



Building Value Globally

INTEGRATED REPORT 2018

For the year ended March 31, 2018

Our Mission

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

Our Values

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

Principles of Business

- We implement business activities with appreciation and sincerity to increase our customers' trust.
- We produce products with good quality and reasonable cost meeting domestic and overseas needs and establish the leading brand.
- We forecast our customers' future needs and always try to improve the technical level and productivity in every division.
- We comply with the rules and make our workplace friendly, open, challenging, and rewarding.
- We are driven by inspiration, strive to achieve our high level goals, recognize our roles and responsibilities, and contribute to the creation of corporate value.

Compliance Code of Conduct

Basic Principles and Spirit

1. The Sanwa Group must conduct company activities with top priority placed on the safety of the products and services that we provide.
2. The Sanwa Group will not seek profit through actions that violate the Compliance Code of Conduct.
3. All management personnel and supervisors of the Sanwa Group will take the lead in observing the Compliance Code of Conduct, and will act in such a way as to be a good example for the staff under them.

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Enhancing satisfaction for customers and society

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PDCA SAKURA

The employees of the Sanwa Group are not satisfied with the current situation and maintain a critical mindset in doing their jobs in order to continue to pursue their best work.

We review results in terms of whether or not we did things as originally planned. If not, we think about the reason why we didn't get the intended results. Getting back to the basics such as increasing good aspects and improving bad ones is part of the PDCA cycle. PDCA SAKURA represents this concept as the Sanwa Group symbol. We even planted PDCA SAKURA cherry blossom trees on the grounds of main Group facilities.

Further improving reliability through corporate activities based on good faith and transparency

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

Reporting period

Fiscal years are years ended March 31 of the following calendar year. For example, fiscal 2017 is the year ended March 31, 2018.

A History of Value Creation

Through its history of more than 60 years, the Sanwa Group has grown and developed by pursuing a multi-product sales strategy to expand into product lines other than shutters, as well as globalization. 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.

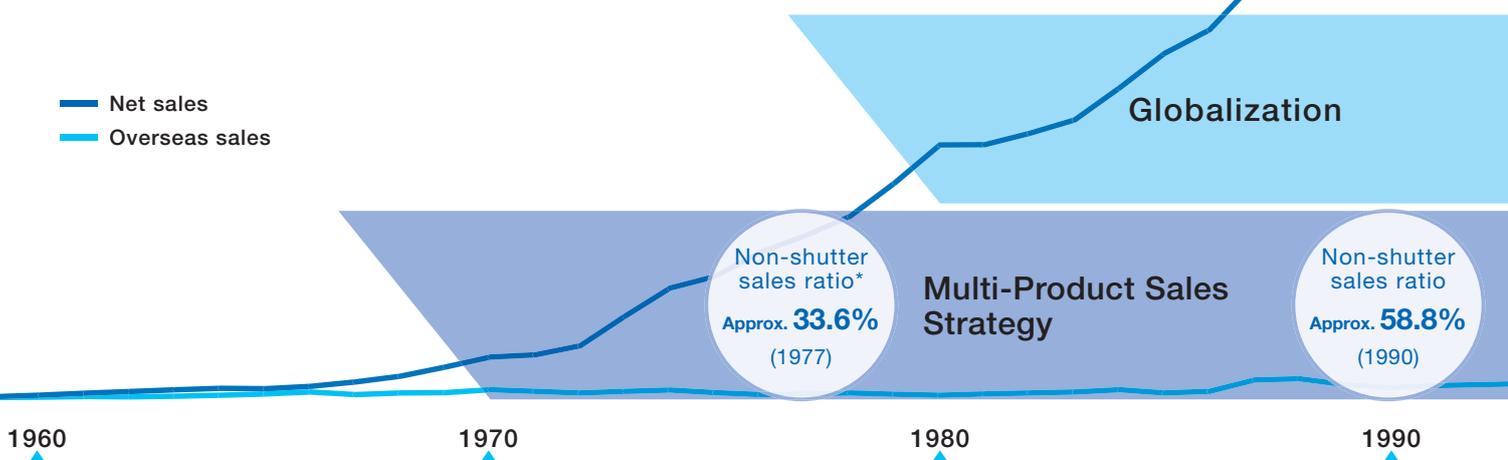


The Sanwa Group's DNA



Manji Takayama founded Sanwa Shutter 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, values and principles of business 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.



*Percentage of net sales from products other than lightweight shutters and heavy-duty shutters at Sanwa Shutter Corporation

The Beginning of the Shutter Industry

1950s-1970s

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.



Photo of the Company at the time of its founding

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

1980s

The Sanwa Group became a major player in four markets: shutters, doors, residential construction materials and partitions. We deployed 24-hour full-time service (FTS) throughout Japan so that customers would be able to use our products with greater peace of mind. We also began entering overseas markets, starting with Hong Kong.



1982 FTS poster

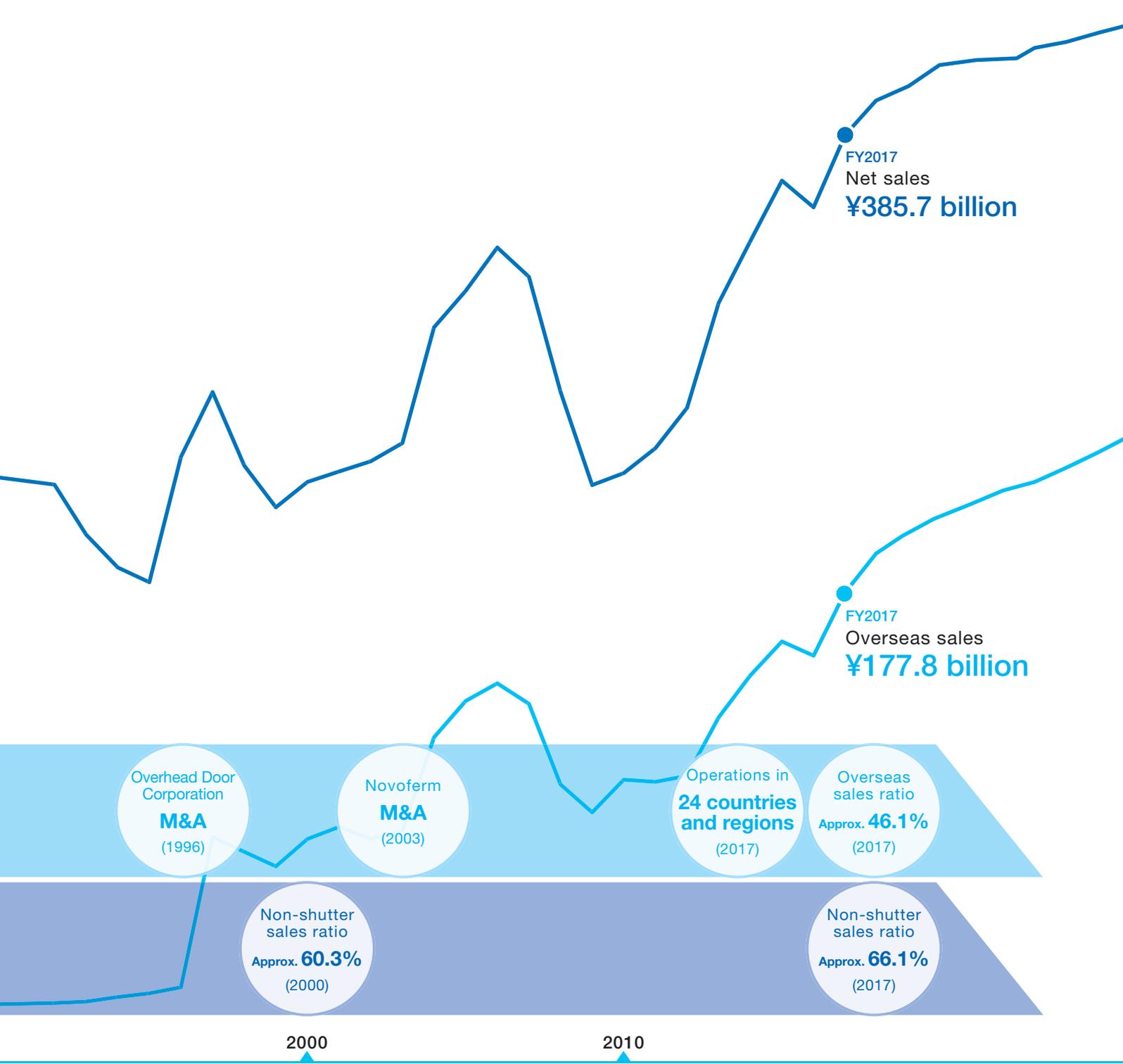
Expanding Business with a Stronger Presence in Overseas Markets

1990s

We acquired Overhead Door Corporation (ODC), a major U.S. door manufacturer, after deepening ties over many years, including a licensing agreement concluded in 1974. Through the addition of new businesses boasting leading shares in the United States, we proceeded with collaborative product development and sales, as well as expansion into new markets.



1996 Acquisition of Overhead Door Corporation



Responding to Diverse Lifestyles and Needs through Multi-Product Development

2000s

In 2003, the Novoferm Group, which has a large presence in Europe, joined the Sanwa Group. In Japan, we strengthened our position in the partition business with the acquisition of Venix Co., Ltd. We started to grow into a leading global brand by pursuing business and regional diversification, in addition to expanding and growing our core businesses through the development of multiple product types.



2009 Sanwa Group Test Center completed

Product Development in Harmony with Society

2010s

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



Waterproof shutter

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.

Message from the Chairman

Realizing safety, security and convenience player in the access systems industry. We will and accelerating the PDCA cycle.

Globalization and the Multi-Product Sales Strategy: Our Key Themes for Value Creation

Providing safety, security and convenience through access systems—namely, protecting customers from disasters and accidents, and bringing convenience and comfort to customers in their daily lives—is the Sanwa Group’s mission. To continue to deliver that value, our access systems must meet the expectations of customers at all times. In other words, our responsibilities include not only development, production and sale of products, but also extend to installation and maintenance and service. Meeting those responsibilities and realizing safety, security and convenience worldwide is our approach to becoming a major global player in the access systems industry.

To that end, we have been focusing on the two themes of globalization and a multi-product sales strategy. Currently, we have business operations in 24 countries and regions. We have established a leading position in our three major regions of Japan, North America and Europe, and have also expanded our business areas and product lineup to meet diverse needs. Yet we are still not satisfied. We intend to further speed up our globalization and multi-product sales initiatives to deliver safety, security and convenience to the world.

Implementing the PDCA Cycle at a Higher Level for Lasting Value Creation

Throughout its history of value creation, the Sanwa Group has emphasized “reliable business performance and reliable management” and “promotion of the PDCA cycle.” Growing the business to increase trust in the Group’s business performance, and securing a management foundation that is trusted by society leads to being chosen by customers and attracting and retaining talented employees. Those outcomes in turn are directly linked to improvement of corporate value. “Promotion of the PDCA cycle” is already a firmly rooted concept among Sanwa Group employees wherever we operate. The key to success in achieving goals is to accurately implement the PDCA cycle in everything we do. In an operating environment that is likely to become increasingly challenging, we will focus our efforts on improving and accelerating the PDCA cycle.

The word “sustainable” is often used these days, but all companies start out with the intention of lasting forever. That is what they aim for. Products, people and systems all have life spans, and striving to ensure that the company prospers forever while connecting and renewing those elements is what management is all about.

The Sanwa Group was founded 62 years ago, but the Group includes companies like Sanwa Tajima, which is celebrating its 100th anniversary in 2018. I am proud that we have so many companies that have continued to contribute to society for so long, and I am committed to sustainable management that will overcome the various issues we will face in the future. We will continue to tackle new challenges in achieving our mission of bringing safety, security and convenience to the world.

Toshitaka Takayama

Representative Director, Chairman & CEO

worldwide is our mission as a major global
enhance our corporate value by improving



Value Creation Model

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

Our Sources of Value Creation

Intellectual Capital/ Financial Capital

We manufacture and sell a wide range of products to meet diverse needs.

No. 1 in
number of
products

Human Capital

With more locations than any company in our industry in Japan, we focus on hiring and developing installers and deploying their professional installation skills nationwide.

Sales and
installer
network

Intellectual Capital

Practicing the PDCA cycle is the principle of our actions, from management to rank-and-file employees.

Permeation
of the PDCA
cycle

Social Capital/ Manufacturing Capital

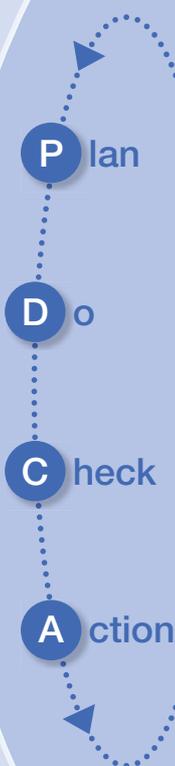
With operations in 24 countries and regions and 60 production bases, we are building a position as a major global player in the access systems industry.

24 countries
and regions

Financial Capital

We hold high market shares in our key regions of Japan, North America and Europe as a major global player in the access systems industry.

Overseas
sales ratio



Sanwa Global Vision 2020

Promote global management from the initial phase to the leaping stage

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

Goals

1. Become definite No. 1 brand in Japan, the U.S. and Europe
2. Establish a business model for service business
3. Expand shutter & door business in emerging markets, spotlighting Asia, and make them grow to be top brands
4. Promote realization of Group synergy in global markets

Achieving Our Two Kinds of

Reliable Business Performance

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

Globalization

**Major global player
in the access
systems industry**

**Multi-Product
Sales Strategy**

**Vision with
Reliability**

Reliable Management

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

The Sanwa Group's Mission

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

Safe living with protection from disaster

Secure living with protection from crimes against people and property

Comfortable living through easy-to-use access systems



Three Priority Themes to Support Growth

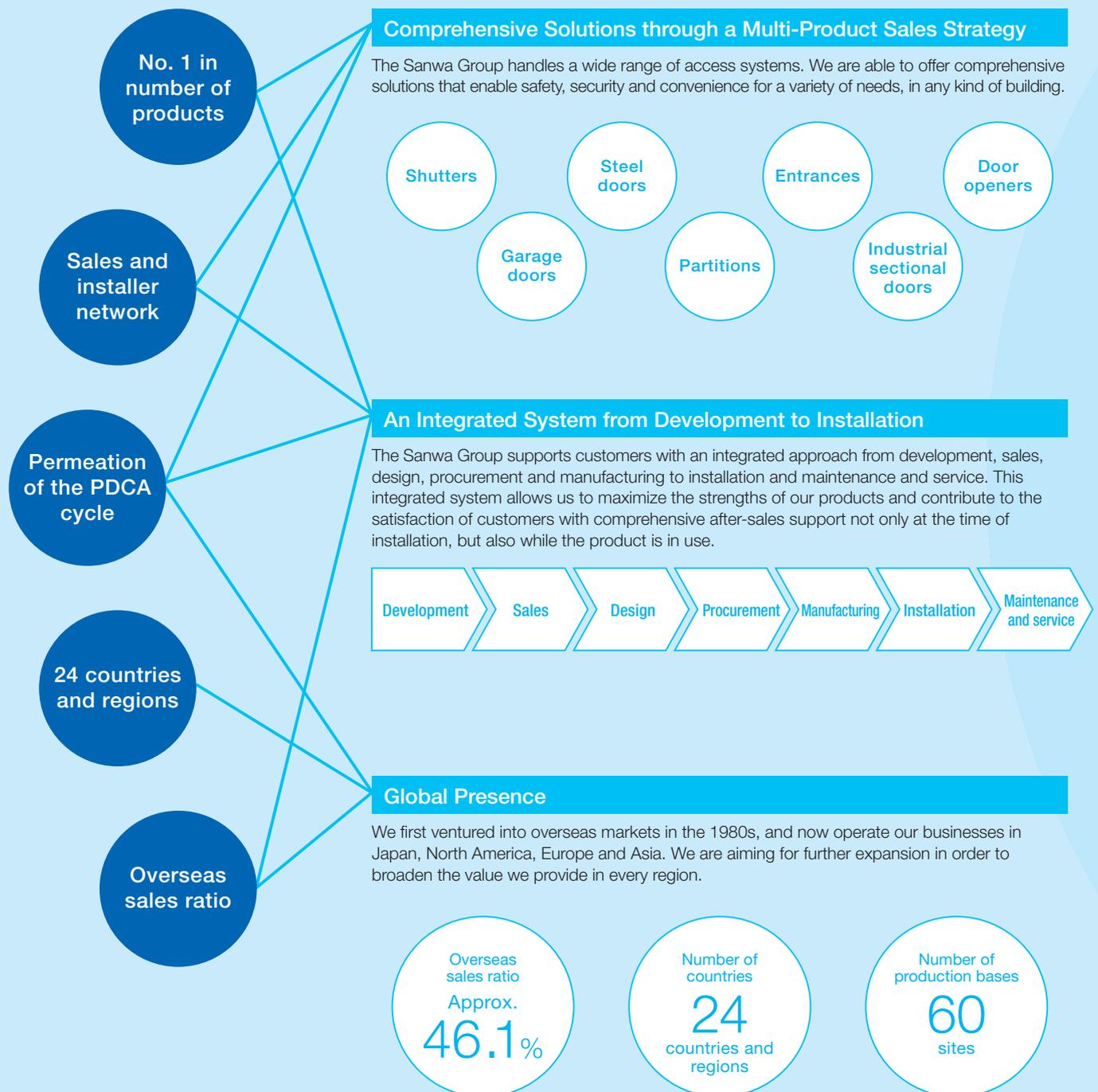
Enhancing satisfaction for customers and society

Vitalizing employees, affiliated companies and installers

Further improving reliability through corporate activities based on good faith and transparency

The Sanwa Group's Strengths

The sources of value creation are closely linked to the Sanwa Group's unique characteristics and strengths. By flexibly combining these strengths, we will provide even broader value to customers and society.



Worldwide Value

Since we established Sanwa Shutter Hong Kong in 1986, the Sanwa Group has been pursuing global expansion ahead of other Japanese companies in the industry. As a major global player in the access systems industry, we conduct business in 24 countries and regions worldwide, with a particularly strong presence in our three major regions of Japan, North America and Europe.



Europe

Net Sales ¥65.0 billion

Major Products

- Garage doors
- Hinged doors
- Industrial sectional doors

We acquired Novoferm, the number-two door and garage-door manufacturer in Europe, in 2003. Germany accounts for 40% of Novoferm's sales, followed by France, the Netherlands, Italy and other countries. With our acquisition of Alpha Deuren International B.V. in 2014, we also have the number-two market share in the European industrial sectional door market.

Japan

Net Sales ¥219.8 billion

Major Products

- Shutters
- Steel doors
- Stainless steel products
- Aluminum store fronts

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 3,800 installers across the country, it has built a robust sales and installation network that allows it to provide service with a high degree of flexibility and expertise. For steel doors, our products include lightweight doors for condominiums, doors for medical and welfare facilities, and heavy-duty doors for commercial facilities and other buildings. As part of the multi-product sales strategy, Sanwa Shutter is solidifying its position as a comprehensive access systems manufacturer by cultivating products to follow its partitions, automatic doors and other shutters and doors.

North America

Net Sales ¥112.8 billion

Major Products

- Garage doors
- Commercial doors
- Door openers
- Industrial sectional doors

In 1996, we acquired Overhead Door Corporation of the U.S., an industry pioneer established in 1921. This company has as many as 400 authorized distributors throughout the U.S., and its customers include access systems dealers, 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.

Note: Regional net sales include inter-segment sales.

The Sanwa Group in Our Lives

As a major global player in the access systems industry, the Sanwa Group provides safety, security and convenience in everyday life. The Sanwa Group's products are used in a wide variety of locations, including detached houses, housing complexes, large commercial facilities, office buildings, schools, medical facilities, welfare facilities, factories and warehouses, and we are working to further increase their value.

Detached Houses and Housing Complexes



Commercial Facilities and Office Buildings



Sch



Heavy duty shutters

Installed in building openings and as fire prevention equipment in fire compartments of building interiors, these shutters are used to hinder the spread of fire and prevent crime.

Japan No. 1	North America No. 1	
Europe	Asia	



Lightweight shutters

Manufactured and sold by the Sanwa Group since its establishment, lightweight shutters are installed in relatively small openings in structures such as residential garages, small stores and warehouses.

Japan No. 1	North America No. 1	
Europe	Asia	



Industrial sectional doors

Industrial overhead doors are installed for storage applications, and enable a panel to slide along a guide rail. We offer insulated overhead doors to retain heat and cold, and a wide range of functionality and panel types to handle various applications.

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



Garage doors

With a range of opening and shutting methods including the overhead slider and shutter types, and differences in materials, we are able to offer numerous variations. Our products also feature design flexibility and panel types to fit needs in various countries.

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



Steel doors

We provide steel doors for installation in the entrances of offices, commercial facilities and medical facilities, including products with high design flexibility. Their specifications conform to the requirements of fire codes of various countries and regions.

Japan No. 1	North America	
Europe No. 2	Asia	



Condominium doors

We provide anti-crime and safety steel doors for installation in the entrance ways of condominium buildings. Some of these doors are also customized for ventilation devices and salt damage prevention. These doors also have a high degree of design flexibility, with attention paid to their surface materials in addition to their color.

Japan No. 2	North America	
Europe	Asia	



Automatic doors

Automatic doors are installed in commercial facilities and condominium entrances to enable safe and smooth access. Another major security feature is their ability to prevent trespassers from entering.

Japan No. 3	North America No. 3	
Europe	Asia	



Aluminum & stainless steel facades

These are the doors and windows installed at the entrances of buildings, which make up the facade of the building. They require both design flexibility and functionality, as well as careful selection of materials.

Japan No. 1	North America	
Europe	Asia	



Note: Shown in order of market position. (Sanwa Holdings' estimates.)

ools

Medical and Welfare Facilities

Factories and Warehouses



Door openers

We manufacture and sell garage door and commercial overhead door openers. These products are mainly handled by Overhead Door Corporation in the U.S. and Novoferm in Europe, but some are also now being manufactured in-house in Japan.

Japan	North America No. 2
Europe No. 4	Asia



High-speed sheet shutters

These are sheet-like curtains that open and shut at high speeds. They are installed at the entrances of precision component, food, pharmaceutical and other factories to maintain a climate-controlled environment and keep out dust and insects. They are also environmentally friendly because they increase air-conditioning efficiency.

Japan No. 1	North America
Europe	Asia



Partitions & toilet booths

Our partitions enable various types of panels to be combined according to the requirements of each location and application. They allow our customers to freely change the layout of spaces and also provide fireproof and soundproof performance.

Japan No. 2*	North America
Europe	Asia



Lightweight sliding doors

Featuring excellent safety and ease of operation, these doors are mainly installed in medical and welfare facilities. They enhance wheelchair accessibility, and their safety features enable them to be comfortably opened and closed by people of all ages.

Japan No. 1	North America
Europe	Asia



Curtain walls

Curtain walls are outer coverings for high-rise buildings in particular, and are available in various types depending on the construction method and materials. They offer exceptional design flexibility.

Japan	North America
Europe	Asia



Window shutters

These are shutters installed mainly on the windows of detached houses. They perform crime prevention, fire prevention and ventilation functions, and add comfort and color to a home.

Japan No. 3	North America
Europe	Asia



Mail boxes & delivery boxes

We offer a range of mail boxes and delivery boxes for offices and housing complexes. We also have delivery boxes for detached houses for use when residents are not home.

Japan No. 2	North America
Europe	Asia



Waterproofing products

We have an extensive lineup of waterproofing products that prevent flooding and water damage, including waterproof shutters, waterproof doors and waterproof boards. These products are installed mainly at entrances to facilities such as subway stations and underground shopping malls. When there is a risk of flooding, they close quickly and smoothly to keep water out.

Japan	North America
Europe	Asia

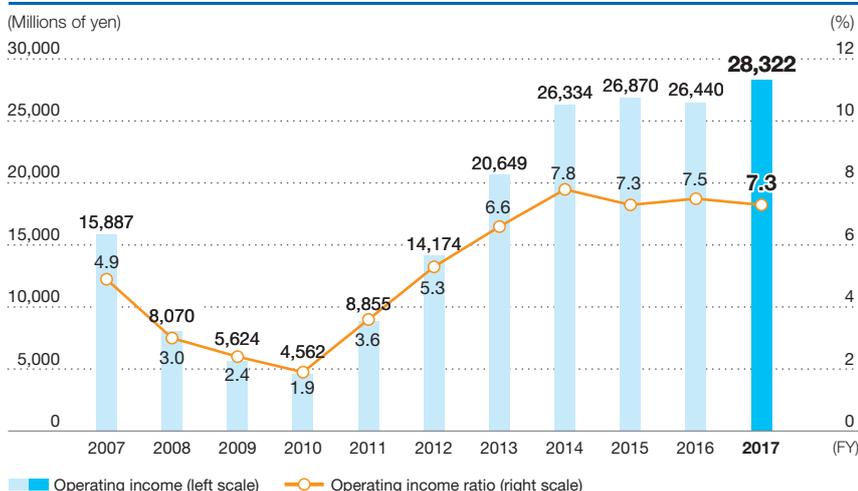


* Toilet booth market

Quantitative Value of the Sanwa Group

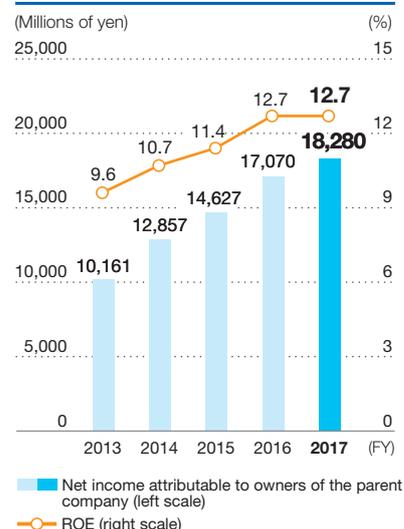
Financial Indicators

Operating Income & Operating Income Ratio



Operating income in fiscal 2017, despite falling short of target, set a new record high. The operating income ratio recovered steadily until fiscal 2014 from the low in fiscal 2010, but has changed little from fiscal 2015 to fiscal 2017. We are aiming to raise the operating income ratio from its current level in the 7% range to 10% in the medium to long term.

Net Income Attributable to Owners of the Parent Company & ROE



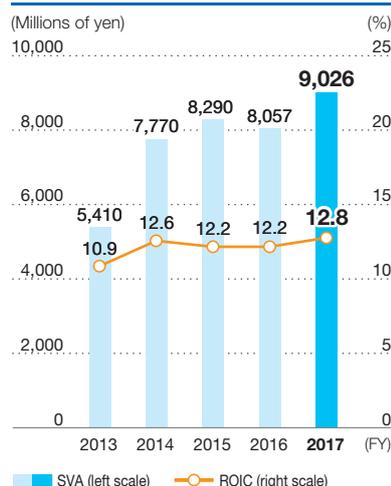
In fiscal 2017, net income attributable to owners of the parent company set a new record, but ROE was unchanged at 12.7%. Our cost of capital target is 8%, and we have maintained ROE at 10% or higher over the past four years, with the spread between the two expanding. As a result, we have been building up corporate value relatively smoothly.

Debt/Equity Ratio



The debt/equity ratio at the end of fiscal 2017 was 0.44 times, and has steadily gone down from a peak of 0.70 times in fiscal 2014. The reason for the improvement is that while interest-bearing debt has fluctuated during this period, net assets have steadily increased. Our estimate for fiscal 2018 is 0.40 times, and thus we expect to achieve the goal in the Second Three-Year Plan.

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



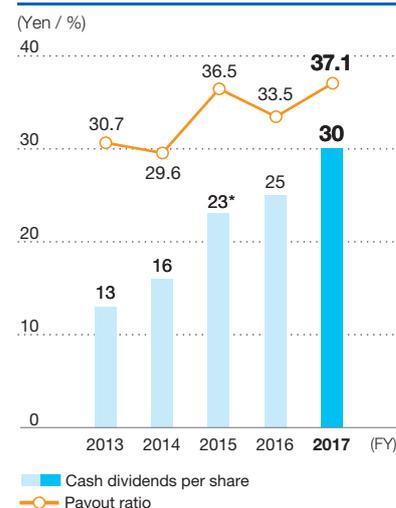
*SVA: Our unique indicator of added value.

$$\text{SVA} = (\text{Net operating profit after tax (NOPAT)} - \text{Invested capital} \times \text{Weighted average cost of capital (WACC)} (6\%))$$

$$\text{ROIC} = \text{NOPAT} \div \text{Invested capital} \times 100$$

SVA is our own indicator based on the EVA concept. In addition to shareholders' equity, SVA looks at how well we generate profits on debt and other invested capital across our businesses, and is thus an important measure from a different angle than ROE. In fiscal 2017, SVA improved to ¥9.0 billion, and we are projecting ¥10.3 billion in fiscal 2018.

Cash Dividends per Share & Payout Ratio

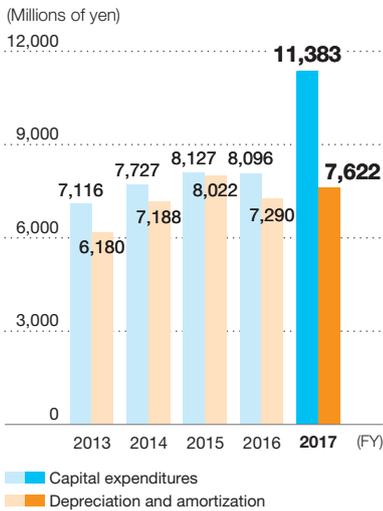


* Includes special 60th anniversary dividend (¥3)

In fiscal 2015 we raised our payout ratio target to 35%. Cash dividends for fiscal 2017 totaled ¥30 per share, an increase of ¥5 from the previous fiscal year. For fiscal 2018, based on the performance outlook, we expect to increase dividends by ¥2 to ¥32 per share.

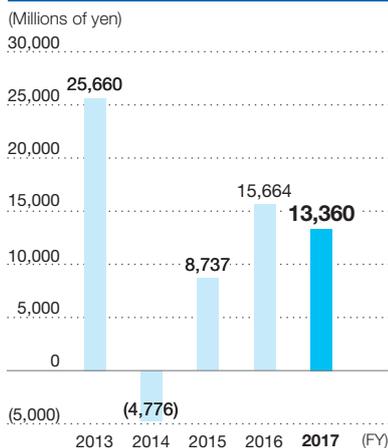
Non-financial Indicators

Capital Expenditures & Depreciation and Amortization*



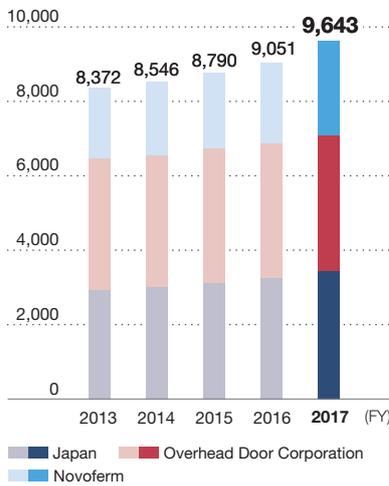
Our policy is to keep maintenance-related capital expenditures within the amount of depreciation and amortization. In fiscal 2017, capital expenditures were ¥11,383 million, significantly higher than in the previous year, as we made substantial strategic capital investments. Of this amount, we invested approximately ¥4,000 million in the renovation of painting equipment in Japan, and in construction of a new partition plant.

Free Cash Flow



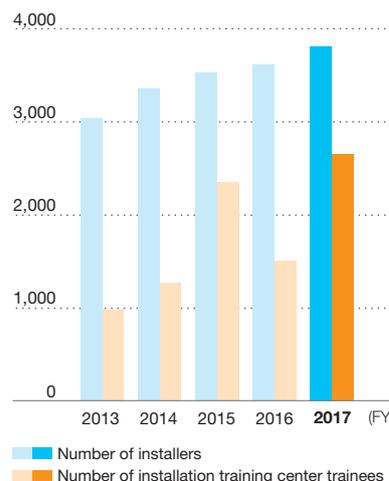
Our policy is to allocate free cash flow, excluding dividends paid, for growth investments such as M&A and strategic capital investments. However, if there are few strategic investments and our cash position becomes too large, we will specifically consider using it for shareholder returns.

Number of Employees (Consolidated)



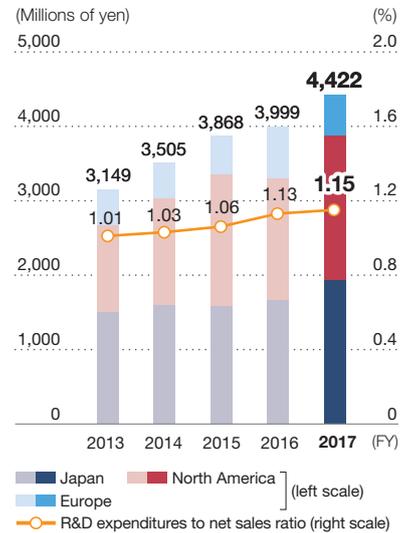
The number of employees on a consolidated basis as of March 31, 2018 was 9,643. By region, 3,432 employees were in Japan, 3,666 in North America and 2,545 in Europe, and overseas Group employees accounted for 64% of the total. About 900 employees are in the Asia Group, which is not included in consolidation, so the number of employees in real terms is over 10,000.

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



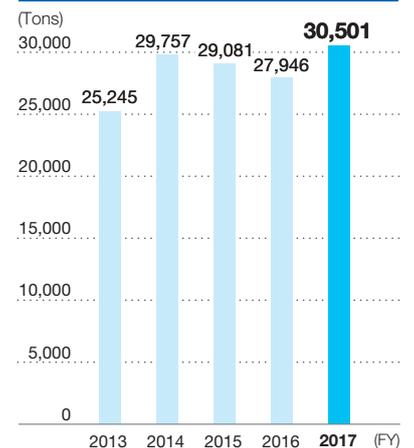
Installers are the source of the Sanwa Group's competitiveness. We now have over 3,800 installers, and are adding more every year to handle construction of large buildings and inspection of fire prevention equipment. We will continue to focus efforts on training to secure employees and upgrade their skills to prepare for the expected concentration of construction projects and a substantial increase in the maintenance and service business.

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



Group companies work to develop new products and improve existing products while enhancing their product lineup, consolidating parts and materials, improving quality, safety and workability, and implementing cost-cutting measures. Since fiscal 2013, R&D expenditures have increased each year, both in total amount and as a percentage of net sales.

CO₂ Emissions (Japan)



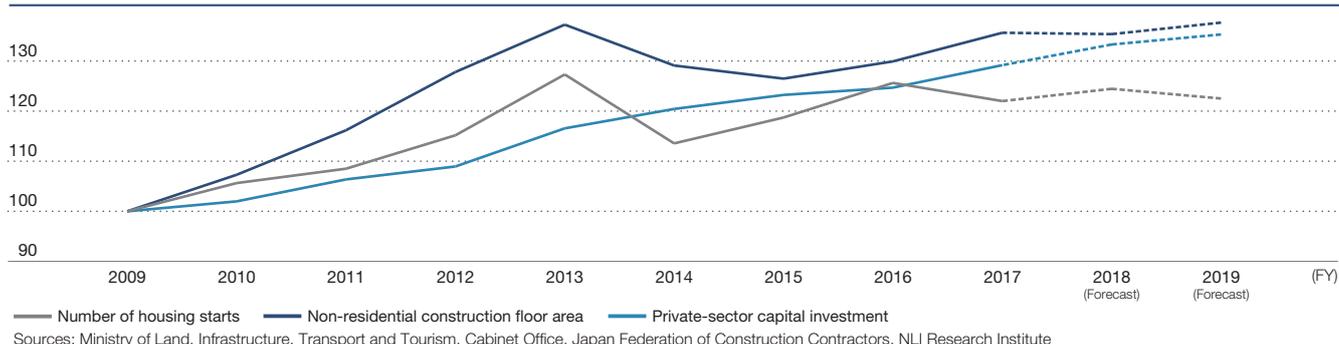
Note: CO₂ emissions are calculated from the consumption amounts of electricity, gas, gasoline, diesel fuel and kerosene.

CO₂ emissions were up by approximately 10% in fiscal 2017 due to factors including sales growth and preparations to introduce new lines at plants. Group companies have strengthened measures to reduce CO₂ emissions through reduction of energy consumption. Measures included converting to LED lighting and upgrading of energy-saving equipment.

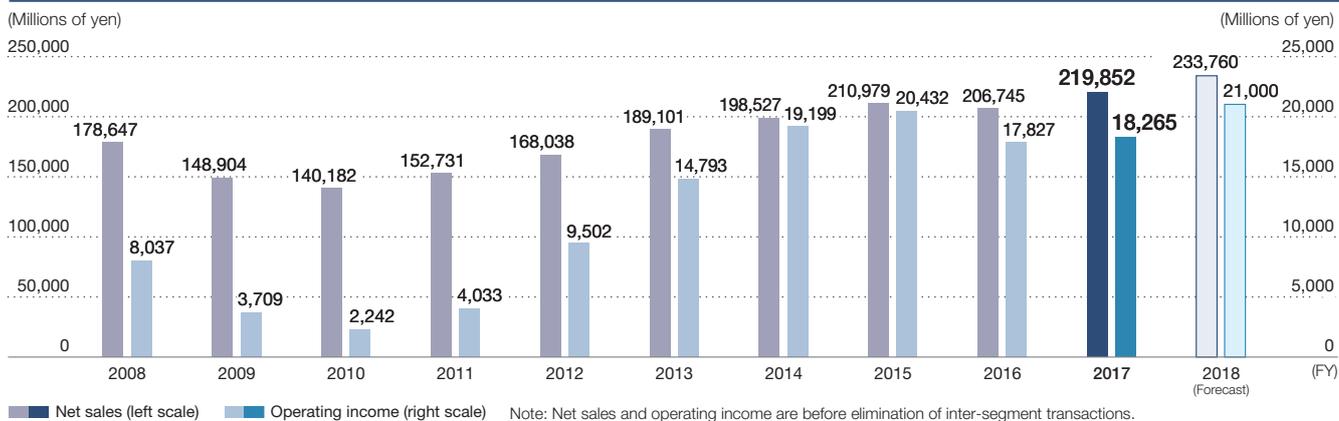
Japan

Housing starts are projected to increase due to the expected surge in demand at the end of fiscal 2018 ahead of the planned increase in the consumption tax. However, housing starts are forecast to fall back again in fiscal 2019. Non-residential construction floor area increased in fiscal 2017, but a further significant increase is not expected. Steady progress is expected in capital investments by private-sector businesses.

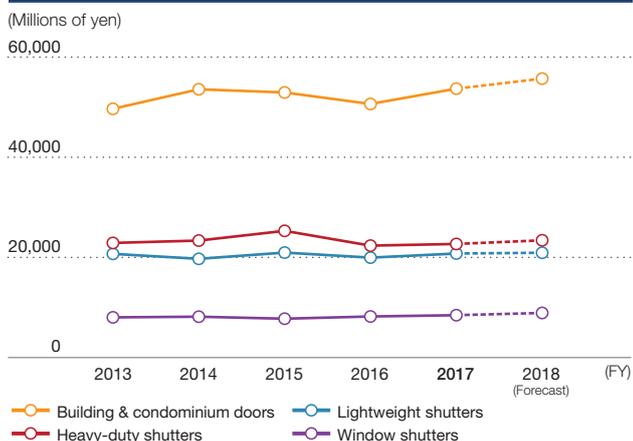
Change in the Construction Environment (Index with FY2009=100)



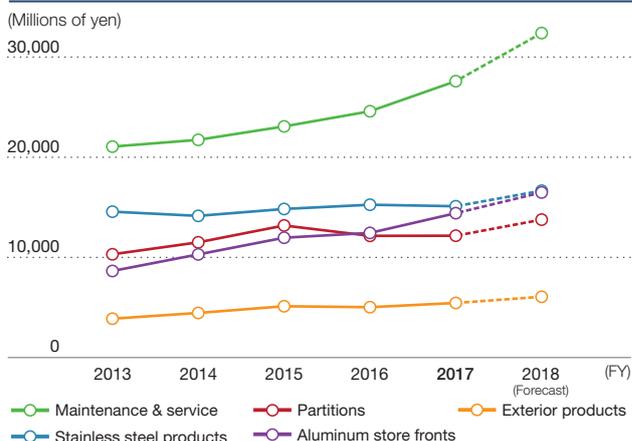
Net Sales & Operating Income



Sales by Product (1)



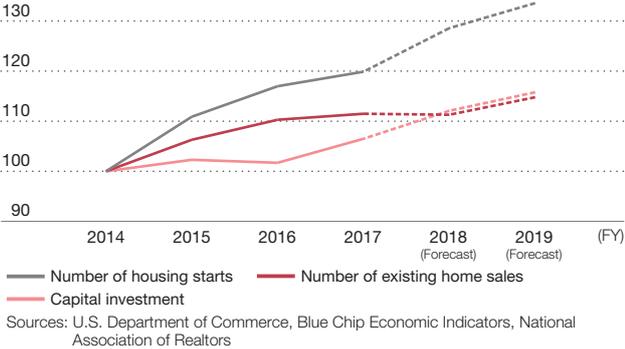
Sales by Product (2)



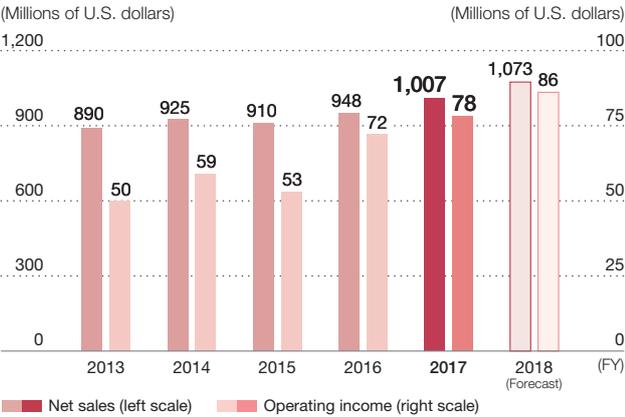
North America

New housing starts and existing home sales are projected to increase, driven by strong demand. Capital investment is expected to recover, aided by the corporate tax cut.

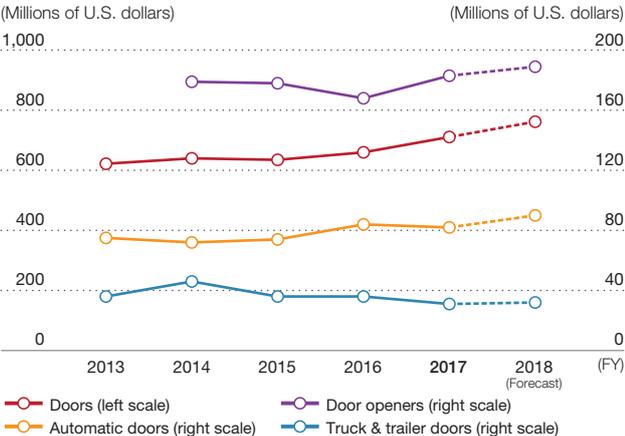
Change in the Construction Environment (Index with FY2014=100)



Net Sales & Operating Income



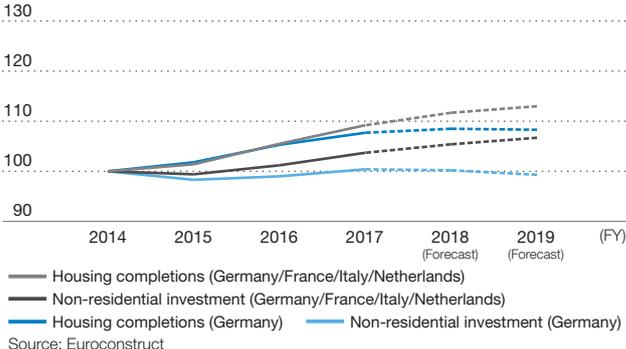
Sales by Product



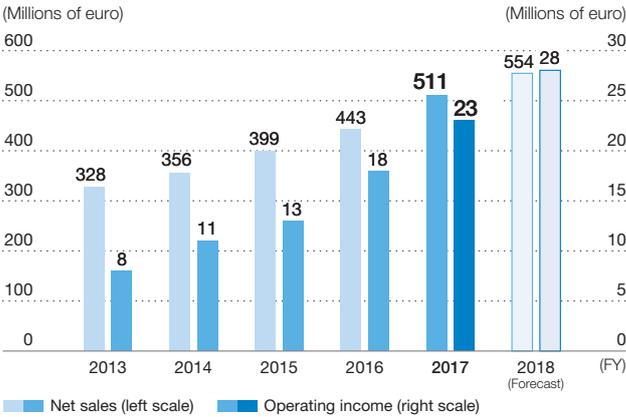
Europe

While market conditions vary by country, moderate growth is predicted in both residential and non-residential construction in Germany, France, Italy and the Netherlands.

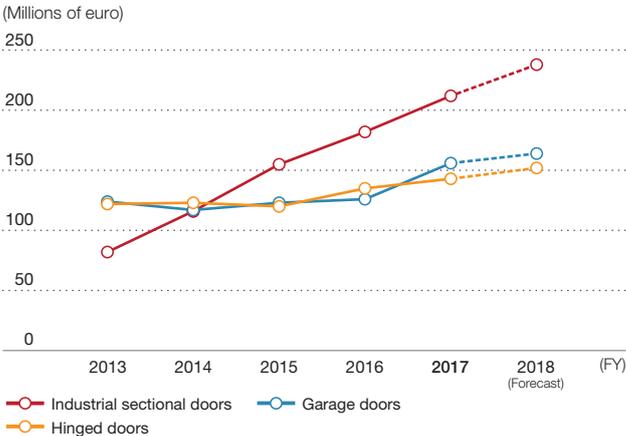
Change in the Construction Environment (Index with FY2014=100)



Net Sales & Operating Income

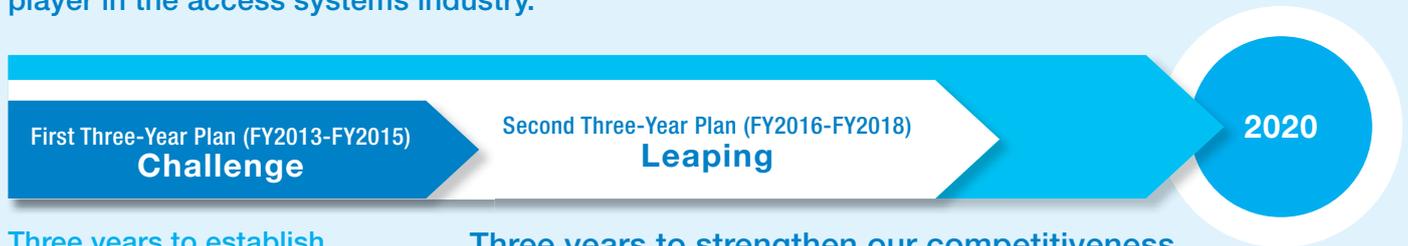


Sales by Product



Overview of 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.



Three years to establish basis for becoming a major global player

Three years to strengthen our competitiveness as a major global player.

Priority Goals

- 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

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

Three years to strengthen our competitiveness as a major global player



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

- Strengthen core products
- Grow the business by enhancing multi-product sales initiatives
- Business enhancement/expansion through Group cooperative activities
- Respond to new periodic inspection reporting system for fire prevention equipment



Grow our core business and achieve growth by reinforcing our business base

- Grow and strengthen our core business (doors and door openers)
- Promote forward integration strategy
- Expand international business



NF3.0 structural reforms to establish a base for profitable growth focused on core products

- Improve Novoferm corporate management
- Expand fireproof doors to all EU markets
- Expand industrial door business
- Gain market share of sectional garage doors



Advance from the stage of establishing the business base to the stage of increasing profitability

- Aim to become the top-share manufacturer in key markets
- Further promote localization
- Strengthen cooperation activities among Group companies
- Increase sales opportunities through cross-border cooperation

Global Synergy

- Expand Group procurement activities
- Enhance global sales network
- Product development targeting the global market

Service

- Strengthen our service segments and expand our business model
- Provide services that meet customer needs in each market
- Acquire new customers and expand installation and service business

Compliance

- Conduct corporate management with integrity
- Strengthen corporate governance
- Promote compliance and improvement of quality and safety

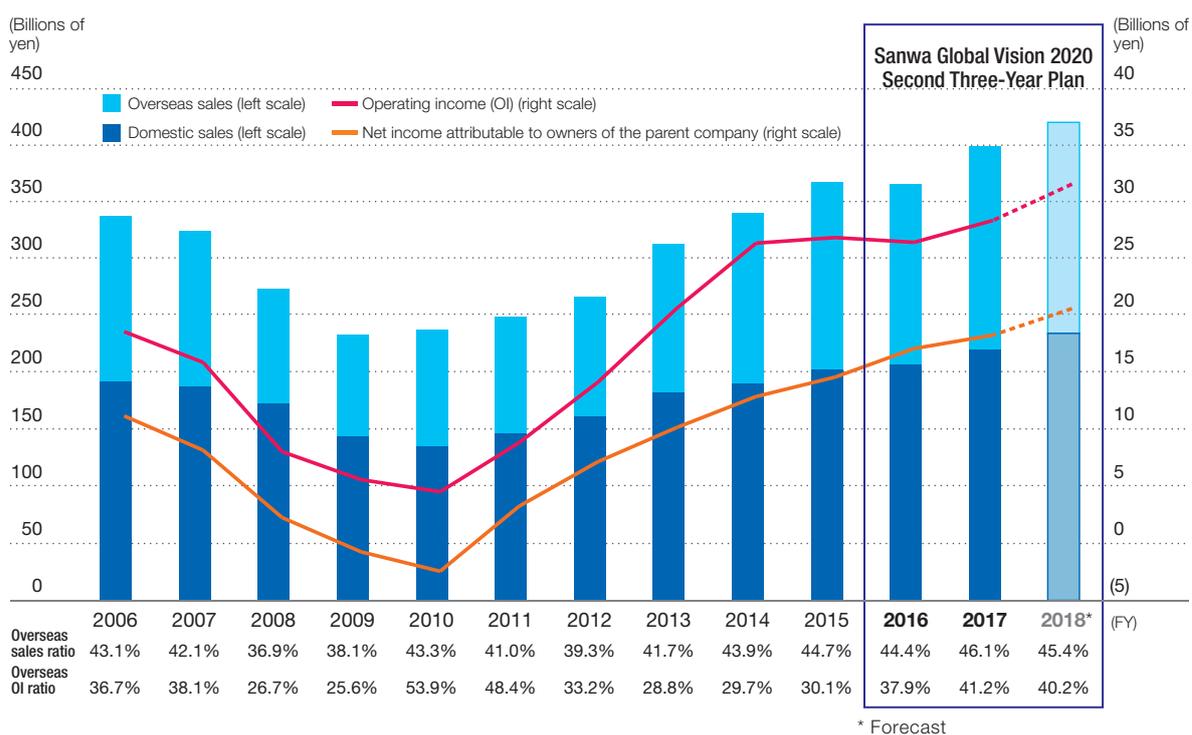
and Mid-Term Management Plan

Numerical Targets

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.

- Both sales and profits expected to continue to hit record highs.
- Set the operating income ratio target of 9% and improve the earnings base to reach 10% in fiscal 2020.
- Set the ROE target of 15% while maintaining a stable financial base such as a debt/equity ratio of 0.4 times.

	FY2016	FY2017	FY2018 (Forecast)	FY2018 (Mid-term plan targets)
Net sales	¥353.9 billion	¥385.7 billion	¥407.0 billion	¥410.0 billion
Operating income	¥26.44 billion	¥28.32 billion	¥31.5 billion	¥37.0 billion
Operating income ratio	7.5%	7.3%	7.7%	9.0%
ROE	12.7%	12.7%	13.3%	15.0%
SVA	¥8.1 billion	¥9.0 billion	¥10.3 billion	¥12.8 billion
Shareholders' equity ratio	43.0%	45.2%	47.1%	42.0%
Debt/equity ratio	0.53 times	0.44 times	0.40 times	0.40 times



Message from the President

The Sanwa Group will continue to tackle challenges to become a major global player in the access systems industry, and to enhance its corporate value over the medium and long term. We will advance our globalization and multi-product sales initiatives while devoting efforts to growth investment, including investment in human resources, as we work to provide safety, security and convenience at an even higher level.

Yasushi Takayama

Representative Director,
President & COO



Positioning of This Section

A basis for dialogue on the Sanwa Group's corporate value

A year has passed since I became president of Sanwa Holdings. I feel that there is still much more that can and should be done. The Sanwa Group, which aspires to be a major global player in the access systems industry, is committed to continuing to evolve. In this section of the Integrated Report, I will share the Sanwa Group's vision and some of the issues we need to address in order to attain it. I hope this will serve as a basis for a healthy and active dialogue.

Sanwa Global Vision 2020

Globalization and multi-product sales initiatives: We are still not satisfied with the results.

The framework for presenting the Sanwa Group's value creation strategy is our long-term management vision, Sanwa Global Vision 2020. In the strategy that we formulated in 2013, we set out to offer products and services that provide safety, security and convenience to customers worldwide as a major global player in the access systems industry. That strategy was aimed at enhancing our corporate value by building on our previous efforts for globalization and multi-product sales initiatives. We have achieved growth in North America and Europe and expanded our business areas, and we have achieved positive results to a certain extent. But I am still not satisfied.

Looking back at our perception of the external environment when the plan was created, the reality has diverged significantly from that in some respects. We had assumed that the pace of economic development in newly industrialized countries would be faster, and we did not foresee that the labor shortage in Japan would become as serious as quickly as it has. I do not intend to use the environment as an excuse, but in the unexpected conditions we faced, the Sanwa Group should have created greater value by changing and evolving. I would like to talk about our strategies for the future, which are based on our policy of accelerating our existing initiatives for globalization and multi-product sales while taking on challenges to evolve into something new.

Progress of the Second Three-Year Plan

We have not achieved targets despite record earnings driven by North America and Europe.

In Sanwa Global Vision 2020, we are currently implementing the Second Three-Year Plan (FY2016-FY2018) under the theme “Leaping.” Based on five priority goals, the plan is aimed at expanding in Japan, North America and Europe, where we have built solid positions, and strengthening our service operations and business base in Asia to establish a more solid business structure.

In fiscal 2017, year two of the Second Three-Year Plan, the Sanwa Group made efforts to achieve each of these strategies, and set new records for sales and profits. However, we failed to reach our targets because the progress of results in our business in Japan was pushed back. This is disappointing, especially since we strive for two kinds of reliability: reliable business performance and reliable management.

To summarize fiscal 2017, even though the Japanese market remained in an expansion phase, our business in Japan did not grow significantly because project completion dates have been pushed back, and increases in costs, including raw material costs and installation and logistical expenses, have not been fully reflected in selling prices. On the other hand, we have made good progress in responding to the new periodic inspection reporting system for fire prevention equipment and in expanding the partition business. In North America, our strategy of reinforcing sales channels and rolling out new products in the core door business to capitalize on strong market expansion is progressing steadily. That, along with the revival of the door opener business, resulted in solid growth. In Europe, the NF3.0 structural reforms are proving successful. Sales of industrial doors and garage doors grew steadily, and we took steps to expand our business in the U.K. with the acquisition of Bolton Gate Services (BGS) in January 2018.

In concrete numbers, net sales for fiscal 2017 increased 9.0% year on year to ¥385.7 billion, operating income increased 7.1% to ¥28.3 billion, and the share of operating income from overseas business was 41.2%. Net income attributable to owners of the parent company rose 7.1% to ¥18.3 billion.

Dividends per share totaled ¥30 (a payout ratio of 37.1%), an increase of ¥5 per share from fiscal 2016. I feel relieved that we were able to increase dividends for the sixth consecutive year.

Strategies for Fiscal 2018

We will steadily execute our strategies in the final year of the Second Three-Year Plan.

Fiscal 2018 is the final year of the Second Three-Year Plan, and we will make this the year for wrapping up the plan by further advancing our five priority goals.

First, I will go over our initiatives in each region.

Japan

The Japanese construction market, in contrast to our original assessment, is expected to grow moderately from 2018 to 2019. However, due to the rising age of construction workers and the increase in demand, the construction labor market is becoming tighter.

We will secure profits for our core products by raising prices, and will aim for further growth with our multi-product sales strategy. Responding to market needs, we will provide safety, security and convenience by expanding our lineup of environmentally friendly products, and by focusing on IoT-related products, including a window shutter that closes when certain weather warnings are issued.

To secure sufficient labor, in addition to periodic recruiting activities, we are working to hire mid-career professionals, centered on on-site personnel. We also made upfront investments to increase the number of installers by approximately 200, and qualified fire prevention equipment inspectors by approximately 240 (as of March 31, 2018, compared with the previous fiscal year end) to accommodate the requirements of the periodic inspection reporting system for fire prevention equipment. That is not to say that these levels are enough, but it does show that we are taking positive measures for the future. We are also improving our infrastructure. We started up the Osaka plant in April 2018 to be ready for expansion of the partition business and other business, and we also plan to make investments in systems for improving efficiency in manufacturing and logistics operations.

North America

We will work on growing and strengthening our core business amid favorable conditions in the U.S. market. This will include taking measures to reinforce our sales channels for business expansion in the New York City area and other large metropolitan areas, where ODC's market share is relatively low and there is room for development, as well as enhancing our lineup of residential and industrial products. We will also continue to focus on the forward integration strategy and enhance the Installation and Service Divisions of directly managed sales offices in the U.S. and operating companies in Canada.

In 2017, steel prices in North America continued to climb dramatically due to the impact of policy measures. As a result, the Sanwa Group implemented price hikes in January and June 2018. We will make efforts to ensure that we can keep pace with future cost increases.

Europe

Our strategy in Europe is centered on advancing the NF3.0 structural reforms. At the same time, we will increase our presence in the European market by pursuing synergy from integration with acquired companies and aggressively promoting expansion of the service business. More specifically, an extension of the Alpha Deuren plant in the Netherlands, which is scheduled to go into operation in 2019, is currently being built to expand production capacity for sectional doors. After the extension is completed, this will be one of the largest sectional door plants in Europe. In addition, production capacity for dock levelers manufactured at our plant in Poland is being expanded to meet brisk demand. In the service business, we will promote synergy from integration with Bolton Gate Services.

Asia

Our businesses in Asia have not achieved sufficient growth. This is due to delays in establishing business bases in the markets of each country. We did successfully make the transition to profitability, and our businesses in Asia are generating sales and profit growth, but I want to get started on a fundamental growth strategy. We will also work on cross-border expansion of business opportunities within Asia, starting with further promotion of localization and stronger cooperation between Group companies, to position our operations for the next stage. In our area strategy, we have made investments in China, and we will allocate more business resources to ASEAN countries to accelerate growth there.

Global Development and Performance Outlook

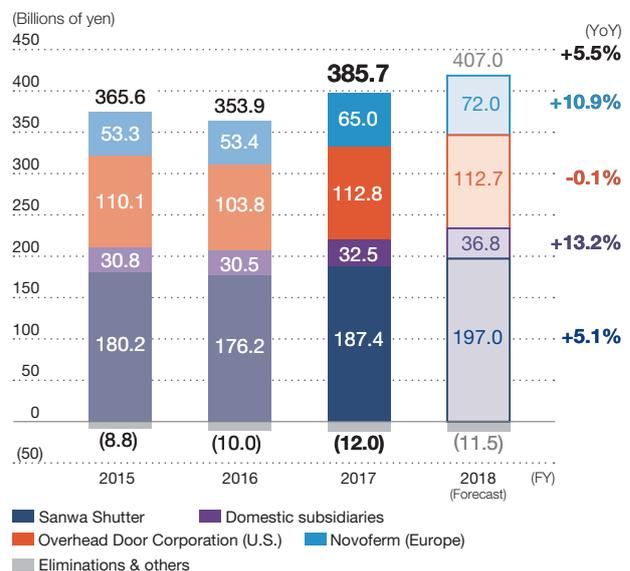
In pursuit of global synergy, we will introduce Sanwa Shutter products in North America, and undertake various product development initiatives, including collaborative development of high-speed aluminum spiral shutters between European and North American operations. In purchasing activities, we will expand the role of the Sanwa Global Procurement Center and step up procurement for low-cost products in our Asia businesses.

Taking these plans into account, our performance outlook for fiscal 2018 is for net sales of ¥407.0 billion, a 5.5% increase compared with fiscal 2017; operating income of ¥31.5 billion, an 11.2% increase; and net income attributable to owners of the parent of ¥20.6 billion, a 12.7% increase. We do not expect to reach the original fiscal 2018 target figures in the Second Three-Year Plan, but nevertheless, our goals of topping ¥400 billion in net sales and ¥30 billion in operating income for the first time will be milestones. For

FY2018 Forecast

	FY2016	FY2017	YoY Change	Forecast	
				FY2018	YoY Change
Net sales	353.9	385.7	+31.8	407.0	+21.3
Operating income	26.44	28.32	+1.88	31.5	+3.18
Net income attributable to owners of the parent company	17.07	18.28	+1.21	20.6	+2.32
Cash dividends per share (yen)	25	30	+5	32	+2

Net Sales and Forecast by Sector



fiscal 2018, we plan to pay cash dividends per share of ¥32 (a payout ratio of 35%), a ¥2 increase, which will be the seventh consecutive annual increase.

Capital Policy

Enhance returns to shareholders while making investments for growth

In the Second Three-Year Plan, we set various key performance indicators, including net sales and operating income, the operating income ratio, debt/equity ratio, ROE, and Sanwa Value Added (SVA), but the one we are focusing on in particular is the operating income ratio.

In emphasizing ROE and SVA, if we analyze the components of ROE, the asset turnover ratio is at an appropriate level, and keeping financial leverage at the current level is also necessary, so the indicator that we should concentrate on boosting in comparison to global industry peers is the operating income ratio. We intend to raise this ratio to double digits by 2020. However, it was 7.3% in fiscal 2017 and is projected to be 7.7% in fiscal 2018. Therefore, we need to work on increasing profitability further. Cost of capital assumptions used as the basis for that goal are weighted average cost of capital (WACC) of 6% and cost of equity of 8%. SVA (the Sanwa Group's original indicator based on the EVA concept) is also used in the evaluation of Group companies, and we manage it as a key performance indicator for expanding the corporate value of the Group as a whole.



We allocate free cash flow (FCF), excluding dividends paid, to strategic investments (M&A and strategic capital investments). To summarize the three-year totals, operating cash flow will be approximately ¥75.0 billion. Our general framework for the use of those funds is to allocate ¥20.0 billion to payment of dividends; ¥20.0 billion to normal capital investments; ¥10.0 billion to investment in new strategic capital investments; and the remaining ¥25.0 billion fundamentally allocated to M&A and other strategic capital investments, although part will go to repaying debt approaching its maturity date. If there are no strategic M&A opportunities available, our policy is to implement share buybacks within certain parameters. We have implemented three share repurchases and retirements of ¥5.0 billion each in the last four years. This steady delivery of returns to shareholders is extremely important to us.

**FY2018 Forecast
Factors Increasing / Decreasing Operating Income**



Financial Policy in the Second Three-Year Plan

Prioritize strategic investments to become a major global player

Dividends: Payout ratio target of 35%

Share buybacks: Prioritize growth investments including M&A. Consider share buybacks if there are no substantial cash outflows related to such investments.

Capital investments: In principle, we make capital investments necessary for maintaining and continuing existing businesses within the range of depreciation and amortization. Allocate FCF to strategic investments.

Human Resource Strategy and Reform of Employee Awareness

Enhancing engagement with employees is key to raising productivity. Investments will also be directed to that effort.

In the context of investments, I think investments in IT infrastructure and personnel will be even more important in the Sanwa Group as we go forward.

In the Japanese market, where there is a pronounced labor shortage and a trend of work-style reforms, raising productivity will be key to growth. Our over 3,400 employees and approximately 3,800 installers in Japan as well as the employees of affiliated design and manufacturing companies are critical management resources that support the growth of the Sanwa Group. In addition to compensating employees with wages and bonuses, it is imperative to invest in systems for upgrading efficiency in areas such as production and logistics as well as to develop products that can reduce the labor involved in installation.

However, I do not think our most fundamental issues can be solved with these measures alone. The employees of Group companies in Japan including those of Sanwa Shutter possess a strong sense of responsibility and are good at executing strategies. We can be proud of this. However, we still have not created an organization that encourages and empowers them to innovate on their own. In order for the Sanwa Group to achieve new growth, we need to create an

environment that enables employees to maximize their potential and quicken reform of employee awareness. Rather than being content with sitting at the top of our industry, we need to adopt best practices from other industries and seriously implement them in order to evolve.

Being aware of these issues, we conducted an employee awareness survey to firmly implement the PDCA cycle even in human resource strategies in our business in Japan. Reform of employee awareness is not something that can be done in a day. Making a company stronger can only be achieved through engagement with employees. I am personally prepared to devote myself to the evolution of the company and to strengthening that engagement.

Our Approach to Long-Term Value Creation

We aim to provide safety, security and convenience at an even higher level.

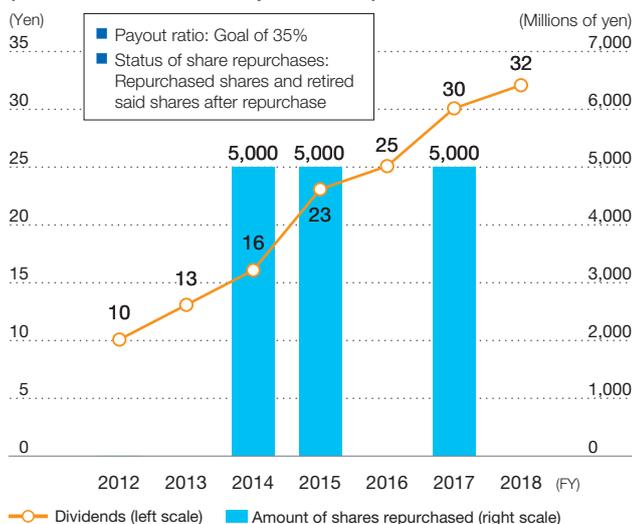
Our products and services, including fireproof, waterproof and crime prevention products, help protect people from various dangers. Providing safety, security and convenience in close connection with everyday life—that is our mission, and we consider our business a vital part of society.

One point that we should be conscious of in becoming a major global player in the access systems industry is raising our standards for safety, security and convenience. We must provide customers with the safety that they really need. Therefore, we aim for an even higher level of safety than that specified in the Japanese Industrial Standards (JIS) and other standards. In order to further raise our presence as a major global player, we should also rethink industry standards at the global level and push for improvements.

Since I became president, I have said that I want the Sanwa Group to grow by increasing earnings with a long-term perspective in order to make our stakeholders happy. Therefore, I also want to take the value we create in safety, security and convenience to a higher level with a long-term viewpoint.

I look forward to an even more active dialogue with shareholders and investors on this long-term value creation strategy. Thank you for your continued support.

Shareholder Return Policy (Dividends & Share Repurchases)



Feature:

The Progress of Our Multi-Product Sales Strategy and Future Growth



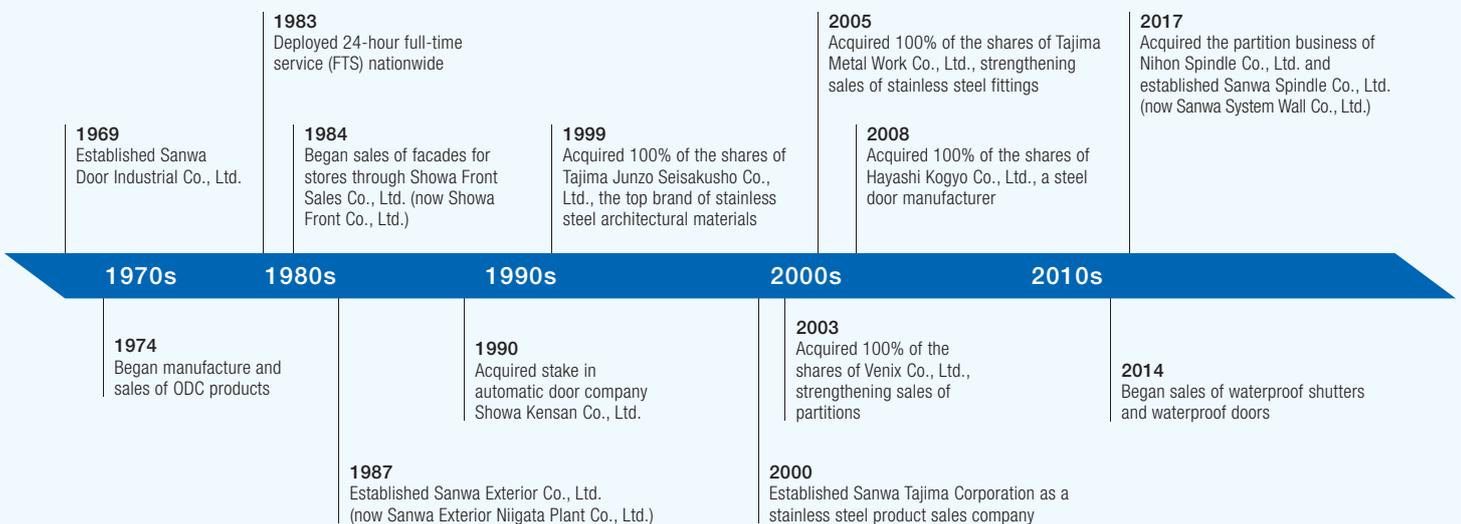
The progress of the Sanwa Group’s multi-product sales strategy closely follows the Group’s growth trajectory. For almost six decades, we have provided industry-leading products and services based on our understanding of market changes and needs. We will continue to strongly promote our multi-product sales strategy and focus on delivering safety, security and convenience as a major global player in the access systems industry.

History of Our Multi-Product Sales Strategy

Our multi-product sales strategy began with our entry into the door business in the late 1960s. Focusing on fields where we could apply the know-how we cultivated in the shutter business, existing production facilities and sales and installation networks, we began producing made-to-order steel doors. With our precise response to customer needs, we rapidly rose to the top of the industry.

The multi-product sales strategy is now at the core of our drive to become a major global player. After obtaining a certain market share, rather than just focusing on further market expansion, we need to widen the scope of our business and the value we offer. We can then use our extensive lineup of products and one-stop service to create new value.

Transition of Our Multi-Product Sales Strategy in Japan



Japan

From a Shutter Company to a Manufacturer of Access Systems

From Shutters to Doors: The First Step of Our Multi-Product Sales Strategy

The Sanwa Group's founding began with the start of the lightweight shutter business in the 1950s. Other companies were concentrating their sales efforts on major urban areas, but as a relative latecomer to the market, we built a sales network focusing on smaller regional cities. This strategy of locating bases close to places of demand paid off, and our market share rapidly expanded as we captured growing regional demand. With this foresight in anticipating trends and our different approach, we built the foundations of our sales and installation network, and established the basis for our rapid ascent as the top manufacturer.

In the 1970s, skyscrapers went up one after another, and demand for fireproof doors expanded rapidly along with fireproof shutters. The Sanwa Group quickly expanded into the door business, which had the same customer base as shutters, beginning in the late 1960s. This became the first step in the Group's multi-product sales strategy. It was almost inevitable that we would expand into the steel door business, where we could apply our metalworking expertise cultivated in the shutter business, and use our existing production facilities and nationwide sales and installation network.

On the other hand, doors require a different level of precision from that of shutters, so there were considerable challenges in establishing the production system and in other areas. However, we overcame these obstacles one by one, and in the process cultivated our ability to achieve objectives.

The Expanding Multi-Product Sales Strategy

The diversification from shutters to doors was an effective use of company resources, but we later focused not only on



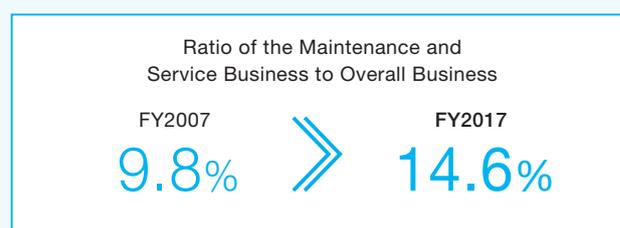
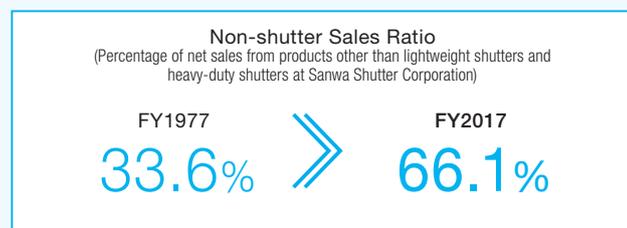
gaining market share, but on broadening our value and promoting the multi-product sales strategy mainly through acquisitions. The first company we acquired was Showa Front Sales Co., Ltd. (now Showa Front Co., Ltd.) in 1984. That was followed by the acquisitions of Showa Kensan Co., Ltd., a manufacturer of automatic door operators; Venix Co., Ltd. a manufacturer of partitions; Sanwa Tajima Corporation, which manufactures and sells stainless steel building products; and the partition business of Nihon Spindle Co., Ltd. (now Sanwa System Wall Co., Ltd.), which manufactures and sells wooden school partitions. By acquiring quality companies with established product brands, we accelerated our multi-product sales strategy.

Behind the success of this product diversification through acquisitions was the strength and reputation of the Sanwa brand in shutters and doors. Using the foundation of the nationwide sales and installation network established by Sanwa Shutter Corporation, we efficiently sold access system products and created a one-stop value delivery model.

PDCA Advances the Multi-Product Sales Strategy

A key to the advancement of the multi-product sales strategy is improvement of our infrastructure. The real strength of our

Expansion of the Non-shutter Business



nationwide sales and installation network first became evident once we hired people who could make the most of that foundation. In 2011, Sanwa Shutter Corporation revamped its organization and comprehensively reviewed the scope of its sales activities. It also increased its flexibility in marketing. Individual units were given greater autonomy in strategic sales activities where they determine which products to sell in which combinations, and in areas such as human resource development and arrangement of organizational systems.

The ability to move flexibly and quickly is an advantage of the Sanwa Group. Even more than the leadership that comes with being on top, our corporate culture of placing the highest priority on implementing the PDCA cycle is the backbone of our daily business activities.

Expansion of Sales Opportunities

In buildings, condominiums and other large structures, we look for ways to fit the characteristic products of other Group companies into the Sanwa Shutter Corporation business model, and share that information within the Group. For example, in addition to automatic door operators and fittings, we have an extensive lineup of products used specifically in entrance areas, including the exterior walls of buildings, materials such as stainless steel and aluminum used around entrances, and mailboxes. At meetings concerning entrance-related

products, the focus is on generating synergy within the Group, such as by organically combining the product strengths and information of Group companies.

One result of this cooperation has been expansion of sales opportunities, because products that had been difficult to get orders for individually can be proposed as part of a complete package from the Sanwa Group. No other group in the industry can supply such a wide range of access systems for building openings through a single company, which makes this one of the models for enhancing the Sanwa Group's value offerings.

Further Accelerating Safety, Security and Convenience

The Sanwa Group, which is aiming to be a major global player in the access systems industry, has placed high priority on repair and maintenance and service. The enforcement of the new periodic inspection reporting system for fire prevention equipment will increase demand for products and services that help make social infrastructure safe, secure and convenient.

We will focus on development of products that offer higher added value and meet new needs such as waterproofing and fireproofing products and earthquake-resistant doors to lay the groundwork for surpassing the competition as a major global player.

Our Products

■ Office Areas



Partitions



Toilet booths

■ Entrance Areas



Automatic doors



Aluminum & stainless steel facades



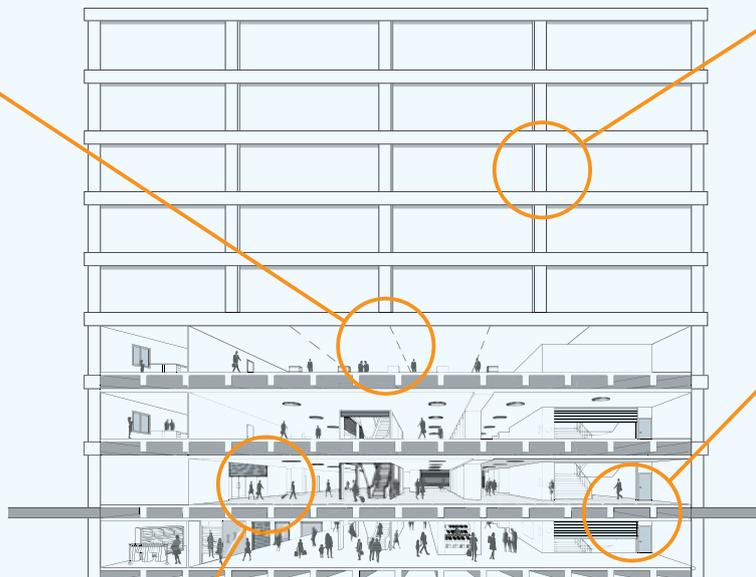
Mailboxes



Waterproof shutters



Fireproof doors (steel doors)



■ Building Exterior



Curtain walls

■ Safety Measures



Fireproof & smokeproof shutters

North America

Growth through Acquisitions and Strengthening Support for Distributors

Overhead Door Corporation's five business segments (doors, door openers, installation/service, automatic doors, and truck and trailer doors) are the result of that company's business expansion through acquisitions before it became part of the Sanwa Group. Even after joining the Sanwa Group in 1996, and as a further illustration of the multi-product sales strategy, ODC acquired Wayne Dalton Corporation, one of its competitors, in order to strengthen its presence in the residential garage door market. It continued to purchase automatic door service distributors, and expanded steadily each year while staying in the same lines of business. The acquisition of Creative Door Services Ltd. in 2011 was a game-changer that marked ODC's full-fledged entry into the service business.

The foundation for advancing the multi-product sales strategy is ODC's main strength: its nationwide network of over 400 Red Ribbon distributors. These distributors, which handle ODC products exclusively, play an important role in the Sanwa Group's value creation, but are also a customer base. Distributors are downstream from the Sanwa Group, which is a manufacturer, and are important partners because they receive feedback directly from customers, and provide us with insights into market needs.

Outlook

ODC's diverse lineup of non-residential products, such as high-speed sheet shutters and high-performance shutters, which are used in factories, distribution centers and other facilities, exemplifies the Sanwa Group's unique approach to creating value in access systems, and will be essential to growth in our North American business.

Given the growing importance of security, integration of the Internet of Things (IoT) in door openers and other products will be an area of focus. In 2017, we launched a system integrated into garage door openers that enables users to control them from a smartphone. We plan to further strengthen development of IoT-related products.



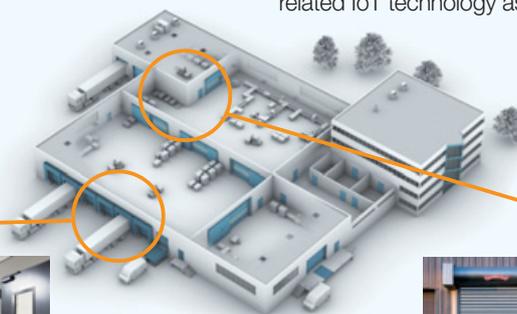
Industrial sectional doors



Dock levelers



Steel doors



High-speed sheet shutters



Commercial doors



High-performance shutters

Europe

Developments in the Industrial Door Business

Each company in the Novoferm Group conducts business according to the market needs in the region it serves. In the multi-product sales strategy, the Novoferm Group is currently carrying out NF3.0, a set of structural reforms. The Group operates in the three segments of hinged doors, industrial sectional doors and garage doors across multiple countries, and is restructuring its product portfolio and determining which areas each of its group companies will focus on. Currently, the Novoferm Group is expanding its operating resources in the industrial door business. Although industrial sectional doors are the largest market among the three segments, intense competition makes it difficult to gain market share. The Novoferm Group is enhancing its service operations, centered on the products provided by Alpha Deuren of the Netherlands. It is also implementing a series of other measures aimed at business expansion.

A successful example of our multi-product sales initiatives is the dock levelers provided by NF Door of Poland. These products are integrated and used in combination with industrial sectional doors. By building a new factory to manufacture dock levelers in-house, the company is filling robust demand, and sales have been strong. At distribution centers, industrial sectional doors and dock levelers, and high-speed sheet shutters and hinged doors are sold together as sets, further raising the value of the Sanwa Group.

Outlook

Bolton Gate Services, which Novoferm acquired in January 2018, is an industrial sectional door service provider in the U.K. Moving into the U.K. market, where Novoferm had only recently entered and had a low market position, is part of the multi-product sales strategy in that it will expand the service business in Europe, and is thus highly significant for the Sanwa Group, which is aiming to be a major global player. Strengthening the industrial sectional door service business in the U.K., along with Germany, the Netherlands and France, will help to drive further expansion of non-residential products in the European market.

As in the U.S., we plan to focus on incorporation of security-related IoT technology as a key theme.

The Foundation Supporting Growth

Based on our mission of offering products and services that provide safety, security and convenience to further contribute to the prosperity of society, we will aim for further growth through improvement of three priority themes—enhancing satisfaction for customers and society, vitalizing employees, affiliated companies and installers, and further improving reliability through corporate activities based on good faith and transparency—to become a major global player in the access systems industry.

Our Mission

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

Safe living with protection from disaster

Secure living with protection from crimes against people and property

Comfortable living through easy-to-use access systems

Three Priority Themes to Support Growth

Enhancing satisfaction for customers and society

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Further improving reliability through corporate activities based on good faith and transparency

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Initiatives by Region

Japan



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

Meiji Takayama
Representative Director and President,
Sanwa Shutter Corporation

External Environment and Risks

- Housing starts are on a downward trend despite firm construction demand ahead of the Tokyo Olympics and Paralympics
- Prices are rising for steel and other raw materials
- Fiscal 2018 is the last year of transitional measures for the periodic inspection reporting system for fire prevention equipment in the Building Standards Act

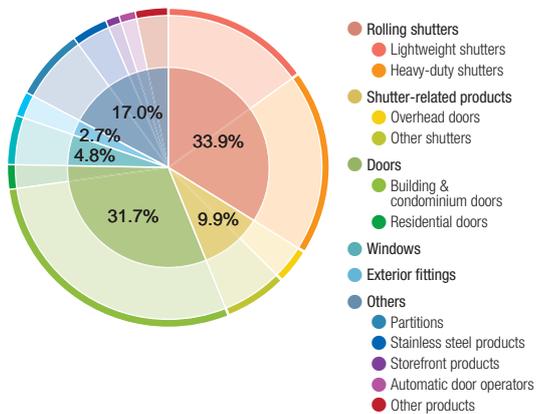
Strengths

- Number-one share in Japan for shutters and steel doors
- Vertically integrated business model from development and production to installation and after-sales service
- More than 3,800 installers nationwide
- Maintenance and service business generates 17.6% of sales (fiscal 2018 estimate)

Challenges

- Improve order profitability by considering the impact of market factors
- Pass on raw material cost increases and cut logistical costs
- Promote improvement of operational efficiency in production, distribution and other areas to enable work-style reforms

Composition of Sales in FY2017 (Sanwa Shutter Corporation)



Lightweight shutters



Heavy-duty shutters



Building & condominium doors



Partitions



Stainless steel products



Aluminum store fronts

Overview of Strategy

Environment

The shutter industry in Japan is an oligopoly, with Sanwa Shutter and several other companies dominating the market for heavy-duty and lightweight shutters. In the Japanese market in fiscal 2017, the second year of our Second Three-Year Plan, weak housing starts and store construction were offset by firm non-residential construction. A rebound in personal consumption and improvement in corporate earnings helped to boost the Sanwa Group's sales volume. Steel prices and other raw material costs continued to rise. The Group responded by raising its selling prices.

In fiscal 2018 and beyond, infrastructure construction will move into full swing, supported by expansion of domestic demand driven by the Tokyo Olympics and Paralympics and the growth of e-commerce. This trend should be favorable for our business. In addition, fiscal 2018 will be the last year of transitional measures for the periodic inspection reporting system for fire prevention equipment. As a result, we are forecasting double-digit growth in our maintenance and service business, which is expected to be an earnings driver.

Strategies

In fiscal 2018, the final year of the Second Three-Year Plan, we will complete measures to maintain the profitability of core products and achieve growth through multi-product sales initiatives, the priority policy in our Japan business. In addition to improving the profitability of orders, which has been an ongoing concern, we will reflect increases in installation expenses, logistical expenses and other costs in our selling prices, and thus expect to achieve record-high levels in both sales and profits.

Initiatives for Core Products

A priority issue for Sanwa Shutter is improvement of order profitability. The period from order to project completion in the construction industry is about one to two years, and our

profits are affected if we are unable to absorb changes in raw material costs during that period. In fiscal 2017, we did not achieve our profit forecast, mainly because there was a time lag in passing on raw material cost increases to product prices. However, order profitability is improving, and we are expecting profits to increase in fiscal 2018.

Promoting Multi-Product Sales Initiatives

We are expanding the partition business through acquisitions as part of our strategy to cultivate diversified products in addition to shutters and steel doors. The next stage will be to strengthen cooperation between production and marketing in domestic Group companies. We are also focusing on addressing societal issues with measures such as enhancing our lineup of high-speed sheet shutters and expanding installation of waterproof shutters.

Supporting the Periodic Inspection Reporting System

Initiatives for the periodic inspection reporting system are moving forward as planned. As upfront investments, we have increased the number of qualified inspectors of fire prevention equipment to 2,100* (an increase of 240 from the previous fiscal year end), and the number of installers to 3,800* (an increase of 200).

*As of March 31, 2018; includes Sanwa Group employees

Developing Infrastructure

The Osaka plant of Sanwa System Wall Co., Ltd. has been completed, and began manufacturing school partitions, aluminum partitions, toilet booths and other products in April 2018. Moreover, investment in production and distribution systems will lead to improvement in production efficiency and enable work-style reforms.

Highlight

Establishment of Osaka Plant of Sanwa System Wall: Supplying Partitions to Western Japan

Sanwa System Wall, which became a consolidated subsidiary in April 2017, newly established the Osaka plant as a new production base for partitions.

In addition to manufacturing school partitions, aluminum partitions, toilet booths and other products, the plant will serve as a base for supplying partitions to western Japan for the entire Sanwa Group.



Products and Services That Solve Problems

Water Guard Waterproof Shutter

The Water Guard Waterproof Shutter introduced by Sanwa Shutter Corporation in October 2014 is an electric panel shutter that resists flooding up to 2.5 meters deep. It can also be used as a general-purpose shutter in normal conditions. When a threat of flooding is detected, the shutter is made watertight by sealing the shutter closed and pressing the compression button to put the compression mechanism into operation.

In recent years, Japan has experienced more frequent flood damage from record-breaking typhoons and sudden torrential downpours. With the increase in serious damage from heavy rains, companies have placed more importance on countermeasures, such as establishing business continuity plans (BCPs) to maintain the continuity of business operations during emergencies, including floods. An increasing problem is urban flooding (overland flooding)—flooding of underground spaces, residential areas and other places when drainage systems are overwhelmed. The Water Guard Waterproof Shutter was developed to provide waterproofing simply, quickly and safely, even in sudden downpours.

Installations of this product are expanding steadily in Tokyo as well as Kansai, Kyushu and other regions. Looking ahead, we will propose it in all regions of Japan for use in places at risk of flooding, such as subways and underground shopping malls. We also plan to introduce the product in China. Moreover, we will enhance the variety of shutters available for different applications and improve inundation height, operability and functionality to fit the needs of customers. In this way, we will contribute to the creation of a society where people can be safe and secure even during emergencies.



A waterproof shutter at the above-ground entrance to Kanamecho subway station in Tokyo

Response to Periodic Inspection Reporting System for Fire Prevention Equipment

Under the revised Building Standards Act that went into effect in June 2016, a periodic inspection reporting system for fire prevention equipment became mandatory. This system requires inspection and reporting by nationally certified inspectors to verify that fireproof shutters, fireproof doors and other fire prevention equipment operate properly in the event of a fire.

Fireproof shutters, fireproof doors and other fire prevention equipment are connected to smoke and heat detectors, and automatically close when a fire is detected in the building, delaying the spread of the fire for a certain period of time. They are commonly installed in places where people congregate, such as office buildings, department stores, schools and hospitals. One of the Sanwa Group's social responsibilities as the leading manufacturer of shutters and doors is to maintain and manage fire prevention equipment after installation to ensure that it remains in proper operating condition. To establish our internal structure to meet that responsibility, we have increased the number of qualified fire prevention equipment inspectors to about 2,100. Furthermore, to give installation technicians more practical experience, we are providing training on real equipment in addition to classroom-based training at the installation training center.

We are also working to promote understanding of the new inspection system more broadly by explaining its importance to owners and the people at management companies, who in many cases are still not fully informed about the system. In addition, we will devote efforts to maintenance to ensure continued trust in fire prevention equipment.



Periodic inspection being conducted on a fireproof shutter

Consideration for the Environment

Reduce, Create and Buy

Based on the Sanwa Group Environmental Policy, the Sanwa Group is taking measures to protect the environment in order to contribute to the realization of a sustainable society. Sanwa Shutter Corporation sets targets and conducts activities for each of three key themes: Reduce, Create and Buy.

Main Initiatives

Reduce	Reduce energy consumption in logistics	<ul style="list-style-type: none"> • Improve loading efficiency by loading multiple product types using depots • Strengthen vehicle dispatch management by logistics personnel • Reduce transportation between locations according to load • Adjust shipment schedules according to shipping volume of each region
	Reduce energy consumption of facilities	<ul style="list-style-type: none"> • Convert to LED lighting at some locations and plants • Reduce facility operating hours by raising productivity
	Reduce volume of industrial waste generated	<ul style="list-style-type: none"> • Ensure thorough separation of waste • Promote yield improvement measures • Change packaging methods of purchased materials and components
Create	Commercialize eco-products and Design for the Environment (DfE) products	<ul style="list-style-type: none"> • Eco-product: A product that is designed to protect the environment during the "use" stage of its lifecycle • Design for the Environment (DfE) product: A product that is designed to protect the environment during the "procurement," "manufacturing," "distribution," "sale" and "disposal" stages of its lifecycle
Buy	Promote green purchasing	<ul style="list-style-type: none"> • Visit factories and suppliers to suggest improvements and promote switch to 4Ms (manpower, machines, methods and materials)



QuickSaver G14 high-speed door launched in March 2018. It received Eco Mark certification as an environmentally friendly product that helps to save energy by improving airtightness and boosting air-conditioning efficiency.

Engagement with Society

Toilet Booth for Young Children

The Sanwa Group conducts its business activities in coexistence with local communities.

Okinawa Sanwa Shutter Corporation manufactures products suited to the climate of Okinawa Prefecture. Its "CHURA Booth Wallaby" toilet booth for kindergarten children was designed to the prefecture's specifications, and received the "Fiscal 2017 Award for Best Prefectural Product." This toilet booth uses expanded polystyrene as its core material, which resists corrosion even in the warm, humid climate of Okinawa, and can be fabricated in Sanwa Shutter's plant in Okinawa, enabling short delivery time and low cost. The panel design was developed in a tie-up with the Okinawa Prefectural University of Arts, and uses an original character created by one of the university's current students.



Panel with original character on it

Revitalization of Regional Forestry

Sanwa System Wall Co., Ltd. (formerly Sanwa Spindle Co., Ltd.), which joined the Sanwa Group in April 2017, holds the top market share as a pioneer of wooden partitions for schools. In recent years, an increasing number of schools have been adopting wooden partitions made using local forest resources in school facilities, with the objectives of improving the learning environment, building ties with the local community, and protecting the environment. The Ministry of Education, Culture, Sports, Science and Technology is also promoting the "Eco School" concept of environmental considerations in school facilities, such as the use of materials from the prefecture. Sanwa System Wall contributes to creation of school buildings that are appreciated by the community and revitalization of the regional forest industry by producing and selling wooden partitions made from locally produced wood.



Togouchi Elementary School in Akiota, Hiroshima Prefecture (wooden partitions that use locally produced cedar)

North America



Grow our core business and achieve growth by reinforcing our business base

Dennis Stone
President & CEO,
Overhead Door Corporation

External Environment and Risks

- Robust personal consumption and housing investment in the U.S.
- Expectations for strong economic growth driven by the effect of the corporate tax cut
- Rising prices of steel and other raw materials
- Impact of policies of the U.S. government
- Effect of exchange rates

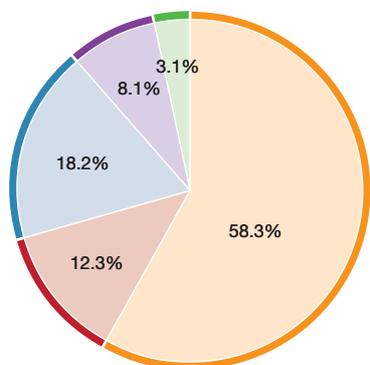
Strengths

- Business in the United States and Canada (A powerful brand and top-tier market share)
- Sales network of about 400 Ribbon distributors and over 2,000 dealers
- Ability to flexibly pass on increases in raw material prices to product prices

Challenges

- Strengthen support for distributors and dealers in the door business and implement a channel strategy for each product
- Improve profitability by introducing a new ERP system
- Reflect raw material costs and other costs in product prices, and cut costs

Composition of Sales in Fiscal 2017



- Doors
- Maintenance & service
- Door openers
- Automatic doors
- Truck & trailer doors



Doors (sectional doors)



Doors (commercial doors)



Doors (residential garage doors)



Door openers



Automatic doors



Truck & trailer doors

Overview of Strategy

Environment

In the U.S. construction environment during the Second Three-Year Plan, housing starts and capital investment have both remained robust. Additionally, the corporate tax cut is expected to fuel strong economic growth.

In the door business (residential garage doors, sectional doors and commercial doors), the outlook is for continued strength in the residential market and firm conditions in the commercial door market, which is closely related to capital investment. In the automatic door business, conditions remained weak in fiscal 2017, but with a renewal of management, we made a new start toward recovery in fiscal 2018. On the other hand, the door opener business (residential and commercial) is recovering from a slump, and growth is expected going forward. In the truck and trailer door business, competition is intense, but ODC will work toward a recovery in results by focusing on new customer acquisition.

Strategies

In the current strong market environment, we will steadily grow our core business and achieve growth by reinforcing our business base, the main policy for North America in the Second Three-Year Plan. In fiscal 2018, we anticipate top-and bottom-line growth for the third consecutive year of the Second Three-Year Plan, with sales growth in all businesses.

Initiatives in the Door Business

In the door business, our core business in North America, we will carry out initiatives based on the following four priority themes aimed at generating further growth.

- Reinforcement of sales channels: Expand sales in New York City and other major metropolitan areas. Implement regional strategies by strengthening support for distributors and dealers that handle major brands Ribbon and Wayne Dalton.

- Response to rising raw material prices: Implemented price increases in 2017 in response to the rise in steel material costs. In 2018, steel prices continue to trend upward, and ODC has raised its prices twice.
- New Enterprise Resource Planning (ERP) system: A new ERP system to improve operations and customer service has already been introduced in divisions other than the door business, and ODC plans to adopt it in its main shutter plant (Lewistown) in 2018. Introduction of the system in the core door business is expected to be completed in 2021.
- Release of new products: Sales of a high-speed high-performance shutter with a high level of airtightness are expanding steadily.

Promoting the Forward Integration Strategy

Sales in the Installation and Service Division were near the level of the previous fiscal year, as robust demand in the U.S. residential market offset weak sales in Canada due to the economic downturn. In fiscal 2018, the U.S. residential market remains solid, and business in Canada is forecast to recover, so we expect operations to finally stabilize.

Recovery in the Door Opener Business

In the door opener business, which experienced a slump in fiscal 2016, we worked toward a recovery in retail sales and focused on expanding sales for distributors and dealers. The result was improvement in both volume and profitability. In fiscal 2018, we expect steady expansion of sales to the professional channel to continue. In IoT-related products, we developed and began sales of a garage door opener app and a compatible opener.

Highlight

From an ODC Distributor

After celebrating our 43rd year as an Overhead Door Ribbon Distributor, we are able to look back and recognize the value that Sanwa Shutter has brought to our company. During the past four decades, ownership of Overhead Door Corporation has changed four times and each previous change never felt as though it was done in the best interest of the distributor group. It is very clear, that after twenty-two years of Sanwa's ownership, management continues to be focused on long-term investment and strategies that have significant benefits for Overhead Door and its customers.



Willie White
President, Mid-Atlantic Door Group, Inc.



Products and Services That Solve Problems

OHD Anywhere® Garage Door Opener System

ODC has launched the OHD Anywhere® system that is fully integrated into its Legacy® 920 garage door openers. This system enables homeowners to control and monitor their garage door from anywhere using a smartphone, and even keeps an operating log, significantly enhancing security.

In recent years, rising demand in advanced countries for IoT, smart home technologies and other advanced technologies has created a need for products that offer convenience and comfort in daily life, even in household appliances. For garage doors in particular, a high level of security and convenience is required because they serve to prevent intrusion from outside and are used frequently. In this context, we developed the OHD Anywhere® garage door opener system as a “smart garage door product” that offers safety, security and convenience by allowing homeowners to not only operate the garage door with a smartphone, but also check the status of the garage door anytime, anywhere with the smartphone app.

Currently, the system is only compatible with certain garage door openers, but we plan to develop it further to make it compatible with all models, including commercial door openers, and enable connection to smart speakers. In addition to improving security, we will provide products and services that make life more convenient for customers by enabling integrated control and operation of other household appliances and equipment.



Garage door opener and smartphone interface

RapidFlex™ High-Speed Sheet Shutters

Utilizing technology developed by Novoferm, RapidFlex™ is a series of high-speed sheet shutters that we launched in 2016. They are used primarily in the entrances of factories and warehouses, and help to maintain stable air-conditioning efficiency with rapid opening and closing and a high level of airtightness even with frequent operation.

High-speed sheet shutters are environmentally friendly because they save energy by maintaining stable air-conditioning efficiency, thus improving operating efficiency. To contribute to a sustainable society, they were designed to reduce energy consumption. In addition, they are equipped with safety features such as sensor and load detection functions that allow customers to work with greater safety and peace of mind, and can be quickly restored and repaired in the event that a problem does occur.

The commercialization of high-speed sheet shutters allows us to offer a wide range of product variations for non-residential applications such as factories and warehouses. Sales have been strong each year since the series was launched. We will continue working to reduce environmental impact and improve customers' operating efficiency by making improvements for easier repair and maintenance, and by proposing combined purchases with heavy-duty shutters and panel overhead doors through distributors.



RapidFlex™ high-speed sheet shutter

Consideration for the Environment

Reduction of Environmental Impact

ODC's environmental initiatives are a way of contributing to sustainability. Our Pensacola plant, which manufactures residential garage doors and commercial sectional doors, uses computer-controlled lighting and an energy-efficient air-conditioning system in order to reduce unnecessary electricity use. We also promote recycling of scrap metal at all of our factories, which contributes to the effective use of resources through the sale of valuable materials and helps to reduce waste processing and transportation costs.

At TODCO, the truck door business division of ODC, waste wood is donated to a local high school, where students use it to learn woodworking skills and engage in creative activities.



Air-conditioning unit



Computer-controlled system for efficient operations



Items made from waste wood



Engagement with Society

Boys and Girls Clubs of America

ODC has selected the Boys and Girls Clubs of America, which provides after-school programs that help young people to build strong character and reach their potential, as a beneficiary of its charitable donations, and conducts fund-raising activities at each of its business locations. ODC's head office donated \$2,500 for programs including a construction project by the organization, while TODCO provided \$1,680 worth of school supplies.

The Genie Company, which makes garage door openers, holds a 5k employee run each year to raise funds for the American Cancer Society. Employees of an ODC distributor in Williamsport, Pennsylvania, participate in a fund-raising event each year sponsored by the Kiwanis Club, a community service organization. These are just some of the social contribution activities that ODC conducts nationwide.



Overhead Door Brand Earns 2018 Women's Choice Award

The Overhead Door Brand, ODC's garage door brand, won the 2018 Women's Choice Award in the garage door category. This award, sponsored by WomenCertified, is given to brands and products with high ratings in a survey on products and services that the women of America would recommend to family and friends. This was the seventh consecutive year that Overhead Door Brand has received the award. ODC is committed to developing and manufacturing innovative, top-quality products to ensure that it remains the brand of choice for women and all customers.



Europe



NF3.0 structural reforms to establish a base for profitable growth focused on core products

Rainer Schackmann
CEO, Novoferm Group

External Environment and Risks

- Slow but steady economic recovery led by improved conditions for construction and capital investment
- Economic slowdown in the U.K. ahead of the Brexit deadline due to uncertainty about the future
- Rising prices of steel and other raw materials
- Impact of exchange rates

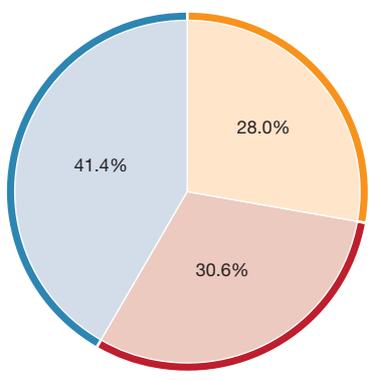
Strengths

- Business in France, Italy and the Netherlands in addition to the key market of Germany
- Improved profitability with the success of the NF3.0 structural reforms
- Increased competitiveness in the industrial door market with the acquisition of Alpha Deuren and Norsud

Challenges

- Create synergy from integration with Bolton Gate Services (BGS) of the U.K., acquired in January 2018
- Intensifying competition in the German market
- Reflect raw material costs in selling prices and cut costs

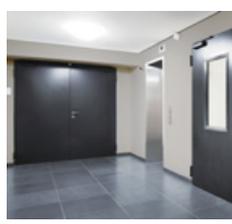
Composition of Sales in Fiscal 2017



● Hinged doors ● Industrial sectional doors
● Garage doors



Hinged doors



Fireproof doors



Garage doors



Industrial sectional doors



Dock levelers*



Door openers

* Equipment used to adjust for the height difference between the truck bed and loading platform

Overview of Strategy

Environment

In the construction environment in Europe during the Second Three-Year Plan, investment in non-residential buildings has slowed in Germany, but housing investment is recovering across Europe as a whole. Slow but steady economic growth continues, driven by improved conditions for construction and capital investment.

In the hinged door business, we expect orders for large-scale projects to continue to expand in fiscal 2018. In the industrial door business, orders for industrial sectional doors remain strong. Demand for products for warehouses (insulated sectional doors) is also booming. In the garage door business, sales have increased steadily at Novoferm UK, which became a wholly owned subsidiary in January 2017, and strong growth is projected due to the market recovery across Europe. As a result, the recovery in market conditions is expected to continue in Germany, France and other countries.

Strategies

The success of the NF3.0 structural reforms, coupled with a favorable market environment, helped to drive sales growth and improve profitability in Europe in fiscal 2017. Specifically, we expanded the scale of the garage door business by making a U.K. company in that business a wholly owned subsidiary. Additionally, we took steps to strengthen our foundation, including mobilizing Norsud, which we acquired in July 2016, by expanding the industrial door business.

In fiscal 2018, we will continue to focus on executing NF3.0, the main strategy for the European business, to establish a base for profitable growth centered on core products. This effort will entail expansion of the core industrial door business and increasing the market share of our garage doors. We will also boost our presence in Europe by generating synergy from the integration with BGS.

Expanding Hinged Door Sales by Strengthening Project Sales

We will continue to strengthen specified activities to architectural offices and expand sales channels to project specialists. In addition, the new painting line built at the Rixinger plant in Germany to boost productivity started up smoothly, and is expected to be effective in meeting strong demand for hinged doors.

Expanding Our Industrial Door Business with Improved Supply Capabilities for Alpha Deuren Products and Dock Products

To increase production capacity for industrial sectional doors, an extension of the Alpha Deuren plant in the Netherlands is being built and is scheduled to go into operation in 2019. After completion, this will be one of the largest industrial sectional door plants in Europe. NF Door in Poland has begun in-house production of dock levelers. The company is expanding production capacity on schedule, and is meeting robust demand running at full capacity. In January 2018, we strengthened our service network for industrial sectional doors in the U.K. with our acquisition of BGS. We will continue working to reinforce our position in the non-residential segment of the European market.

Expansion of Share of Sectional Garage Doors

Sales of a new smartphone-operated door opener developed by Novoferm Tormatic of Germany are expected to expand in the future. Sales to dealers and DIY stores are strong in France. Orders and sales are also growing at Novoferm UK. Going forward, we will work to improve management efficiency through means such as integrating operations with BGS, a recently acquired industrial sectional door service company.

Highlight

Strengthening Service for Industrial Sectional Doors in the U.K.: Acquisition of Bolton Gate Services

The Novoferm Group acquired all of the shares of Bolton Gate Services, Ltd., which conducts the industrial sectional door service business in the U.K.

This acquisition will strengthen the Novoferm Group's service network for industrial sectional doors in the U.K., and will bolster its non-residential operations in the European market.



Fully equipped vehicle of Bolton Gate Services

Products and Services That Solve Problems

Expansion of Industrial Sectional Door Plant

The growth of e-commerce in Europe is driving increasing demand for construction of distribution warehouses. Reflecting this trend, sales in Novoferm's industrial door business in fiscal 2017 grew 16.5% year on year. To expand production capacity for industrial sectional doors to meet that demand, an extension of Alpha Deuren's plant in the Netherlands is being built, and is scheduled to go into operation in 2019.

Improvement of QCD (Quality, Cost and Delivery) is our mission as a manufacturer, and our social responsibility. As more distribution centers are built to meet e-commerce demand, expansion of production capacity will be critical to ensuring stable supplies of our industrial sectional doors. This is one way we can contribute to creating value for society.

After the expansion is completed, this will be one of the largest industrial sectional door plants in Europe. As demand for industrial sectional doors continues to rise, we plan to further increase production capacity and work to provide products that offer safety, security and convenience.



Alpha Deuren plant

Enhancement of Installation and Service Operations

Novoferm acquired Norsud, which conducts manufacturing, sales, installation and service of industrial sectional doors in France, in 2016, and BGS, an industrial sectional door service company in the U.K., in 2018. With these acquisitions, Novoferm has expanded its service regions in the industrial door business, in addition to Germany, the Netherlands, and our other existing service areas.

In buildings, doors are access systems that play a critical role in management functions such as crime prevention and disaster prevention functions such as fire prevention. Installation and service are crucial in delivering products to customers and providing after-sale service to ensure that our products can be used with confidence, day in and day out. By seamlessly handling the entire process from manufacturing to sale, installation and service, we add value to products and increase the value we provide to customers.

We plan to integrate Norsud and BGS to enhance our sales and service network and generate synergy, which will strengthen our industrial sectional door service operations in Europe as a whole. In addition, we will work to enhance safety, security and convenience so that customers are able to use and maintain the Sanwa Group's products longer.



Our installation network was strengthened by the acquisition of Norsud

Consideration for the Environment

Protecting the Environment with Energy-Saving Products

In the growing industrial door business, Novoferm has launched ISO 80, an industrial sectional door that achieves high air-conditioning efficiency with outstanding airtightness and insulation. With features including a double seal on the bottom and the thermal insulation of the 80mm-thick insulation-filled face panels, this door keeps the temperature in the warehouse stable, and thus contributes to energy savings and reduction of CO₂ emissions.

NF Door in Poland has begun in-house production of a new dock leveler. Dock levelers are used in the receiving docks of distribution warehouses to adjust for the height difference between the truck bed and loading platform. They are environmentally friendly products that feature high thermal insulation and airtightness to reduce the inflow and outflow of air during loading and unloading.

By proposing the ISO 80 door and dock leveler as a package, we provide solutions to needs created by growing demand for distribution facilities while simultaneously contributing to environmental protection.



Engagement with Society

Support for Charitable Organizations

Novoferm contributes to society through donations to various charitable organizations every year.

In 2017, we donated to Mission Lifeline, which conducts maritime rescues, particularly the rescue of refugees in the Mediterranean Sea. Many people are forced to make perilous voyages across the Mediterranean on dangerous boats in search of peace and a safer life. This organization cooperates with other rescue organizations to save as many lives as possible.

In 2018, we will make donations to two hospices for children and Kindness for Kids, a foundation that assists children with rare diseases and their families.

Recognition in the Logistics Sector

Readers of the specialist magazine *LOGISTIK HEUTE* and members of BVL (Germany's logistics association) voted the Novoferm brand the second most important brand in the doors and loading technology category. This category was newly established in 2017 in view of the growing importance of speedy, efficient and reliable "loading technology" as logistical facilities become more diverse and complex. We will continue to respond to the diversifying needs of customers and society with products, services and solutions that provide safety, security and convenience.



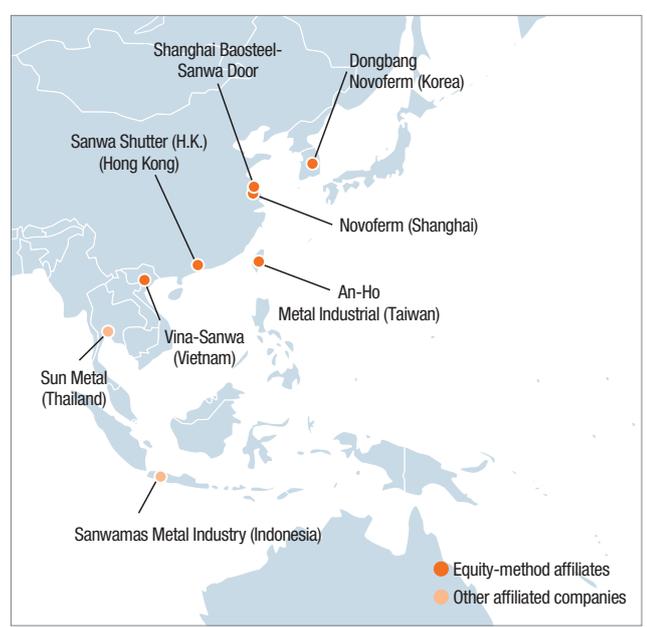
Asia



Advance from the stage of establishing the business base to the stage of increasing profitability

External Environment and Risks	Strengths	Challenges
<ul style="list-style-type: none"> ■ The Chinese economy is regaining momentum after a slowdown ■ In Vietnam, the local market is expanding, but steel prices are rising ■ The construction market in Taiwan is weakening, and orders from Japanese companies are supporting results ■ Hong Kong is recovering from a temporary economic slump 	<ul style="list-style-type: none"> ■ Lineup of high-quality products that utilize Japanese technologies ■ Shifting from the stage of establishing the business base to the stage of increasing profitability ■ Global development using the technological strengths and sales channels of each Group company 	<ul style="list-style-type: none"> ■ Rebuild the production and quality systems of Novoferm (Shanghai) ■ Falling prices due to intensifying competition in the Vietnamese market ■ Production capacity of An-Ho Metal Industrial (Taiwan)

Overview of Strategy



Environment

On the whole, market conditions are firm for our businesses in Asia. In China, infrastructure investment is expanding, and real estate development investment and private-sector fixed asset investment are showing signs of picking up. The economy of Hong Kong is also rebounding, and is benefiting from economic growth in mainland China. In Vietnam, public works investment and rapid industrialization are advancing. On the other hand, the construction market in Taiwan has been weak, but projects from Japanese companies are contributing to results. In Korea, the residential door market is growing strongly, and exports are also projected to increase.

Strategies

In the Second Three-Year Plan, we set four strategies for Asia: Capture the top share in key markets, further promote localization, strengthen synergy activities among Group companies, and increase sales opportunities through cross-border cooperation.

Our businesses in Asia have been profitable for two consecutive years since the start of the Second Three-Year Plan, and prospects are good for maintaining profitability, which was our goal. Progress at each company in fiscal 2018 is as follows.

Shanghai Baosteel-Sanwa Door expects profit to be near the level of the previous year, and is benefiting from strong sales to the logistics market. Novoferm (Shanghai) reacquired the fireproof door license, and is rebuilding its management system to secure adequate production capacity and improve quality. Vina-Sanwa (Vietnam) expects to achieve sales and profit growth on expansion of orders for the local market and for exports. An-Ho Metal Industrial in Taiwan has improved its production efficiency, and Sanwa Shutter (H.K.) expects to book sales from a continued strong order backlog. Increases in sales and profits are projected at both companies. Dongbang Novoferm (Korea) has obtained certification for fireproof/heat-resistant doors, and sales of doors for the residential market in Korea are growing strongly. In addition, an increase in exports is projected, and consequently the outlook is for sales and profit growth.

In fiscal 2018, we implemented a major reorganization of our businesses in Asia. China was separated from the Asia Business, and the new China Business was established. This organizational structure will enable us to quickly carry out measures for the specific market environments and needs of China and the ASEAN region, and will thus accelerate growth.

For our businesses in Asia in fiscal 2018, we are targeting net sales of ¥10.8 billion, a 14.9% increase year on year, and operating income of ¥270 million. We will work to maintain strong performance centered on the favorable markets of Vietnam, Taiwan, Hong Kong and others as we push toward the start of the next mid-term plan.

	FY2017 Performance
Shanghai Baosteel-Sanwa Door	Sales and profit growth from an order for a large-scale project (Shanghai International Financial Center, approximately ¥650 million) and strong sales to the logistics market.
Novoferm (Shanghai)	Sales were up but profits fell due to a delay in reacquisition of the fireproof door license, production capacity and product quality issues, etc.
An-Ho Metal Industrial (Taiwan)	The construction market weakened, but orders from Japanese companies supported sales and profit growth.
Sanwa Shutter (H.K.) (Hong Kong)	Sales and profits grew as large projects that had been suspended restarted with the economic recovery. A large-scale order for a subway project also contributed to results.
Vina-Sanwa (Vietnam)	Orders grew steadily and sales were up due to an increase in local projects, but rising steel prices and lower selling prices due to competition led to a decline in profits.
Dongbang Novoferm (Korea)	Has fireproof/heat-resistant door certification in Korea, and posted sales and profit growth on steady sales of doors for the domestic residential market.

Products and Services That Solve Problems

Vina-Sanwa Exhibit at VIETBUILD 2018

Vina-Sanwa (Vietnam) exhibited its products at VIETBUILD 2018, held in Hanoi, Vietnam from March 28 to April 1, 2018. VIETBUILD is an international exhibition of building products held annually. Viva-Sanwa exhibited strategic products of major Group companies, including Madomore Blind window shutters from Sanwa Shutter, the Thermacore® garage door from Overhead Door Corporation, and the Novospeed Thermo high-speed metal door from Novoferm.

Viva-Sanwa, which manufactures and sells shutters and doors, is seeking to provide new value from advanced access systems and meet a variety of needs. To that end, it is exhibiting products from the Sanwa Shutter, ODC and Novoferm brands, which are trusted and well-recognized, to customers who require particularly high quality, and is making sales proposals to upstream businesses such as project owners and design offices. To further its ability to provide products and services that enhance safety, security and convenience, the company will leverage the overall strengths of the Sanwa Group's technologies and products, and link them to synergy and cooperation.



VIETBUILD 2018 held in Hanoi, Vietnam

Engagement with Society

Day of Giving Program

Each year in April, Shanghai Baosteel-Sanwa Door conducts a program in which employees donate one day's salary to various causes. In April 2018, more than 100 executives and employees participated in the program, and RMB 5,932 (about ¥100,000) was collected. The donated funds will be used to help pay for the living expenses of employees in need of further assistance and school fees for their children, as well as other charitable activities.



Improvement of Product Quality

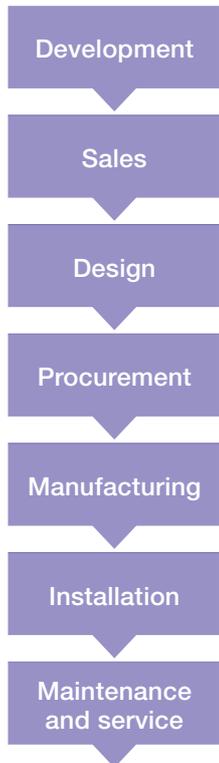
The Sanwa Group aims to protect precious lives and achieve a more affluent and comfortable society by offering products and services that provide safety, security and convenience to customers all over the world.

Basic Approach

Quality and safety are the primary responsibility of the Sanwa Group, and we maintain a high level of quality through consistent business processes from development to sales, manufacturing, installation and maintenance services. We also make efforts to maintain the necessary numbers of installers, providing them with education and training for improving and standardizing their installation and maintenance skills.

Approach to Quality Based on the Product Cycle

The Sanwa Group works to improve quality and safety in all business processes, from development to maintenance services.



Development

At the Sanwa Group's Test Center, tests are conducted on the Group's products and procured materials to evaluate their quality, performance and safety, and to raise the level of manufacturing technology.

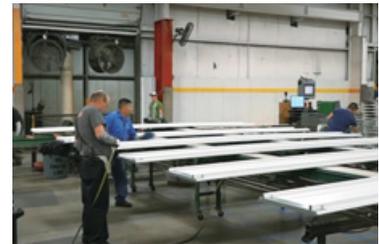


Test Center

Sales

Procurement

In Japan, we conducted 117 on-site surveys of key component suppliers in fiscal 2017 to quickly discover any developing issues and provide guidance for remediation. We will continue to conduct these surveys to ensure a consistent level of quality at our suppliers.



ODC plant in Mount Hope, Ohio

Design

Manufacturing

In the United States, where our goal is to "be the industry's best at delivered quality," we assess product quality using an index consisting of the delivery compliance rate, stock-out rate and defect rate.

In Asia, we are conducting ongoing measures to improve quality, including sharing of examples of improvement in the rate of shop drawing errors, study workshops (An-Ho Metal Industrial), inspection of all products and parts shipped and received, and on-site guidance for affiliated companies (Sanwa Shutter (H.K.)).



New unit construction method for heavy-duty shutters

Procurement

Manufacturing

Installation

Installation

In Japan, we are improving installation quality with initiatives such as conducting ongoing training for installers and strengthening quality patrols at installation sites.

To enhance installation efficiency, we have also devised a new unit construction method in which the shafts and slats of heavy-duty shutters are brought in after being pre-assembled at the factory.

Maintenance and service

Specific Initiatives

New Powder Coating Line Completed at Novoferm's Rixinger Plant

The Novoferm Group's Rixinger plant, a door manufacturing plant in Germany, has introduced a new powder coating line. Powder coating provides a high-strength, high-quality coating and enables the paint to be recycled, so it results in conservation of resources while reducing paint loss.



Baking Finish Lines for Doors Begin Operation at Ota Door Plant and Hiroshima Plant

The Ota door plant and Hiroshima plant of Sanwa Shutter Corporation have introduced door baking finish lines to improve paint finish quality and enhance workability. Both plants are aiming to quickly improve paint finish quality.



Diversity and Inclusion

We are accelerating our diversity initiatives to harness the potential of our employees, the driving force of value creation.

Basic Approach

The Sanwa Group understands that employees are the driving force of value creation, and therefore aims to create a lively workplace where the skills and expertise of each employee can flourish. As a Group that has global business operations spanning 24 countries and regions, and is striving to be a major global player in the access systems industry, we recognize the importance of empowering our diverse employees to take the initiative to innovate and continue to create new value.

Key Initiatives

The Sanwa Group is taking various measures and upgrading its personnel systems to create organizations that accelerate promotion of diversity and inclusion. Sanwa Shutter Corporation, for example, is enhancing its systems to provide a more supportive working environment for female employees. It has introduced a mentor system and extended application of the shortened working hour system to employees raising children up to the sixth year of elementary school, which goes beyond the statutory requirements. Through such initiatives, the Sanwa Group plans to triple the number of women in management positions by March 2021 from the level in fiscal 2015.

ODC holds an annual Diversity Festival based on its philosophy that fostering mutual respect through sharing of backgrounds and interaction among fellow employees is essential for promoting diversity. At the festival, employees from various parts of the world introduce the foods and cultures of their native countries. About 200 employees, both presenters and attendees, participated in the Diversity Festival in October 2017.

In fiscal 2018, we conducted the Sanwa Group Employee Awareness Survey of Group companies in Japan. To examine organizational issues, employees were surveyed on their expectations for the company and areas they think

need improvement. The purpose of the survey is to discover and mitigate latent risks and reflect the results in development of managerial measures. The survey focuses in particular on management of working hours, and seeks to identify potential obstacles in promoting diversity. We plan to use the results in measures to address those issues.



ODC Diversity Festival



Other Initiatives

Support for Female Employees

- Trial introduction of telework system
- Paid sick/injured child care leave
- Strategic allocation of paid vacation days
- Introduction of system for taking paid vacation in hourly units
- Presentation of female employees to serve as role models, and support for career advancement

Support for Employees from Foreign Countries

- Global recruitment (total of 21 people hired from FY2012-2018)
- Focus on frequent information exchange and creation of synergy with sales, development and procurement staff in each region
- Distribution of halal lunches, establishment of prayer rooms

Support for Diverse Employees

- Support for employee athletes (competitive cyclist Ryo Chikatani, wheelchair basketball player Miho Arikawa)

Cultivating Global Competence

Strengthening our human resources and engagement to develop people who can drive growth

Basic Approach

In the Sanwa Group, we want to maintain a positive cycle in which companies and employees grow and develop together. Therefore, we have introduced human resource systems based on our growth strategy, and are focusing on developing people who can promote and drive growth by quickly and flexibly adapting to changes in the business environment. In particular, we are establishing and enhancing training systems for cultivation of global human resources, and implementing measures aimed at strengthening engagement to promote the Group's overall cohesiveness and maximize its organizational capabilities.

Key Initiatives

We have established a training system centered on the three main Group companies—Sanwa Shutter Corporation, ODC and Novoferm—that is tailored to their respective business operations and organizational cultures. We are conducting vigorous training through this system, and in recent years have focused on cross-Group training programs. The program in which employees of Group companies in Japan go to ODC for training was started in fiscal 2010, and in fiscal 2017 its scope was widened to include training in Asia. In some cases, employees from Asian countries who were hired and joined the company in Japan are building practical experience through training in their home countries.

At Sanwa Shutter Corporation, a training program for executives was established in fiscal 2017 with the objective of providing executives more information about the proper role of management. As part of management skill development in purpose-based



Employees of Group companies in Japan participate in a workshop

training, Sanwa Group Presidents' Training was conducted for the presidents of 15 Group companies in Japan and four in Asia, who learned about approaches to managerial leadership.

A workshop was also held for mid-level employees from Group companies in Japan to accelerate engagement with the Sanwa Group's shared values.

Contributing to the Sanwa Group as a Global Employee

I am responsible for manufacturing cost accounting and business process improvement in China, my home country, where I make use of the production control knowledge and language skills I acquired in Japan. I would like to use my experience and open-mindedness to contribute to the Sanwa Group as a global employee.



Yingyu Zhuang

Sanwa Shutter Corporation
(joined in April 2014)

Note: Currently training at Novoferm (Shanghai)

Other Initiatives

Training Programs for Developing Global-Minded Employees

- Mobile learning
- TOEIC preparation courses
- Online English conversation classes

Purpose-based and Level-based Training

- Consultative sales training to improve sales skills and product knowledge and business etiquette training are conducted as necessary for salespeople.
- Follow-up training for new graduate employees in their second and third years

Support for Voluntary Growth

- Introduction of human resource development system based on growth strategy
- Incentive payments when qualifications are acquired
- Grants for tuition fees for over 200 kinds of correspondence courses

Training of Installers

Further enhancing the skills of installers, who are on the front lines of value creation and are one of the Sanwa Group's competitive strengths.

Basic Approach

The access systems handled by the Sanwa Group are “semi-finished products” at the time they are shipped from the factory. Their value as “products” is only realized when they are installed by skilled technicians.

Further enhancing the skills of the installers who support our unmatched installation capabilities, nationwide network and 24/7/365 repair and maintenance services is a critical part of the Sanwa Group's value creation.

Key Initiatives

In Japan, although most of our installers do not have direct employment contracts, we provide job assignments suited to each installer and a full range of technical training. We are also taking measures to improve incentives and provide low-interest financing support when installers are independent, among other support measures. In addition, we focus on arranging environments that make it easier for installers to work and help them to grow professionally, including a program for dispatching assistance to regions where there is a high volume of installations.

The nucleus of our cultivation of installers is the Installation Training Center. This center also provides training for in-house technicians. The goal is to bring the skills of installers to a uniformly high level, and we have prepared a curriculum that includes training for new installers and product installation qualification training that qualifies people to serve as in-house technicians. In fiscal 2018, we also began producing a newsletter for installers to promote safety awareness and improve their skills and motivation.

In addition, we are taking measures to strengthen installation skills in North America and Europe. In North America, the Installation and Service Division was separated from the Door Business Division, and is working

to promote and enhance expertise and skills in the service business. Novoferm is expanding its installation and service operations for industrial sectional doors in France and the U.K. following its acquisition of Norsud in July 2016 and Bolton Gate Services in January 2018. In addition to individual initiatives in each country where it operates, Novoferm will share its installation and service expertise and knowledge in Europe to increase its ability to create value across all its businesses.



TECH SANWA, the newsletter for installers

Enhancement of Installation Skills

Installation Training Center

Opened a specialized training facility in fiscal 2008 to cultivate and strengthen installers, improve installation quality, and raise the skill level of installers.



Installation training

Maintenance Training Center

Established in fiscal 2017, the Maintenance Training Center is focusing on knowledge acquisition and human resource development to respond to the periodic inspection reporting system for fire prevention equipment.



Business etiquette training

Corporate Governance

Basic Approach to Corporate Governance

Sanwa Holdings Corporation (the “Company”) is a global enterprise in the access systems industry with operations in 24 countries and regions, including Japan, the United States, Europe and Asia. We therefore must respond quickly to changes in the global business environment and continuously improve corporate value by conducting fair and equitable business transactions in each region. It is essential to build a highly transparent Group management system by increasing our two kinds of reliability – reliable business performance and reliable management, the latter of which is derived from strengthening corporate governance and compliance.

To strengthen the structure of our management system, we introduced the executive officer system in fiscal 2000, separating

the management decision making of the Board of Directors from the execution of duties by executive officers.

In fiscal 2007, we transitioned to a holding company structure with the aim of improving Group-level governance and strengthening Group-level strategic functions.

In fiscal 2016, which marked the 60th anniversary of the Company’s establishment, we transitioned to an Audit & Supervisory Committee structure to establish a management system befitting that of a global enterprise. In accordance with this shift, the Management Conference was set up as an advisory body to the CEO, who is entrusted to make significant decisions concerning business execution, excluding matters prescribed by law.

① Board of Directors

- Makes decisions on important matters related to Group management and plays a role in management and oversight of the business execution of the Group.
- Consists of nine directors (including three directors who are Audit & Supervisory Committee members), of whom one-third are designated as independent outside directors.
- Meets at least once every three months in principle. (Held nine meetings in FY2017)

② Audit & Supervisory Committee

- The Audit & Supervisory Committee, which consists of directors serving as Audit & Supervisory Committee members, supervises the status of business execution by directors who are not Audit & Supervisory Committee members and executive officers, and reports and expresses its opinions on the results.
- The Audit & Supervisory Committee consists of three directors, of whom two are designated independent outside directors.
- Meets at least once every three months in principle. (Held 10 meetings in FY2017)

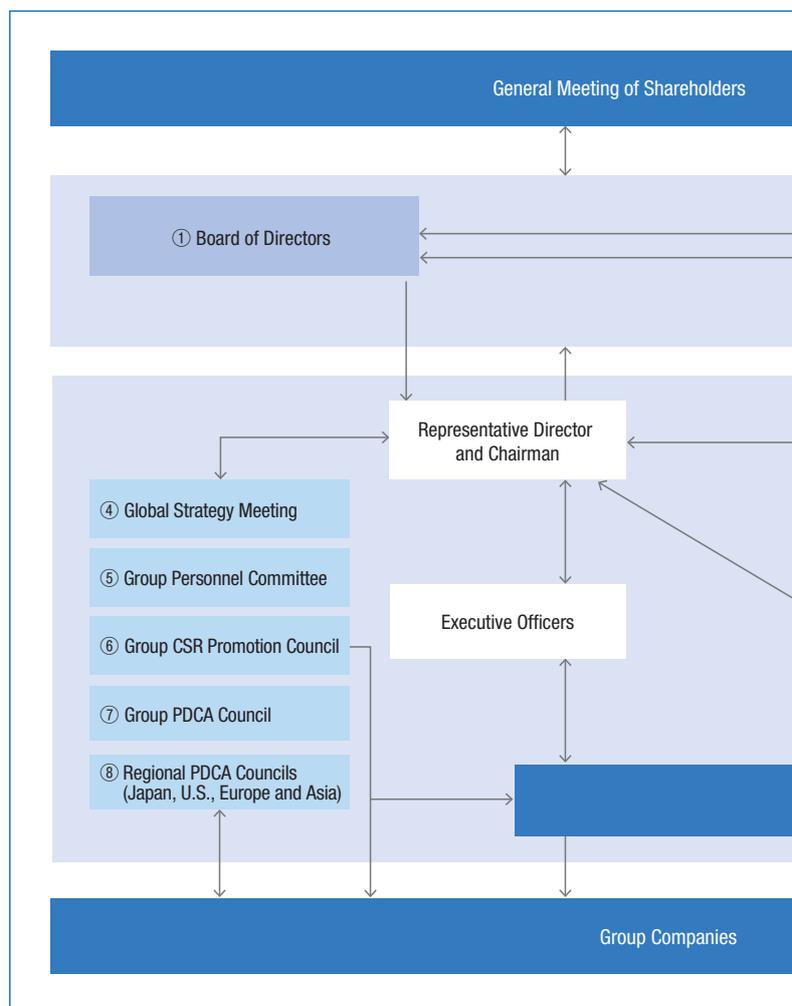
③ Management Conference

- Discusses and advises on important matters to enhance the flexibility of decision-making and business execution of the representative director and chairman (CEO).
- Consists of directors, executive officers, directors of Sanwa Shutter Corporation, and others.
- Meets once a month in principle. (Held 11 meetings in FY2017)

④ Global Strategy Meeting

- Conducts consultation on matters concerning global strategy and promotion of global synergy to realize a competitive advantage through global operations. Initiatives include efforts to expand Group procurement activities and to develop products on a global basis.
- Consists of directors who are not Audit & Supervisory Committee members, directors serving as full-time Audit & Supervisory Committee members, executive officers, and other senior executives.
- Meets once every three months in principle.

The Sanwa Group’s Corporate Governance Structure



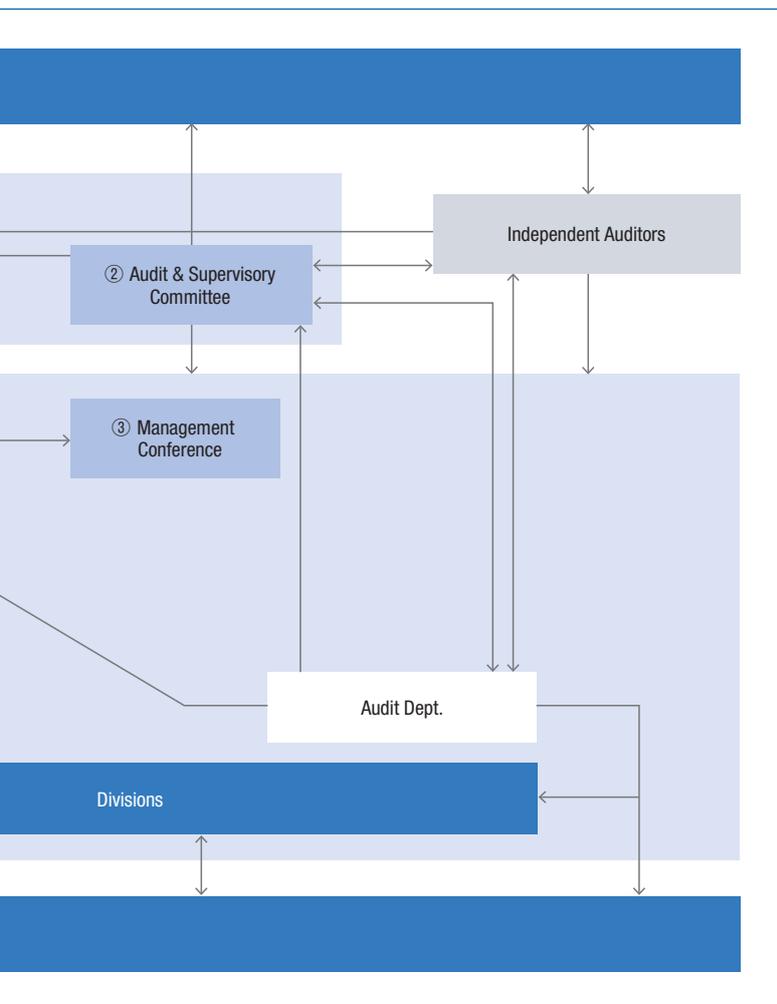
In fiscal 2017, we appointed a lead outside director and established a system for meetings and councils consisting only of outside directors.

For the Board of Directors, the term of office of directors, excluding the members of the Audit & Supervisory Committee, has been set at one year, and three of the nine directors must be outside directors. These requirements were established to ensure that the Board of Directors performs in a supervisory capacity with respect to the execution of business and that the Audit & Supervisory Committee conducts proper monitoring. Furthermore, we are working to strengthen our corporate governance and ensure the transparency of Group management of global operations by promoting the PDCA cycle in our various committees, including the Global Strategy

Meeting, Group Personnel Committee, Group CSR Promotion Council, Group PDCA Council, and Regional PDCA Councils.

Major Changes to Corporate Governance in Fiscal 2018

- Address all of the following principles of the Corporate Governance Code that were not implemented in fiscal 2017
 - Principle 4-8-1 (Meetings and Councils Consisting Only of Independent Outside Directors)
 - Principle 4-8-2 (Designation of Lead Independent Outside Director)
 - Principle 4-11-3 (Analysis and Evaluation of the Effectiveness of the Board of Directors)



⑤ Group Personnel Committee

- Conducts deliberations on salary increases, bonuses and other compensation of Group company employees, management excellence prizes, special prizes and other awards, and disciplinary measures.
- Consists of directors who are not Audit & Supervisory Committee members, directors serving as full-time Audit & Supervisory Committee members, executive officers, and other senior executives.
- Meets as needed according to proposals. (Held five meetings in FY2017)

⑥ Group CSR Promotion Council

- Deliberates CSR policies of the entire Group, matters related to the quality assurance system, and other CSR issues, and promotes CSR activities.
- Consists of directors who are not Audit & Supervisory Committee members, directors serving as full-time Audit & Supervisory Committee members, executive officers, and other senior executives.
- From fiscal 2018, will meet four times a month in principle. (Held two meetings in FY2017)

⑦ Group PDCA Council

- Reports, confirms and provides guidance on Group-wide management plans and the progress of important matters.
- Consists of directors who are not Audit & Supervisory Committee members, executive officers, and other senior executives.
- Meets once a month in principle. (Held 10 meetings in FY2017)

⑧ Regional PDCA Councils (Japan, the U.S., Europe and Asia)

- Directors oversee the progress of management plans in each region, provide guidance on management issues, and directors who are Audit & Supervisory Committee members monitor the status of business execution by executive officers and others.
- Consists of directors who are not Audit & Supervisory Committee members, directors serving as full-time Audit & Supervisory Committee members, executive officers, and presidents and other senior management of operating companies.
- Meet once every three months in principle. (Held 10 meetings in Japan, four meetings in North America, four meetings in Europe, and four meetings in Asia in FY2017)

Status of Compliance with the Corporate Governance Code

We are responding to the principles prescribed in the Corporate Governance Code of the Tokyo Stock Exchange.

All of the following principles that had not been carried out as of the end of fiscal 2017 are being addressed since the start of fiscal 2018. In addition, we will deliberate on how to handle additional matters related to the revision of the Corporate Governance Code announced on June 1, 2018.

For details on our approach to corporate governance, please see “Basic Approach to Corporate Governance” on our website. (URL: <http://www.sanwa-hldgs.co.jp/english/ir/governance.html>)

Principles Not Implemented in Fiscal 2017

Principle 4-8-1 (Meetings and Councils Consisting Only of Independent Outside Directors)

From fiscal 2018, the Company has held meetings attended solely by outside directors to promote the exchange of information and opinions through open discussions from standpoints independent from business execution.

Principle 4-8-2 (Designation of Lead Independent Outside Director)

The Company has established a system for coordination and collaboration between the management team and members of the Audit & Supervisory Committee by appointing a lead outside director (selected by the three outside directors), who also serves as a full-time Audit & Supervisory Committee member.

Improving the Effectiveness of the Board of Directors and Audit & Supervisory Committee

By resolution of the 83rd Ordinary General Meeting of Shareholders held on June 27, 2018, the Board of Directors shall consist of nine directors (including three directors who

are members of the Audit & Supervisory Committee), of which three (or one-third) of the members, shall be independent outside directors. In addition, the Board of Directors and the Audit & Supervisory Committee shall meet at least once every three months, in principle.

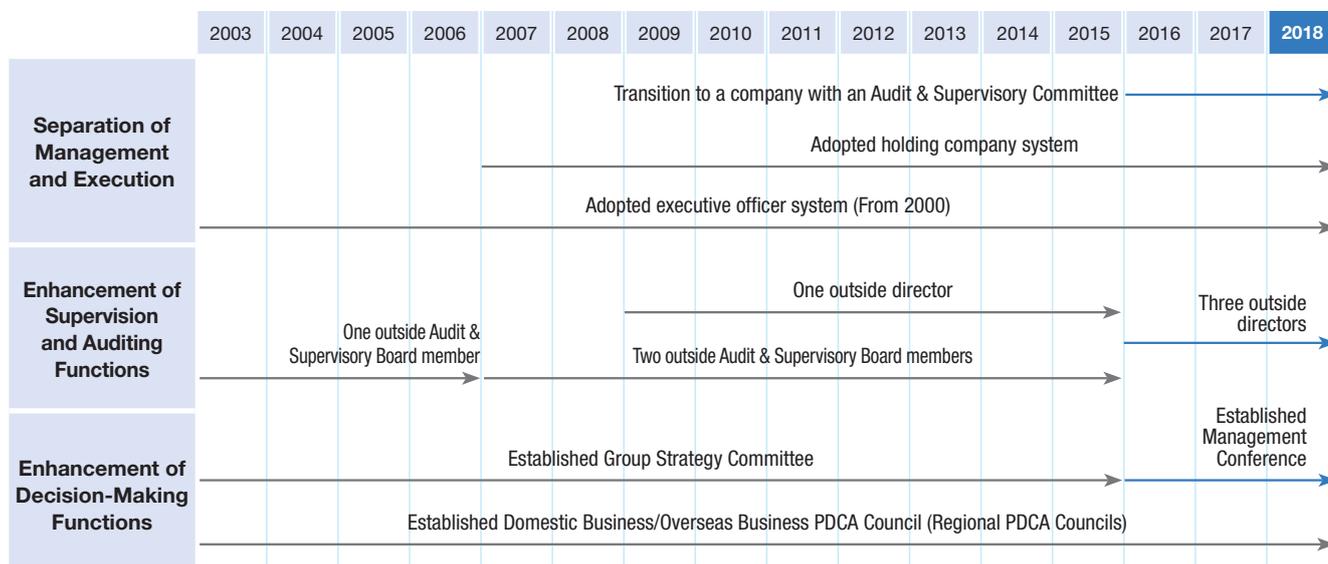
Board of Directors and Management Conference

In fiscal 2017, the Board of Directors met a total of nine times (seven regular meetings, two extraordinary meetings) to make decisions on important matters related to management and business execution, and the results have been reported. The Company distributes materials in advance to the Board of Directors to allow for adequate deliberation time and to support productive discussions. The Management Conference, which was established in fiscal 2016, met a total of 11 times to assist the CEO in decision-making, strengthen the maneuverability of business execution, and together with the Board of Directors, reach management decisions promptly and efficiently.

Evaluation of the Effectiveness of the Board of Directors

After the final meeting of the Board of Directors held in fiscal 2017, a survey of the effectiveness of the Board was conducted by collecting feedback from all directors. At the first meeting of the Board of Directors held in fiscal 2018, an analysis and evaluation of the effectiveness was made by all directors. As a result, despite some issues, it was deemed that the Board of Directors is functioning effectively. The Company will continue to strive to increase the effectiveness of the Board of Directors through further improvements.

Timeline of Corporate Governance Reforms



Audit System

The Audit & Supervisory Committee met a total of 10 times in fiscal 2017. The directors who are Audit & Supervisory Committee members monitor the status of business execution by directors who are not Audit & Supervisory Committee members and other executive officers, and report and express their opinions. In this way, we work to ensure legal and appropriate corporate management. We believe the transition to a company with an Audit & Supervisory Committee has contributed to improving the supervisory function and transparency of the Board of Directors, and thus demonstrates the effectiveness of the Board.

- The Audit Department, established as an internal audit unit, currently consists of seven members who conduct operational audits. The executive officers and employees of the Audit Department also audit the business execution of Group companies, share information, and enhance the quality of management and monitoring functions of the

Group as a whole. The Audit Department, which serves as an 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, Audit Department personnel changes and other activities.

- Directors serving as Audit & Supervisory Committee members, the Audit Department, and independent auditors regularly hold meetings to exchange information on their respective audit policies and problems identified during the fiscal year. In addition, Audit & Supervisory Committee members and the Audit Department have a cooperative relationship in which they can mutually request investigations of specific matters. They strengthen collaboration in ways such as performing detailed audits of target departments and reporting on the results.

Reasons for Appointment of Outside Directors

Name	Supplementary Explanation	Reasons for Selection
Makoto Yasuda Number of Board of Directors meetings attended: 8	Until 2017, Mr. Yasuda received compensation as a member of the Company's Independent Committee for Takeover Defense, but the amount of compensation did not exceed ¥1 million per year. The Company thus determined that he meets the independence criteria for outside directors and has no conflict of interest with ordinary shareholders. In addition, the Independent Committee for Takeover Defense was dissolved due to the abolition of anti-takeover measures, and the above compensation has not been paid to Mr. Yasuda since 2017.	The Company decided to retain Mr. Yasuda as a director because of his contribution to further strengthening the Board of Directors. Mr. Yasuda is able to provide keen insight based on his wealth of experience and many years as a global corporate manager and involvement in corporate management as an outside officer.
Tsunekatsu Yonezawa Number of Board of Directors meetings attended: 9 Number of Audit & Supervisory Committee meetings attended: 10	Mr. Yonezawa is a former employee of Marubeni-Itochu Steel Inc. (MISI), which has a business relationship with the Group. The Group and the MISI Group have transactions involving the Sanwa Group's purchase of raw materials and the sale of Sanwa Group products. However, the amount of transactions between the Sanwa Group and the MISI Group accounted for less than 1% of the Sanwa Group's and the MISI Group's annual consolidated net sales in each of the past three fiscal years. Therefore, the Company determined that Mr. Yonezawa satisfies the independence criteria for the Company's outside directors and has no conflict of interest with ordinary shareholders.	Mr. Yonezawa has been involved in corporate management for many years as a company manager, and has global experience and in depth understanding of management and economics. On that basis, the Company believes he can provide appropriate advice and recommendations from an independent standpoint regarding the Company's management in general. He was thus deemed qualified as an outside director serving as an Audit & Supervisory Committee member.
Akira Gokita Number of Board of Directors meetings attended: 9 Number of Audit & Supervisory Committee Meetings attended: 10	The Company had a legal consultation agreement with Mr. Gokita until December 2015, but the contract has since been terminated. For the duration of the agreement, the monthly legal fees paid to Mr. Gokita were ¥100,000 (there was no payment for compensation outside of the advisory agreement). Therefore, the Company determined that Mr. Gokita meets the independence criteria for the Company's outside directors and has no conflict of interest with ordinary shareholders.	Mr. Gokita has many years of experience as a prosecutor and lawyer, and has applied his extensive experience and knowledge as a legal professional to the management of the Company. He has thus been selected as an outside director to serve as a member of the Audit & Supervisory Committee.

Corporate Governance Highlights

Number of Directors (of whom are outside directors) 9 (3)	Number of Board of Directors Meetings 9	Attendance Rate at Board of Directors Meetings (of whom are outside directors) 97.6% (96.3%)
Number of Audit & Supervisory Committee Members (of whom are outside directors) 3 (2)	Number of Audit & Supervisory Committee Meetings 10	Attendance Rate at Audit & Supervisory Committee Meetings (of whom are outside directors) 100% (100%)

Policy for Selection of Outside Directors

We appoint our present three 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 outside directors based on their personality, insight and background.

Independence Criteria for Outside Directors

The Company stipulates independence criteria for outside officers. For details, please see the Company's website. (URL: <http://www.sanwa-hldgs.co.jp/english/pdf/20151201independence.pdf>)

Group Governance

The Company strives to strengthen governance of the Group by transferring authority to each Group company as deemed appropriate, and verifying the implementation status of the PDCA cycle for achieving each company's management plan through the Regional PDCA Councils presided over by the director in charge of that region.

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

To improve mutual management efficiency and business development, we require Group companies to seek preliminary consultation or approval on certain matters concerning business execution, as well as submit follow-up reports, in accordance with the Group Company Management Regulations and the standards of respective regulating authorities for companies in Europe, the U.S. and Asia.

Strategic Shareholdings

The Company may acquire and hold shares of business partners in order to build good relationships with them and to improve the Company's corporate value from a medium-to-long-term perspective by ensuring smooth business transactions. The Company exercises voting rights of strategically held shares appropriately, based on a comprehensive review of the corporate value of the issuing company, returns to shareholders, the Company's interests, and various other factors. 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 regarding major stocks held.

Investment stocks held for purposes other than net investment totaled 50 shares, worth ¥14,429 million (as of the end of March 2018).

Compensation of Directors

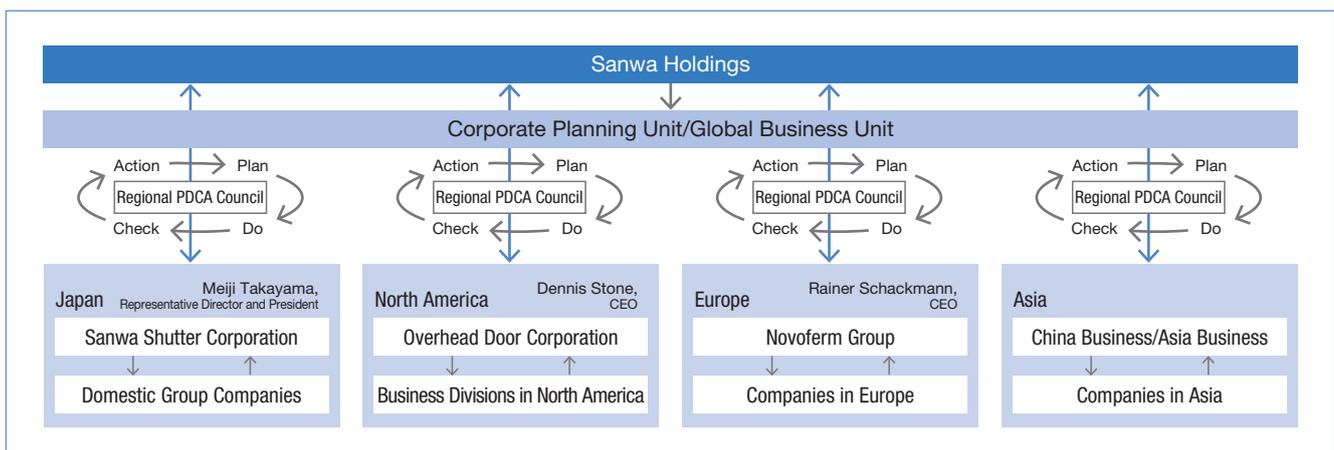
Basic Policy on Compensation

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.

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.

Group Governance System



Categories of Director Compensation

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

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

Overview of Compensation (Fiscal 2017)

Classification	Total Compensation (Millions of yen)	Total Compensation by Type (Millions of yen)			Number of Officers Eligible
		Base Compensation	Performance-Linked Compensation	Stock Options	
Directors (excluding directors serving as Audit & Supervisory Committee members and outside directors)	393	240	112	40	7
Directors serving as Audit & Supervisory Committee members (excluding outside directors)	33	33	—	—	1
Outside directors (excluding Audit & Supervisory Committee members)	10	10	—	—	1
Outside directors (Audit & Supervisory Committee members)	40	40	—	—	2

Dialogue with Shareholders and Investors

Exercise Ratio of Voting Rights at 83rd Ordinary General Meeting of Shareholders (held on June 27, 2018)

87.61%

Number of Individual Meetings in Fiscal 2017 (institutional investors and analysts)

208

Number of Explanatory Sessions for Individual Investors in Fiscal 2017

6
(total number of participants: 381)

General Meeting of Shareholders

We recognize the importance of the meeting as a venue for active dialogue with shareholders, primarily individual investors. We therefore try to schedule the date and time of the general meeting to avoid the peak period, and to give prompt notice of convocation and disclosure of reports. Also, considering that overseas investors account for a shareholding ratio of 36.1% (as of the end of March 2018), the notice of convocation is posted on the Company's website in English, and the electronic exercise of voting rights has been possible since 2012 using the Electronic Voting Platform for Institutional Investors.

Dialogue with Institutional Investors

A results briefing by the CEO is held following the Company's announcements of fiscal year-end and second-quarter financial results. In addition, after the announcement of quarterly results, the Company holds individual meetings attended by the COO, executive officers of the Corporate Planning Unit, and the general manager of the PR & IR Department. The Company also holds individual meetings in the U.S., Europe and Asia, and tours of domestic plants and the Sanwa Group's Test Center.

Dialogue with Individual Investors

In order to explain our business, performance and management policy in an easy-to-understand manner to individual investors, we have set up a dedicated page for individual investors on our website. In addition, the Company publishes integrated reports and videos of results presentations. Explanatory sessions for individual investors are held at investment seminars hosted by securities companies. A total of six sessions were held in fiscal 2017, mainly in the Tokyo metropolitan area and the Kansai area, and the Company aims to hold eight sessions in fiscal 2018.

Recognition

In *Institutional Investor's* 2018 All-Japan Executive Team Rankings, Sanwa Holdings was ranked fifth in the Most Honored Companies category in the construction sector and ranked third in the Best CEOs category (May 2018).

Risk Management and Compliance

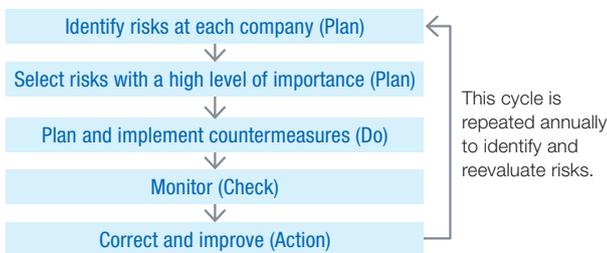
One of the Sanwa Group's two kinds of reliability is reliable management. Management will work together, in Japan and overseas, to heighten compliance awareness and strengthen risk management in order to enhance corporate value and achieve continuous and sustainable growth.

Risk Management Promoting Risk Management for the Sanwa Group

The Sanwa Group implements Group-wide risk management to address diversifying risks, and to achieve sustainable growth by earning the trust of stakeholders.

Group companies prevent the manifestation of risks by anticipating them and performing simulations of countermeasures.

Risk Management PDCA Cycle



Strengthening Information Security

The Sanwa Group has been strengthening security measures to prevent computer virus intrusions and has worked to raise employee awareness of information security. This has included posting information on internal bulletin boards and in CSR reports, conducting malware simulation training, and other activities. In addition, we entrusted an external organization with reviewing the effectiveness of our security, then analyzed the findings to identify issues to address, and compiled security measures to be implemented. We will continue to strengthen information security through multifaceted measures involving both hardware and software solutions.

Compliance Deepening Compliance Awareness at Group Companies Overseas

In 2017, we conducted compliance training at Shanghai Baosteel-Sanwa Door and Novoferm (Shanghai). A total of 85 Japanese expatriate and local senior management personnel took part in the sessions. We invited an attorney well versed in dealing with issues specific to China to give a lecture about the legal aspects and practical measures for handling corruption among civil servants, which is a problem in China. The attorney also presented case studies involving foreign-affiliated companies. In addition, the General Manager of the CSR Promotion Department provided an explanation of the concepts of the Compliance Code of Conduct that the Sanwa Group is promoting in Japan with the goal of contributing to a unified awareness of compliance throughout the Group.

In addition, the Audit Department of Sanwa Holdings conducts internal audits of not only domestic Group companies, but also of overseas Group companies. In fiscal 2017, we conducted audits at Shanghai Baosteel-Sanwa Door, Novoferm (Shanghai) and Vina-Sanwa related to accounting, installation, construction, labor practices, internal controls, governance, risk management, and other areas in accordance with local regulations.



Compliance training at Novoferm (Shanghai)

Overview of Initiatives

Risk Management

- Establish business continuity plan (BCP) assuming risks from an earthquake with its epicenter directly beneath metropolitan Tokyo
- Strengthen information security measures
- Introduce new initiatives to eliminate traffic and on-the-job accidents
- Implement the risk management PDCA cycle

Compliance

Japan

- Distribute Compliance Code of Conduct booklet to all employees
- In fiscal 2017, increased compliance training for managers from once every three years to once every two years
- Designate November as Compliance Month and implement various initiatives annually to promote employee awareness of compliance
- Establish a Corporate Ethics Hotline as an internal whistleblower system, enlisting the services of an outside provider

North America

- Conduct compliance training through e-learning annually
- Establish two types of internal whistleblower systems

Europe

- Distribute compliance handbook and conduct training at each company
- Establish internal whistleblower system

Messages from Outside Directors



My Role as an Outside Director

We are now in an age when the world is changing so rapidly that traditional structures are being transformed. I therefore believe that my role is to closely watch the direction of the Company in the context of the global big picture. I will make sure that the Company's management is being conducted transparently based on proper corporate governance from the viewpoints of ordinary shareholders, markets and the principle of fairness.

As the Sanwa Group seeks to become a major global player in its industry, it is very important that the "two kinds of reliability" (reliable business performance and reliable management) are deeply instilled among all employees.

Makoto Yasuda
Outside Director

Turning Collective Knowledge into Wisdom

Creating a governance system is a task pursued by going through continuous trial and error while adapting to the changing business environment. With the increasing fluidity of international affairs recently, risk management requires a broader perspective, and needs to be kept optimal to deal with geopolitical risks and the risks resulting from dramatic technological advances. Substantive discussion takes place in the Company's Board of Directors and Management Conference, but I want to aim even higher by helping to create a more workable governance structure.

I hope to put my previous experience to use in enhancing the Company's corporate value over the long term by achieving a good balance between offensive and defensive management strategies.

Tsunekatsu Yonezawa
Outside Director (Audit & Supervisory Committee Member)



Constant Self-Improvement

The role of outside directors in corporate governance lies in supervising business execution from the viewpoint of stakeholders, including shareholders. With that in mind, outside directors should have a solid grasp of the realities of the company's business, prepare carefully for Board of Directors meetings, and get involved in supervision of management through rational and constructive discussions. Furthermore, in order to fulfill their role in accordance with trends in socio-economic conditions, outside directors should not only draw on their background and experience, but also constantly pursue self-improvement in ways such as collecting, analyzing and studying various kinds of information to cultivate their expertise.

Akira Gokita
Outside Director (Audit & Supervisory Committee Member)



Management Team (As of June 28, 2018)

Directors



Toshitaka Takayama

Representative Director,
Chairman & CEO

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)

Current shareholdings in the Company:
1,858,200 shares



Yasushi Takayama

Representative Director, President & COO

Oct. 2006 Joined the Company
Apr. 2011 Senior Executive Officer
Assistant Responsible for Overseas Business Unit
Apr. 2012 Senior Managing Executive Officer
Responsible for Corporate Planning Unit
Jun. 2012 Director
Apr. 2016 Executive Vice-President
Deputy President
Apr. 2017 Representative Director, President & COO (present post)

Current shareholdings in the Company:
89,195 shares



Hiroatsu Fujisawa

Director
Senior Managing Executive Officer
Global Business Unit

Nov. 2012 Joined the Company
Apr. 2013 Senior Executive Officer
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
Apr. 2017 Senior Managing Executive Officer (present post)
Responsible for Global Business Unit (present post)

Current shareholdings in the Company:
21,400 shares



Masahiro Fukuda

Director
Senior Executive Officer
Corporate Planning Unit

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 (concurrent) General Manager of CSR Promotion Dept.
Apr. 2017 Responsible for Corporate Planning Unit (present post)

Current shareholdings in the Company:
71,000 shares



Meiji Takayama

Director

Oct. 2006 Joined the Company
Apr. 2010 Executive Officer of Sanwa Shutter Corporation
Apr. 2011 Director of Sanwa Shutter Corporation
Senior Executive Officer of Sanwa Shutter Corporation
Apr. 2012 Senior Managing Executive Officer of Sanwa Shutter Corporation
Apr. 2016 Representative Director of Sanwa Shutter Corporation
Executive Officer, Vice President and Deputy President of Sanwa Shutter Corporation
Apr. 2017 Representative Director and President of Sanwa Shutter Corporation (present post)
Executive Officer and President of Sanwa Shutter Corporation (present post)
Jun. 2017 Director (present post)

Current shareholdings in the Company:
70,646 shares



Makoto Yasuda

Outside Director

Jun. 2006 Director, Yamatake Corporation (now Azbil Corporation)
Jun. 2007 Director, Kanematsu Textile Corporation (now Forward Apparel Trading Limited)
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)

Current shareholdings in the Company:
4,100 shares



Teiko Zaima

Director
Audit & Supervisory Committee Member

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)

Current shareholdings in the Company:
22,591 shares



Tsunekatsu Yonezawa

Outside Director
Audit & Supervisory Committee Member

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)

Current shareholdings in the Company:
0 shares



Akira Gokita

Outside Director
Audit & Supervisory Committee Member

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 (present post)

Current shareholdings in the Company:
0 shares

Senior Executive Officers and Executive Officers

Tatsuto Satsuka	Senior Executive Officer	Subleader, Corporate Planning Unit
Osamu Horiuchi	Senior Executive Officer	Subleader, Global Business Unit
Hiroyuki Yamazaki	Senior Executive Officer	Subleader, Corporate Planning Unit General Manager of Corporate Planning Dept.
Takenobu Hoizumi	Executive Officer	Head of Europe Business, Global Business Unit
Toshiaki Doba	Executive Officer	Head of Americas Business, Global Business Unit
Kazuhiko Yokota	Executive Officer	Head of China Business, Global Business Unit Chairman of Shanghai Baosteel-Sanwa Door Co., Ltd.

12-Year Summary (As of March 31, 2018)

Sanwa Vision 2010
(FY2001–FY2012)

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

	FY2007	FY2008	FY2009	FY2010	FY2011
Operating Results (Millions of yen)					
Net sales	323,445	272,970	232,029	237,295	248,214
Cost of sales	242,711	205,425	173,108	179,399	186,683
Gross profit	80,733	67,544	58,921	57,895	61,530
Operating income	15,887	8,070	5,624	4,562	8,855
Net income (loss) attributable to owners of the parent company	8,227	2,312	(725)	(2,443)	3,297
Research and development expenses	3,228	2,607	2,750	2,436	2,456
Capital expenditures	6,857	6,508	3,894	3,495	2,897
Depreciation and amortization (excluding amortization of goodwill)	6,197	4,962	4,651	5,063	5,348
Cash Flows (Millions of yen)					
Cash flows from operating activities	19,383	14,312	17,870	3,717	5,453
Cash flows from investing activities	(10,580)	(7,076)	(22,287)	(3,791)	(9,253)
Cash flows from financing activities	(3,761)	(12,392)	17,914	(14,252)	312
Cash and cash equivalents (end of year)	26,056	20,547	34,912	20,306	16,825
Free cash flows	8,803	7,236	(4,417)	(74)	(3,800)
Financial Position (at Balance Sheet Date) (Millions of yen)					
Total assets	310,957	231,054	246,599	218,933	226,579
Interest-bearing debt	70,775	54,482	74,628	59,892	61,607
Net assets	149,330	95,365	96,109	86,021	85,522
Per Share Data (Yen)					
Net income (loss) per share	33.5	9.6	(3.0)	(10.2)	13.7
Net assets per share	617.95	396.65	399.56	357.59	355.37
Cash dividends per share	13	10	5	8	8
Financial Indicators					
Operating income ratio (%)	4.9	3.0	2.4	1.9	3.6
Return on assets (%)	2.61	0.85	(0.30)	(1.05)	1.48
Return on equity (%)	5.5	1.9	(0.8)	(2.7)	3.8
SVA (Millions of yen)	1,500	(800)	(3,400)	(2,661)	(1,201)
Debt/equity ratio (Times)	0.47	0.57	0.78	0.70	0.72
Shareholders' equity ratio (%)	48.0	41.3	38.9	39.3	37.7
Payout ratio (%)	38.9	104.2	—	—	58.3

the 21st
cycle and

Sanwa Global Vision 2020
(FY2013–FY2020)

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

FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018 (forecast)
265,913	311,957	339,045	365,615	353,922	385,673	407,000
196,631	225,954	242,273	260,078	250,068	273,155	—
69,281	86,003	96,771	105,537	103,854	112,517	—
14,174	20,649	26,334	26,870	26,440	28,322	31,500
7,181	10,161	12,857	14,627	17,070	18,280	20,600
2,440	3,149	3,505	3,868	3,999	4,422	—
4,293	7,116	7,727	8,127	8,096	11,383	12,368
5,428	6,180	7,188	8,022	7,290	7,622	8,444
14,855	19,728	22,304	24,378	23,670	26,532	27,171
(5,313)	5,932	(27,080)	(15,641)	(8,006)	(13,172)	(25,378)
(4,340)	3,876	10,625	(25,702)	(838)	(20,505)	(9,185)
22,275	52,307	58,605	41,516	56,290	49,263	41,871
9,542	25,660	(4,776)	8,737	15,664	13,360	1,793
241,771	281,917	323,327	310,269	323,393	331,686	337,000
60,799	69,153	88,484	70,798	74,739	65,945	63,166
97,134	113,956	126,748	130,334	139,905	151,121	159,819
29.9	42.4	54.1	63.1	74.6	81.0	91.6
404.57	474.63	541.49	565.64	607.16	667.09	—
10	13	16	23	25	30	32
5.3	6.6	7.8	7.3	7.5	7.3	7.7
3.07	3.88	4.25	4.62	5.39	5.58	—
7.9	9.6	10.7	11.4	12.7	12.7	13.3
1,870	5,410	7,770	8,290	8,057	9,026	10,346
0.63	0.61	0.70	0.54	0.53	0.44	0.40
40.1	40.4	39.1	41.7	43.0	45.2	47.1
33.4	30.7	29.6	36.5	33.5	37.1	34.9

Financial Review (As of March 31, 2018)

Overall Performance

In the second year of the Second Three-Year Plan of Sanwa Global Vision 2020, our long-term management vision, we worked together as a Group to strengthen our competitiveness as a major global player.

In Japan, we continued to focus on enhancing existing businesses, strengthening and expanding our business through cooperation, and responding to the new periodic inspection reporting system for fire prevention equipment. To expand our partition business, we acquired the partition business from Nihon Spindle Manufacturing Co., Ltd. and renamed it Sanwa Spindle Co., Ltd. (now Sanwa System Wall Co., Ltd.). In the United States, we worked to strengthen our core business base and increase market share by improving product quality and reducing costs in our door opener business, and by strengthening support and implementing product-specific channel strategies for distributors and dealers in the door business. In Europe, we sought to strengthen our business base by making our U.K. garage door joint venture into a wholly owned subsidiary to further promote growth of market share, and worked to expand the industrial door business by capitalizing on the acquisition of Norsud in 2016.

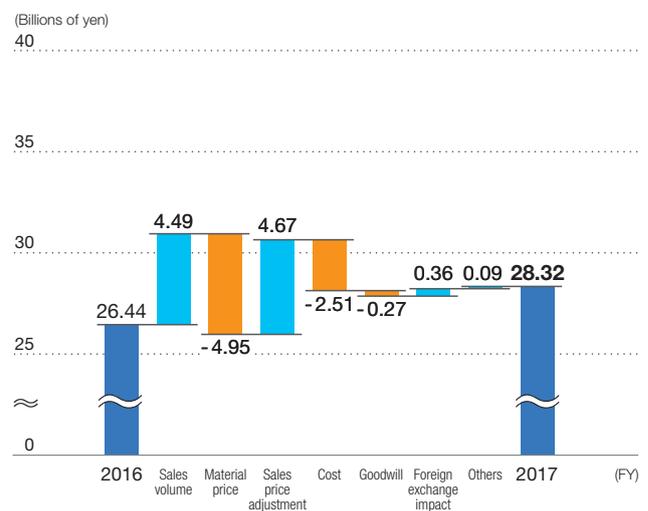
Overview

	FY2015	FY2016	FY2017	YoY Change
Net sales	365,615	353,922	385,673	+31,751
Operating income	26,870	26,440	28,322	+1,882
Current income	26,161	25,278	27,898	+2,620
Net income	14,627	17,070	18,280	+1,210

On a consolidated basis, both sales and profits reached record highs, with sales up 9.0% year on year to ¥385,673 million. Compared with the previous fiscal year, operating income increased 7.1% to ¥28,322 million, current income increased 10.4% to ¥27,898 million, and net income attributable to owners of the parent company increased 7.1% to ¥18,280 million.

Fiscal 2017 Results

Factors Increasing / Decreasing Operating Income



Results by Area

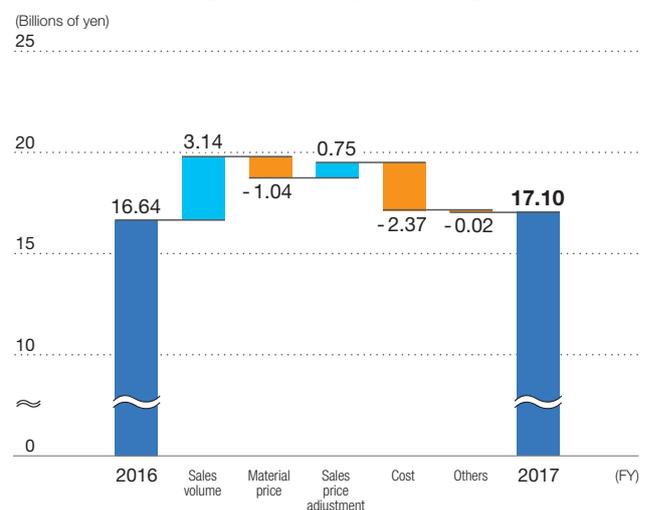
Japan (Sanwa Shutter Corporation)

	FY2015	FY2016	FY2017	YoY Change
Net sales	180,157	176,248	187,388	+11,140
Operating income	18,674	16,641	17,104	+463
Current income	18,852	16,817	17,286	+469
Net income	12,808	11,863	11,867	+4

Net sales increased 6.3% year on year to ¥187,388 million, due to growth of core products such as heavy-duty shutters and building and condominium doors, as well as an increase in sales in the maintenance and service business. Despite rising prices for steel, Sanwa Shutter reported an increase in operating income of 2.8% year on year to ¥17,104 million, due to sales growth and efforts to raise prices.

Fiscal 2017 Results

Factors Increasing / Decreasing Operating Income



Japan (Other Domestic Subsidiaries)

(Millions of yen)

	FY2015	FY2016	FY2017	YoY Change
Net sales	30,822	30,497	32,464	+1,967
Operating income	1,758	1,186	1,161	-25
Current income	1,803	1,238	1,219	-19
Net income	1,203	850	783	-67

Sales increased 6.5% year on year to ¥32,464 million. The sales decline at Showa Front due to the impact of a decrease in construction of stores was offset by continued sales growth at other domestic subsidiaries and the consolidation of Sanwa System Wall.

Operating income decreased 2.1% year on year to ¥1,161 million, due to the slump at Showa Front and Sanwa System Wall, despite a significant recovery at Sanwa Tajima.

North America (ODC)

(Millions of yen)

	FY2015	FY2016	FY2017	YoY Change
Net sales	110,085	103,761	112,815	+9,054
Operating income	6,383	7,830	8,778	+948
Current income	6,003	7,459	8,440	+981
Net income	3,734	4,849	5,075	+226

Net sales reached ¥112,815 million, up 8.7% year on year (up 6.2% on a local currency basis), due to strong sales in the mainstay door and door opener businesses. Operating income increased year on year 12.1% to ¥8,778 million as a result of growth in sales and the successful reflection of higher steel prices in sales prices.

Europe (Novoform)

(Millions of yen)

	FY2015	FY2016	FY2017	YoY Change
Net sales	53,329	53,423	64,962	+11,539
Operating income	1,679	2,187	2,886	+699
Current income	1,477	1,935	2,681	+746
Net income	796	1,009	2,084	+1,075

Net sales increased 21.6% year on year (up 15.3% on a local currency basis) to ¥64,962 million due to the steady performance of existing businesses and the consolidation of Novoform UK and Norsud (acquired in 2016). Operating income increased 31.9% year on year to ¥2,886 million due to sales growth.

Fiscal 2017 Results

Factors Increasing / Decreasing Operating Income

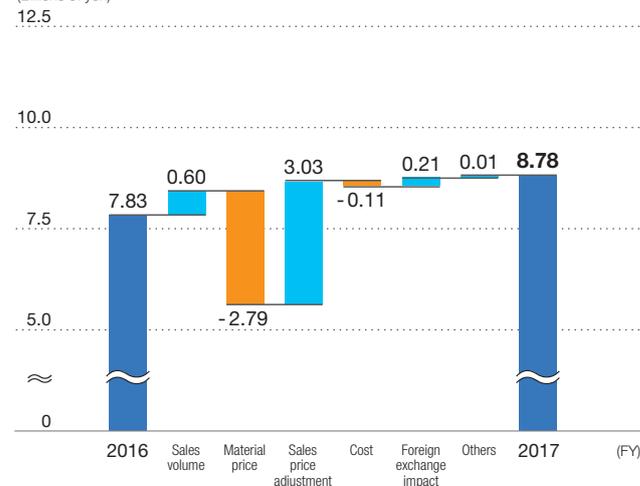
(Billions of yen)



Fiscal 2017 Results

Factors Increasing / Decreasing Operating Income

(Billions of yen)



Fiscal 2017 Results

Factors Increasing / Decreasing Operating Income

(Billions of yen)



Financial Position (at Balance Sheet Date)

(Millions of yen)				
	FY2015	FY2016	FY2017	YoY Change
Current assets	188,575	198,077	197,610	-467
Cash and cash equivalents	41,516	56,290	49,263	-7,027
Accounts receivable, inventories	130,087	128,734	141,095	+12,361
Fixed assets	121,693	125,315	134,076	+8,761
Investment securities	21,314	27,183	30,755	+3,572
Total assets	310,269	323,393	331,686	+8,293
Interest-bearing debt	70,797	74,739	65,945	-8,794
(Debt/equity ratio)	0.54	0.53	0.44	-
Other liabilities	109,138	108,749	114,620	+5,871
Net assets	130,334	139,905	151,121	+11,216
Currency exchange adjustment	13,649	10,806	11,558	+752

On a consolidated basis, total assets as of March 31, 2018 totaled ¥331,686 million, up ¥8,293 million from the end of the previous fiscal year. The increase was mainly due to increases in accounts receivable and fixed assets. Total liabilities decreased ¥2,923 million to ¥180,564 million mainly due to redemption of bonds and repayment of borrowings. Net assets increased ¥11,216 million to ¥151,121 million mainly due to an increase in retained earnings.

As a result, the shareholders' equity ratio increased 2.2 points from the end of the previous fiscal year to 45.2%.

Cash Flows

(Millions of yen)				
	FY2015	FY2016	FY2017	YoY Change
Cash flows from operating activities	24,378	23,670	26,532	+2,862
Cash flows from investment activities	(15,641)	(8,006)	(13,172)	-5,166
Cash flows from financing activities	(25,702)	(838)	(20,505)	-19,667
Cash and cash equivalents (end of year)	41,516	56,290	49,263	-7,028

Cash and cash equivalents ("cash") decreased ¥7,028 million from the end of the previous fiscal year to ¥49,263 million. Cash flows by category for the fiscal year under review are summarized as follows.

Cash Flows from Operating Activities

Net cash provided by operating activities totaled ¥26,532 million due to an increase in net income before income taxes and non-controlling interests (compared with ¥23,670 million in the previous fiscal year).

Cash Flows from Investing Activities

Net cash used in investment activities totaled ¥13,172 million (compared with ¥8,006 million in the previous fiscal year) mainly due to the acquisition of fixed assets, including the reconstruction of the Osaka plant.

Cash Flows from Financing Activities

Net cash used in financing activities totaled ¥20,505 million (compared with ¥838 million in the previous fiscal year) mainly due to the redemption of bonds and repayment of borrowings.

Capital Expenditures & Research and Development Expenses

	(Millions of yen)			
	FY2015	FY2016	FY2017	YoY Change
Capital expenditures	8,127	8,096	11,383	+3,287
Research and development expenses	3,868	3,999	4,422	+423
Depreciation and amortization (excluding amortization of goodwill)	8,022	7,290	7,622	+332

The Sanwa Group focuses on product categories that are expected to see growth over the long term, and also invests in systems to reduce manpower, streamline operations and improve product reliability. Capital expenditures (including intangible assets) totaled ¥11,383 million in fiscal 2017. By segment, expenditure was ¥5,576 million in Japan, ¥3,378 million in North America, ¥2,424 million in Europe, and ¥4 million in other regions. Primary investments in each region went toward renewing equipment at each plant, acquiring production equipment, molds and other items, and improving IT-related infrastructure.

Shareholder Returns

	(Yen)			
	FY2015	FY2016	FY2017	YoY Change
Cash dividend per share	23*	25	30	+5
Payout ratio (%)	36.5	33.5	37.1	+3.5

* Includes special 60th anniversary dividend (¥3)

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

Our guideline for profit distribution specifies a target payout ratio of 35% of net income attributable to owners of the parent company. For fiscal 2017, we paid a year-end dividend of ¥15.0 per share (annual dividend of ¥30.0 per share).

For fiscal 2018, we plan to increase the annual dividend by ¥2.0 to ¥32.0 per share (interim dividend of ¥16.0 and year-end dividend of ¥16.0).

The Company will utilize internal reserves for M&As and other strategic investments, capital expenditures, and reduction of interest-bearing debt.

Outlook

	(Millions of yen)		
	FY2016	FY2017	FY2018 (forecast)
Net sales	353,922	385,673	407,000
Operating income	26,440	28,322	31,500
Net income	17,070	18,280	20,600
Operating income ratio	7.5%	7.3%	7.7%
ROE	12.7%	12.7%	13.3%

In Japan in fiscal 2018, which will be the final year of the Second Three-Year Plan, we will further promote our multi-product sales initiatives and growth of core products.

In addition, as it will be the final year of the transitional measure for the new periodic inspection reporting system for fire prevention equipment, inspection requests are expected to increase greatly. We will work to strengthen our framework for responding to those requests by securing qualified personnel. In North America, we will focus on strengthening sales through our distributors, dealers, and other key channels in order to expand our core business base. In Europe, we will focus on industrial sectional doors, for which demand is robust, by boosting production capacity at Alpha Deuren (the Netherlands). Against this backdrop, we anticipate growth in sales and profits in fiscal 2018 both in Japan and overseas.

Consolidated Balance Sheets

Sanwa Holdings Corporation and Subsidiaries
As of March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
ASSETS			
Current assets:			
Cash and cash equivalents (Note 10)	¥ 49,263	¥ 56,290	\$ 464,745
Short-term investments (Note 3, 10)	1,145	1,478	10,802
Notes and accounts receivable, trade (Note 10)	78,379	73,450	739,425
Electronically recorded monetary claims (Note 10)	9,293	7,303	87,670
Inventories (Note 4)	53,423	47,980	503,991
Deferred income taxes (Note 14)	2,278	4,330	21,491
Other current assets	5,212	8,557	49,169
Allowance for doubtful accounts	(1,383)	(1,311)	(13,047)
Total current assets	197,610	198,077	1,864,246
Property, plant and equipment:			
Land	18,591	17,908	175,387
Buildings and structures	52,379	49,020	494,142
Machinery and equipment	76,571	72,435	722,368
Construction in progress	2,454	2,615	23,150
	149,995	141,978	1,415,047
Less accumulated depreciation	(92,230)	(88,383)	(870,094)
Total property, plant and equipment	57,765	53,595	544,953
Intangible assets:			
Goodwill	7,402	7,557	69,830
Other intangible assets (Note 5)	17,073	16,616	161,066
Total intangible assets	24,475	24,173	230,896
Investments and other assets:			
Investments in non-consolidated subsidiaries and affiliates (Note 3, 10)	11,343	10,061	107,009
Investments in securities (Note 3, 10)	30,754	27,184	290,132
Net defined benefit asset (Note 7)	6,140	5,496	57,925
Deferred income taxes (Note 14)	551	1,671	5,198
Other assets	3,359	3,441	31,688
Allowance for doubtful accounts	(311)	(305)	(2,934)
Total investments and other assets	51,836	47,548	489,018
Total assets	¥ 331,686	¥ 323,393	\$ 3,129,113

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term debt (Note 6, 10)	¥ 16,663	¥ 19,837	\$ 157,198
Notes and accounts payable, trade (Note 10)	50,301	45,750	474,538
Accrued income taxes	4,884	4,828	46,075
Accrued expenses	21,708	19,895	204,792
Deferred income taxes (Note 14)	2	4	19
Other current liabilities	19,543	17,913	184,368
Total current liabilities	113,101	108,227	1,066,990
Long-term liabilities:			
Long-term debt (Note 6, 10)	49,282	54,902	464,925
Net defined benefit liability (Note 7)	13,290	13,650	125,377
Deferred income taxes (Note 14)	2,882	4,663	27,189
Other long-term liabilities	2,009	2,046	18,953
Total long-term liabilities	67,463	75,261	636,444
Total liabilities	180,564	183,488	1,703,434
Contingent liabilities (Note 8)			
NET ASSETS			
Shareholders' equity (Note 12):			
Common stock:			
Authorized - 550,000,000 shares at March 31, 2018 and 2017			
Issued - 235,000,000 shares at March 31, 2018 and 239,000,000 shares at March 31, 2017	38,413	38,413	362,387
Capital surplus	39,902	39,902	376,433
Retained earnings	67,403	58,367	635,877
Treasury stock, at cost (10,019,997 shares at March 31, 2018 and 10,209,656 shares at March 31, 2017)	(8,988)	(7,837)	(84,792)
Total shareholders' equity	136,730	128,845	1,289,905
Accumulated other comprehensive income:			
Net unrealized holding gains on securities	3,584	1,564	33,811
Deferred losses on hedges	(135)	(33)	(1,273)
Foreign currency translation adjustments	11,559	10,807	109,047
Remeasurements of defined benefit plans	(1,655)	(2,271)	(15,613)
Total accumulated other comprehensive income	13,353	10,067	125,972
Stock acquisition rights	214	302	2,019
Non-controlling interests	825	691	7,783
Total net assets	151,122	139,905	1,425,679
Total liabilities and net assets	¥ 331,686	¥ 323,393	\$ 3,129,113

Consolidated Statements of Operations

Sanwa Holdings Corporation and Subsidiaries
For the years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Net sales	¥ 385,673	¥ 353,922	\$ 3,638,425
Cost of sales (Note 13)	273,156	250,068	2,576,943
Gross profit	112,517	103,854	1,061,482
Selling, general and administrative expenses (Note 12, 13)	84,195	77,414	794,293
Operating income	28,322	26,440	267,189
Other income (expenses):			
Interest and dividend income	548	412	5,170
Interest expenses	(605)	(571)	(5,708)
Equity in losses of non-consolidated subsidiaries and affiliates	(10)	(566)	(94)
Other, net (Note 15)	(302)	(350)	(2,849)
	(369)	(1,075)	(3,481)
Net profit before income taxes	27,953	25,365	263,707
Income taxes (Note 14):			
Current	9,080	8,772	85,660
Deferred	480	(565)	4,528
	9,560	8,207	90,188
Net profit	18,393	17,158	173,519
Profit attributable to non-controlling interests	113	88	1,066
Profit attributable to owners of the parent company	¥ 18,280	¥ 17,070	\$ 172,453

	Yen		U.S. dollars (Note 1)
	2018	2017	2018
Per share:			
Net profit — Basic	¥ 80.97	¥ 74.61	\$ 0.76
— Diluted	80.77	74.37	0.76
Cash dividends	30.00	25.00	0.28

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, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Net profit	¥ 18,393	¥ 17,158	\$ 173,519
Other comprehensive income (Note 16)			
Net unrealized holding gains on securities	2,020	332	19,057
Deferred losses on hedges	(101)	(33)	(953)
Foreign currency translation adjustments	679	(2,721)	6,406
Remeasurements of defined benefit plans	615	697	5,802
Share of other comprehensive income of non-consolidated subsidiaries and affiliates accounted for using the equity method	72	(121)	679
Total other comprehensive income	3,285	(1,846)	30,991
Comprehensive income	¥ 21,678	¥ 15,312	\$ 204,510
Comprehensive income attributable to:			
Owners of the parent company	¥ 21,494	¥ 15,268	\$ 202,774
Non-controlling interests	184	44	1,736

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, 2018 and 2017

Millions of yen											
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gains on securities	Deferred losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at March 31, 2016	¥ 38,413	¥ 39,902	¥ 47,028	¥ (7,865)	¥ 1,231	¥ —	¥ 13,650	¥ (2,968)	¥ 266	¥ 678	¥ 130,335
Net changes during the year											
Cash dividends			(5,719)								(5,719)
Profit attributable to owners of the parent company			17,070								17,070
Purchase of treasury stock				(2)							(2)
Disposal of treasury stock			(12)	30							18
Net changes during the year other than shareholders' equity					333	(33)	(2,843)	697	36	13	(1,797)
Total net changes during the year	—	—	11,339	28	333	(33)	(2,843)	697	36	13	9,570
Balance at March 31, 2017	¥ 38,413	¥ 39,902	¥ 58,367	¥ (7,837)	¥ 1,564	¥ (33)	¥ 10,807	¥ (2,271)	¥ 302	¥ 691	¥ 139,905
Cumulative effects of changes in accounting policies			827					(827)			—
Restated balance	38,413	39,902	59,194	(7,837)	1,564	(33)	10,807	(3,098)	302	691	139,905
Net changes during the year											
Cash dividends			(6,348)								(6,348)
Profit attributable to owners of the parent company			18,280								18,280
Purchase of treasury stock				(5,002)							(5,002)
Disposal of treasury stock			(135)	263							128
Retirement of treasury stock			(3,588)	3,588							—
Net changes during the year other than shareholders' equity					2,020	(102)	752	1,443	(88)	134	4,159
Total net changes during the year	—	—	8,209	(1,151)	2,020	(102)	752	1,443	(88)	134	11,217
Balance at March 31, 2018	¥ 38,413	¥ 39,902	¥ 67,403	¥ (8,988)	¥ 3,584	¥ (135)	¥ 11,559	¥ (1,655)	¥ 214	¥ 825	¥ 151,122

Thousands of U.S. dollars (Note 1)											
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gains on securities	Deferred losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at March 31, 2017	\$ 362,387	\$ 376,433	\$ 550,633	\$ (73,933)	\$ 14,755	\$ (311)	\$ 101,953	\$ (21,425)	\$ 2,849	\$ 6,519	\$ 1,319,860
Cumulative effects of changes in accounting policies			7,802					(7,802)			—
Restated balance	362,387	376,433	558,435	(73,933)	14,755	(311)	101,953	(29,227)	2,849	6,519	1,319,860
Net changes during the year											
Cash dividends			(59,888)								(59,888)
Profit attributable to owners of the parent company			172,453								172,453
Purchase of treasury stock				(47,189)							(47,189)
Disposal of treasury stock			(1,274)	2,481							1,207
Retirement of treasury stock			(33,849)	33,849							—
Net changes during the year other than shareholders' equity					19,056	(962)	7,094	13,614	(830)	1,264	39,236
Total net changes during the year	—	—	77,442	(10,859)	19,056	(962)	7,094	13,614	(830)	1,264	105,819
Balance at March 31, 2018	\$ 362,387	\$ 376,433	\$ 635,877	\$ (84,792)	\$ 33,811	\$ (1,273)	\$ 109,047	\$ (15,613)	\$ 2,019	\$ 7,783	\$ 1,425,679

Consolidated Statements of Cash Flows

Sanwa Holdings Corporation and Subsidiaries
For the years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Cash flows from operating activities:			
Net profit before income taxes	¥ 27,953	¥ 25,365	\$ 263,707
Adjustments for:			
Depreciation and amortization	9,226	8,623	87,038
Equity in losses of non-consolidated subsidiaries and affiliates	10	566	94
Gain on step acquisitions	(38)	—	(358)
Interest and dividend income	(548)	(412)	(5,170)
Interest expenses	605	571	5,708
Increase (decrease) in allowance for doubtful accounts	28	36	264
Increase (decrease) in allowance for bonuses	371	1,069	3,500
Increase (decrease) in net defined benefit liability and asset	11	644	104
Increase (decrease) in notes and accounts receivable	(5,877)	741	(55,443)
Decrease (increase) in inventories	(4,182)	(631)	(39,453)
Decrease (increase) in notes and accounts payable	4,217	(275)	39,783
Other, net	3,865	(3,192)	36,464
Subtotal	35,641	33,105	336,238
Interest and dividend income received	515	402	4,858
Interest expenses paid	(578)	(537)	(5,453)
Income taxes paid	(9,046)	(9,300)	(85,340)
Net cash provided by operating activities	26,532	23,670	250,303
Cash flows from investing activities:			
Payments for purchase of investments in securities	(2,328)	(7,607)	(21,962)
Proceeds from sales of investments in securities	913	7,482	8,613
Payments for purchase of tangible and intangible assets	(11,383)	(8,096)	(107,387)
Acquisition of investments in subsidiaries resulting in change in scope of consolidation	(496)	(959)	(4,679)
Payments for advances	(864)	(467)	(8,151)
Proceeds from collections of advances	514	1,778	4,849
Other, net	472	(137)	4,453
Net cash used in investing activities	(13,172)	(8,006)	(124,264)
Cash flows from financing activities:			
Increase (decrease) in short-term loans, net	356	(1,846)	3,358
Proceeds from long-term loans	5,190	5,470	48,962
Repayments of long-term loans	(11,779)	(6,723)	(111,123)
Proceeds from issuance of bonds	—	10,000	—
Repayments of bonds	(3,000)	(2,000)	(28,302)
Purchase and disposal of treasury stock, net	(4,873)	16	(45,972)
Cash dividends paid	(6,348)	(5,719)	(59,888)
Cash dividends paid to non-controlling interests	(51)	(30)	(480)
Other, net	—	(6)	—
Net cash used in financing activities	(20,505)	(838)	(193,445)
Effect of exchange rate changes on cash and cash equivalents	118	(52)	1,113
Net increase (decrease) in cash and cash equivalents	(7,027)	14,774	(66,293)
Cash and cash equivalents at beginning of year	56,290	41,516	531,038
Cash and cash equivalents at end of year	¥ 49,263	¥ 56,290	\$ 464,745

The accompanying notes are an integral part of these statements.

Notes to the Consolidated Financial Statements

Sanwa Holdings Corporation and Subsidiaries
For the years ended March 31, 2018 and 2017

1. Basis of Presenting Consolidated Financial Statements

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

The accounts and records of the Company's overseas subsidiaries have been prepared in accordance with 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, 2018, which was ¥106 to US\$1.00.

2. Summary of Significant Accounting Policies

(a) Scope of Consolidation

At March 31, 2018, the Company had 89 subsidiaries and 14 affiliates.

The scope of consolidation for the fiscal year ended March 31, 2018 (FY2017) includes Sanwa Holdings Corporation and its 49 consolidated subsidiaries. Equity method accounting is applied to investments in 7 non-consolidated subsidiaries and 2 affiliates at March 31, 2018 (FY2017).

In the fiscal year ended March 31, 2018, Sanwa Spindle Co., Ltd. (now Sanwa System Wall Co., Ltd.) was included in the scope of consolidation because it was newly established, and Novoferm UK Holdings Limited and two other companies were included in the scope of consolidation because the Company acquired additional shares of their stock.

Novoferm UK Holdings Limited changed from an affiliate accounted for using the equity method to a consolidated subsidiary because the Company acquired additional shares of its stock. Shanghai Baosteel-Sanwa Door Co., Ltd. changed from an affiliate accounted for using the equity method to a non-consolidated subsidiary due to the Company's increased equity interest.

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

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

(g) Amortization of Goodwill

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

(h) Leased Assets

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

(i) Accounting Method for Retirement Benefits

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

Actuarial differences are amortized principally over a 10-year period, which is within the average remaining service period of employees, using the straight-line method from the fiscal year when the difference was generated. Prior service cost of the domestic consolidated companies is amortized when the prior services cost is generated.

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

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

(j) Revenue Recognition

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

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

(k) Research and Development 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 the future cost savings. Such expenditures capitalized as assets are amortized using the straight-line method over their estimated useful lives of five years.

(l) Income Taxes

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

(m) Net Income per Share

The computation of basic net income (loss) per share is based on the weighted-average number of shares of common stock outstanding. The average number of shares used in the computation was 225,761 thousand and 228,782 thousand for the fiscal years ended March 31, 2018 and 2017, 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 assets or liabilities arising from derivative transactions are measured at fair value, with unrealized gain or loss included in earnings.

Hedging transactions, which meet the criteria of hedge accounting, are accounted for using deferral hedge accounting that requires the unrealized gain or loss to be deferred as a liability or asset until gain or loss relating to the hedge object is recognized.

In addition, certain forward exchange contracts 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 method, is omitted.

(o) Other Significant Matters for Preparation of Consolidated Financial Statements**Adoption of Consolidated Tax Return Filing System**

In the fiscal year ended March 31, 2018, the Company and its domestic certain subsidiaries adopted the consolidated tax return filing system.

(p) Reclassifications

Certain reclassifications of the financial statements for the fiscal year ended March 31, 2017 have been made to conform to the presentation for the fiscal year ended March 31, 2018.

(q) Changes in Accounting Policies

Early Adoption of U.S. GAAP Accounting Standards Update (ASU) No. 2018-02, "Income Statement—Reporting Comprehensive Income (Topic 220)"

Foreign subsidiaries that have adopted U.S. generally accepted accounting principles (GAAP) have early adopted "Income Statement—Reporting Comprehensive Income (Topic 220)" (Financial Accounting Standards Board ASU Update No. 2018-02, issued February 14, 2018) from consolidated fiscal year ending March 31, 2019. Accordingly, the effect of adjustments to deferred tax assets and deferred tax liabilities related to changes in tax rates associated with the tax reform act passed in 2017 has been reclassified from accumulated other comprehensive income to retained earnings.

As a result of this change, retained earnings at the beginning of the year increased by ¥827 million and remeasurements of defined benefit plans at the beginning of the year decreased by ¥827 million. The change has no effect on income or on per-share information.

(r) Accounting Standards Issued but Not Yet Effective

Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, issued on March 30, 2018)

Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, issued on March 30,

(1) Overview

This is a comprehensive accounting standard for revenue recognition. Revenue is recognized by applying the following five steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

(2) Planned Date of Application

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

(3) Effect of the Application of the Accounting Standard

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

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

At March 31, 2018 and 2017, other securities, which are included in short-term investments and investment in securities, were as follows:

	Millions of yen						Thousands of U.S. dollars		
	2018			2017			2018		
	Carrying value	Acquisition costs	Unrealized gain (loss)	Carrying value	Acquisition costs	Unrealized gain (loss)	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:									
Equity securities	¥ 13,916	¥ 8,657	¥ 5,259	¥ 6,811	¥ 3,768	¥ 3,043	¥ 131,283	¥ 81,670	¥ 49,613
Bonds and debentures	9,091	9,054	37	9,348	9,300	48	85,764	85,415	349
Other	4,307	4,305	2	14,305	14,304	1	40,632	40,613	19
Subtotal	¥ 27,314	¥ 22,016	¥ 5,298	¥ 30,464	¥ 27,372	¥ 3,092	¥ 257,679	¥ 207,698	¥ 49,981
Securities whose carrying value does not exceed their acquisition costs:									
Equity securities	¥ 598	¥ 692	¥ (94)	¥ 4,416	¥ 5,150	¥ (734)	¥ 5,642	¥ 6,528	¥ (886)
Bonds and debentures	10,556	10,600	(44)	7,296	7,354	(58)	99,585	100,000	(415)
Other	13,191	13,205	(14)	2,088	2,114	(26)	124,443	124,575	(132)
Subtotal	¥ 24,345	¥ 24,497	¥ (152)	¥ 13,800	¥ 14,618	¥ (818)	¥ 229,670	¥ 231,103	¥ (1,433)
Total	¥ 51,659	¥ 46,513	¥ 5,146	¥ 44,264	¥ 41,990	¥ 2,274	¥ 487,349	¥ 438,801	¥ 48,548

Unlisted equity securities (carrying value for the years ended March 31, 2018 and 2017 amounted to ¥274 million (\$2,585 thousand) and ¥189 million, respectively), unlisted debt securities (carrying value for the years ended March 31, 2018 and 2017 amounted to ¥20 million (\$189 thousand) and ¥20 million, respectively) for which it is extremely difficult to determine the fair value are not included in the above table.

Information regarding sales of other securities for the years ended March 31, 2018 and 2017 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Proceeds from sales	¥ 88,417	¥ 73,251	\$ 834,122
Gross realized gain	2	754	19

The Group has recognized loss on impairment of marketable securities classified as other securities in the amount of ¥4 million (\$38 thousand) for the year ended March 31, 2018 and in the amount of ¥18 million for the year ended March 31, 2017.

Impairment loss is recorded for the securities whose market value declines by 50% or more as compared with their acquisition costs.

At March 31, 2018 and 2017, investments in non-consolidated subsidiaries and affiliates were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Equity securities	¥ 11,150	¥ 9,985	\$ 105,189
Advances	193	76	1,820
	¥ 11,343	¥ 10,061	\$ 107,009

4. Inventories

Inventories at March 31, 2018 and 2017 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Finished goods	¥ 10,529	¥ 9,222	\$ 99,330
Work in process	21,747	20,631	205,161
Raw materials and supplies	21,147	18,127	199,500
	¥ 53,423	¥ 47,980	\$ 503,991

5. Other Intangible Assets

Other intangible assets at March 31, 2018 and 2017 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Trademark	¥ 5,233	¥ 5,328	\$ 49,368
Software	5,901	6,636	55,670
Other	5,939	4,652	56,028
	¥ 17,073	¥ 16,616	\$ 161,066

6. Short-term Debt and Long-term Debt

Short-term debt and long-term debt at March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Short-term debt (unsecured)	¥ 5,847	¥ 5,446	\$ 55,160
Current portion of long-term debt	10,266	11,391	96,849
0.73% unsecured bonds, due 2018	—	3,000	—
0.100% unsecured bonds, due 2019	550	—	5,189
Short-term debt	¥ 16,663	¥ 19,837	\$ 157,198
0.494% unsecured bonds, due 2022	20,000	20,000	188,679
0.100% unsecured bonds, due 2019	—	550	—
0.100% unsecured bonds, due 2019	1,500	1,500	14,151
0.370% unsecured bonds, due 2026	10,000	10,000	94,340
Loans from banks and other financial institutions unsecured maturing 2018 - 2021 with interest average rate from 0.18% to 3.20%	28,048	34,243	264,604
Long-term debt	¥ 59,548	¥ 66,293	\$ 561,774
Less, current portion	(10,266)	(11,391)	(96,849)
Long-term debt	¥ 49,282	¥ 54,902	\$ 464,925

Aggregate annual maturities of long-term loans at March 31, 2018 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2020	¥ 13,309	\$ 125,557
2021	5,773	54,462
2022 and thereafter	30,200	284,906
Total	¥ 49,282	\$ 464,925

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, 2018 and 2017 was as follows:

1. Defined Benefit Pension Plan

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Beginning balance of retirement benefit obligations	¥ 43,707	¥ 44,304	\$ 412,330
Service cost	1,524	1,487	14,377
Interest cost	547	552	5,160
Actual differences arising during the year	692	717	6,528
Retirement benefits paid	(2,910)	(2,617)	(27,453)
Other	163	(736)	1,539
Ending balance of retirement benefit obligations	¥ 43,723	¥ 43,707	\$ 412,481

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Beginning balance of plan assets	¥ 35,812	¥ 35,815	\$ 337,849
Expected return on plan assets	1,080	1,161	10,189
Actual differences arising during the year	848	117	8,000
Contribution made by the Company and consolidated subsidiaries	1,641	991	15,481
Retirement benefits paid	(2,146)	(1,938)	(20,245)
Other	(145)	(334)	(1,369)
Ending balance of plan assets	¥ 37,090	¥ 35,812	\$ 349,905

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Beginning net defined benefit liability	¥ 259	¥ 268	\$ 2,443
Increase Due to New Consolidation	226	—	2,132
Retirement benefits expense	97	48	915
Retirement benefits paid	(29)	(5)	(274)
Contribution to plan	(36)	(52)	(340)
Ending net defined benefit liability	¥ 517	¥ 259	\$ 4,876

(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
	2018	2017	2018
Funded retirement benefit obligations	¥ 38,424	¥ 38,372	\$ 362,490
Plan assets	(37,630)	(36,316)	(355,000)
	794	2,056	7,490
Unfunded retirement benefit obligations	6,356	6,098	59,962
Net amount of liability and asset on consolidated balance sheets	7,150	8,154	67,452
Net defined benefit liability	13,290	13,650	125,377
Net defined benefit asset	(6,140)	(5,496)	(57,925)
Net amount of liability and asset on consolidated balance sheets	¥ 7,150	¥ 8,154	\$ 67,452

(5) Retirement Benefit Expenses

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Service cost	¥ 1,524	¥ 1,487	\$ 14,377
Interest cost	547	552	5,160
Expected return on plan assets	(1,080)	(1,161)	(10,189)
Amortization of actuarial differences	1,144	1,437	10,792
Retirement benefit expenses using the simplified method	97	48	915
Retirement benefit expenses for defined benefit pension plans	¥ 2,232	¥ 2,363	\$ 21,055

(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
	2018	2017	2018
Actuarial differences	¥ 1,283	¥ 1,040	\$ 12,104
Total	¥ 1,283	¥ 1,040	\$ 12,104

(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
	2018	2017	2018
Unrecognized actuarial differences	¥ (2,216)	¥ (3,499)	\$ (20,906)
Total	¥ (2,216)	¥ (3,499)	\$ (20,906)

(8) Plan Assets

a. Breakdown of pension assets

	2018	2017
Bonds	46 %	47 %
Stocks	34 %	33 %
Cash and deposits	0 %	0 %
General life insurance accounts	16 %	16 %
Other	4 %	4 %
Total	100 %	100 %

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

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

(9) Basic Assumptions for Calculating Retirement Benefit Obligations

	2018	2017
Discount rate	0.0% ~ 3.7%	0.0% ~ 4.2%
Expected rate of return on plan assets	0.7% ~ 6.8%	1.5% ~ 8.0%
Expected rate of increase in compensation level	1.5% ~ 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
	2018	2017	2018
Contributions to defined contribution pension plan	¥ 902	¥ 960	\$ 8,509

8. Contingent Liabilities

Contingent liabilities at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
As a guarantor of indebtedness of:			
Affiliates	¥ 1,480	¥ 1,217	\$ 13,962

9. Leases

Obligations under non-cancelable operating leases as of March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Due within one year	¥ 1,566	¥ 1,723	\$ 14,774
Due after one year	2,899	4,142	27,349
	¥ 4,465	¥ 5,865	\$ 42,123

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 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 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 receivable — electronically recorded monetary claims — are exposed to credit risk in relation to customers.

The Group holds securities and investments in securities, which are mainly issued by companies who have business relationships with the Group, and these securities are exposed to the risk of fluctuation in market prices.

Trade payables — notes payable and accounts payable — mostly have payment due dates within one year.

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

Currency swap 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 Currency swaps 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. Fair value of financial instruments

Amounts recognized in the consolidated balance sheets, fair values and the differences between them on March 31, 2018 and 2017 are as shown below.

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

	Millions of yen		
	2018		
	Book value	Fair value	Difference
(1) Cash and cash equivalents	¥ 49,263	¥ 49,263	¥ —
(2) Notes and accounts receivable, trade	78,379	78,379	—
(3) Electronically recorded monetary claims	9,293	9,293	—
(4) Securities and investments in securities	31,605	31,605	—
Total assets	¥ 168,540	¥ 168,540	¥ —
(1) Notes and accounts payable, trade	(50,301)	(50,301)	—
(2) Short-term debt	(16,663)	(16,709)	(46)
(3) Long-term debt	(49,282)	(49,485)	(203)
Total liabilities	¥ (116,246)	¥ (116,495)	¥ (249)

	Millions of yen		
	2017		
	Book value	Fair value	Difference
(1) Cash and cash equivalents	¥ 56,290	¥ 56,290	¥ —
(2) Notes and accounts receivable, trade	73,450	73,450	—
(3) Electronically recorded monetary claims	7,303	7,303	—
(4) Securities and investments in securities	28,453	28,453	—
Total assets	¥ 165,496	¥ 165,496	¥ —
(1) Notes and accounts payable, trade	(45,750)	(45,750)	—
(2) Short-term debt	(19,837)	(19,822)	15
(3) Long-term debt	(54,902)	(55,136)	(234)
Total liabilities	¥ (120,489)	¥ (120,708)	¥ (219)

	Thousands of U.S. dollars		
	2018		
	Book value	Fair value	Difference
(1) Cash and cash equivalents	\$ 464,745	\$ 464,745	\$ —
(2) Notes and accounts receivable, trade	739,425	739,425	—
(3) Electronically recorded monetary claims	87,670	87,670	—
(4) Securities and investments in securities	298,160	298,160	—
Total assets	\$ 1,590,000	\$ 1,590,000	\$ —
(1) Notes and accounts payable, trade	(474,538)	(474,538)	—
(2) Short-term debt	(157,198)	(157,632)	(434)
(3) Long-term debt	(464,925)	(466,840)	(1,915)
Total liabilities	\$ (1,096,661)	\$ (1,099,010)	\$ (2,349)

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 debt)

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

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

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

(Bonds)

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

Derivative transactions

For information on derivative transactions, please refer to Note 11. "Derivative transactions" 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
	2018	2017	2018
	Book value		Book value
Investments in non-consolidated subsidiaries and affiliates	¥ 11,150	¥ 9,985	\$ 105,189
Other securities			
Unlisted equity securities	274	189	2,585
Others	20	20	189

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			
	2018		2017	
	Within 1 year	Over 1 year	Within 1 year	Over 1 year
Cash and cash equivalents	¥ 49,263	—	¥ 56,290	—
Notes and accounts receivable, trade	78,379	—	73,450	—
Electronically recorded monetary claims	9,292	—	7,303	—
Securities and investments in securities				
Other securities (Bonds)	20	14,948	—	14,744
Other securities (Others)	1,145	986	1,476	993
Total	¥ 138,099	¥ 15,934	¥ 138,519	¥ 15,737

	Thousands of U.S. dollars	
	2018	
	Within 1 year	Over 1 year
Cash and cash equivalents	\$ 464,745	-
Notes and accounts receivable, trade	739,425	-
Electronically recorded monetary claims	87,660	-
Securities and investments in securities		
Other securities (Bonds)	189	141,019
Other securities (Others)	10,802	9,302
Total	\$ 1,302,821	\$ 150,321

For information on respect to the redemption schedule of bonds and long-term loans, please refer to Note 6. "Short-term Debt and Long-term Debt" on the notes to the considered financial statements.

11. Derivative Transactions

Derivative transactions to which hedge accounting is not applied at March 31, 2018 and 2017 are as follows:

	Millions of yen					
	2018			2017		
	Contract amounts	Fair value	Unrealized gain (loss)	Contract amounts	Fair value	Unrealized gain (loss)
Currency swap contracts:						
Over-the-counter transactions						
Receive in dollar, pay in euro	¥ 11,208	¥ (1,242)	¥ (1,242)	¥ 5,470	¥ (9)	¥ (9)

	Thousands of U.S. dollars		
	2018		
	Contract amounts	Fair value	Unrealized gain (loss)
Currency swap contracts:			
Over-the-counter transactions			
Receive in dollar, pay in euro	\$ 105,736	\$ (11,717)	\$ (11,717)

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

Derivative transactions to which hedge accounting is applied at March 31, 2018 and 2017 are as follows:

	Millions of yen					
	2018			2017		
	Contract amounts	Over 1 year	Fair value	Contract amounts	Over 1 year	Fair value
Currency swap contracts:						
Classification: Deferral hedge accounting						
Hedged item: Long-term debt interest						
Receive in euro, pay dollar	¥ 491	¥ 282	¥ (182)	¥ 316	¥ 211	¥ (47)
Interest swap contracts:						
Classification: Special method						
Hedged item: Long-term debt						
Receive floating, pay fixed	¥ 500	¥ —	¥ (1)	¥ 500	¥ 500	¥ 1
Currency swap contracts:						
Classification: Deferral hedge accounting						
Hedged item: Accounts payable						
Receive in dollar, pay yen	¥ 231	¥ —	¥ (11)	¥ —	¥ —	¥ —
Foreign currency forward contracts:						
Classification: Special method						
Hedged item: Short-term receivables						
Receive in cyn , pay yen	¥ 1,070	¥ —	¥ (13)	¥ —	¥ —	¥ —
Foreign currency forward contracts:						
Classification: Special method						
Hedged item: Short-term receivables						
Receive in yen, pay cyn	¥ 460	¥ —	¥ 1	¥ —	¥ —	¥ —

Thousands of U.S. dollars

	2018		
	Contract amounts	Over 1 year	Fair value
Currency swap contracts:			
Classification: Deferral hedge accounting			
Hedged item: Long-term debt interest			
Receive in euro, pay dollar	\$ 4,632	\$ 2,660	\$ (1,717)
Interest swap contracts:			
Classification: Special method			
Hedged item: Long-term debt			
Receive floating, pay fixed	\$ 4,717	\$ —	\$ (8)
Currency swap contracts:			
Classification: Deferral hedge accounting			
Hedged item: Accounts payable			
Receive in dollar, pay yen	\$ 2,179	\$ —	\$ (104)
Foreign currency forward contracts:			
Classification: Special method			
Hedged item: Short-term receivables			
Receive in cyn , pay yen	\$ 10,094	\$ —	\$ (123)
Foreign currency forward contracts:			
Classification: Special method			
Hedged item: Short-term receivables			
Receive in yen, pay cyn	\$ 4,340	\$ —	\$ 9

Note: The fair 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, 2018 and 2017.

Equity deal expense (included in "Selling, respectively general and administrative expenses") was ¥40 million (\$377 thousand) and ¥54 million for the fiscal years ended March 31, 2018 and 2017.

2. The contents, scale, and change in stock options

(1) The contents of stock options

	June 2008 stock option	June 2009 stock option
Company	Sanwa Holdings Corporation	Sanwa Holdings Corporation
Resolution date	June 26, 2008	June 30, 2009
Grantee classification and the number	1 directors	1 directors
Type and number of shares	Common stock of the Company: 49,000 shares	Common stock of the Company: 52,000 shares
Date of grant	July 15, 2008	July 15, 2009
Exercise period of rights	For 30 years from grant date (from July 16, 2008 to July 15, 2038)	For 30 years from grant date (from July 16, 2009 to July 15, 2039)
	June 2010 stock option	June 2011 stock option
Company	Sanwa Holdings Corporation	Sanwa Holdings Corporation
Resolution date	June 30, 2010	June 29, 2011
Grantee classification and the number	1 directors	1 directors
Type and number of shares	Common stock of the Company: 61,000 shares	Common stock of the Company: 63,000 shares
Date of grant	July 15, 2010	July 14, 2011
Exercise period of rights	For 30 years from grant date (from July 16, 2010 to July 15, 2040)	For 30 years from grant date (from July 15, 2011 to July 14, 2041)
	June 2012 stock option	June 2013 stock option
Company	Sanwa Holdings Corporation	Sanwa Holdings Corporation
Resolution date	June 28, 2012	June 26, 2013
Grantee classification and the number	3 directors	3 directors
Type and number of shares	Common stock of the Company: 90,000 shares	Common stock of the Company: 49,000 shares
Date of grant	July 13, 2012	July 12, 2013
Exercise period of rights	For 30 years from grant date (from July 14, 2012 to July 13, 2042)	For 30 years from grant date (from July 13, 2013 to July 12, 2043)

	June 2014 stock option	June 2015 stock option
Company	Sanwa Holdings Corporation	Sanwa Holdings Corporation
Resolution date	June 26, 2014	June 26, 2015
Grantee classification and the number	4 directors	4 directors
Type and number of shares	Common stock of the Company: 40,000 shares	Common stock of the Company: 26,900 shares
Date of grant	July 14, 2014	July 13, 2015
Exercise period of rights	For 30 years from grant date (from July 15, 2014 to July 14, 2044)	For 30 years from grant date (from July 14, 2015 to July 13, 2045)

	June 2016 stock option	June 2017 stock option
Company	Sanwa Holdings Corporation	Sanwa Holdings Corporation
Resolution date	June 28, 2016	June 28, 2017
Grantee classification and the number	4 directors	4 directors
Type and number of shares	Common stock of the Company: 38,400 shares	Common stock of the Company: 35,700 shares
Date of grant	July 14, 2016	July 14, 2017
Exercise period of rights	For 30 years from grant date (from July 15, 2016 to July 14, 2046)	For 30 years from grant date (from July 15, 2017 to July 14, 2047)

(2) Scale, and change in stock options

(2)-1 Number of stock options

	Shares									
	June 2008 stock option	June 2009 stock option	June 2010 stock option	June 2011 stock option	June 2012 stock option	June 2013 stock option	June 2014 stock option	June 2015 stock option	June 2016 stock option	June 2017 stock option
Before vested										
Beginning of period	-	-	-	-	-	-	-	-	68,900	-
Granted	-	-	-	-	-	-	-	-	-	35,700
Forfeited	-	-	-	-	-	-	-	-	-	-
Vested	-	-	-	-	-	-	-	-	68,900	-
Unvested	-	-	-	-	-	-	-	-	-	35,700
After vested										
Beginning of period	76,000	82,000	99,000	102,000	138,000	76,000	75,000	49,700	-	-
Vested	-	-	-	-	-	-	-	-	68,900	-
Exercised	27,000	30,000	38,000	39,000	48,000	27,000	35,000	22,800	30,500	-
Expired	-	-	-	-	-	-	-	-	-	-
Exercisable	49,000	52,000	61,000	63,000	90,000	49,000	40,000	26,900	38,400	-

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

	Yen									
	June 2008 stock option	June 2009 stock option	June 2010 stock option	June 2011 stock option	June 2012 stock option	June 2013 stock option	June 2014 stock option	June 2015 stock option	June 2016 stock option	June 2017 stock option
Exercise price	1	1	1	1	1	1	1	1	1	1
At exercise	1,178	1,178	1,177	1,177	1,178	1,178	1,179	1,179	1,179	-
Fair value unit price (Date of grant)	301	263	250	243	252	515	625	921	810	975

	U.S. dollars									
	June 2008 stock option	June 2009 stock option	June 2010 stock option	June 2011 stock option	June 2012 stock option	June 2013 stock option	June 2014 stock option	June 2015 stock option	June 2016 stock option	June 2017 stock option
Exercise price	0.009	0.009	0.009	0.009	0.009	0.009	0.009	0.009	0.009	0.009
At exercise	11.113	11.113	11.104	11.104	11.113	11.113	11.123	11.123	11.123	-
Fair value unit price (Date of grant)	2.840	2.481	2.358	2.292	2.377	4.858	5.896	8.689	7.642	9.198

3. Assumptions used in estimation of the fair value of stock options

Valuation method for estimating fair value was the Black-Scholes model. The major assumptions used for the 2017 stock option plan are as follows:

Major assumptions		2017 plan
Estimated volatility	a	32.8%
Estimated remaining period	b	10 years
Estimated dividend	c	¥25 per share
Risk-free rate	d	0.07%

(a) Estimated volatility was computed by the closing stock prices of common stock in each trading day from July 9, 2007 to July 10, 2017.

(b) The remaining period was reasonably estimated.

(c) The estimated dividend was calculated based on the dividend amount applicable to the year ended March 31, 2017.

(d) The risk-free rate was determined based on the rate of Japanese government bonds, for which redemption dates corresponded to the estimated remaining period.

13. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses were ¥3,877 million (\$36,575 thousand) and ¥3,486 million for the fiscal years ended March 31, 2018 and 2017, respectively.

Research and development expenses included in cost of sales were ¥545 million (\$5,142 thousand) and ¥512 million for the fiscal years ended March 31, 2018 and 2017, 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 30.9% and 30.9% for the fiscal years ended March 31, 2018 and 2017 respectively. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

The effective rates for the fiscal years ended March 31, 2018 and 2017 differ from the Company's statutory tax rates for the following reasons:

	2018	2017
Statutory tax rate	30.9%	30.9%
Expenses not deductible for income tax purposes	0.1	0.4
Depreciation of goodwill	1.9	1.6
Change in valuation allowance	0.2	(0.8)
Other	1.1	0.3
Effective tax rate	34.2	32.4

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Deferred tax assets:			
Allowance for bonuses	¥ 1,206	¥ 1,147	\$ 11,377
Net defined benefit liability	4,218	5,200	39,792
Tax loss carryforwards	1,096	1,131	10,340
Securities	385	386	3,632
Investment in affiliates securities	103	103	972
Impairment loss	1,492	1,492	14,075
Other	3,372	4,544	31,812
	11,872	14,003	112,000
Less valuation allowance	(2,283)	(2,279)	(21,538)
Total	¥ 9,589	¥ 11,724	\$ 90,462
Deferred tax liabilities:			
Depreciation	(5,228)	(7,178)	(49,321)
Net unrealized holding gains on securities	(1,581)	(702)	(14,915)
Net defined benefit asset	(2,492)	(2,341)	(23,509)
Other	(343)	(169)	(3,236)
Total	¥ (9,644)	¥ (10,390)	\$ (90,981)
Net deferred tax assets	¥ (55)	¥ 1,334	\$ (519)

Net deferred tax assets at March 31, 2018 and 2017 were included in the consolidated balance sheet as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Current assets	¥ 2,278	¥ 4,330	\$ 21,491
Investments and other assets	551	1,671	5,198
Current liabilities	(2)	(4)	(19)
Long-term liabilities	(2,882)	(4,663)	(27,189)
Net deferred tax assets	¥ (55)	¥ 1,334	\$ (519)

Revision of amounts of deferred tax assets and deferred tax liabilities due to statutory tax rates

Tax system reforms have been enacted, most notably the reduction of the U.S. federal corporate income tax rate from 35% to 21%, which was passed on December 22, 2017 (local time) and took effect on January 1, 2018. Accordingly, deferred tax assets and deferred tax liabilities for the fiscal year ended March 31, 2018 are calculated according to the effective tax rate based on the revised tax rates.

As a result, the amount of deferred tax liabilities decreased by ¥597 million (\$5,632 thousand), remeasurements of defined benefit plans decreased by ¥459 million (\$4,330 thousand), and net income before income taxes and non-controlling interests increased by ¥138 million (\$1,302 thousand).

15. Other Income (Expenses)

Other, net, for the fiscal years ended March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Gain (Loss) on sales and disposal of fixed assets	¥ 134	¥ (113)	\$ 1,264
Gain (Loss) on sales of investments in securities	2	754	19
Write-down of investments in securities	(4)	(18)	(38)
Loss on restructuring cost of subsidiary	(83)	(483)	(783)
Loss on liquidation of subsidiaries	(27)	(19)	(255)
Other, net	(324)	(471)	(3,056)
	¥ (302)	¥ (350)	\$ (2,849)

16. Other Comprehensive Income

The reclassification adjustments and tax effects for components of other comprehensive income (loss) for the fiscal years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Unrealized holding gains (losses) on securities:			
Amount arising during the year	¥ 2,910	¥ 1,211	\$ 27,453
Reclassification adjustments for losses realized in net income	1	(733)	9
Before tax effect	2,911	478	27,462
Tax effect	(891)	(146)	(8,405)
Total unrealized holding gains (losses) on securities	2,020	332	19,057
Deferred gains (losses) on hedges:			
Amount arising during the year	(146)	(47)	(1,377)
Reclassification adjustments for losses realized in net income	—	—	—
Before tax effect	(146)	(47)	(1,377)
Tax effect	45	14	424
Total deferred gains (losses) on hedges	(101)	(33)	(953)
Foreign currency translation adjustments:			
Amount arising during the year	679	(2,721)	6,406
Reclassification adjustments for losses realized in net income	—	—	—
Total foreign currency translation adjustments	679	(2,721)	6,406
Remeasurements of defined benefit plans:			
Amount arising during the year	103	(367)	972
Reclassification adjustments for losses realized in net income	1,180	1,407	11,132
Before tax effect	1,283	1,040	12,104
Tax effect	(668)	(343)	(6,302)
Total remeasurements of defined benefit plans	615	697	5,802
Share of other comprehensive income of non-consolidated subsidiaries and affiliates accounted for using the equity method:			
Amount arising during the year	72	(121)	679
Total other comprehensive income	¥ 3,285	¥ (1,846)	\$ 30,991

17. Segment Information

1. Outline of reportable segments

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

The Company is mainly engaged in business management activities and research and development as the global headquarters.

The Group is primarily engaged in the manufacture and sales of steel construction materials for commercial and residential construction. Sanwa Shutter Corporation and other subsidiaries in Japan are responsible for Japan. Overhead Door Corporation is responsible for America. Novoferm GmbH is responsible for Europe. Local legal entities are independent management units and they set overall management strategy for their businesses and conduct separate business activities.

The “Japan,” the “North America, and ” the “Europe” segments primarily manufacture and sell steel construction material.

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

Accounting policies of the reportable business segments are the same as those noted in the “Note 2. Summary of Significant Accounting Policies.”

The amount of income in reportable segments is based on operating income. Intersegment sales and transfers between segments are based on market price.

(1) Reportable Segments

Millions of yen						
2018						
	Japan	North America	Europe	Total	Adjustments	Consolidated financial statement
Sales to customers	¥ 208,022	¥ 112,768	¥ 64,817	¥ 385,607	¥ 66	¥ 385,673
Inter-segment	3	47	145	195	(195)	—
Total sales	208,025	112,815	64,962	385,802	(129)	385,673
Segment income (loss)	¥ 20,794	¥ 8,221	¥ 2,687	¥ 31,702	¥ (3,380)	¥ 28,322
Segment assets	¥ 132,441	¥ 65,164	¥ 46,241	¥ 243,846	¥ 87,840	¥ 331,686
Depreciation	2,429	3,226	1,933	7,588	34	7,622
Investment in equity method companies	—	309	—	309	5,886	6,195
Capital expenditures	5,577	3,378	2,424	11,379	4	11,383

Millions of yen						
2017						
	Japan	North America	Europe	Total	Adjustments	Consolidated financial statement
Sales to customers	¥ 196,456	¥ 103,725	¥ 53,385	¥ 353,566	¥ 356	¥ 353,922
Inter-segment	5	36	38	79	(79)	—
Total sales	196,461	103,761	53,423	353,645	277	353,922
Segment income (loss)	¥ 20,141	¥ 7,267	¥ 1,850	¥ 29,258	¥ (2,818)	¥ 26,440
Segment assets	¥ 121,306	¥ 64,338	¥ 41,568	¥ 227,212	¥ 96,181	¥ 323,393
Depreciation	2,498	3,055	1,700	7,253	37	7,290
Investment in equity method companies	—	279	82	361	4,971	5,332
Capital expenditures	3,428	2,497	2,135	8,060	36	8,096

Thousands of U.S. dollars						
2018						
	Japan	North America	Europe	Total	Adjustments	Consolidated financial statement
Sales to customers	\$ 1,962,472	\$ 1,063,849	\$ 611,481	\$ 3,637,802	\$ 623	\$ 3,638,425
Inter-segment	28	443	1,368	1,839	(1,839)	—
Total sales	1,962,500	1,064,292	612,849	3,639,641	(1,216)	3,638,425
Segment income (loss)	\$ 196,170	\$ 77,557	\$ 25,349	\$ 299,076	\$ (31,887)	\$ 267,189
Segment assets	\$ 1,249,443	\$ 614,755	\$ 436,236	\$ 2,300,434	\$ 828,679	\$ 3,129,113
Depreciation	22,915	30,434	18,236	71,585	321	71,906
Investment in equity method companies	—	2,915	—	2,915	55,528	58,443
Capital expenditures	52,613	31,868	22,868	107,349	38	107,387

Adjustments are as follows:

- (1) Adjustments on segment sales mainly consist of adjustments of intersegment transactions and sales which are not included in the reportable segments.
 - (2) Adjustments on segment income or loss mainly consist of adjustments of intersegment transaction and income or loss which are not included in the reportable segments.
 - (3) Adjustments on segment assets mainly consist of the eliminations of investment balance and corporate assets.
 - (4) Adjustments on Depreciation consist of adjustments of depreciation, which are not included in the reportable segment.
 - (5) Adjustments on Investment in equity method companies consist of adjustments of investment in equity method companies, which are not included in the reportable segment.
 - (6) Adjustments on Capital expenditures consist of adjustments of capital expenditures, which are not included in the reportable segment.
- Segment income or loss is reconciled primarily to operating income on the consolidated statement of income.
- Major countries in each region
North America: USA, Canada and Mexico, etc. Europe: Germany, France, Netherlands and England, etc.

(2) Related Information

a) Information on Products and Each Service

Millions of yen					
2018					
	Commercial	Residential	Maintenance/ Home improvement	Other	Consolidated
Sales to customers	¥ 241,036	¥ 104,886	¥ 36,623	¥ 3,128	¥ 385,673

Millions of yen					
2017					
	Commercial	Residential	Maintenance/ Home improvement	Other	Consolidated
Sales to customers	¥ 222,571	¥ 93,775	¥ 33,785	¥ 3,791	¥ 353,922

Thousands of U.S. dollars					
2018					
	Commercial	Residential	Maintenance/ Home improvement	Other	Consolidated
Sales to customers	\$ 2,273,925	\$ 989,491	\$ 345,500	\$ 29,509	\$ 3,638,425

b) Information on Each Region

Millions of yen					
2018					
	Japan	North America	Europe	Total	
Property, plant and equipment	¥ 30,423	¥ 13,956	¥ 13,386	¥ 57,765	

Millions of yen					
2017					
	Japan	North America	Europe	Total	
Property, plant and equipment	¥ 28,239	¥ 14,213	¥ 11,143	¥ 53,595	

Thousands of U.S. dollars					
2018					
	Japan	North America	Europe	Total	
Property, plant and equipment	\$ 287,010	\$ 131,660	\$ 126,283	\$ 544,953	

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, 2018, was approved at the general meeting of shareholders held on June 27, 2018:

Millions of yen	Thousands of U.S. dollars
¥ 3,374	\$ 31,830

Year-end cash dividends (¥15.0 per share)

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, 2018, 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, 2018, 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, 2018 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 26, 2018

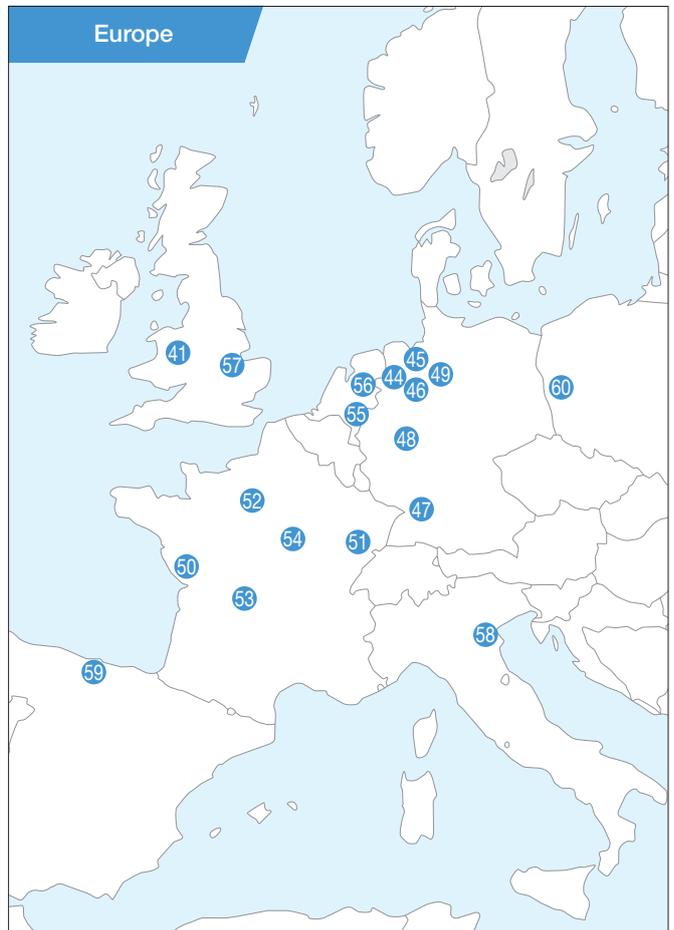
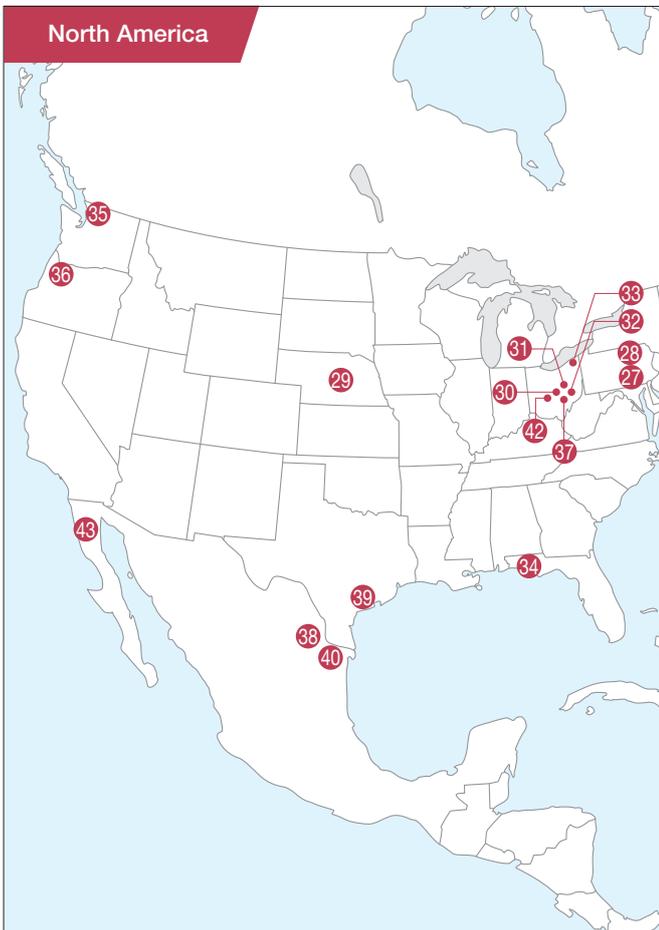
Corporate Data

Consolidated Subsidiaries and Affiliated Companies (As of July 31, 2018)

Segment	Country / Region	Established	Investment Ratio
Sanwa Holdings Corporation			
Japan			
Sanwa Shutter Corporation	Itabashi-ku, Tokyo, Japan	Oct. 2007	100.00%
Showa Front Co., Ltd.	Chiyoda-ku, Tokyo, Japan	Jun. 1963	100.00%
Okinawa Sanwa Shutter Corporation	Tomigusuku-shi, Okinawa, Japan	Jan. 1996	100.00%
Sanwa Tajima Corporation	Toshima-ku, Tokyo, Japan	Oct. 1938	100.00%
Sanwa Exterior Niigata Plant Co., Ltd.	Tsubame-shi, Niigata, Japan	Apr. 1987	100.00%
Venix Co., Ltd.	Hiki-gun, Saitama, Japan	Jul. 2011	100.00%
Sanwa System Wall Co., Ltd.	Amagasaki-shi, Hyogo, Japan	Apr. 2017	100.00%
Showa Kensen Co., Ltd.	Oura-gun, Gunma, Japan	Jul. 1967	99.99%
Tajima Metalwork Co., Ltd.	Toshima-ku, Tokyo, Japan	Apr. 1963	100.00%
Yoshida Seisakusho Co., Ltd.	Saku-shi, Nagano, Japan	Mar. 1955	100.00%
Metalwork Kansai Co., Ltd.	Tamba-shi, Hyogo, Japan	Oct. 1969	100.00%
Hayashi Kogyo Co., Ltd.	Niigata-shi, Niigata, Japan	Dec. 1973	100.00%
ACE Co., Ltd.	Ota-ku, Tokyo, Japan	Apr. 1969	100.00%
Sanwa Electronics Engineering Co., Ltd.	Osaka-shi, Osaka, Japan	1954	100.00%
Sanwa Mitaka K.K.	Eniwa-shi, Hokkaido, Japan	Apr. 2003	100.00%
Living110.com Co., Ltd.	Toshima-ku, Tokyo, Japan	Nov. 2000	100.00%
North America			
Overhead Door Corporation	Dallas, U.S.A	1921	100.00%
Access Systems Division			
Installation and Service Division			
Genie			
Horton Automatics			
TODCO			
Europe			
Novoferm Group	Rees, Germany	Apr. 1955	100.00%
Novoferm GmbH	Rees, Germany		
Novoferm Riexinger Türenwerke GmbH	Brackenheim, Germany		
Novoferm Siebau GmbH	Kreuztal, Germany		
Novoferm Tormatic GmbH	Dortmund, Germany		
Novoferm Nederland B.V.	Waardenburg, Netherlands		
Alpha Deuren International B.V.	Didam, Netherlands		
Novoferm France S.A.S	Machecoul, France		
Norsud Gestion S.A.S	Lyon, France		
Novoferm Schievano S.r.l.	Padova, Italy		
Novoferm Europe Ltd.	U.K.		
Novoferm UK Limited	U.K.		
Bolton Gate Services Ltd.	Bolton, U.K.		
Novoferm Schweiz AG	Switzerland		
Novoferm Door Sp. zo.o.	Poland		
Novoferm Alsai S.A.	Cantabria, Spain		
Asia			
Shanghai Baosteel-Sanwa Door Co., Ltd.	Shanghai, China	Apr. 2006	80.00%
Novoferm (Shanghai) Co., Ltd.	Shanghai, China	Dec. 2005	100.00%
Sanwa Shutter (H.K.) Ltd.	Hong Kong, China	Oct. 1986	100.00%
An-Ho Metal Industrial Co., Ltd.	Taipei, Taiwan	Aug. 1988	79.00%
Vina-Sanwa Company Liability Ltd.	Hanoi, Vietnam	Jan. 2008	87.60%
Dongbang Novoferm Inc.	Seoul, Korea	1957	50.00%
Sun Metal Co., Ltd.	Bangkok, Thailand	Feb. 1991	25.60%
PT. Sanwamas Metal Industry	Jakarta, Indonesia	Dec. 1996	18.88%

Category	Main Business
Consolidated subsidiary	Manufactures, sells and services general building materials, including shutter products, door products and partitions
Consolidated subsidiary	Sells aluminum store fronts and curtain walls
Consolidated subsidiary	Manufactures and sells steel building materials such as shutters and doors, and store building materials
Consolidated subsidiary	Manufactures and sells stainless steel building products
Consolidated subsidiary	Manufactures exterior products and shutters for windows
Consolidated subsidiary	Manufactures partitions
Consolidated subsidiary	Manufactures and sells partitions
Equity-method affiliate	Manufactures automatic door engines
Equity-method affiliate	Sells post boxes, delivery boxes, nameplates, etc. for condominiums
Non-consolidated subsidiary	Manufactures stainless steel products
Non-consolidated subsidiary	Manufactures stainless steel products
Non-consolidated subsidiary	Manufactures steel doors
Non-consolidated subsidiary	Manufactures and sells facades for stores and other building materials
Non-consolidated subsidiary	Develops and manufactures door operators
Non-consolidated subsidiary	Manufactures aluminum/wood/plastic composite doors for elder care and nursing care facilities
Non-consolidated subsidiary	Business related to rental garage houses
Consolidated subsidiary	Manufactures and sells residential and commercial doors
	Installs and services residential and commercial doors
	Manufactures and sells residential and commercial door operators
	Manufactures, sells, installs and provides maintenance services for automatic sliding and slide doors for commercial, industrial, public facility and hospital use, as well as revolving doors, operator systems, platform screen doors, etc.
	Manufactures and sells dollies, swing doors, walk ramps, etc.
Consolidated subsidiary	Manufactures and sells residential garage doors, sectional doors and door products
Consolidated subsidiary	Manufactures and sells fireproof doors and industrial sectional doors
Consolidated subsidiary	Manufactures and sells various door products
Consolidated subsidiary	Manufactures and sells garage door operators
Consolidated subsidiary	Manufactures and sells industrial sectional doors
Consolidated subsidiary	Manufactures and sells industrial sectional doors
Consolidated subsidiary	Manufactures and sells residential garage doors and fireproof doors
Consolidated subsidiary	Manufactures, sells and installs industrial sectional doors, and manufactures dock levelers
Consolidated subsidiary	Manufactures and sells door products
Consolidated subsidiary	Sells residential garage doors
Consolidated subsidiary	Manufactures residential garage doors
Consolidated subsidiary	Service business for industrial sectional doors
Consolidated subsidiary	Sells door products
Consolidated subsidiary	Manufactures door products and dock levelers
Consolidated subsidiary	Manufactures door products, residential garage doors and industrial sectional doors
Equity-method affiliate	Manufactures and sells shutters and overhead doors
Equity-method affiliate	Manufactures and sells doors
Equity-method affiliate	Manufactures and sells shutter and doors
Equity-method affiliate	Manufactures and sells shutters and doors
Equity-method affiliate	Manufactures and sells shutters and doors
Equity-method affiliate	Manufactures and sells doors
Associated company	Manufactures and sells shutters and doors
Affiliated company	Manufactures and sells shutters

Global Network



Group Plant Locations

Company	Plant Name	Country	Products		
Japan Sanwa Shutter Corporation, Domestic Subsidiaries and Affiliates					
Sanwa Shutter Corporation	1 Sapporo	Japan	Rolling shutters, overhead doors, doors & door frames		
	2 Ashikaga		Rolling shutters, overhead doors		
	3 Ota		Doors & door frames		
	4 Shizuoka		Window shutters, doors & door frames, partitions		
	5 Gifu		Rolling shutters, overhead doors		
	6 Hiroshima		Rolling shutters, doors & door frames		
	7 Kyushu		Rolling shutters		
	Okinawa Sanwa Shutter Corporation		8 Okinawa	Rolling shutters, doors & door frames	
	Sanwa Tajima Corporation		9 Saitama	Stainless steel products	
			10 Nagoya	Stainless steel products	
	Sanwa Exterior Niigata Plant Co., Ltd.		11 Niigata	Exterior products, window shutters	
	Sanwa System Wall Co., Ltd.		12 Amagasaki	Partitions	
	Venix Co., Ltd.		13 Ranzan	Partitions	
	Showa Kensan Co., Ltd.		14 Gunma	Automatic doors	
	Hayashi Kogyo Co., Ltd.		15 Niigata	Doors & door frames	
	Metalwork Kansai Co., Ltd.		16 Sannan	Stainless steel products	
	Yoshida Seisakusho Co., Ltd.		17 Saku	Stainless steel products	
	Sanwa Electronics Engineering Co., Ltd.		18 Osaka	Shutter openers	
	Asia Affiliated Companies				
Shanghai Baosteel-Sanwa Door Co., Ltd.	19 Shanghai	China	Overhead doors, rolling shutters, sheet shutters		
Sanwa Shutter (H.K.) Ltd.	20 Hong Kong		Rolling shutters, doors & door frames		
An-Ho Metal Industrial Co., Ltd.	21 Hsinchu	Taiwan	Doors & door frames		
Vina-Sanwa Company Liability Ltd.	22 Hanoi	Vietnam	Doors & door frames, rolling shutters, sheet shutters		
Sun Metal Co., Ltd.	23 Korat	Thailand	Rolling shutters, doors & door frames		
PT. Sanwamas Metal Industry	24 Bekasi	Indonesia	Rolling shutters		
Novoferm (Shanghai) Co., Ltd.	25 Shanghai	China	Doors & door frames		
Dongbang Novoferm Inc.	26 Seoul	Korea	Doors & door frames		
North America Overhead Door Corporation					
Access Systems Division	27 Lewistown	U.S.A.	Rolling shutters		
	28 Williamsport		Residential garage doors, commercial sectional doors		
	29 Grand Island		Residential garage doors, commercial sectional doors		
	30 Mt. Hope		Residential garage doors, commercial sectional doors, hardware parts		
	31 Dalton		Rolling shutters		
	32 Trail		Sheet shutters		
	33 Conneaut		Resin panels & parts		
	34 Pensacola		Residential garage doors, commercial sectional doors, hardware parts		
	35 Centralia		Residential garage doors		
	36 Portland		Residential garage doors		
	Genie		37 Baltic	U.S.A.	Garage door openers
			38 Matamoros	Mexico	Garage door openers
	Horton Automatics		39 Corpus Christi	U.S.A.	Automatic doors
			40 Matamoros	Mexico	Automatic doors
41 Telford		U.K.	Automatic doors		
TODCO	42 Marion	U.S.A.	Truck & trailer doors		
	43 Tecate	Mexico	Truck & trailer doors		
Europe Novoferm Group					
Novoferm GmbH	44 Haldern	Germany	Doors & door frames		
	45 Werth		Residential garage doors, doors & door frames		
	46 Dortmund		Residential garage doors, industrial sectional doors		
Novoferm Rixinger Türenwerke GmbH	47 Brackenheim	Fireproof doors & door frames, industrial sectional doors			
Novoferm Siebau GmbH	48 Buschhütten	Other doors			
Novoferm Tormatic GmbH	49 Dortmund	Garage door operators			
Novoferm France S.A.S	50 Machecoul	France	Residential garage doors		
	51 Bavilliers		Residential garage doors		
	52 Melun		Fireproof doors		
Norsud Gestion S.A.S	53 Paron	France	Dock levelers		
	54 Saint Sornin Leulac		Dock equipment		
Novoferm Nederland B.V.	55 Roermond	Netherlands	Industrial sectional doors		
Alpha Deuren International B.V.	56 Didam	Netherlands	Industrial sectional doors		
Novoferm UK Limited	57 Luton	U.K.	Residential garage doors		
Novoferm Schievano S.r.l.	58 Padova	Italy	Doors & door frames		
Novoferm Alsal S.A.	59 Cantabria	Spain	Doors & door frames, residential garage doors, industrial sectional doors		
Novoferm Door Sp. zo.o.	60 Wykroty	Poland	Door & door frames, dock levelers		

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 24-hour full-time service (FTS).
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 Kensan 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.A. 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 Kensan 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 S.A.S of France.
2017	Jan. Apr.	Acquired additional shares of Novoferm UK Limited and made it a wholly owned subsidiary. Acquired the partition business of Nihon Spindle Manufacturing Co., Ltd., and established Sanwa Spindle Co., Ltd. (now Sanwa System Wall Co., Ltd.)
2018	Jan.	Novoferm Group acquired Bolton Gate Services Ltd., strengthening the service business in the U.K.

Corporate Overview (As of March 31, 2018)

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: 9,643 (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: 235,000,000 shares
Number of shareholders: 9,722

Principal Shareholders:

	Percentage of voting rights (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	8.05
The Master Trust Bank of Japan, Ltd. (Trust Account)	5.84
Sumitomo Mitsui Banking Corporation	5.02
The Dai-ichi Life Insurance Company, Limited	3.60
Aioi Nissay Dowa Insurance Co., Ltd.	2.85
STATE STREET BANK AND TRUST COMPANY	2.75
JP MORGAN CHASE BANK 385632	2.43
Nisshin Steel Co., Ltd.	2.20
Mitsubishi UFJ Trust and Banking Corporation	2.06
BBH FOR MATTHEWS JAPAN FUND	1.67

Notes: 1. The Company's treasury stock (10,019,997 shares) is not included in the above.
2. The percentage of voting rights is calculated after excluding treasury stock.

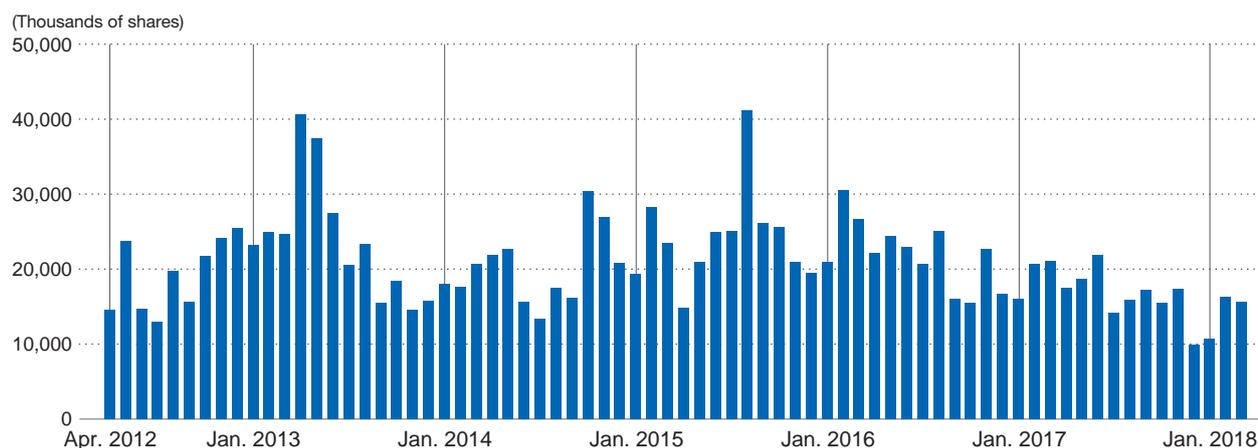
Stock Price Trend:

	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
April 1, 2016 – March 31, 2017	¥1,165	¥793
April 1, 2017 – March 31, 2018	¥1,624	¥1,016

Stock Price Range:



Trading Volume:





SANWA HOLDINGS CORPORATION

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