criteria for outside directors are presented on page 33.
<b>Principle 4-11-1 Preconditions for Ensuring the Effectiveness of the Board of Directors and Kansayaku Board (1)</b>	The Company specifies that the appropriate number of directors shall not exceed 17 in order to facilitate quick and decisive decision-making to adjust to changes in the global operating environment and to ensure diversity of views. The standard we use in appointing directors is whether they possess the necessary abilities, knowledge, experience and other attributes to monitor and supervise the Company's management from a global perspective and to make significant decisions concerning business operations.
<b>Principle 4-11-2 Preconditions for Ensuring the Effectiveness of the Board of Directors and Kansayaku Board (2)</b>	<p>If a director is serving concurrently as a director or auditor at other companies, we confirm that the number of concurrent positions is reasonable so that the director can devote sufficient time and effort to fulfilling his or her role and responsibilities as a director of the Company.  Significant positions directors hold at other organizations are disclosed each year in the Securities Report (in Japanese only) and in the Convocation Notice of the General Meeting of Shareholders.</p>
<b>Principle 4-11-3 Preconditions for Ensuring the Effectiveness of the Board of Directors and Kansayaku Board (3)</b>	<p>In the fiscal year ended March 31, 2016, a total of 12 Board of Directors meetings were held (10 regular meetings and 2 extraordinary meetings). At these meetings, timely decisions and reports were made on matters concerning management and significant matters related to business execution.  Information materials or explanations for Board of Directors meetings are made available in advance as necessary, adequate time for deliberation is ensured and open and lively discussions are conducted, including with directors serving as Audit &amp; Supervisory Committee members (including outside directors). In these and other ways, the shift to the structure of a "company with an Audit &amp; Supervisory Committee" enhances the supervisory function and transparency of the Board of Directors. Therefore, we believe that effectiveness of the Board of Directors has been secured. We believe that the current situation is adequate, but we will consider more desirable approaches with respect to the method of assessment of efficacy.</p>
<b>Principle 4-14-2 Training of Directors and Kansayaku</b>	<p>For inside directors, we provide and research seminars suited to individual directors and opportunities for networking events, and subsidize the associated costs, so that the directors can acquire the necessary knowledge on management issues facing the Company, finance, compliance and other matters as appropriate.  For outside directors, explanations of the Group's business and operations are provided by each department to deepen their understanding of the Sanwa Group. We also set up opportunities to observe our major business sites and factories.</p>
<b>Principle 5-1 Policy Concerning Constructive Dialogue with Shareholder</b>	We formulated IR policies in 2006 consisting of a "Basic Policy," "Information Disclosure Standards," "Disclosure Methods," "Quiet Periods" and other related policies. These policies are posted on the Company's website. ( <a href="http://www.sanwa-hldgs.co.jp/english/ir/public.html">http://www.sanwa-hldgs.co.jp/english/ir/public.html</a> )
<b>1. Basic Approach</b>	We recognize that the understanding and support of shareholders and investors is essential for realizing sustainable growth and medium- to long-term increases in corporate value. Therefore, we impartially provide accurate information and engage in constructive dialogue in an effort to build long-term relationships of trust.
<b>2. IR Framework</b>	A vice-president (subleader and president of the Corporate Planning Unit) has overall responsibility for dialogue with shareholders and investors, assisted by the PR & IR Department. The PR & IR Department requests information from other relevant units on various topics, and those units cooperate with the PR & IR Department, to enhance dialogue.
<b>3. Methods of Communication</b>	An announcement of business results by the CEO is held twice a year for media organizations, analysts and institutional investors. In addition, small meetings by individual departments and individual meetings are conducted as appropriate. For individual investors, we provide a specific section (in Japanese only) on the Company's website. We also post easy-to-understand information such as business results, descriptions of business operations and management policies, which are also translated into English. In addition, we issue an Integrated Report and provide video announcements of business results.
<b>4. Feedback to Internal Operations</b>	The vice-president (subleader and president of the Corporate Planning Unit) provides feedback on the substance of dialogue with shareholders and investors to the Board of Directors and others as necessary.
<b>5. Disclosure Policies and Information Control</b>	When engaging in dialogue with shareholders and investors, we control inside information appropriately in accordance with internal regulations (insider trading prevention regulations) and IR policies.

during the fiscal period. The Audit Department also assists the work of the Audit & Supervisory Committee, and in addition to regular monthly reporting meetings, holds ad hoc meetings as necessary to share information on its audits. The selected Audit & Supervisory Committee members and the Audit Department have a cooperative relationship in which they can mutually request investigations of specific matters. They strengthen their collaboration in ways such as performing detailed audits of target departments and reporting the results to each other.

### **Independence and Neutrality of Outside Officers (Outside Directors and Outside Directors serving as Audit & Supervisory Committee members)**

In determining independence from the Company when selecting outside officers, we judge the following to conflict with our independence standards: persons who are major customers of the Group (defined as persons whose average amount of transactions with the Group in the past three fiscal years exceeded 2% of the Group's annual consolidated net sales); persons whose major customer is the Group

(defined as persons whose average amount of transactions with the Group in the past three fiscal years exceeded 2% of the person's annual consolidated net sales); and persons who received significant amounts of money or other assets from the Group other than compensation as officers (defined as persons who received money or other assets exceeding ¥10 million per year from the Group). We also use other criteria, such as whether the candidate has the necessary abilities in light of his or her background, and whether there is any conflict with the independence standards of the Tokyo Stock Exchange, to guarantee the independence of outside officers.

Furthermore, we appoint outside directors based on our overall judgment of a number of considerations using information such as candidates' career histories and the relationship of their previous employers with the Company. Judgment criteria include whether there are any issues regarding their independence from the Company, and whether the candidates are qualified to perform the monitoring and supervision functions that the Company requires of the role of outside director based on their personality, insight and background.

#### **■ Independence Criteria for Outside Directors**

Sanwa Holdings Corporation (the "Company") stipulates the following independence criteria for outside officers (outside directors and outside directors serving as Audit & Supervisory Committee members). Outside directors are deemed to have independence from the Company and no potential conflict of interest with ordinary shareholders if the outside director does not fall under any of the following items:

<b>1)</b>	A party who is or was an executive director, corporate officer, or other staff member or employee (referred to collectively below as "business executive") in the Group <sup>1</sup>
<b>2)</b>	A party who holds the Group to be a major transaction partner, <sup>2</sup> or a business executive thereof
<b>3)</b>	A party who is a major transaction partner <sup>3</sup> of the Group, or a business executive thereof
<b>4)</b>	A consultant, certified public accountant or legal specialist who is receiving large amounts of money or other assets, <sup>4</sup> excluding director compensation, from the Group (in the event that the party receiving said assets is an organization such as a corporation or association, persons who belong to the organization in question)
<b>5)</b>	A person who belongs to an auditing firm that conducts legal audits of the Group
<b>6)</b>	A person who receives donations or grants <sup>5</sup> that exceed a certain amount from the Group (in the event that the party receiving the donations or grants in question is an organization such as a corporation or association, a business executive in the organization in question)
<b>7)</b>	A business executive in a major financial institution <sup>6</sup> that is a lender of the Group, or in its parent company or subsidiary
<b>8)</b>	A major shareholder <sup>7</sup> of the Group, or in the event that said major shareholder is a corporation, a business executive at the corporation in question
<b>9)</b>	A person who has fallen under any of items 2) through 8) within the past three years
<b>10)</b>	Close relations, etc., <sup>8</sup> of persons falling under items 1) through 9) above (limited to parties in an important position <sup>9</sup> )
<b>11)</b>	Persons who have been determined by the Company to have independence in light of their character, acumen or other attributes may become independent officers of the Company, even if they fall under 1) through 10) above, if the reasons for which are explained and disclosed at the time of the person's election as outside director.

Notes:

1. "The Group" refers to the Company and its associated companies (subsidiaries and affiliated companies).
2. "Party who holds the Group to be a major transaction partner" refers to a transaction partner group (namely, direct transaction partners, their parent companies and subsidiaries, and corporate groups that consist of the subsidiaries of the parent companies in question) that provides products or services to the Group for which the average transaction amount for the past three fiscal years exceeds 2% of the annual consolidated net sales of the group in question.
3. "Major transaction partner of the Group" refers to a transaction partner group to which the Group provides products or services for which the average transaction value in the past three fiscal years exceeds 2% of the Group's annual consolidated net sales.
4. "Large amounts of money or other assets" refers to an amount of money or benefit from other assets that exceeds ¥10 million per annum in the past business year, excluding officer compensation.
5. "Donations or grants above a certain amount" refer to donations or grants that exceed ¥10 million per annum on average for the past three fiscal years, or 2% of the other party's gross income in the most recent fiscal year, whichever is greater.
6. "Major financial institution" refers to a financial institution from which the total amount borrowed at the end of the most recent fiscal year exceeds 2% of the Company's consolidated assets.
7. "Major shareholder" refers to a shareholder that holds 10% or more of voting rights (including both direct and indirect holdings).
8. "Parties in an important position" refers to directors (excluding outside directors), executive officers, corporate officers, or employees who are high-level executives of general manager level or above; certified public accountants in auditing firms or accounting firms; attorneys in legal firms; councilors, administration officers, auditor-secretaries or other administrators belonging to incorporated entities such as foundations, incorporated associations and educational corporations; and persons who could objectively and reasonably be judged to hold equivalent important positions.
9. "Close relation" refers to a spouse or relative within two degrees of kinship.

## ■ Reasons for Selection of Outside Directors and Audit & Supervisory Committee Members

Name	Audit & Supervisory Committee Member	Independent Officer	Supplementary Explanation	Reason for Election
Makoto Yasuda		Yes	Mr. Yasuda receives compensation as a member of the Company's Independent Committee for Takeover Defense, but the amount of that compensation is not more than ¥1 million. The Company therefore judges that he meets the independence criteria and has no conflict of interest with ordinary shareholders.	The Company judges that Mr. Yasuda remains qualified as a director because his high level of insight based on his proven track record as a global corporate manager over many years and his experience in corporate management as an outside officer contribute to further enhancement of the functions of the Company's Board of Directors.
Tsunekatsu Yonezawa	Yes	Yes	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 MISI Group accounted for less than 2% of the Sanwa Group's annual consolidated net sales in each of the past three fiscal years. Therefore, the Company judges that Mr. Yonezawa meets the independence criteria for the Company's outside directors and has no conflict of interest with ordinary shareholders.	Mr. Yonezawa has been involved in corporate management for many years as a company manager, and has global experience and a high level of insight on management and economics. On that basis, the Company believes he can provide appropriate guidance from an independent standpoint regarding the Company's management in general, and judges that he is qualified as an outside director serving as an Audit & Supervisory Committee member.
Akira Gokita	Yes	Yes	The Company had a legal consultation agreement with Mr. Gokita until December 2015, but currently has terminated the contract. At the time of the agreement, the monthly amount of the legal fees paid to Mr. Gokita was ¥100,000 (there was no payment for compensation outside of the consultation agreement), which was less than 2% of the total net sales of Gokita Miura Law Office in each of the past three fiscal years. Therefore, the Company judges that Mr. Gokita meets the independence criteria for the Company's outside directors and has no conflict of interest with ordinary shareholders.	Mr. Gokita has an extensive background as a prosecutor and attorney. The Company elected him as an outside director serving as an Audit & Supervisory Committee member to reflect his wealth of experience and high level of insight as a legal professional.

## Compensation of Directors

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

Compensation of directors (excluding directors serving as Audit & Supervisory Committee members) is determined by resolution of the Board of Directors, and compensation of directors serving as Audit & Supervisory Committee members is determined by consultation among the directors serving as Audit & Supervisory Committee members.

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

#### Basic Policy on Compensation

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.

#### Content of Directors and Audit & Supervisory Committee Members Compensation

- Compensation of Directors (excluding directors serving as Audit & Supervisory Committee members)
  - Consists of base compensation, performance-linked

compensation and stock options. However, outside directors receive only base compensation. The aggregate amount of base compensation and performance-linked compensation is kept within the maximum aggregate compensation set by the General Meeting of Shareholders, and the aggregate number of stock options is kept within the maximum aggregate number of stock options set by the General Meeting of Shareholders.

- Compensation of Directors Serving as Audit & Supervisory Committee Members

Consists of base compensation only. The total amount of base compensation is kept within the maximum amount set by the General Meeting of Shareholders.

- Base Compensation

The level of base compensation is set taking into account levels at other companies according to a survey by an outside organization. Compensation of individual directors who are not Audit & Supervisory Committee members is determined by the Board of Directors, taking consolidated results and the director's duties into account. Compensation of individual directors serving as Audit & Supervisory Committee members is decided by consultation among the directors serving as Audit & Supervisory Committee members.

- Performance-Linked Compensation

The aggregate amount of performance-linked compensation is set according to the Company's consolidated business results, and compensation for individual directors (excluding directors serving as Audit &

Supervisory Committee members) is decided by the Board of Directors, taking into account the director's position and the performance of the director's division.

#### ● Stock Options

Stock options are provided to further raise the incentive of directors (excluding directors serving as Audit & Supervisory Committee members) 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) is decided by the Board of Directors, taking the director's duties into consideration.

### ■ Compensation of Directors and Audit & Supervisory Board Members (Fiscal 2015)

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 outside directors)	583	361	171	50	8
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	40	40	—	—	3
Outside officers	46	46	—	—	4

Notes: 1. Aggregate compensation does not include compensation paid as employees to directors who double as employees.  
 2. The maximum aggregate compensation paid to directors is ¥630 million per year, as resolved at the 79th Ordinary General Meeting of Shareholders held on June 26, 2014.  
 3. Separate from the amount in note 2 above, the maximum limit of stock option compensation of directors (excluding outside directors) is ¥60 million per year, as resolved at the 73rd Ordinary General Meeting of Shareholders held on June 24, 2008.  
 4. The maximum aggregate compensation paid to Audit & Supervisory Board members is ¥108 million per year, as resolved at the 73rd Ordinary General Meeting of Shareholders held on June 24, 2008.  
 5. Stock options are limited to the amount of expenses recorded in each fiscal year for stock acquisition rights granted to directors as stock options.

### ■ Maximum Aggregate Compensation of Directors (Fiscal 2016)

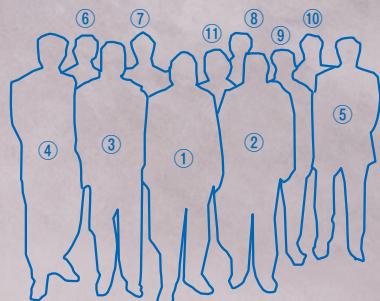
Classification	Maximum Aggregate Compensation (Millions of yen)	Total Compensation by Type (Millions of yen)			Maximum Number of Directors
		Base Compensation	Performance-Linked Compensation	Stock Options	
Directors (excluding directors serving as Audit & Supervisory Committee members)	740	400	280	60	12
Directors (Audit & Supervisory Committee members)	100	100	—	—	5

## Management Team (As of June 26, 2016)



### Directors

- |                       |                      |                      |
|-----------------------|----------------------|----------------------|
| ① Toshitaka Takayama  | ② Tamotsu Minamimoto | ③ Kazuhiko Kinoshita |
| ④ Yasushi Takayama    | ⑤ Hiroatsu Fujisawa  | ⑥ Wadami Tanimoto    |
| ⑦ Masahiro Fukuda     | ⑧ Makoto Yasuda      | ⑨ Teiko Zaima        |
| ⑩ Tsunekatsu Yonezawa | ⑪ Akira Gokita       |                      |



**① Representative Director,  
Chairman & CEO  
**Toshitaka Takayama****

Aug. 1963 Joined the Company  
 Apr. 1972 Director  
 Apr. 1974 Managing Director  
 Apr. 1980 Director, Executive Vice-President  
 May 1981 Representative Director, President  
 Aug. 1985 Representative Director and President of Showa Front Sales Co., Ltd. (now Showa Front Co., Ltd.)  
 Jun. 2000 Executive Officer, President  
 Oct. 2007 Representative Director, Chairman of the Board, Sanwa Shutter Corporation (present post)  
 Jul. 2009 Representative Director, President, Sanwa Shutter Corporation  
 Apr. 2012 CEO (present post) and COO  
 Jun. 2012 Representative Director, Chairman & CEO (present post)

**② Representative Director,  
President & COO  
**Tamotsu Minamimoto****

Aug. 1997 Joined the Company  
 Jun. 2000 Senior Executive Officer  
 Apr. 2004 General Manager of President's Office  
 Jun. 2004 Director  
 Apr. 2006 Senior Corporate Officer  
 Oct. 2007 Senior Managing Executive Officer  
 Apr. 2010 Executive Officer, Vice President  
 Apr. 2012 Deputy President  
 Jun. 2012 Representative Director (present post)  
 Jun. 2014 Representative Director, President (present post)  
 COO (present post)

**③ Director  
Executive Vice-President  
Domestic Business Unit  
**Kazuhiko Kinoshita****

Sep. 1972 Joined the Company  
 Apr. 2003 Executive Officer  
 Apr. 2006 President and Representative Director of Sanwa Tajima Corporation  
 Oct. 2007 Senior Executive Officer  
 Apr. 2010 Representative Director, President, Sanwa Shutter Corporation  
 Apr. 2014 Executive Vice-President (present post)  
 Responsible for Domestic Business Unit (present post)  
 Executive Vice-Chairman, Sanwa Shutter Corporation  
 Jun. 2014 Director (present post)  
 Apr. 2016 Representative Director, Vice Chairman, Sanwa Shutter Corporation (present post)

**④ Director  
Executive Vice-President  
Deputy President  
Corporate Planning Unit  
**Yasushi Takayama****

Oct. 2006 Joined the Company  
 Apr. 2011 Senior Executive Officer  
 Apr. 2012 Senior Managing Executive Officer  
 Responsible for Corporate Planning Unit (present post)  
 Jun. 2012 Director (present post)  
 Apr. 2016 Executive Vice-President (present post)  
 Deputy President (present post)

**⑤ Director  
Senior Executive Officer  
Europe and Americas Business Unit  
**Hiroatsu Fujisawa****

Nov. 2012 Joined the Company  
 Apr. 2013 Senior Executive Officer (present post)  
 Responsible for Strategic Re-Engineering Unit  
 Jun. 2014 Director (present post)  
 Apr. 2015 Responsible for Europe Business Unit  
 Apr. 2016 Responsible for Europe and Americas Business Unit (present post)

**⑥ Director  
Senior Executive Officer  
Global Strategy Unit  
**Wadami Tanimoto****

Dec. 2001 Joined the Company  
 Apr. 2004 Executive Officer  
 Oct. 2005 Responsible for Overhead Door Corporation  
 Apr. 2006 Senior Executive Officer  
 Jun. 2006 Director (present post)  
 Apr. 2011 Responsible for Overseas Business Unit  
 Apr. 2012 Senior Managing Executive Officer  
 Apr. 2014 Responsible for Europe Business Unit  
 Apr. 2015 Responsible for Strategic Re-Engineering Unit  
 Apr. 2016 Senior Executive Officer (present post)  
 Responsible for Global Strategy Unit (present post)

**⑦ Director  
Senior Executive Officer  
Subleader of Corporate Planning Unit  
General Manager of CSR Promotion Dept.  
**Masahiro Fukuda****

Sep. 2005 Joined the Company  
 Oct. 2007 Executive Officer  
 Apr. 2008 Senior Executive Officer (present post)  
 Apr. 2011 Responsible for Americas Business  
 Apr. 2012 Assistant Director of Overseas Business  
 Jun. 2012 Director (present post)  
 Apr. 2014 Responsible for Americas Business Unit  
 Apr. 2016 Subleader of Corporate Planning Unit (present post)  
 (concurrent) General Manager of CSR Promotion Dept. (present post)

**⑧ Outside Director  
**Makoto Yasuda****

Jun. 2006 Director, Yamatake Corporation (now Azbil Corporation)  
 Jun. 2007 Director, Kanematsu Textile Corporation  
 Sep. 2008 President, Yasuda Makoto & Co., Ltd. (present post)  
 Jun. 2014 Outside Director of the Company (present post)  
 Jun. 2015 Outside Audit and Supervisory Board Member of Secom Co., Ltd. (present post)

**⑨ Director  
Audit & Supervisory Committee Member  
**Teiko Zaima****

Mar. 1975 Joined the Company  
 Apr. 2004 General Manager of Accounting Division  
 Oct. 2007 General Manager of Accounting Division of Sanwa Shutter Corporation  
 Apr. 2010 Executive Officer, Sanwa Shutter Corporation  
 Apr. 2012 Senior Executive Officer, Sanwa Shutter Corporation  
 Apr. 2015 Standing Advisor  
 Jun. 2015 Audit & Supervisory Board Member  
 Jun. 2016 Director, Audit & Supervisory Committee Member (present post)

**⑩ Outside Director  
Audit & Supervisory Committee Member  
**Tsunekatsu Yonezawa****

Oct. 2001 Member of the Board, Marubeni-Itochu Steel Inc.  
 Apr. 2004 Executive Vice President, Member of the Board of Marubeni-Itochu Steel Inc.  
 Apr. 2005 President and CEO, Member of the Board of Marubeni-Itochu Steel Inc.  
 Apr. 2009 Chairman, Member of the Board of Marubeni-Itochu Steel Inc.  
 Apr. 2012 Advisory Board Member of Marubeni-Itochu Steel Inc.  
 Apr. 2013 Director (Assistant to President) of ITOCHU Corporation  
 Jun. 2015 Outside Audit & Supervisory Board Member  
 Jun. 2016 Outside Director, Audit & Supervisory Committee Member (present post)

**⑪ Outside Director  
Audit & Supervisory Committee Member  
**Akira Gokita****

Apr. 1978 Tokyo District Public Prosecutors Office (Criminal Division/Trial Unit)  
 Mar. 1979 Mito District Public Prosecutors Office  
 Mar. 1982 Tokyo District Public Prosecutors Office (Criminal Division/Special Investigations Unit)  
 Mar. 1985 Osaka District Public Prosecutors Office (Special Investigations Unit)  
 Mar. 1987 Tokyo District Public Prosecutors Office (Special Investigations Unit)  
 Mar. 1988 Retired from position as public prosecutor  
 Apr. 1988 Registered as an attorney  
 May 1994 Representative of Gokita Miura Law Office (present post)  
 Jun. 2010 Outside director of Ichiyoshi Securities Co., Ltd. (present post)  
 Jun. 2016 Outside Director, Audit & Supervisory Committee Member of the Company (present post)

# Management's Discussion and Analysis

## Results

The Japanese economy recovered moderately during fiscal 2015, the year ended March 31, 2016. Concerns including slower economies in emerging countries and stock price movements notwithstanding, corporate earnings continued to improve and housing starts and capital investment increased year on year. Overseas, during calendar 2015 the U.S. economy faltered at the beginning of the year due to factors including bad weather but went on to expand moderately as consumer spending remained firm because employment and income improved and housing investment increased year on year. In Europe, employment bottomed and consumer spending improved. Housing investment varied greatly from country to country but showed signs of recovery. At the same time, capital investment was sluggish because of the uncertain outlook for exports. In this environment, the Sanwa Group completed the third year of the First Three-Year Plan in its long-term management vision, Sanwa Global Vision 2020. In Japan, we continued to concentrate on building the foundation for growth. The Group made a strong push to expand orders, established and expanded product diversification through collaboration among Group companies, and worked to increase profitability to reinforce the foundation for growth. In the U.S., we expanded market share and improved quality by strengthening core businesses including doors and adding new products to our lineup. In Europe, we strengthened our operating foundation in ways such as concentrating on raising productivity and generating synergies with Alpha Deuren International B.V., which we acquired in the previous fiscal year.

As a result, we achieved new highs for consolidated sales and earnings for the second consecutive fiscal year. Net sales increased 7.8% compared with the previous fiscal year to ¥365,615 million. Operating income increased 2.0% to ¥26,870 million, and net income attributable to owners of the parent company increased 13.8% to ¥14,627 million.

## Results by Segment

The figures for segment sales and segment income are after elimination of inter-segment transactions.

### Japan

Core shutter sales were strong and sales of our diversified lineup of partition, entrance and exterior products increased substantially. As a result, segment sales increased 6.3% compared with the previous fiscal year to ¥202,192 million. Segment income increased 5.9% to ¥22,692 million despite increased expenses, personnel expenses and other outlays associated with business expansion.

### North America

Shipments did not increase in the door business because a key factory experienced production problems during peak demand periods and the Canadian economy weakened. Sales in the truck and trailer door business decreased substantially absent the nonrecurring spike

in demand in the previous fiscal year. However, sales increased in the automatic door business. Segment sales decreased 1.7% compared with the previous fiscal year on a local currency basis, but increased 11.7% to ¥110,035 million on a yen basis due to the impact of foreign exchange. Segment income increased just 0.3% to ¥5,804 million despite our focus on reducing costs because lower sales volume and production problems in the door business caused costs to increase and the Canadian dollar weakened.

### Europe

Existing businesses contracted because of weakness in the non-residential market. However, segment sales increased 12.0% on a local currency basis compared with the previous fiscal year and 6.7% on a yen basis to ¥53,281 million because of the contribution of the results of Alpha Deuren International B.V., which we acquired in the previous fiscal year, and higher sales due to the recovery of the garage door market during the fiscal year. Segment income increased 11.2% to ¥1,570 million because of higher sales and our focus on reducing fixed costs.

## Analysis of Financial Position

Total assets as of March 31, 2016 decreased ¥13,058 million from a year earlier to ¥310,269 million, largely because cash and cash equivalents decreased. Total liabilities decreased ¥16,645 million from a year earlier to ¥179,934 million due mainly to repayments of bonds. Net assets increased ¥3,587 million from a year earlier to ¥130,335 million primarily because an increase in retained earnings. As a result, the shareholders' equity ratio increased 2.6 percentage points from a year earlier to 41.7 percent.

## Cash Flows

Cash and cash equivalents ("cash") as of March 31, 2016 totaled ¥41,516 million, a decrease of ¥17,089 million from the end of the previous fiscal year. Cash flows by category for the fiscal year ended March 31, 2016 are summarized below.

### Cash Flows from Operating Activities

Net cash provided by operating activities was ¥24,378 million, compared with ¥22,304 million in the previous fiscal year, largely due to an increase in net income before income taxes and non-controlling interests.

### Cash Flows from Investing Activities

Net cash used in investing activities was ¥15,641 million, compared with ¥27,080 million in the previous fiscal year. The main factors in this change were payments for purchase of tangible assets and payments for purchase of investments in securities.

### Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥25,702 million, compared with net cash flow provided by financing activities of ¥10,625 million in the previous fiscal year, mainly due to repayments of long-term loans and bonds.

## Research and Development

In research and development activities in the fiscal year ended March 31, 2016, the Sanwa Group developed new products and improved existing products with a focus on optimizing product lineups and platforms for markets by application; integrating products, materials and components; and enhancing product quality, safety and workability and reducing costs. Research and development expenditures totaled ¥3,868 million. Research and development activities by segment are as follows.

### Japan

In Japan, the Sanwa Group focused on developing shutter and door products. In shutter products, we standardized heavy-duty shutters around the heavy-duty shutter weldless construction method to reduce labor used in construction and to address the renovation market. We set the specifications for the Mac Space stainless steel fireproof and flameproof shutter interlocking shutter for use in Sendai Station buildings, and will establish standardized specifications for this stainless steel shutter. In residential MadoMore, we developed the HEMS specifications for the Window More series that enable linkage with the SMARTHEMS® sold by Panasonic Corporation. We also enabled electric window shutters to be opened or closed remotely, either individually or all together, using the dedicated SMARTHEMS® monitor, smartphone or tablet. For the blind-type MadoMore Blind, we were first in the industry to create a package of specifications for blind angle adjustment using HEMS that enables six levels of ventilation and natural lighting control.

In the condominium market, we added the original Sanwa Akimas System specification to the main condominium door hands-free system. We also developed a single-key product for installation with the Akimas System to enable the Akimas Key ID key to lock or unlock doors, and open automatic doors to common areas and mail boxes from within pocket or purse.

In environment-related products, for Water Guard S-Tight Door we added a recessed window for external viewing and created an additional specification that enables the selection of an electronic key option as a security measure. As we did for Waterproof Shutter and W Tight Door, we had the Central Testing Laboratory of the Japan Testing Center for Construction Materials examine this product to acquire technical evaluation certification of this product's characteristics including its ability to prevent flooding and its structural safety, use safety, simplicity, durability, and environmental impact.

Research and development expenditures in this segment were ¥1,578 million.

### North America

We concentrate primarily on the development of residential and commercial door openers. In commercial door openers, we developed a sheet shutter with specifications for high-speed operation, high frequency and high wind resistance. We also developed a door opener equipped with an automatic fire-related sensing

system, and a swing door used mainly for airport security. In truck and trailer doors, we were first in the world to develop a unitized insulation door for trucks and trailers.

Research and development expenditures in this segment were ¥1,766 million.

### Europe

We mainly develop products that satisfy the NE16034 standard to address the integration of European construction material product standards. In addition, we developed a new garage door opener model with an innovative design that features an LED light in its modernistic low-profile panel.

Research and development expenditures in this segment were ¥523 million.

### Capital Expenditures

The Sanwa Group prioritizes product fields that have good long-term growth potential, and also invests to reduce labor, improve efficiency and enhance product reliability. Total capital expenditures (including intangible assets) in fiscal 2015 were ¥8,127 million. By segment, capital expenditures were ¥3,337 million in Japan, ¥3,052 million in North America, ¥1,736 million in Europe and adjustment costs of ¥2 million. Major investments in each region were renewal of equipment at factories, purchase of production facilities, molds and other equipment, and investment in information technology. There were no significant disposals or sales of facilities.

### Shareholder Returns

The Sanwa Group's policy is to maintain a stable payout ratio and distribute profits in proportion to consolidated results while continuing our efforts to improve our corporate fundamentals, strengthen our management infrastructure, and implement management policies designed to increase corporate value. Specifically, we distribute dividends with a target dividend payout ratio of 35% of net income attributable to owners of the parent. As a basic policy, the Sanwa Group distributes interim and a year-end dividends. The Board of Directors determines the interim dividend and the Board of Directors and the General Meeting of Shareholders determine the year-end dividend.

The 81st General Meeting of Shareholders held on June 28, 2016 resolved to revise the Company's Articles of Incorporation to authorize the Board of Directors to determine the particulars contained in the items of Article 459, Paragraph 1 of the Companies Act, including distribution of retained earnings, except as otherwise stipulated by laws or ordinances. The year-end dividend for fiscal 2015 totaled ¥13.00 per share, which consisted of a regular dividend of ¥10.00 per share and a dividend of ¥3.00 per share to commemorate the Group's 60th anniversary. Dividends per share for fiscal 2015 totaled ¥23 yen.

The Group will use internal reserves for purposes including M&A and other strategic investments, capital investments, and reduction of interest-bearing debt.

## Consolidated Financial Statements

### Consolidated Balance Sheets

Sanwa Holdings Corporation and Subsidiaries  
As of March 31, 2016 and 2015

	Millions of yen	Thousands of U.S. dollars (Note 1)	
	2016	2015	2016
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents (Note 10)	¥ 41,516	¥ 58,605	\$ 370,679
Short-term investments (Note 3, 10)	7,791	5,706	69,563
Notes and accounts receivable, trade (Note 10)	77,366	75,547	690,768
Electronically recorded monetary claims (Note 10)	4,391	2,840	39,205
Inventories (Note 4)	48,331	46,971	431,527
Deferred income taxes (Note 14)	3,763	3,918	33,598
Other current assets	6,670	5,906	59,554
Allowance for doubtful accounts	(1,253)	(1,535)	(11,188)
Total current assets	188,575	197,958	1,683,706
<b>Property, plant and equipment:</b>			
Land	18,121	19,949	161,795
Buildings and structures	49,677	48,618	443,545
Machinery and equipment	72,415	71,196	646,562
Construction in progress	1,740	1,964	15,536
	141,953	141,727	1,267,438
Less accumulated depreciation	(87,900)	(86,187)	(784,821)
Total property, plant and equipment	54,053	55,540	482,616
<b>Intangible assets:</b>			
Goodwill	8,754	11,469	78,161
Other intangible assets (Note 5)	17,466	18,980	155,946
Total intangible assets	26,220	30,449	234,107
<b>Investments and other assets:</b>			
Investments in non-consolidated subsidiaries and affiliates (Note 3, 10)	10,270	11,963	91,696
Investments in securities (Note 3, 10)	21,315	17,146	190,313
Net defined benefit asset (Note 7)	4,659	5,148	41,598
Deferred income taxes (Note 14)	2,218	2,521	19,804
Other assets	3,324	3,336	29,678
Allowance for doubtful accounts	(365)	(734)	(3,259)
Total investments and other assets	41,421	39,380	369,830
<b>Total assets</b>	<b>¥310,269</b>	<b>¥323,327</b>	<b>\$2,770,259</b>

The accompanying notes are an integral part of these statements.

	Millions of yen	Thousands of U.S. dollars (Note 1)	
	2016	2015	2016
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities:</b>			
Short-term debt (Note 6, 10)	¥ 16,348	¥ 32,698	\$ 145,964
Notes and accounts payable, trade (Note 10)	46,075	44,538	411,384
Accrued income taxes	5,352	5,272	47,786
Accrued expenses	18,426	20,306	164,518
Deferred income taxes (Note 14)	3	4	27
Other current liabilities	18,843	17,058	168,241
Total current liabilities	105,047	119,876	937,920
<b>Long-term liabilities:</b>			
Long-term debt (Note 6, 10)	54,450	55,785	486,161
Net defined benefit liability (Note 7)	13,416	14,435	119,786
Deferred income taxes (Note 14)	4,815	4,218	42,991
Other long-term liabilities	2,206	2,265	19,696
Total long-term liabilities	74,887	76,703	668,634
Total liabilities	179,934	196,579	1,606,554
<b>Contingent liabilities (Note 8)</b>			
<b>NET ASSETS</b>			
<b>Shareholders' equity (Note 12)</b>			
Common stock:			
Authorized —550,000,000 shares in 2016 and 2015			
Issued —239,000,000 shares in 2016 and 243,920,497 shares in 2015	38,413	38,413	342,973
Capital surplus	39,902	39,902	356,267
Retained earnings	47,028	40,618	419,894
Treasury stock, at cost (10,247,951 shares in 2016 and 10,248,566 shares in 2015)	(7,865)	(6,641)	(70,223)
Total shareholders' equity	117,478	112,292	1,048,911
<b>Accumulated other comprehensive income</b>			
Net unrealized holding gains on securities	1,231	1,315	10,991
Foreign currency translation adjustments	13,650	16,044	121,875
Remeasurements of defined benefit plans	(2,968)	(3,119)	(26,500)
Total accumulated other comprehensive income	11,913	14,240	106,366
Stock acquisition rights	266	216	2,375
Non-controlling interests	678	—	6,053
Total net assets	130,335	126,748	1,163,705
<b>Total liabilities and net assets</b>	<b>¥310,269</b>	<b>¥323,327</b>	<b>\$2,770,259</b>

## Consolidated Statements of Operations

Sanwa Holdings Corporation and Subsidiaries  
For the years ended March 31, 2016 and 2015

	Millions of yen	Thousands of U.S. dollars (Note 1)	
	2016	2015	2016
<b>Net sales</b>	<b>¥365,615</b>	¥339,045	<b>\$3,264,420</b>
<b>Cost of sales (Note 13)</b>	<b>260,078</b>	242,273	<b>2,322,125</b>
Gross profit	105,537	96,772	942,295
<b>Selling, general and administrative expenses (Note 12)</b>	<b>78,667</b>	70,438	<b>702,384</b>
Operating income	26,870	26,334	239,911
<b>Other income (expenses):</b>			
Interest and dividend income	487	707	4,348
Interest expenses	(719)	(808)	(6,420)
Equity in earnings of non-consolidated subsidiaries and affiliates	(176)	(220)	(1,571)
Other, net (Note 15)	(2,722)	(3,834)	(24,304)
	(3,130)	(4,155)	(27,947)
Net income before income taxes and non-controlling interests	23,740	22,179	211,964
<b>Income taxes (Note 14):</b>			
Current	7,893	8,612	70,473
Deferred	1,160	710	10,357
	9,053	9,322	80,830
Net income	14,687	12,857	131,134
Net income attributable to non-controlling interests	60	—	536
Net income attributable to owners of the parent company	¥ 14,627	¥ 12,857	\$ 130,598

	Yen	U.S. dollars (Note 1)	
	2016	2015	2016
<b>Per share:</b>			
Net income — Basic	¥63.07	¥54.09	\$0.56
— Diluted	62.88	53.94	0.56
Cash dividends	23.00	16.00	0.21

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, 2016 and 2015

	Millions of yen	Thousands of U.S. dollars (Note 1)	
	2016	2015	2016
<b>Net income</b>	<b>¥14,687</b>	¥12,857	<b>\$131,134</b>
<b>Other comprehensive income (Note 16)</b>			
Net unrealized holding gains on securities	(84)	768	(750)
Foreign currency translation adjustments	(2,301)	6,513	(20,545)
Remeasurements of defined benefit plans	151	(947)	1,348
Share of other comprehensive income of non-consolidated subsidiaries and affiliates accounted for using the equity method	(93)	280	(830)
Total other comprehensive income	(2,327)	6,614	(20,777)
<b>Comprehensive income</b>	<b>¥12,360</b>	¥19,471	<b>\$110,357</b>
<b>Comprehensive income attributable to:</b>			
Owners of the parent company	¥12,300	¥19,471	\$109,821
Non-controlling interests	60	—	536

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, 2016 and 2015

	Millions of yen									
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gains on securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at March 31, 2014	¥38,413	¥39,902	¥37,708	¥(9,859)	¥ 545	¥ 9,252	¥(2,172)	¥167	¥ —	¥113,956
Cumulative effects of changes in accounting policies			1,637							1,637
Restated balance	38,413	39,902	39,345	(9,859)	545	9,252	(2,172)	167		115,593
Net changes during the year										
Cash dividends			(3,356)							(3,356)
Net income attributable to owners of the parent company			12,857							12,857
Purchase of treasury stock				(5,010)						(5,010)
Disposal of treasury stock	0		0							0
Retirement of treasury stock			(8,228)	8,228						—
Net changes during the year other than shareholders' equity					770	6,792	(947)	49	—	6,664
Total net changes during the year	—	0	1,273	3,218	770	6,792	(947)	49	—	11,155
Balance at March 31, 2015	¥38,413	¥39,902	¥40,618	¥(6,641)	¥1,315	¥16,044	¥(3,119)	¥216	¥ —	¥126,748
Cumulative effects of changes in accounting policies										
Restated balance	38,413	39,902	40,618	(6,641)	1,315	16,044	(3,119)	216	—	126,748
Net changes during the year										
Cash dividends			(4,440)							(4,440)
Net income attributable to shareholders of the parent company			14,627							14,627
Purchase of treasury stock				(5,001)						(5,001)
Disposal of treasury stock	0		0							0
Retirement of treasury stock	(0)	(3,777)	3,777							—
Net changes during the year other than shareholders' equity					(84)	(2,394)	151	50	678	(1,599)
Total net changes during the year	—	(0)	6,410	(1,224)	(84)	(2,394)	151	50	678	3,587
Balance at March 31, 2016	¥38,413	¥39,902	¥47,028	¥(7,865)	¥1,231	¥13,650	¥(2,968)	¥266	¥678	¥130,335

	Thousands of U.S. dollars (Note 1)									
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gains on securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at March 31, 2015	\$342,973	\$356,268	\$362,661	\$ (59,295)	\$11,741	\$143,250	\$(27,848)	\$1,929	\$ —	\$1,131,679
Cumulative effects of changes in accounting policies										
Restated balance	342,973	356,268	362,661	(59,295)	11,741	143,250	(27,848)	1,929		1,131,679
Net changes during the year										
Cash dividends			(39,643)							(39,643)
Net income attributable to owners of the parent company			130,598							130,598
Purchase of treasury stock				(44,652)						(44,652)
Disposal of treasury stock	0		1							1
Retirement of treasury stock		(1)	(33,722)	33,723						—
Net changes during the year other than shareholders' equity					(750)	(21,375)	1,348	446	6,053	(14,278)
Total net changes during the year	—	(1)	57,233	(10,928)	(750)	(21,375)	1,348	446	6,053	32,026
Balance at March 31, 2016	\$342,973	\$356,267	\$419,894	\$ (70,223)	\$10,991	\$121,875	\$(26,500)	\$2,375	\$6,053	\$1,163,705

## Consolidated Statements of Cash Flows

Sanwa Holdings Corporation and Subsidiaries  
For the years ended March 31, 2016 and 2015

	Millions of yen	Thousands of U.S. dollars (Note 1)	
	2016	2015	2016
<b>Cash flows from operating activities:</b>			
Net income before income taxes and non-controlling interests	¥ 23,740	¥ 22,179	\$ 211,964
Adjustments for:			
Depreciation and amortization	9,437	8,124	84,259
Impairment loss	1,880	2,993	16,786
Equity in earnings of non-consolidated subsidiaries and affiliates	176	220	1,571
Interest and dividend income	(487)	(707)	(4,348)
Interest expenses	719	808	6,420
Increase (decrease) in allowance for doubtful accounts	(589)	(601)	(5,259)
Increase (decrease) in allowance for bonuses	(786)	230	(7,018)
Decrease (increase) in net defined benefit liability and asset	83	(659)	741
Decrease (increase) in notes and accounts receivable	(3,821)	(2,454)	(34,116)
Decrease (increase) in inventories	(2,120)	(2,110)	(18,929)
Increase (decrease) in notes and accounts payable	1,651	(165)	14,741
Other, net	2,586	2,875	23,089
Subtotal	32,469	30,733	289,901
Interest and dividend income received	480	707	4,286
Interest expenses paid	(764)	(836)	(6,821)
Income taxes paid	(7,807)	(8,300)	(69,705)
Net cash provided by operating activities	24,378	22,304	217,661
<b>Cash flows from investing activities:</b>			
Payments for purchase of investments in securities	(16,331)	(11,950)	(145,813)
Proceeds from sales of investments in securities	8,366	5,315	74,696
Payments for purchase of tangible and intangible assets	(8,127)	(7,727)	(72,563)
Acquisition of investments in subsidiaries resulting in change in scope of consolidation	—	(13,334)	—
Payments for advances	(371)	(1,077)	(3,313)
Proceeds from collections of advances	910	2,000	8,125
Other,net	(88)	(307)	(786)
Net cash used in investing activities	(15,641)	(27,080)	(139,654)
<b>Cash flows from financing activities:</b>			
Decrease (Increase) in short-term loans, net	145	(1,826)	1,295
Proceeds from long-term loans	7,100	20,440	63,393
Repayments of long-term loans	(10,580)	(5,172)	(94,464)
Proceeds from issuance of bonds	1,500	20,550	13,393
Repayments of bonds	(14,400)	(15,000)	(128,571)
Purchase and disposal of treasury stock, net	(5,001)	(5,011)	(44,652)
Cash dividends paid	(4,440)	(3,356)	(39,643)
Cash dividends paid to non-controlling interests	(26)	—	(232)
Net cash provided by (used in) financing activities	(25,702)	10,625	(229,481)
Effect of exchange rate changes on cash and cash equivalents	(273)	449	(2,438)
Net increase (decrease) in cash and cash equivalents	(17,238)	6,298	(153,912)
Cash and cash equivalents at beginning of year	58,605	52,307	523,259
Changes in cash and cash equivalents by changing the scope of consolidation	149	—	1,330
Cash and cash equivalents at end of year	¥ 41,516	¥ 58,605	\$ 370,679

## Notes to the Consolidated Financial Statements

Sanwa Holdings Corporation and Subsidiaries  
For the years ended March 31, 2016 and 2015

### 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 Companies 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 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.

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, 2016, which was ¥112 to US\$1.00.

### 2. Summary of Significant Accounting Policies

#### (a) Scope of Consolidation

At March 31, 2016, the Company had 82 subsidiaries and 17 affiliates.

The consolidation for the fiscal year ended March 31, 2016 (FY2015) includes Sanwa Holdings Corporation and its 41 consolidated subsidiaries. Equity method accounting is applied to investments in 7 non-consolidated subsidiaries and 4 affiliates at March 31, 2016. In FY2015, Novoferm Alsal S.A. was included in the scope of consolidation from the scope of equity method accounting because its materiality has increased.

#### (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 year-end and revenue and expense accounts are translated into Japanese yen at average exchange rates during the year.

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

#### (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.

Securities held by the Group are all classified as other securities. 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 are 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 structures attached to the buildings) acquired subsequent to April 1, 1998. The foreign consolidated subsidiaries 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. However, the Group continues to apply the method for ordinary operating lease transactions to finance lease transactions contracted before March 31, 2008.

**(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 Expense and Software**

Research and development expenditure is 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 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 231,923 thousand and 237,693 thousand for the fiscal years ended March 31, 2016 and 2015, 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 and interest 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 asset or liability arising from derivative transactions is 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 and certain interest rate swap transactions 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. Under the special method, interest rate swap transactions are accounted for as if the interest rates under those transactions were originally applied to underlying borrowing.

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 and interest rate swap transactions which are accounted for under the above allocation method and special accounting method is omitted.

#### **(o) Reclassifications**

Certain reclassifications of the financial statements for the fiscal year ended March 31, 2015 have been made to conform to the presentation for the fiscal year ended March 31, 2016.

#### **(p) Changes in Accounting Policies**

(Application of Accounting Standard for Business Combinations, etc.)

Effective from the fiscal year ended March 31, 2016, the "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013; hereinafter referred to as "Business Combinations Accounting Standards"), the "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013; hereinafter referred to as "Consolidation Accounting Standard") and the "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013; hereinafter referred to as "Business Divestitures Accounting Standard") have been applied. Accordingly, the accounting method was changed to record the difference arising from changes in the equity in subsidiaries under ongoing control of the Company as capital surplus, and to record acquisition-related costs as expenses for the fiscal year in which they occur. In addition, with respect to any business combination entered into on or after the first day of the fiscal year ended March 31, 2016, the accounting method was changed to reflect adjustments to the allocation of acquisition cost under provisional accounting treatment on the consolidated financial statements of the fiscal year in which the relevant business combinations became effective. Furthermore, the presentation of net income was amended and the presentation of minority interests was altered to non-controlling interests. To reflect the changes in the presentation, certain reclassifications have been made to the consolidated financial statements with respect to the previous fiscal year.

The Company has applied the Business Combinations Accounting Standards in accordance with transitional accounting as provided in paragraph 58-2(4) of the Business Combinations Accounting Standards, paragraph 44-5(4) of the Consolidation Accounting Standard and paragraph 57-4(4) of the Business Divestitures Accounting Standard, prospectively from the beginning of the fiscal year ended March 31, 2016.

In the consolidated statement of cash flows for the fiscal year ended March 31, 2016, cash flows from purchase or sales of shares of subsidiaries that do not result in change in scope of consolidation are stated in the class of "cash flows from financing activities," and cash flows from expenses related to purchase of shares of subsidiaries resulting in change in scope of consolidation or expenses related to purchase or sales of shares of subsidiaries that do not result in change in scope of consolidation are stated in the class of "cash flows from operating activities."

The application of these accounting standards does not affect the consolidated financial statements and per share information for the fiscal year ended March 31, 2016.

#### **(q) Accounting Standards Issued but Not Yet Effective**

##### **Issues Implementation Guidance on Recoverability of Deferred Tax Assets**

"Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016)

### (1) Overview

Following basically the framework in the JICPA Auditing Committee Report No. 66 "Audit Treatment regarding the Judgment of Recoverability of Deferred Tax Assets," which prescribes estimation of deferred tax assets according to the classification of the entity by one of five types, the following treatments are under review:

- (i) Treatment for an entity that does not meet any of the criteria in types 1 to 5;
- (ii) Criteria for types 2 and 3;
- (iii) Treatment for deductible temporary differences which an entity classified as type 2 is unable to schedule;
- (iv) Treatment for the period which an entity classified as type 3 is able to reasonably estimate with respect to future taxable income before consideration of taxable or deductible temporary differences; and
- (v) Treatment when an entity classified as type 4 also meets the criteria for types 2 or 3.

### (2) Scheduled date of adoption

The Company plans to adopt the guidance from the beginning of the fiscal year ending March 31, 2017.

### (3) Impact of application of the accounting standards, etc.

The impact of the application of the guidance is under assessment at the time of the preparation of the consolidated financial statements.

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

At March 31, 2016 and 2015, investments in non-consolidated subsidiaries and affiliates were as follows:

	Millions of yen			
	2016			
	Other securities			
	Cost	Gross unrealized gains	Gross unrealized losses	Book value (Estimated fair value)
Market value available				
Equity securities	¥ 8,726	¥2,421	¥(651)	¥ 10,496
Bonds and debentures	17,906	73	(6)	17,973
Other	15,825	18	(56)	15,787
	¥ 42,457	¥2,512	¥(713)	¥ 44,256
Market value not available	(15,150)	—	—	(15,150)
Total	¥ 27,307	¥2,512	¥(713)	¥ 29,106

	Millions of yen			
	2015			
	Other securities			
	Cost	Gross unrealized gains	Gross unrealized losses	Book value (Estimated fair value)
Market value available				
Equity securities	¥ 8,501	¥2,230	¥(141)	¥ 10,590
Bonds and debentures	10,244	0	(53)	10,191
Other	22,089	35	(100)	22,024
	¥ 40,834	¥2,265	¥(294)	¥ 42,805
Market value not available	(19,953)	—	—	(19,953)
Total	¥ 20,881	¥2,265	¥(294)	¥ 22,852

	Thousands of U.S. dollars			
	2016			
	Other securities			
	Cost	Gross unrealized gains	Gross unrealized losses	Book value (Estimated fair value)
Market value available				
Equity securities	\$ 77,911	\$21,616	\$(5,813)	\$ 93,714
Bonds and debentures	159,875	652	(54)	160,473
Other	141,295	161	(500)	140,956
	\$ 379,081	\$22,429	\$(6,367)	\$ 395,143
Market value not available	(135,267)	—	—	(135,267)
Total	\$ 243,814	\$22,429	\$(6,367)	\$ 259,876

At March 31, 2016 and 2015, investments in non-consolidated subsidiaries and affiliates were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Equity securities	¥ 9,438	¥10,343	\$84,268
Advances	832	1,620	7,428
	¥10,270	¥11,963	\$91,696

## 4. Inventories

Inventories at March 31, 2016 and 2015 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Finished goods	¥ 9,832	¥10,000	\$ 87,786
Work in process	19,697	19,084	175,866
Raw materials and supplies	18,802	17,887	167,875
	¥48,331	¥46,971	\$431,527

## 5. Other Intangible Assets

Other intangible assets at March 31, 2016 and 2015 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Trademark	¥ 5,384	¥ 5,522	\$ 48,071
Software	7,757	7,003	69,259
Other	4,325	6,455	38,616
	¥17,466	¥18,980	\$155,946

## 6. Short-term Debt and Long-term Debt

Short-term debt and long-term debt at March 31, 2016 and 2015 consisted of the following:

	2016 Millions of yen	2015 Millions of yen	Thousands of U.S. dollars 2016
Short-term loans (unsecured)	¥ 7,668	¥ 7,718	\$ 68,464
Current portion of long-term debt	6,680	10,580	59,643
1.04% unsecured bonds, due 2015	—	2,000	—
1.16% unsecured bonds, due 2016	—	2,400	—
0.89% unsecured bonds, due 2016	—	10,000	—
1.00% unsecured bonds, due 2017	2,000	—	17,857
Short-term debt	¥16,348	¥ 32,698	\$145,964
1.00% unsecured bonds, due 2017	—	2,000	—
0.73% unsecured bonds, due 2018	3,000	3,000	26,786
0.494% unsecured bonds, due 2022	20,000	20,000	178,571
0.100% unsecured bonds, due 2019	550	550	4,911
0.100% unsecured bonds, due 2019	1,500	—	13,393
Loans from banks and other financial institutions unsecured maturing 2016 - 2021 with interest average rate from 0.18% to 4.50%.	36,080	40,815	322,143
Long-term debt	¥61,130	¥ 66,365	\$545,804
Less, current portion	(6,680)	(10,580)	(59,643)
Long-term debt	¥54,450	¥ 55,785	\$486,161

Aggregate annual maturities of long-term loans at March 31, 2016 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2018	¥12,080	\$107,857
2019	10,230	91,339
2020 and thereafter	7,090	63,304
	¥29,400	\$262,500

## 7. 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 (all are funded) 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, 2016 and 2015 was as follows:

## 1. Defined Benefit Pension Plan

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

	Millions of yen	Thousands of U.S. dollars	
	2016	2015	2016
Beginning balance of retirement benefit obligations	¥45,062	¥42,277	\$402,339
Cumulative effects of changes in accounting policies	—	(2,545)	—
Restated balance	45,062	39,732	402,339
Service cost	1,547	1,468	13,813
Interest cost	701	757	6,259
Actual differences arising during the year	(40)	3,886	(357)
Retirement benefits paid	(2,398)	(2,289)	(21,411)
Other	(567)	1,508	(5,063)
Ending balance of retirement benefit obligations	¥44,305	¥45,062	\$395,580

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

	Millions of yen	Thousands of U.S. dollars	
	2016	2015	2016
Beginning balance of plan assets	¥36,069	¥31,598	\$322,045
Expected return on plan assets	1,253	1,097	11,188
Actual differences arising during the year	(1,368)	1,783	(12,214)
Contribution made by the Company and consolidated subsidiaries	1,672	2,153	14,929
Retirement benefits paid	(1,707)	(1,756)	(15,241)
Other	(103)	1,194	(920)
Ending balance of plan assets	¥35,816	¥36,069	\$319,787

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

	Millions of yen	Thousands of U.S. dollars	
	2016	2015	2016
Beginning net defined benefit liability	¥295	¥298	\$2,634
Retirement benefits expense	49	58	438
Retirement benefits paid	(25)	(13)	(223)
Contribution to plan	(50)	(49)	(446)
Ending net defined benefit liability	¥269	¥294	\$2,403

(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	
	2016	2015	2016
Funded retirement benefit obligations	¥ 38,923	¥ 39,770	\$ 347,527
Plan assets	(36,273)	(36,472)	(323,866)
	2,650	3,298	23,661
Unfunded retirement benefit obligations	6,107	5,989	54,527
Net amount of liability and asset on consolidated balance sheets	8,757	9,287	78,188
Net defined benefit liability	13,416	14,435	119,786
Net defined benefit asset	(4,659)	(5,148)	(41,598)
Net amount of liability and asset on consolidated balance sheets	¥ 8,757	¥ 9,287	\$ 78,188

(5) Retirement Benefit Expenses

	Millions of yen	Thousands of U.S. dollars	
	<b>2016</b>	<b>2015</b>	<b>2016</b>
Service cost	¥ 1,547	¥ 1,468	\$ 13,813
Interest cost	701	757	6,259
Expected return on plan assets	(1,253)	(1,097)	(11,188)
Amortization of actuarial differences	1,482	823	13,232
Retirement benefit expenses using the simplified method	49	59	438
Retirement benefit expenses for defined benefit pension plans	¥ 2,526	¥ 2,010	\$ 22,554

(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	
	<b>2016</b>	<b>2015</b>	<b>2016</b>
Actuarial differences	¥282	¥(1,431)	\$2,518
Total	¥282	¥(1,431)	\$2,518

(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	
	<b>2016</b>	<b>2015</b>	<b>2016</b>
Unrecognized actuarial differences	¥(4,540)	¥(4,823)	\$(40,536)
Total	¥(4,540)	¥(4,823)	\$(40,536)

(8) Plan Assets

a. Breakdown of pension assets

	<b>2016</b>	<b>2015</b>
Bonds	48%	27%
Stocks	30%	40%
Cash and deposits	0%	0%
General life insurance accounts	16%	16%
Other	6%	17%
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

	<b>2016</b>	<b>2015</b>
Discount rate	(0.1)%–4.5%	0.3%–4.0%
Expected rate of return on plan assets	2.0%–8.0%	2.0%–8.0%
Expected rate of increase in compensation level	2.0%–6.1%	2.0%–6.1%

## 2. Defined Contribution Pension Plans

Contributions to defined contribution pension plan

	Millions of yen	Thousands of U.S. dollars	
	<b>2016</b>	<b>2015</b>	<b>2016</b>
Contributions to defined contribution pension plan	¥928	¥1,000	\$8,286

## 8. Contingent Liabilities

Contingent liabilities at March 31, 2016 and 2015, were as follows:

	Millions of yen	Thousands of U.S. dollars	
	<b>2016</b>	<b>2015</b>	<b>2016</b>
As a guarantor of indebtedness of:			
Affiliates	¥765	¥910	\$6,830

## 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, 2016 and 2015, 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:

	Machinery and Equipment		
	Millions of yen	Thousands of U.S. dollars	
	<b>2016</b>	<b>2015</b>	<b>2016</b>
Acquisition costs	—	¥186	—
Accumulated depreciation	—	184	—
Net book value	—	¥ 2	—

The Group leases certain machinery and equipment. Total lease payments under these leases were ¥2 million (\$18 thousand) and ¥20 million for the fiscal years ended March 31, 2016 and 2015, respectively.

Obligations under non-cancelable operating leases as of March 31, 2016 and 2015 were as follows:

	Millions of yen	Thousands of U.S. dollars	
	<b>2016</b>	<b>2015</b>	<b>2016</b>
Due within one year	¥1,849	¥1,692	\$16,509
Due after one year	5,057	5,861	45,152
	¥6,906	¥7,553	\$61,661

## 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 bonds issuance.

The Group manages temporary fund surpluses through financial assets that have high levels of safety. The Group reduces the 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 undertakes interest rate swap transactions as a hedging instrument for certain long-term debt to reduce such risk and fix interest expense for debt bearing interest at variable rates.

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

(2) Types of financial instruments and related risk

Trade receivables - notes receivables and accounts receivables - 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.

Forward exchange contracts and the interest swap transactions are 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 forward foreign currency contracts and interest rate swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables, and from changes in interest rates of bank loans.

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)

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.

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

The Group calculates the fair value of financial instruments based on market prices, or by using reasonable estimates when market prices are not available. These estimates include variable factors, and are subject to fluctuation due to change in the underlying assumptions. The contract amounts of derivatives are not an indicator of the market risk associated with derivative transactions.

## 2. Market value of financial instruments

Amounts recognized in the consolidated balance sheets, market values and the differences between them on March 31, 2016 and 2015 are as shown below.

Moreover, items for which it is extremely difficult to determine market values are not included in the following table (see (note2)).

	Millions of yen		
	2016		
	Book value	Market value	Difference
(1) Cash and cash equivalents	¥ 41,516	¥ 41,516	¥ —
(2) Notes and accounts receivable, trade	77,366	77,366	—
(3) Electronically recorded monetary claims	4,391	4,391	—
(4) Securities and investments in securities	28,883	28,883	—
Total assets	¥ 152,156	¥ 152,156	¥ —
(1) Notes and accounts payable, trade	(46,075)	(46,075)	—
(2) Short-term debt	(16,348)	(16,397)	(49)
(3) Long-term debt	(54,450)	(54,798)	(348)
Total liabilities	¥(116,873)	¥(117,270)	¥(397)

	Millions of yen		
	2015		
	Book value	Market value	Difference
(1) Cash and cash equivalents	¥ 58,605	¥ 58,605	¥ —
(2) Notes and accounts receivable, trade	75,547	75,547	—
(3) Electronically recorded monetary claims	2,840	2,840	—
(4) Securities and investments in securities	22,624	22,624	—
Total assets	¥ 159,616	¥ 159,616	¥ —
(1) Notes and accounts payable, trade	(44,538)	(44,538)	—
(2) Short-term debt	(32,698)	(32,844)	(146)
(3) Long-term debt	(55,785)	(55,608)	177
Total liabilities	¥(133,021)	¥(132,990)	¥ 31

	Thousands of U.S. dollars		
	2016		
	Book value	Market value	Difference
(1) Cash and cash equivalents	\$ 370,679	\$ 370,679	\$ —
(2) Notes and accounts receivable, trade	690,768	690,768	—
(3) Electronically recorded monetary claims	39,205	39,205	—
(4) Securities and investments in securities	257,885	257,885	—
Total assets	\$ 1,358,537	\$ 1,358,537	\$ —
(1) Notes and accounts payable, trade	(411,384)	(411,384)	—
(2) Short-term debt	(145,964)	(146,402)	(438)
(3) Long-term debt	(486,161)	(489,268)	(3,107)
Total liabilities	\$ (1,043,509)	\$ (1,047,054)	\$ (3,545)

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 cash equivalents 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 3. of 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 loans)

The market value of long-term loans 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 loans payable with variable interest rates are based on the condition that interest rates are revised periodically, their market 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 loans 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 loans 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" of 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	
	2016	2015	2016
Book value		Book value	
Investments in non-consolidated subsidiaries and affiliates	¥9,438	¥10,343	\$84,268
Other securities			
Unlisted equity securities	173	173	1,545
Others	50	55	446

Because it is recognized that these do not have market values and 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			
	2016		2015	
	Within 1 year	Over 1 year	Within 1 year	Over 1 year
Cash and cash equivalents	¥ 41,516	¥ —	¥ 58,605	¥ —
Notes and accounts receivable, trade	77,366	—	75,547	—
Electronically recorded monetary claims	4,391	—	2,840	—
Securities and investments in securities				
Other securities (Bonds)	5,705	9,318	—	6,301
Other securities (Others)	2,085	1,316	5,704	75
Total	¥131,063	¥10,634	¥142,696	¥6,376

	Thousands of U.S. dollars	
	2016	
	Within 1 year	Over 1 year
Cash and cash equivalents	\$ 370,679	\$ —
Notes and accounts receivable, trade	690,768	—
Electronically recorded monetary claims	39,205	—
Securities and investments in securities		
Other securities (Bonds)	50,938	83,196
Other securities (Others)	18,616	11,750
Total	\$1,170,206	\$94,946

## 11. Derivative Transactions

There were no derivative transactions to which hedge accounting was not applied at March 31, 2016 and 2015.

Derivative transactions to which hedge accounting is applied at March 31, 2016 and 2015 are as follows:

	Millions of yen			2015				
	2016	Contract amounts	Over 1 year	Market value	2015	Contract amounts	Over 1 year	Market value
Foreign currency forward contracts:								
Classification: Special method								
Hedged item: Long-term receivables								
Receive floating, pay fixed	¥668	¥ —	¥(42)	¥ 668	¥668	¥ —	¥(107)	¥ —
Interest swap contracts:								
Classification: Allocation method								
Hedged item: Long-term loans								
Receive floating, pay fixed	¥500	¥500	¥ 4	¥8,200	¥ —	¥ 32	¥ —	¥ —

	Thousands of U.S. dollars		
	2016		
	Contract amounts	Over 1 year	Market value
Foreign currency forward contracts: Classification: Special method Hedged item: Long-term receivables Receive floating, pay fixed	\$5,964	\$ —	\$(375)
Interest swap contracts: Classification: Allocation method Hedged item: Long-term loans Receive floating, pay fixed	\$4,464	\$4,464	\$ 36

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

## 12. Stock Options

### 1. The amount of expense appropriation and the accounting name during the fiscal years ended March 31, 2016 and 2015.

Equity deal expense (included in "Selling, general and administrative expenses") was ¥50 million (\$446 thousand) and ¥49 million for the fiscal years ended March 31, 2016 and 2015.

### 2. The contents, scale, and change situation of stock options

#### (1) The contents of stock options

June 2008 stock option	
Company	Sanwa Holdings Corporation
Resolution date	June 26, 2008
Grantee classification and the number	3 directors
Type and number of shares	Common stock of the Company: 76,000 shares
Date of grant	July 15, 2008
Exercise period of rights	For 30 years from grant date (from July 16, 2008 to July 15, 2038)

June 2009 stock option	
Company	Sanwa Holdings Corporation
Resolution date	June 30, 2009
Grantee classification and the number	3 directors
Type and number of shares	Common stock of the Company: 82,000 shares
Date of grant	July 15, 2009
Exercise period of rights	For 30 years from grant date (from July 16, 2009 to July 15, 2039)

June 2010 stock option	
Company	Sanwa Holdings Corporation
Resolution date	June 30, 2010
Grantee classification and the number	3 directors
Type and number of shares	Common stock of the Company: 99,000 shares
Date of grant	July 15, 2010
Exercise period of rights	For 30 years from grant date (from July 16, 2010 to July 15, 2040)

June 2011 stock option	
Company	Sanwa Holdings Corporation
Resolution date	June 29, 2011
Grantee classification and the number	3 directors
Type and number of shares	Common stock of the Company: 102,000 shares
Date of grant	July 14, 2011
Exercise period of rights	For 30 years from grant date (from July 15, 2011 to July 14, 2041)

June 2012 stock option	
Company	Sanwa Holdings Corporation
Resolution date	June 28, 2012
Grantee classification and the number	6 directors
Type and number of shares	Common stock of the Company: 156,000 shares
Date of grant	July 13, 2012
Exercise period of rights	For 30 years from grant date (from July 14, 2012 to July 15, 2042)

June 2013 stock option	
Company	Sanwa Holdings Corporation
Resolution date	June 26, 2013
Grantee classification and the number	6 directors
Type and number of shares	Common stock of the Company: 86,000 shares
Date of grant	July 12, 2013
Exercise period of rights	For 30 years from grant date (from July 13, 2013 to July 12, 2043)

June 2014 stock option	
Company	Sanwa Holdings Corporation
Resolution date	June 26, 2014
Grantee classification and the number	8 directors
Type and number of shares	Common stock of the Company: 82,000 shares
Date of grant	July 14, 2014
Exercise period of rights	For 30 years from grant date (from July 15, 2014 to July 14, 2044)

June 2015 stock option	
Company	Sanwa Holdings Corporation
Resolution date	June 26, 2015
Grantee classification and the number	8 directors
Type and number of shares	Common stock of the Company: 54,500 shares
Date of grant	July 13, 2015
Exercise period of rights	For 30 years from grant date (from July 14, 2015 to July 13, 2045)

(2) Scale, and change situation of 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
<b>Before vested</b>								
Beginning of period	—	—	—	—	—	—	82,000	—
Granted	—	—	—	—	—	—	—	54,500
Forfeited	—	—	—	—	—	—	—	—
Vested	—	—	—	—	—	—	82,000	—
Unvested	—	—	—	—	—	—	—	54,500
<b>After vested</b>								
Beginning of period	76,000	82,000	99,000	102,000	156,000	86,000	—	—
Vested	—	—	—	—	—	—	82,000	—
Exercised	—	—	—	—	—	—	—	—
Expired	—	—	—	—	—	—	—	—
Exercisable	76,000	82,000	99,000	102,000	156,000	86,000	82,000	—

(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
Exercise price	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

	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
Exercise price	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)	2.688	2.348	2.232	2.170	2.250	4.598	5.580	8.223

### 3. Assumptions used in estimation of the fair value of stock options above were as follows:

	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
Method of estimation	Black-Scholes model							
Volatility	26.6%	30.7%	31.4%	33.5%	30.0%	30.7%	32.1%	32.9%
Expected remaining period	8 years	7 years	6 years	5 years	10 years	9 years	8 years	7 years
Expected dividend	¥13 per share	¥10 per share	¥5 per share	¥8 per share	¥8 per share	¥10 per share	¥13 per share	¥16 per share
Risk-free interest rate	1.33%	0.94%	0.46%	0.41%	0.78%	0.79%	0.36%	0.18%

## 13. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses were ¥3,344 million (US\$ 29,857 thousand) and ¥3,031 million for the fiscal years ended March 31, 2016 and 2015, respectively.

Research and development expenses included in cost of sales were ¥523 million (US\$4,670 thousand) and ¥474 million for the fiscal years ended March 31, 2016 and 2015, respectively.

## 14. 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 35.6% for the fiscal years ended March 31, 2016 and 2015. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

The effective rates for the fiscal years ended March 31, 2016 and 2015 differ from the Company's statutory tax rates for the following reasons:

	2016	2015
Statutory tax rate	33.1%	35.6%
Expenses not deductible for income tax purposes	0.4	0.2
Depreciation of goodwill	2.0	1.5
Change in valuation allowance	2.7	5.8
Other	(0.1)	(1.1)
Effective tax rate	38.1%	42.0%

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at March 31, 2016 and 2015 were as follows:

	2016	2015	Thousands of U.S. dollars
	Millions of yen		
Deferred tax assets:			
Allowance for bonuses	¥ 1,144	¥ 1,156	\$ 10,214
Net defined benefit liability	5,056	5,125	45,143
Tax loss carryforwards	1,561	1,498	13,938
Securities	431	471	3,848
Investment in affiliates securities	104	115	929
Impairment loss	1,492	967	13,321
Other	4,015	4,619	35,848
	<b>13,803</b>	13,951	<b>123,241</b>
Less valuation allowance	(2,665)	(2,206)	(23,795)
Total	<b>¥11,138</b>	¥11,745	<b>\$ 99,446</b>
Deferred tax liabilities:			
Depreciation	(7,241)	(6,681)	(64,652)
Net unrealized holding gains on securities	(557)	(645)	(4,973)
Net defined benefit asset	(2,050)	(2,186)	(18,304)
Other	(127)	(16)	(1,133)
Total	<b>¥ (9,975)</b>	¥ (9,528)	<b>\$ (89,062)</b>
Net deferred tax assets	<b>¥ 1,163</b>	¥ 2,217	<b>\$ 10,384</b>

Net deferred tax assets at March 31, 2016 and 2015 were included in the consolidated balance sheet as follows:

	2016	2015	Thousands of U.S. dollars
	Millions of yen		
Current assets	¥ 3,763	¥ 3,918	\$ 33,598
Investments and other assets	2,218	2,521	19,804
Current liabilities	(3)	(4)	(27)
Long-term liabilities	(4,815)	(4,218)	(42,991)
Net deferred tax assets	<b>¥ 1,163</b>	¥ 2,217	<b>\$ 10,384</b>

#### (Change in statutory effective tax rate )

Revision to the amounts of deferred tax assets and deferred tax liabilities due to the change in the corporate tax rate, etc.

The "Act on Partial Amendment of the Income Tax Act, etc." (Act No. 15 of 2016) and the "Act on Partial Amendment of the Local Tax Act, etc." (Act No. 13 of 2016) were promulgated on March 29, 2016, and the corporate tax rate was reduced from the fiscal year starting April 1, 2016. As a result, the effective tax rate that the Company used for calculation of deferred tax assets and deferred tax liabilities for this period has been changed from 32.3% for the previous fiscal year to 30.9% for those expected to be recovered or paid from April 1, 2016 to March 31, 2018 and to 30.6% for those expected to be recovered or paid from April 1, 2018, respectively.

As a result, of this change, net deferred tax liabilities (after netting deferred tax assets) decreased by ¥85 million (\$758 thousand), remeasurements of defined benefit plans decreased by ¥17 million (\$152 thousand), income taxes-deferred increase by ¥99 million (\$884 thousand) and net unrealized holding gains (losses) on securities increased by ¥31 million (\$277 thousand) as of and for the fiscal year ended March 31, 2016, respectively.

## 15. Other Income (Expenses)

Other, net, for the fiscal years ended March 31, 2016 and 2015 consisted of the following:

	Millions of yen	Thousands of U.S. dollars	
	2016	2015	2016
Gain (Loss) on sales and disposal of fixed assets	¥ (51)	¥ (14)	\$ (455)
Gain (Loss) on sales of investments in securities	1	658	9
Impairment loss (note)	(1,880)	(2,993)	(16,786)
Write-down of investments in securities	(76)	(88)	(679)
Loss on restructuring cost of subsidiary	(252)	(777)	(2,250)
Loss on liquidation of subsidiaries	(119)	(522)	(1,063)
Other, net	(345)	(98)	(3,080)
	<b>¥(2,722)</b>	<b>¥(3,834)</b>	<b>\$ (24,304)</b>

Note: The Company recognized impairment losses on the following asset groups in the fiscal year ended March 31, 2016.

Location	Use	Asset type	Amount
Taga, Inukami, Shiga Pref.	Idle asset	Land	¥1,880 million (\$16,786 thousand)

The Company recognized impairment losses on the following asset groups in the year ended March 31, 2015.

Location	Use	Asset type	Amount
Kodama, Honjo, Saitama Pref.	Idle asset	Land	¥2,993 million

### (Method of grouping assets)

The Company and its consolidated subsidiaries group basically their business assets based on business segments in principle. However, idle assets that are not expected to be used in the future are grouped by individual asset.

### (Background to recognition of impairment loss)

The asset in question was acquired as a production and distribution base, and had been grouped as a business property based on business segments. Due to a resolution by the Board of Directors to change the purpose of use of this asset, its grouping was changed from property, plant and equipment to idle assets. Therefore, the Company reduced the book value of the asset to the recoverable amount and accounted for this reduction as an impairment loss in extraordinary losses.

### (Method of determining recoverable amount)

The Company measured the recoverable amount of this asset based on its net realizable value, which was determined using the appraised value.

## 16. Other Comprehensive Income

The reclassification adjustments and tax effects for components of other comprehensive income (loss) for the fiscal years ended March 31, 2016 and 2015 are as follows:

	2016 Millions of yen	2015 Millions of yen	Thousands of U.S. dollars
	2016	2015	2016
Unrealized holding gains on securities:			
Amount arising during the year	¥ (244)	¥ 1,662	\$ (2,179)
Reclassification adjustments for losses realized in net income	75	(572)	670
Before tax effect	(169)	1,090	(1,509)
Tax effect	85	(322)	759
Total unrealized holding gains on securities	(84)	768	(750)
Foreign currency translation adjustments:			
Amount arising during the year	(2,301)	6,513	(20,545)
Reclassification adjustments for losses realized in net income	—	—	—
Total foreign currency translation adjustments	(2,301)	6,513	(20,545)
Remeasurements of defined benefit plans:			
Amount arising during the year	(1,085)	(1,981)	(9,687)
Reclassification adjustments for losses realized in net income	1,367	549	12,205
Before tax effect	282	(1,432)	2,518
Tax effect	(131)	485	(1,170)
Total remeasurements of defined benefit plans	151	(947)	1,348
Share of other comprehensive income of non-consolidated subsidiaries and affiliates accounted for using the equity method:			
Amount arising during the year	(93)	280	(830)
Total other comprehensive income	¥(2,327)	¥ 6,614	\$(20,777)

## 17. Segment Information

Information about operations in reportable segments of the Group for the fiscal years ended March 31, 2016 and 2015, was as follows:

### (1) Reportable Segments

	Millions of yen					
	2016					
	Japan	North America	Europe	Total	Adjustment cost	Consolidated financial statement
Sales to customers	¥202,192	¥110,035	¥53,281	¥365,508	¥ 107	¥365,615
Inter-segment	2	49	49	100	(100)	—
Total sales	202,194	110,084	53,330	365,608	7	365,615
Segment income (loss)	¥ 22,692	¥ 5,804	¥ 1,570	¥ 30,066	¥ (3,196)	¥ 26,870
Segment assets	¥122,894	¥ 64,424	¥37,523	¥224,841	¥85,428	¥310,269
Depreciation	3,218	2,993	1,766	7,977	44	8,021
Impairment loss	—	—	—	—	1,880	1,880
Investment in equity method companies	—	415	81	496	4,247	4,743
Capital expenditures	3,337	3,052	1,736	8,125	2	8,127

	Millions of yen					
	2015					
	Japan	North America	Europe	Total	Adjustment cost	Consolidated financial statement
Sales to customers	¥190,195	¥98,482	¥49,934	¥338,611	¥ 434	¥339,045
Inter-segment	2	22	56	80	(80)	—
Total sales	190,197	98,504	49,990	338,691	354	339,045
Segment income (loss)	¥ 21,424	¥ 5,785	¥ 1,413	¥ 28,622	¥ (2,288)	¥ 26,334
Segment assets	¥119,519	¥63,787	¥38,628	¥221,934	¥101,393	¥323,327
Depreciation	3,148	2,406	1,591	7,145	43	7,188
Impairment loss	—	—	—	—	2,993	2,993
Investment in equity method companies	—	415	864	1,279	4,394	5,673
Capital expenditures	2,550	3,430	1,712	7,692	35	7,727

	Thousands of U.S. dollars					
	2016					
	Japan	North America	Europe	Total	Adjustment cost	Consolidated financial statement
Sales to customers	\$1,805,286	\$982,455	\$475,723	\$3,263,464	\$ 956	\$3,264,420
Inter-segment	18	438	438	894	(894)	—
Total sales	1,805,304	982,893	476,161	3,264,358	62	3,264,420
Segment income (loss)	\$ 202,607	\$ 51,821	\$ 14,018	\$ 268,446	\$ (28,535)	\$ 239,911
Segment assets	\$1,097,268	\$575,214	\$335,027	\$2,007,509	\$762,750	\$2,770,259
Depreciation	28,732	26,723	15,768	71,223	393	71,616
Impairment loss	—	—	—	—	16,786	16,786
Investment in equity method companies	—	3,705	723	4,428	37,920	42,348
Capital expenditures	29,795	27,250	15,500	72,545	18	72,563

## (2) Related Information

a) Information on Products and Each Service

	Millions of yen				
	2016				
	Commercial	Residential	Maintenance/Home improvement	Other	Consolidated
Sales to customers	¥234,357	¥92,735	¥34,128	¥4,395	¥365,615

	Millions of yen				
	2015				
	Commercial	Residential	Maintenance/Home improvement	Other	Consolidated
Sales to customers	¥216,505	¥85,325	¥31,878	¥5,337	¥339,045

	Thousands of U.S. dollars				
	2016				
	Commercial	Residential	Maintenance/Home improvement	Other	Consolidated
Sales to customers	\$2,092,473	\$827,991	\$304,714	\$39,242	\$3,264,420

b) Information on Each Region

	Millions of yen			
	2016			
	Japan	North America	Europe	Total
Property, plant and equipment	¥27,320	¥15,221	¥11,512	¥54,053

	Millions of yen			
	2015			
	Japan	North America	Europe	Total
Property, plant and equipment	¥28,160	¥15,165	¥12,215	¥55,540

	Thousands of U.S. dollars			
	2016			
	Japan	North America	Europe	Total
Property, plant and equipment	\$243,928	\$135,902	\$102,786	\$482,616

## 18. Subsequent Events

---

(Year-end cash dividends)

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the fiscal year ended March 31, 2016, was approved at the General Meeting of Shareholders held on June 28, 2016:

Millions of yen	Thousands of U.S. dollars
¥2,973	\$26,545

Year-end cash dividends (¥13.0 per share)

## Independent Auditor's Report

### KYORITSU AUDIT CORPORATION

#### Independent Auditor's Report

The Board of Directors  
Sanwa Holdings Corporation;

We have audited the accompanying consolidated financial statements of Sanwa Holdings Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2016, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Consolidated Financial Statements*

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

*Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sanwa Holdings Corporation and its consolidated subsidiaries at March 31, 2016, and their consolidated financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

*Convenience Translation*

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2016 are presented solely for convenience. Our audit also included the translation of 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.

Tokyo, Japan  
June 27, 2016

# Corporate Data

## Consolidated Subsidiaries and Affiliated Companies (As of March 31, 2016)

### Domestic

#### **Sanwa Shutter Corporation**

Manufacturer of general building materials and the leading supplier of rolling shutters and steel hinge doors. The core company of the Sanwa Group.  
Address: Shingashi 2-3-5, Itabashi-ku, Tokyo, Japan  
Phone: +81-3-5998-9111

#### **Showa Front Co., Ltd.**

A pioneer in facades for stores based on advanced technologies and wide product selection.  
Address: Uchikanda 1-13-7, Chiyoda-ku, Tokyo, Japan  
Phone: +81-3-3293-6737

#### **Okinawa Sanwa Shutter Corporation**

Manufactures and sells steel building materials such as rolling shutters and doors, and store building materials.  
Address: Taira 84-1, Tomigusukushi, Okinawa, Japan  
Phone: +81-98-840-5538

#### **Sanwa Tajima Corporation**

Manufactures and sells stainless steel building products.  
Address: Ikebukuro 2-77-5, Toshima-ku, Tokyo, Japan  
Phone: +81-3-5954-5880

#### **Sanwa Exterior Niigata Plant Co., Ltd.**

Manufactures various exterior products.  
Address: Oigashima 1397-1, Tsubameshi, Niigata, Japan  
Phone: +81-256-98-5551

#### **Venix Co., Ltd.**

Manufactures various partitions.  
Address: Kamagata 3128, Ranzan-machi, Hiki-gun, Saitama, Japan  
Phone: +81-493-62-6671

#### **Showa Kensen Co., Ltd.**

Manufactures automatic door engines for store facades.  
Address: Nakano 1453, Oura-machi, Oura-gun, Gunma, Japan  
Phone: +81-276-88-2121

#### **Tajima Metalwork Co., Ltd.**

Top brand designing and marketing company of post boxes.  
Address: Higashi-Ikebukuro 4-41-24, Toshima-ku, Tokyo, Japan  
Phone: +81-3-5396-7611

#### **Yoshida Seisakusho Co., Ltd.**

Manufactures stainless steel facades.  
Address: Nagatoro 168-1, Saku-shi, Nagano, Japan  
Phone: +81-267-68-4860

#### **Metalwork Kansai Co., Ltd.**

Manufactures stainless steel products.  
Address: Fukanosho 221-2, Nosaka Sannan-cho, Tambashi, Hyogo, Japan  
Phone: +81-795-77-2870

#### **Hayashi Kogyo Co., Ltd.**

Manufactures steel hinge doors.  
Address: Kitsukogydanchi 1-20, Konan-ku, Niigata-shi, Niigata, Japan  
Phone: +81-25-385-2153

#### **Ace Co., Ltd.**

Supplier of facades for stores and other building materials.  
Address: Yaguchi 2-17-11, Ota-ku, Tokyo, Japan  
Phone: +81-3-5482-1941

#### **Sanwa Electronics Engineering Co., Ltd.**

Develops and manufactures operators.  
Address: Takakuracho 3-10-27, Miyakojima-ku, Osaka, Japan  
Phone: +81-6-6922-3816

#### **Sanwa Mitaka Co., Ltd.**

Manufactures aluminum/wood/plastic composite doors for elder care and nursing care facilities.  
Address: Kitakashiwagi-cho 3-48, Eniwa-shi, Hokkaido, Japan  
Phone: +81-123-39-5006

#### **Living110.com Co., Ltd.**

Business related to rental garage houses.  
Address: Mori Bldg. 4F, Sugamo 1-25-8, Toshima-ku, Tokyo, Japan  
Phone: +81-3-5940-2062

### Overseas

#### **Overhead Door Corporation**

A respected brand in the garage door industry, Overhead Door Corporation invented and manufactured the first upward-lifting garage door and electric garage door opener.  
Address: 2501 South State Highway 121, Suite 200, Lewisville, TX 75067, U.S.A.  
Phone: +1-469-549-7246

#### **Novoferm Group (Novoferm GmbH)**

The Novoferm Group is Europe's second-largest manufacturer and seller of doors, garage doors, industrial doors and related products, and conducts business throughout Europe.  
Address: Isselburger Strasse 31, 46459 Rees, Germany  
Phone: +49-2850-910-624

#### **Shanghai Baosteel-Sanwa Door Co., Ltd.**

Manufactures and sells shutters and overhead doors.  
Address: 988 Yueluo Road, Baoshan, Shanghai, 200941 China  
Phone: +86-21-5692-5550

#### **Novoferm (Shanghai) Co., Ltd.**

Manufactures and sells doors.  
Address: No.118 Mingye Road, Shenshan Industrial Area, Songjiang, Shanghai, 201602 China  
Phone: +86-21-5779-3335

#### **Sanwa Shutter (H.K.) Ltd.**

Manufactures and sells shutters and doors.  
Address: Room 1901, 19/F Emperor Group Centre, No. 288 Hennessy Road, Wanchai, Hong Kong, China  
Phone: +852-2833-6619

#### **An-Ho Metal Industrial Co., Ltd.**

Manufactures and sells shutters and doors.  
Address: 7Fl, No. 27, Section 1, Chungshan North Road, Taipei, Taiwan, R.O.C.  
Phone: +886-2-2521-0013

#### **Vina-Sanwa Company Liability Ltd.**

Manufactures and sells shutters and doors.  
Address: High-Tech Industrial Zone II, Hoa Lac High-Tech Park, Thach That, Hanoi, Vietnam  
Phone: +84-4-3772-8301

#### **Dongbang Novoferm Inc.**

Manufactures and sells doors.  
Address: 15, Seoulsiripdae-ro, Dongdaemun-gu, Seoul, Republic of Korea  
Phone: +82-2-2212-6442

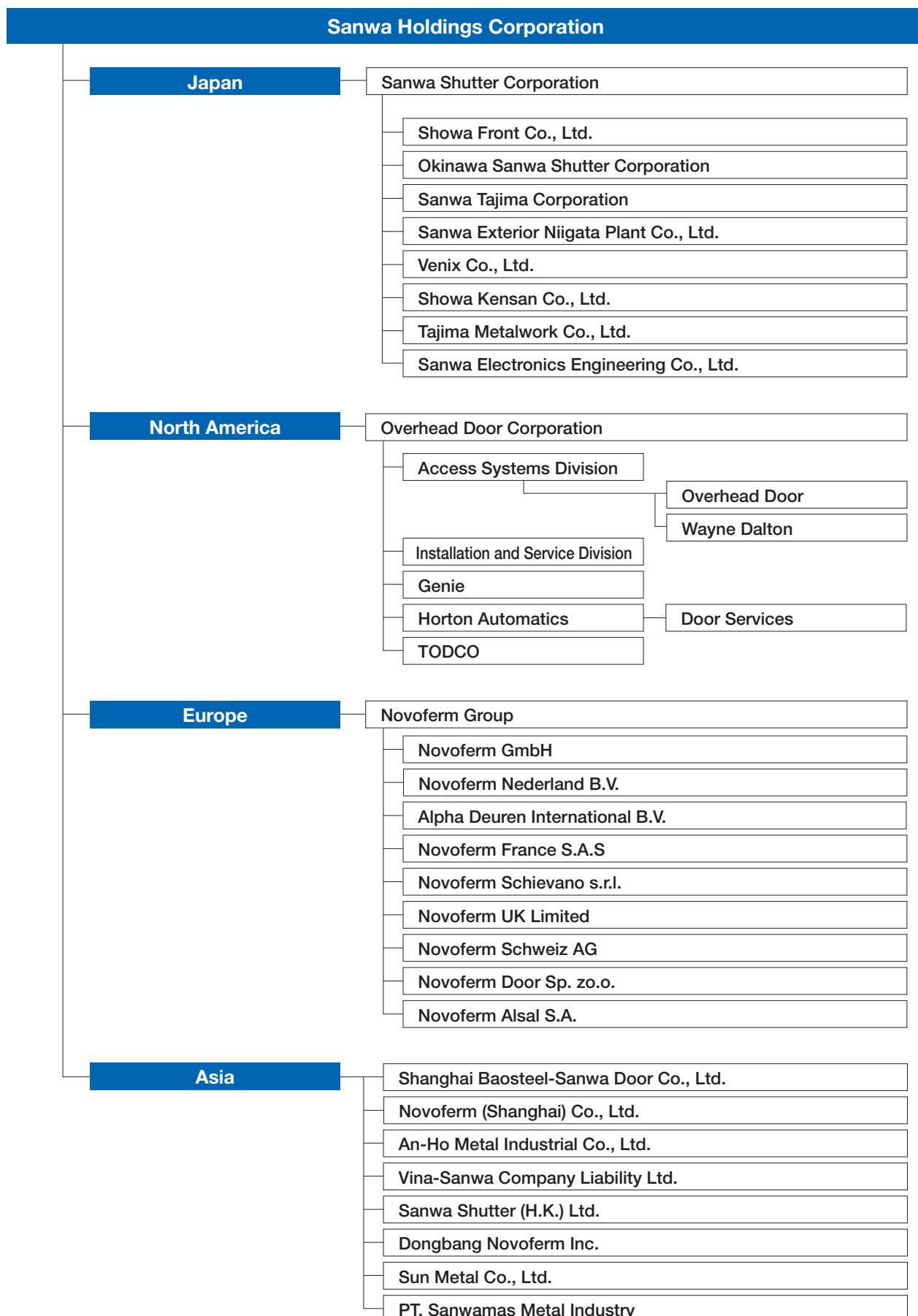
#### **Sun Metal Co., Ltd.**

Manufactures and sells shutters and doors.  
Address: 180-184 METRO Building 4F, Rajawongse Road, Bangkok 10100, Thailand  
Phone: +66-2-222-5190

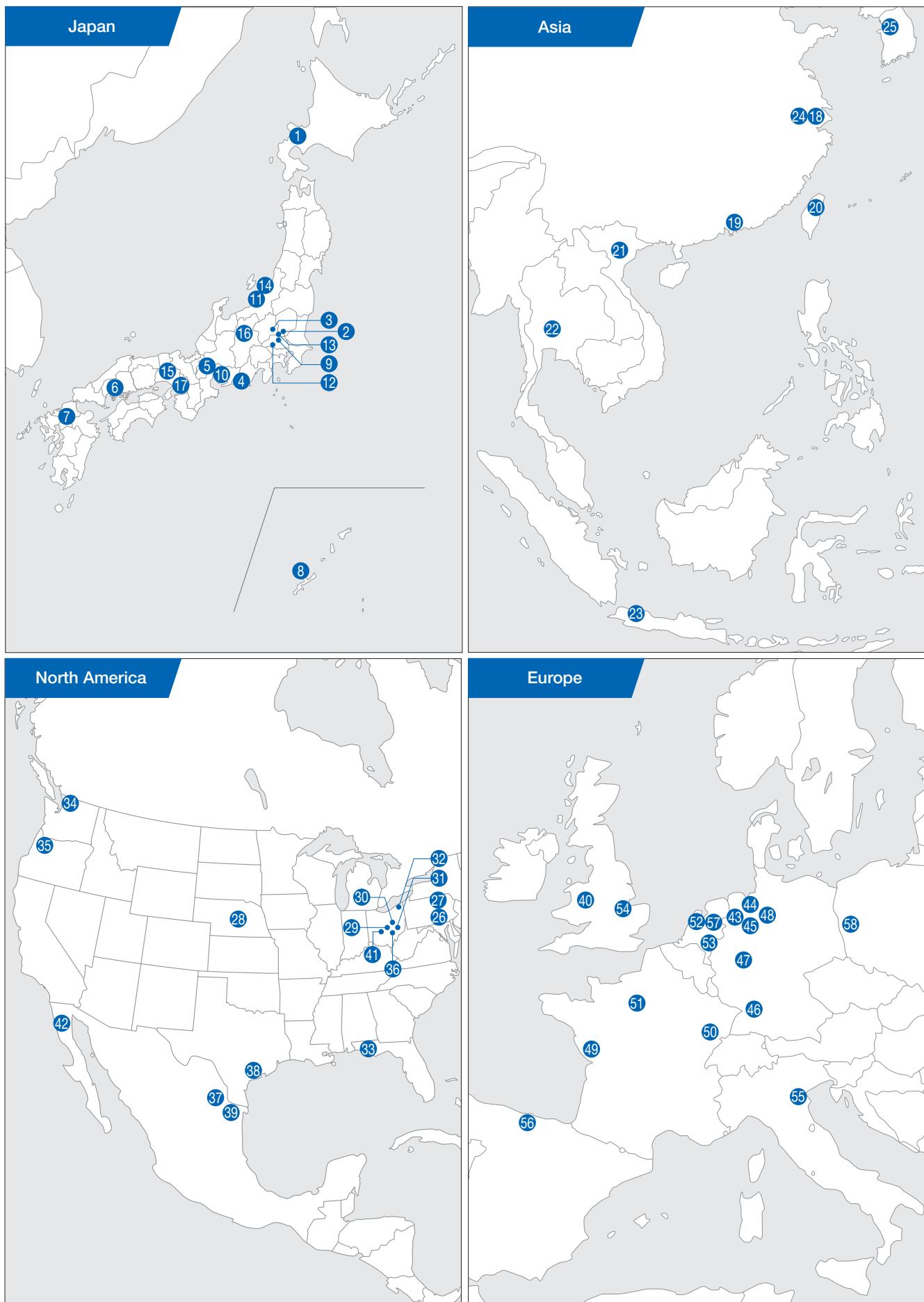
#### **PT. Sanwamas Metal Industry**

Manufactures and sells shutters.  
Address: Jl. Let. Jend. S. Parman kav. 32-34, Jakarta 11480, Indonesia  
Phone: +62-21-548-2308

## Group Organization (As of May 31, 2016)



## Global Network



## Group Plant Locations

Company	Plant Name	Country	Products
<b>JAPAN SANWA SHUTTER, DOMESTIC SUBSIDIARIES AND AFFILIATES</b>			
Sanwa Shutter Corporation	① Sapporo		Rolling shutters, overhead doors, hinge doors
	② Ashikaga		Rolling shutters, overhead doors
	③ Ota		Hinge doors
	④ Shizuoka		Window shutters, hinge doors, partitions
	⑤ Gifu		Rolling shutters, overhead doors
	⑥ Hiroshima		Rolling shutters, hinge doors
	⑦ Kyushu		Rolling shutters
Okinawa Sanwa Shutter Corporation	⑧ Okinawa		Rolling shutters, hinge doors
Sanwa Tajima Corporation	⑨ Saitama	Japan	Stainless steel products
	⑩ Nagoya		Stainless steel products
Sanwa Exterior Niigata Plant Co., Ltd.	⑪ Niigata		Exterior items
Venix Co., Ltd.	⑫ Ranzan		Partitions
Showa Kensa Co., Ltd.	⑬ Gunma		Automatic doors
Hayashi Kogyo Co., Ltd.	⑭ Niigata		Hinge doors
Metalwork Kansai Co., Ltd.	⑮ Sannan		Stainless steel products
Yoshida Seisakusyo Co., Ltd.	⑯ Saku		Stainless steel products
Sanwa Electronics Engineering Co., Ltd.	⑰ Osaka		Shutter openers
<b>ASIA AFFILIATED COMPANIES</b>			
Shanghai Baosteel-Sanwa Door Co., Ltd.	⑱ Shanghai	China	Overhead doors, rolling shutters, sheet shutters
Sanwa Shutter (H.K.) Ltd.	⑲ Hong Kong		Rolling shutters, doors & door frames
An-Ho Metal Industrial Co., Ltd.	⑳ Hsinchu	Taiwan	Doors & door frames
Vina-Sanwa Company Liability Ltd.	㉑ Hanoi	Vietnam	Doors & door frames, rolling shutters, sheet shutters
Sun Metal Co., Ltd.	㉒ Korat	Thailand	Rolling shutters, doors & door frames
PT. Sanwamas Metal Industry	㉓ Bekasi	Indonesia	Rolling shutters
Novoferm (Shanghai) Co., Ltd.	㉔ Shanghai	China	Hinge doors
Dongbang Novoferm Inc.	㉕ Seoul	South Korea	Doors & door frames
<b>North America OVERHEAD DOOR CORPORATION</b>			
Access Systems Division	㉖ Lewistown		Rolling shutters
	㉗ Williamsport		Residential garage doors, commercial sectional doors
	㉘ Grand Island		Residential garage doors, commercial sectional doors
	㉙ Mt. Hope		Residential garage doors, commercial sectional doors, hardware parts
	㉚ Dalton		Rolling shutters
	㉛ Trail		Sheet shutters
	㉜ Conneaut		Resin panels & parts
	㉝ Pensacola		Residential garage doors, commercial sectional doors, hardware parts
	㉞ Centralia		Residential garage doors
	㉟ Portland		Residential garage doors
Genie	㉟ Baltic	U.S.	Garage door openers
	㉞ Matamoros	Mexico	Garage door openers
Horton Automatics	㉞ Corpus Christi	U.S.	Automatic doors
	㉞ Matamoros	Mexico	Automatic doors
	㉞ Telford	U.K.	Automatic doors
TODCO	㉞ Marion	U.S.	Truck & trailer doors
	㉞ Tecate	Mexico	Truck & trailer doors
<b>Europe NOVOFERM GROUP</b>			
Novoferm GmbH	㉞ Haldern		Doors & door frames
	㉞ Werth		Residential garage doors, doors & door frames
	㉞ Dortmund		Residential garage doors, sectional doors
Novoferm Rixlinger Türenwerke GmbH	㉞ Brackenheim	Germany	Fireproof doors & door frames, industrial doors
Novoferm Siebau GmbH	㉞ Buschhutten		Other doors
Novoferm Tormatic GmbH	㉞ Dortmund		Garage door operators
Novoferm France S.A.S	㉞ Machecoul		Residential garage doors
	㉞ Bavilliers	France	Residential garage doors
	㉞ Melun		Fireproof doors
Novoferm Nederland B.V.	㉞ Waardenburg	Netherlands	Industrial doors
	㉞ Roermond		Industrial doors
Novoferm UK Limited	㉞ Luton	U.K.	Residential garage doors
Novoferm Schievano S.r.l.	㉞ Padova	Italy	Doors & door frames
Novoferm Alsal S.A.	㉞ Cannabria	Spain	Doors & door frames, residential garage doors, industrial doors
Alpha Deuren International B.V.	㉞ Didam	Netherlands	Industrial doors
Novoferm Door Sp. zo.o.	㉞ Wykroty	Poland	Tubular frame doors

## History of Sanwa Holdings

1956	Apr.	Established Sanwa Shutter Manufacturing Co., Ltd. (President: Manji Takayama), a predecessor of this company, in Amagasaki, Hyogo Prefecture. Began manufacture and sales of rolling shutters.
1963	Apr.	Merged three Group companies and established Sanwa Shutter Corporation. Relocated headquarters to Tokyo.
1970	Jul.	Listed on the First Section of both the Tokyo and Osaka stock exchanges.
1974	Aug. Oct.	Entered into technical tie-up with Overhead Door Corporation (U.S.A.). Relocated the headquarters to Shinjuku, Tokyo.
1981	May	Toshitaka Takayama becomes President.
1983	Mar.	Deployed nationwide (FTS) 24-hour service.
1984	Apr.	Began sales of facades for stores by Showa Front Sales Co., Ltd. (now Showa Front Co., Ltd.).
1986	Oct.	Established Sanwa Shutter (H.K.) Ltd. in China.
1988	Aug.	Established An-Ho Metal Industrial Co., Ltd. in Taiwan.
1990	Jan.	Acquired stake in automatic door company Showa Kesan Co., Ltd.
1996	Apr. Jul.	Okinawa Sanwa Shutter Corporation began sales after being split off Okinawa Regional Business Division. Established Sanwa USA Inc. and acquired Overhead Door Corporation, a leading U.S. manufacturer of garage doors and commercial doors.
1999	Dec.	Acquired 100% of the shares of Tajima Junzo Seisakusho Co., Ltd. (renamed Sanwa Tajima Corporation in April 2006), the top brand of stainless steel architectural materials.
2000	Oct.	Transferred Sanwa Exterior Co., Ltd.'s sales operations to Sanwa Shutter Corporation and its production operations to Sanwa Exterior Niigata Plant Co., Ltd. (now a consolidated subsidiary), which was established in September 2000.
2003	Oct. Dec.	Acquired Novoferm, Europe's second-largest manufacturer of doors and shutters. Acquired 100% of the shares of Venix Co., Ltd. (dissolved in a merger in October 2011), strengthening manufacturing and sales of partitions.
2004	Jan. Apr.	Established Sanwa Shutter Design (Shanghai) Corporation in China. Established an internal office on corporate social responsibility to oversee risk management, legal compliance and environment-friendly policies.
2005	Sep. Nov.	Entered into comprehensive business alliance with Hochiki, a leading fire detection and disaster-prevention equipment company in Japan. Acquired 100% of the shares of Tajima Metal Work Co., Ltd., strengthening sales of stainless steel products.
2006	Apr.	Sanwa Shutter celebrated its 50th anniversary. Established Shanghai Baosteel-Sanwa Door Co., Ltd., a joint venture with Baosteel Development Co., Ltd., a subsidiary of Baosteel, in Shanghai to manufacture and sell overhead doors, rolling shutters and sheet shutters.
2007	Oct.	The Sanwa Group adopts holding company system. Sanwa Shutter Corporation changed its trade name to "Sanwa Holdings Corporation," and the operating company succeeded the trade name "Sanwa Shutter Corporation."
2008	Jan.	Sanwa Holdings agreed to establish a joint-venture company, Vina-Sanwa Company Liability Ltd., with the Vietnamese construction and trading company Vinaconex Corporation.
2009	Dec.	Overhead Door Corporation, our consolidated subsidiary, acquired the door businesses of Wayne Dalton Corporation.
2010	Feb.	Sanwa Shutter Corporation concluded a direct sales agreement for the Japanese market with EFAFLEX Tor-und Sicherheitssysteme GmbH & Co. KG of Germany.
2011	Jan. Jul. Oct. Dec.	Overhead Door Corporation acquired an automatic door sales, installation, and maintenance business from Automatic Door Enterprises, Inc., an automatic door distributor in the U.S. Established Venix Co., Ltd. (now a consolidated subsidiary). The partition sales business of subsidiary Venix Co., Ltd. and the automatic door sales business of subsidiary Showa Kesan Co., Ltd. were integrated into Sanwa Shutter Corporation. Overhead Door Corporation acquired 100% of the shares of Creative Door Services Ltd. of Canada.
2012	Jan. May Aug. Oct.	Sanwa Shutter Corporation announced that it concluded an OEM contract with LIXIL Corporation. Overhead Door Corporation acquired Door Control, Inc., strengthening the automatic door service business. Showa Front Co., Ltd. acquired Ace Co., Ltd., a front sash manufacturer. Overhead Door Corporation acquired Advanced Door Automation, LLC., strengthening the automatic door service business.
2013	May	Overhead Door Corporation acquired Texas Access Controls, Inc., strengthening the automatic door service business.
2014	Mar. Jun. Dec.	Acquired 100% of the shares of Sanwa Electronics Engineering Co., Ltd., strengthening development and manufacturing capacity of door openers. Novoferm Group acquired Alpha Deuren International B.V. (now a consolidated subsidiary), strengthening the industrial door business. Overhead Door Corporation acquired Horton Automatics of Ontario (now a consolidated subsidiary), strengthening the automatic door service business.
2015	Oct.	Acquired the door business of Mitaka Kogyo and established Sanwa Mitaka Co., Ltd.
2016	Jun.	Shifted from a "company with an Audit & Supervisory Board" to a "company with an Audit & Supervisory Committee" Novoferm Group acquired all of the shares of Norsud Gestion SAS of France.

## Corporate Overview (As of March 31, 2016)

**COMPANY NAME:** Sanwa Holdings Corporation

**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:** 8,790 (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: 239,000,000 shares  
Number of shareholders: 11,407

### PRINCIPAL SHAREHOLDERS:

	Percentage of voting rights (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	5.46
The Master Trust Bank of Japan, Ltd. (Trust Account)	5.40
Sumitomo Mitsui Banking Corporation	4.93
The Dai-ichi Life Insurance Company, Limited	3.54
Nippon Life Insurance Company	2.97
Aioi Nissay Dowa Insurance Co., Ltd.	2.80
THE BANK OF NEW YORK, NON-TREATY JASDEC ACCOUNT	2.58
STATE STREET BANK AND TRUST COMPANY	2.45
Nisshin Steel Co., Ltd.	2.17
Mitsubishi UFJ Trust and Banking Corporation	2.02

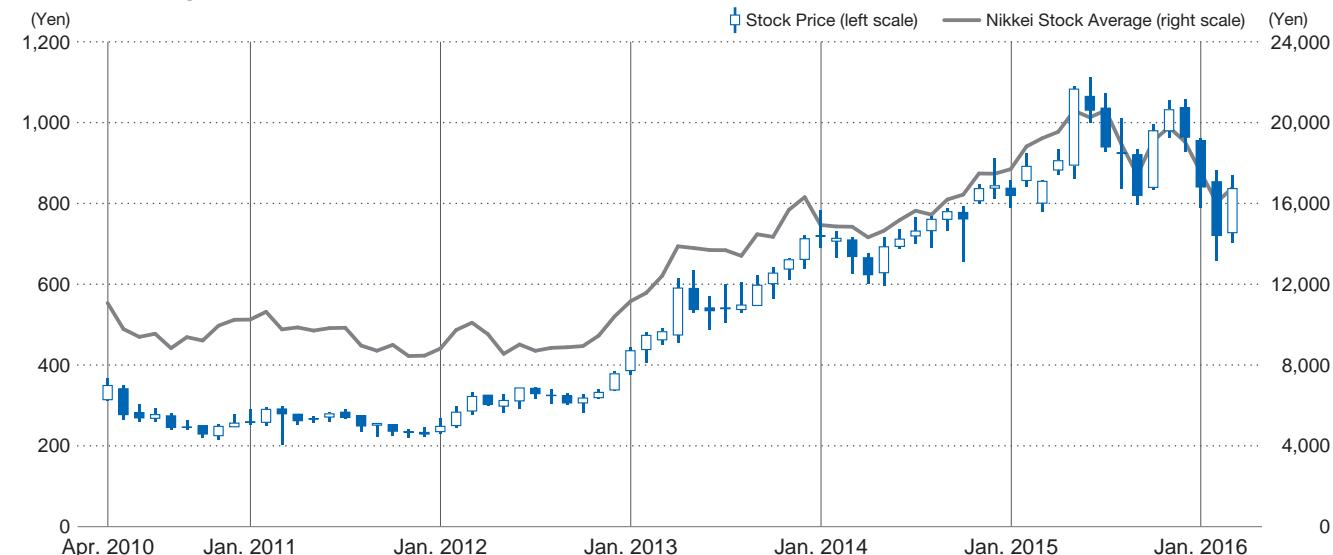
Notes: 1. The Company's holding of treasury stock (10,247,951) is not included in the above.

2. The percentage of voting right is calculated after excluding treasury stock.

### TREND OF STOCK PRICE:

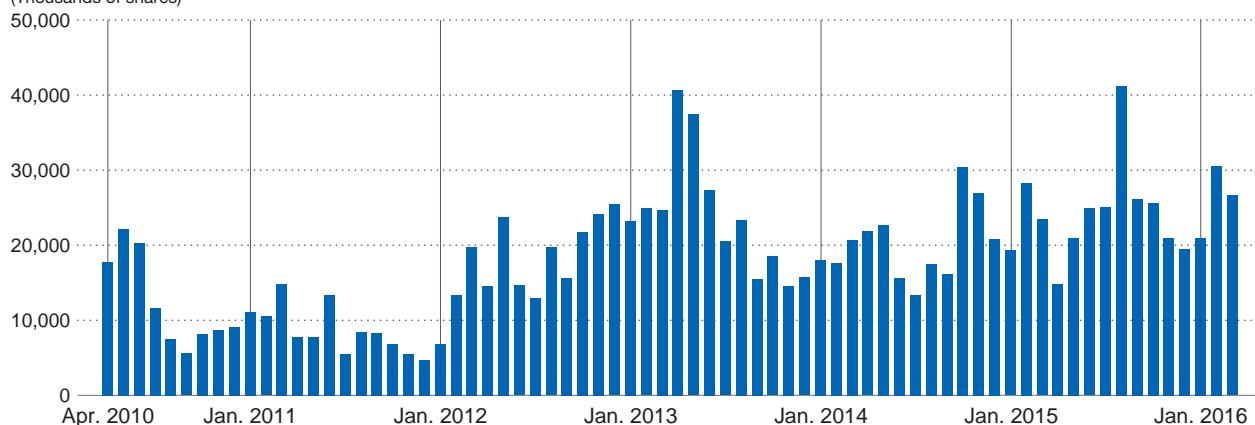
	High	Low
April 1, 2008 – March 31, 2009	¥462	¥223
April 1, 2009 – March 31, 2010	¥357	¥218
April 1, 2010 – March 31, 2011	¥367	¥204
April 1, 2011 – March 31, 2012	¥333	¥222
April 1, 2012 – March 31, 2013	¥492	¥282
April 1, 2013 – March 31, 2014	¥783	¥457
April 1, 2014 – March 31, 2015	¥925	¥598
April 1, 2015 – March 31, 2016	¥1,113	¥660

### Stock Price Range:



### Trading Volume:

(Thousands of shares)





## SANWA HOLDINGS CORPORATION

Shinjuku Mitsui Building 52F  
Nishi-Shinjuku 2-1-1, Shinjuku-ku,  
Tokyo 163-0478, Japan  
Phone: +81-3-3346-3019  
<http://www.sanwa-hldgs.co.jp/english/>

