

SANWA HOLDINGS CORPORATION

## INTEGRATED REPORT 2019

For the year ended March 31, 2019



# Become a Major Global Player through Continuous Value Creation

The Sanwa Group aims to fulfill its social responsibilities through the business activities it undertakes in 25 countries worldwide, spanning Japan, North America, Europe, and Asia. Our Mission and Our Values are high-level concepts that all employees adhere to while carrying out their duties and represent our most important values. Our Principles of Business and Compliance Code of Conduct are shared by all Group companies.



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## 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.

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## 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.

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## 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 thereby 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.

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## 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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## PDCA SAKURA

The employees of the Sanwa Group, not satisfied with the current situation, maintain a critical mindset in doing their jobs in order to continue to pursue their best work. We review results in terms of whether or not we did things as originally planned. If not, we think about the reason why we didn't get the intended results. Getting back to the basics such as increasing good aspects and improving bad ones is part of the 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.



# Concept behind the Integrated Report 2019

## What Direction to Take?

The Sanwa Group is implementing the Third Mid-Term Management Plan companywide with the aim of establishing a foundation for leading brands in two years as a major global player. The Integrated Report outlines what the Sanwa Group must do and the direction it should take. We are forging “two kinds of reliability” with our stakeholders while aiming to become a major global player by ensuring reliable business performance and reliable management.

## The Evolution of Sanwa

Multi-product sales and globalization are the two pillars of the Sanwa Group's strategy. We will provide high-quality products and services worldwide by leveraging the three strengths that we have cultivated since Sanwa's foundation: “vertically integrated business model,” “comprehensive solutions” and “global presence.” The Integrated Report highlights what direction the evolution of the Sanwa Group should take as it aims to create long-term value.

## Creating Values through ESG

The value of companies is found in fulfilling their social responsibilities through their businesses. Sustainability is the foundation of ESG, so we will create social value together with our stakeholders by undertaking initiatives signified in the initials of ESG: (E) proactively find solutions to environmental problems; (S) deepen our relationship with society by developing personnel who will lead the next generation and ceaselessly work to improve safety and quality; (G) increase management transparency.

### Editorial policy

To present the Sanwa Group's management and corporate activities, we have published this Integrated Report. The report is edited in a wholistic manner to include 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 2018 is the year ended March 31, 2019.

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### Official Website

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

The corporate website has been upgraded in order to convey information in an easier-to-understand format for our stakeholders given its importance as a platform for providing details on Sanwa Group's corporate philosophy and business activities.



HOME | Inquiries | JAPANESE | FONT SIZE **A** **A**

NEWS | COMPANY OUTLINE | GROUP STRUCTURE | INVESTOR RELATIONS | CSR

# For The Global Major

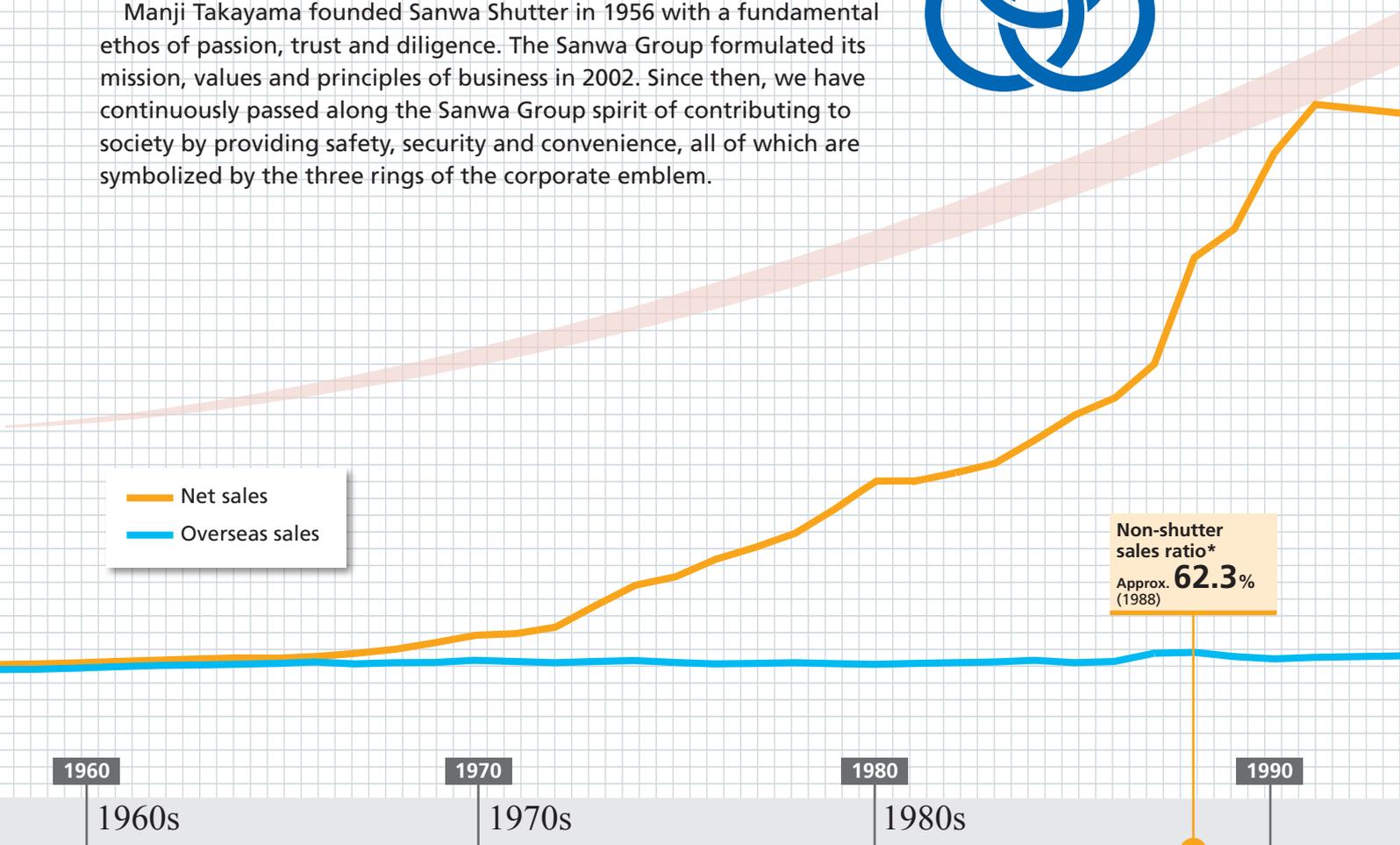
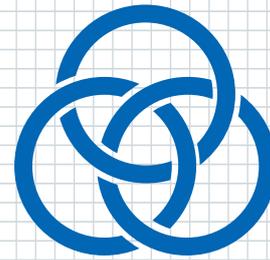
To offer products and services that provide safety, security and convenience  
as a major global player in the access systems industry.

## What Direction to Take?

# A History of Value Creation

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

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



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

### Multi-Product Sales Strategy Globalization

#### Entry into the shutter industry

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



First deliveries just after the foundation

#### Multi-Product Sales

#### The first step toward multi-product sales

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

#### The Expanding Multi-Product Strategy

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

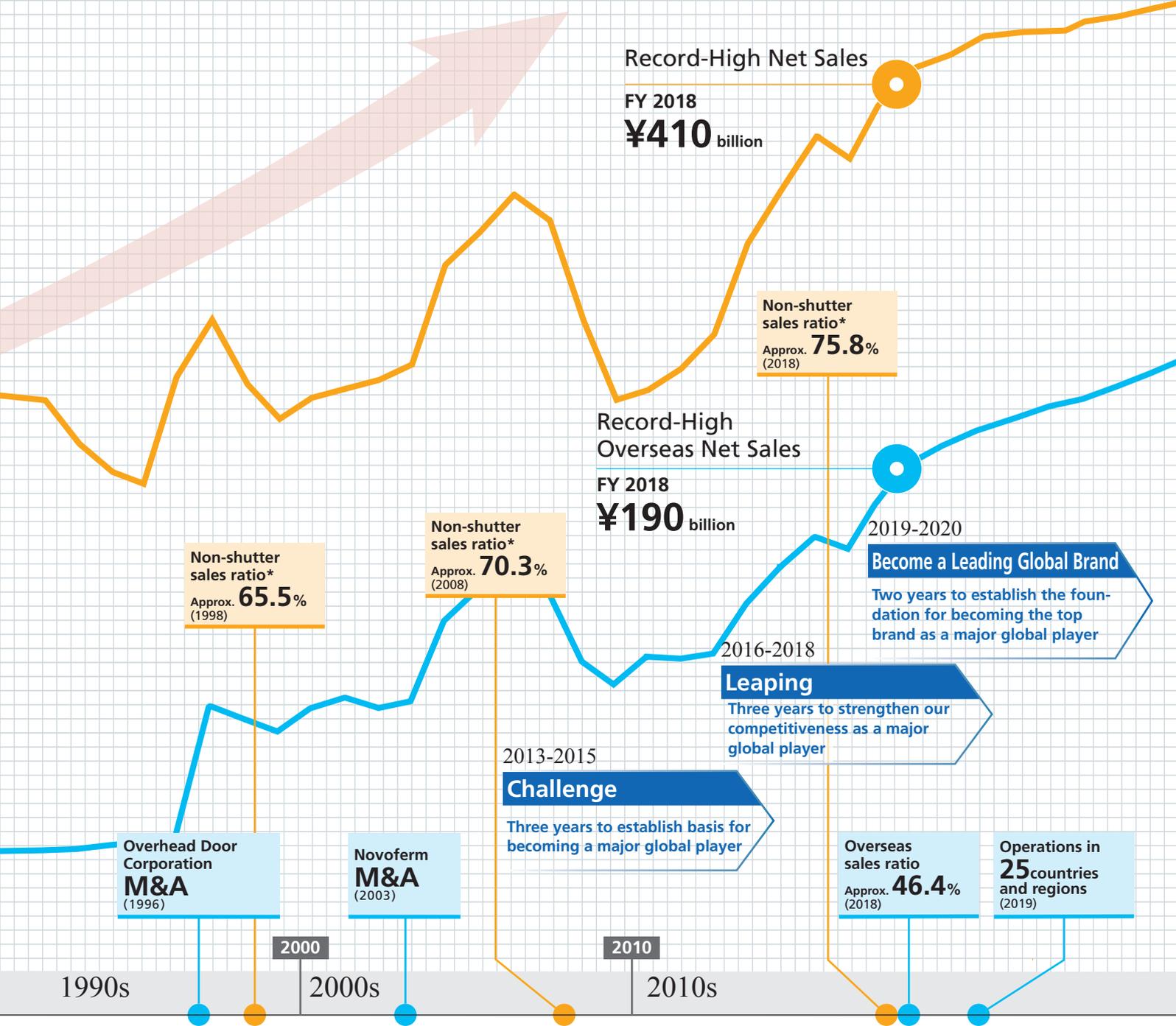
#### Globalization

#### Gaining a foothold overseas

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

#### Business Expansion by Penetrating the American Market

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



### PDCA Advances the Multi-Product Sales Strategy

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

### Product Development in Harmony with Society

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

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



Waterproof shutter

### Sanwa Global Vision 2020

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

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

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

### Aspiring to be a Major Global Player

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

What Direction to Take?

## Message from the Chairman

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



*Toshitaka  
Takayama*

Representative Director,  
Chairman & CEO

## Our Universal Mission and Business Model

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

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

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

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

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

## What Direction to Take?

### Message from the Chairman

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

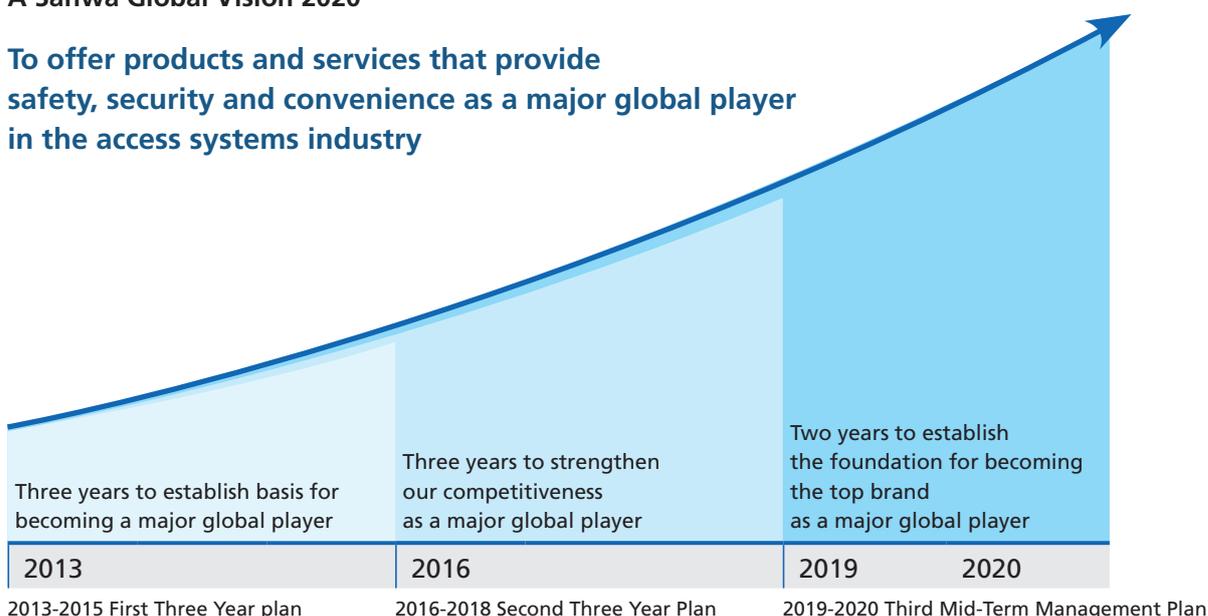
Global markets all differ in terms of a specific country's laws and regulations, ethnic distinctions, climate, history and other aspects. This means that what had been common sense in Japan will not be applicable elsewhere. If we are unable to apply the Group's business to the character and needs of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

### Positioning of the Third Mid-Term Management Plan toward 2030

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

#### A Sanwa Global Vision 2020

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



## Reliable Management Built by Enhanced PDCA Cycle Implementation

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

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

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

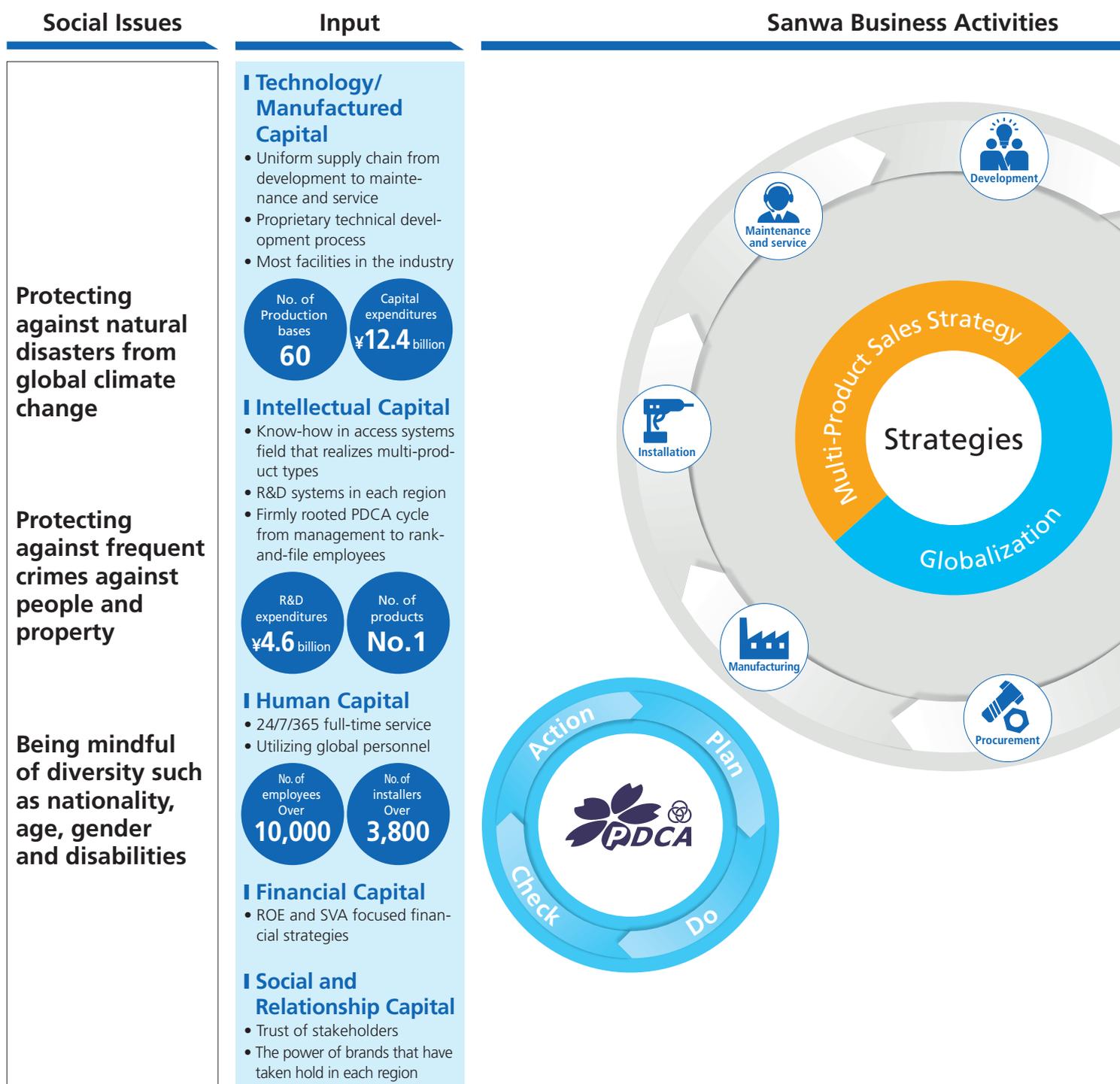
Among the approximately 10 thousand employees in the Sanwa Group, over half account for human resources with diverse nationalities. Among those as well, more than any other, the greatest topics we have are the sharing of vision and goals, and the building of relationships of trust. One thing I am constantly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

*Toshitaka Takayama*

Representative Director,  
Chairman & CEO

# Sanwa Value Creation Model

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



## Reliable Business Performance

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

# Sanwa Global Vision 2020



## Output & Outcomes

### Financial Targets

Fiscal 2020 Targets

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

- Heavy duty shutters/  
Lightweight shutters



Japan **No.1**

North America **No.1**

- Industrial sectional doors



Japan **No.1**

North America **No.1**

Europe **No.2**

- Steel doors



Japan **No.1**

Europe **No.2**

- Aluminum & stainless steel facades



Japan **No.1**

## Value Provided to Society

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

Safe living with protection from disaster

Secure living with protection from crimes against people and property

Comfortable living through easy-to-use access systems



## Reliable Management

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

## What Direction to Take?

# Sanwa Value Creation Model

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

## 1 External Environment and Social Issues

### External Environment

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

### Social Issues

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

## 2 Input

### Technology/Manufactured Capital

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

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

### Intellectual Capital

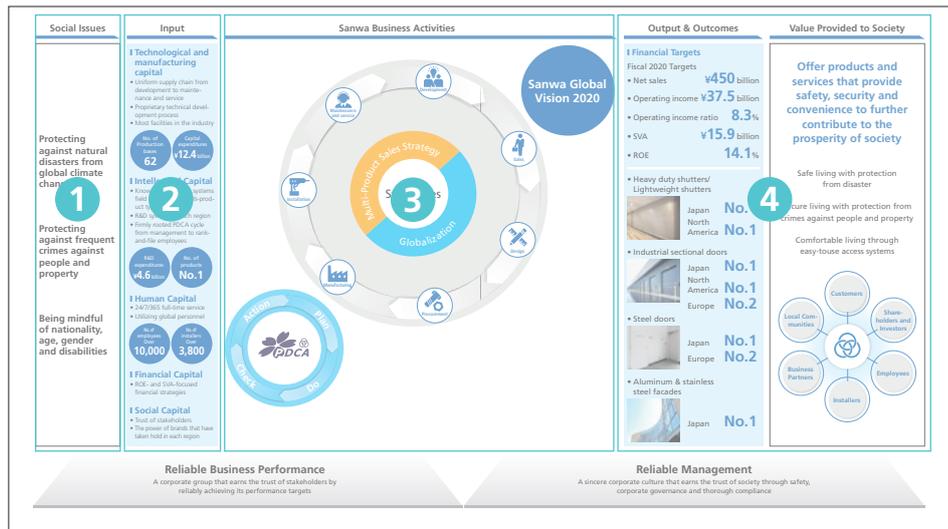
The Sanwa Group maintains proprietary technological development processes for its businesses and products that boast high market shares. Leveraging our know-how in the access system domain in R&D activities, we are realizing multi-product sales that extend beyond shutters and doors. In addition, we are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

### Human Capital

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

### Financial Capital

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



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

## Social and Relationship Capital

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

## Natural Capital

The Sanwa Group engages in business activities in harmony with the global environment and local communities in order to help achieve a sustainable society as a good corporate citizen. The Group engages in environmentally oriented business activities as well as providing eco-friendly products and services as a global comprehensive construction materials company. In addition, we work to reduce greenhouse gases such as CO<sub>2</sub> to appropriately address climate change risks while helping achieve a sustainable society.

## 3 Sanwa Business Activities

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

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

## 4 Output & Outcomes

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

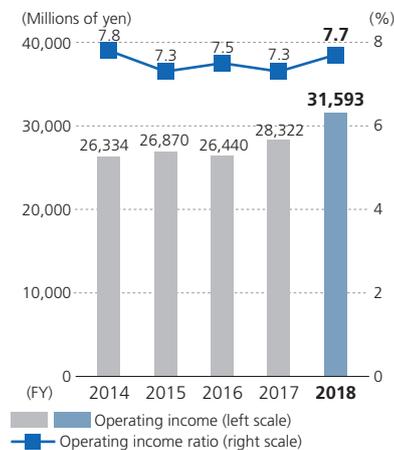
## Value Provided to Society

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

# Financial & Non-Financial Highlights

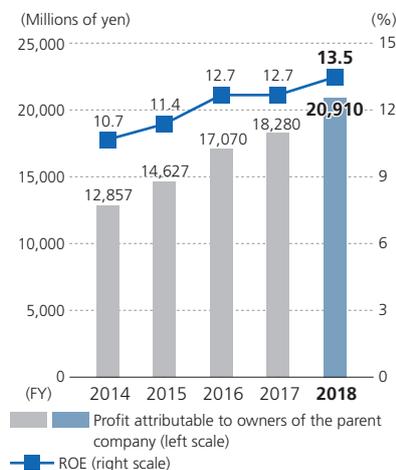
## Financial Indicators

### Operating Income & Operating Income Ratio



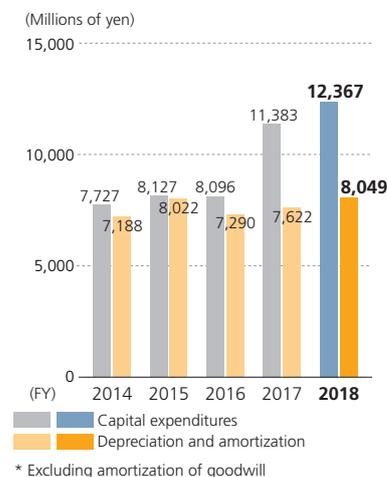
Operating income in fiscal 2018 rose 11.5% year on year and 0.3% compared with the initial target to reach the Company's projection. As a result, operating income ratio—which had remained flat from fiscal 2015 to fiscal 2017—rose 0.4 points year on year to 7.7% in fiscal 2018. The Company targets operating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

### Profit Attributable to Owners of the Parent Company & ROE



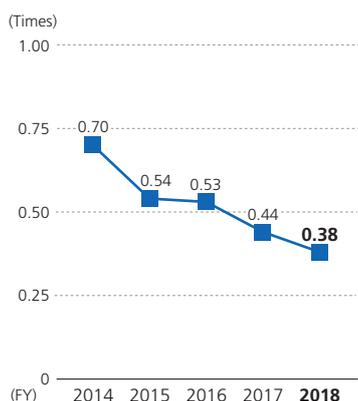
Profit in fiscal 2018 reached a record high of ¥20,910 million, and ROE was 13.5%. With the Company estimating shareholders' equity costs at around 8%, corporate value has increased steadily since fiscal 2014, when ROE reached the 10% range. The Company targets ROE of 14.1% in fiscal 2020.

### Capital Expenditures & Depreciation and Amortization\*



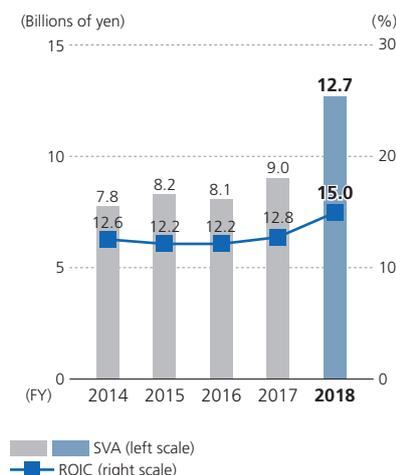
The Sanwa Group focuses on product fields anticipated to grow over the long term and engages in investment to increase product reliability. Capital expenditures (including tangible and intangible) amounted to ¥12,367 million in fiscal 2018. The amount of investment in fiscal 2017 and fiscal 2018 increased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

### Debt/Equity Ratio



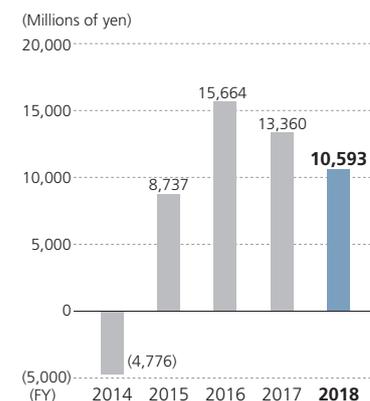
The Company views financial health as important, and one criterion for evaluating this, debt/equity ratio, has been steadily declining after peaking in fiscal 2014. In fiscal 2018, debt/equity ratio was 0.38, falling below the initial estimate of 0.40. In light of current interest rate conditions, debt/equity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

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



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

### Free Cash Flow

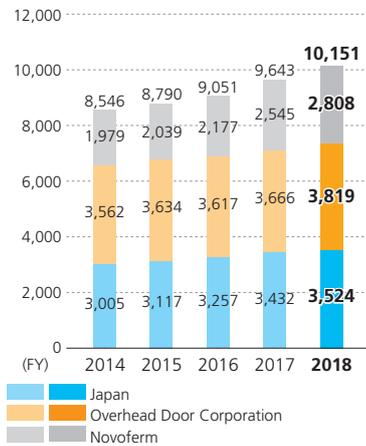


Our policy is to allocate free cash flow, excluding dividends paid, for growth investments such as M&A and strategic capital investments. However, if there are fewer strategic investments and our cash position becomes larger than expected, we will specifically consider using it for shareholder returns,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

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

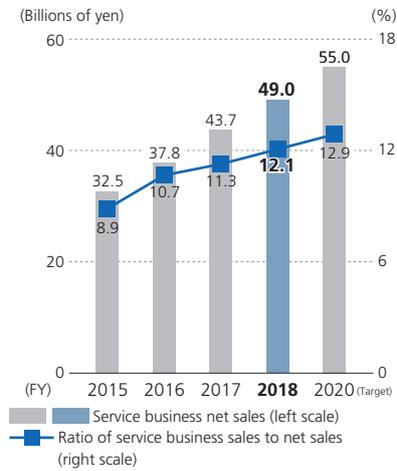
## Non-Financial Indicators

### Number of Employees (Consolidated)



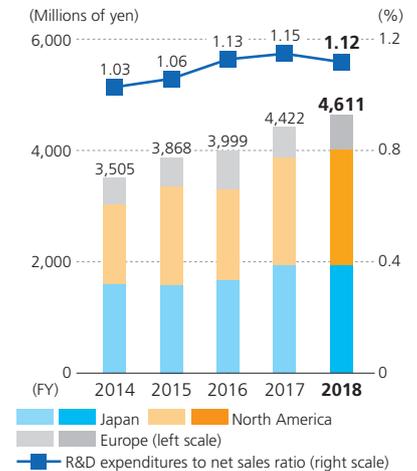
The number of Sanwa Group employees on a consolidated basis exceeded 10,000 in fiscal 2018. This breaks down to approximately 35% in Japan and 65% overseas. The addition of employees at Asian Group companies from fiscal 2019 will further increase the overseas ratio.

### Service Business Net Sales (Consolidated)



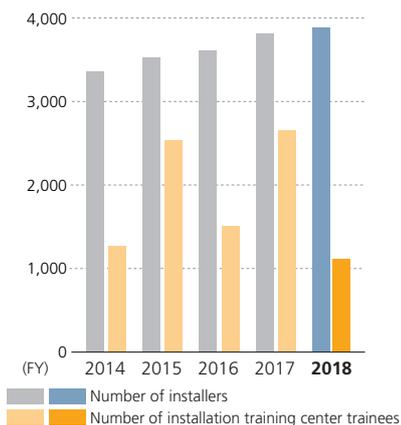
Service business net sales in fiscal 2018 rose 12.1% year on year, a 1.46-fold growth compared with fiscal 2015. The Company aims to reach net sales of ¥55 billion in fiscal 2020 by developing the service business in line with customer needs worldwide, gaining new customers, and expanding its business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

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



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

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



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

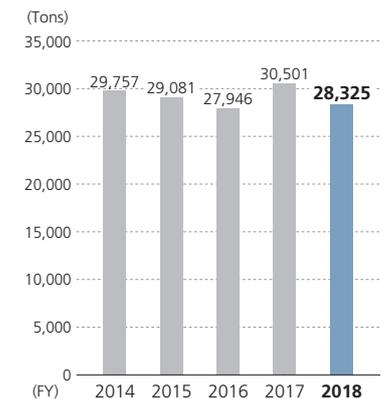
### Rate of lost-worktime due to injuries (Japan)



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

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

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



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

In fiscal 2018, we reduced CO<sub>2</sub> emissions by approximately 7% despite increased sales by installing energy-saving equipment, promoting energy conservation companywide, and a decrease in the utility CO<sub>2</sub> emission factor.

## Third Mid-Term Management Plan



**Yasushi Takayama**  
Representative Director,  
President & COO

### Third Mid-Term Management Plan Numerical Targets

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

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

\*2 The cost of capital target is 8%

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

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

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

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

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

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

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

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

### Basic Strategies

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

#### Core Business

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

#### Growing Business

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

#### Reinforcing Business

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

■ Japan

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

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

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

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

■ North America

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

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

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

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

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

Japan Measures

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

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

Strengthen the structure for business expansion

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

North America Measures

ODC: Strengthening core business segments while entering adjacent business fields

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

## ■ Europe

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

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

### Europe Measures

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

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

## ■ China/Asia

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

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

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

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

### Basic Strategies 3 Enhance bases of China/Asia Business

#### Measures

##### China Business

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

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

##### Asia Business

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

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

## What Direction to Take?

# Third Mid-Term Management Plan



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

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

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

## Basic Strategies ② Strengthen service segments and expand business model

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

### Measures

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

\*Not including Asia

### Initiatives

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

## Basic Strategies ④ Reform work styles and improve productivity

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

### Measures

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

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

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

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

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

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

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

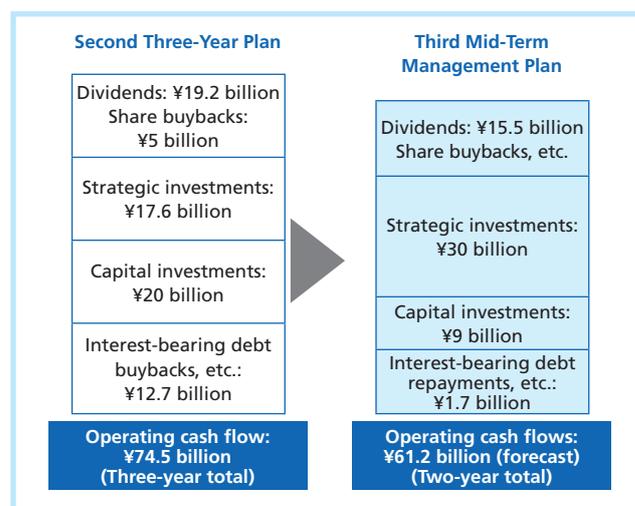
In terms of strategic investments, we plan to allocate approximately ¥30 billion to capital investments and M&As over the two fiscal years of 2019 and 2020 with a focus on promoting multi-product sales, strengthening service businesses, and

growth sectors where synergy effects are anticipated.

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

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

### Cash flow allocation policy



## Financial Strategy

### Key Figures

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

### Financial Policy in the Third Mid-Term Management Plan

#### Prioritize strategic investments to become a major global player

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

ESG Message: Key Issues of human resource development and safety

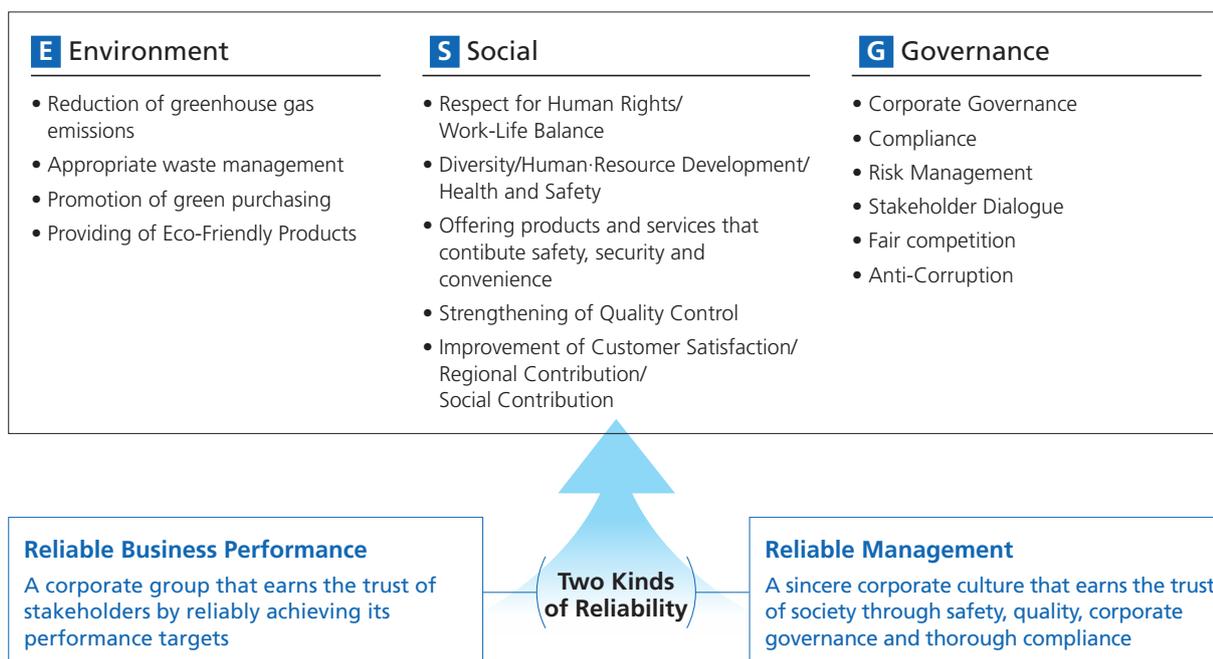
Under the concept of ESG, we place particular importance on human resource development and work to expand systems that enable employees to reach their full potential. Ensuring safety will also influence the future of the company. We will earn the trust of society through uncompromising safety, quality,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



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

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

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



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

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

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

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

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

# The Evolution of Sanwa

## Multi-Product Sales

A company founded for the manufacture and sale of lightweight shutters, Sanwa Shutter entered the door business in the latter half of the 1960s—by accurately anticipating the changes and needs of the market brought about by the high growth after the war—and since then has been promoting multi-product sales. We will continue to provide diverse products as a major global player in the access systems industry that will advance in leaps and bounds in the global market.

Japan's first skyscraper, the Kasumigaseki Building, was completed in 1968, and high-rise buildings were constructed one after another at the start of the 1970s. In line with this trend, demand for fireproof doors increased rapidly, and we quickly entered the door business and rapidly expanded our market share. From the 1980s, we promoted diversification of product types through M&A, acquired leading companies with a strong brand presence in each field and worked on multi-product sales, starting with the Showa Front Co., Ltd. for store fronts, Showa Kensan Co., Ltd. for automatic door engines, Venix Co., Ltd. for partitioning products, Sanwa Tajima Corporation for stainless steel products, and Sanwa System Wall Co., Ltd. for wooden school partitioning. The number of Sanwa Group sub-

sidiaries in Japan currently stands at 17 companies. As a result, we have a wide product lineup, including shutters, steel doors, entrances, door openers, garage doors, partitions and industrial sectional doors, and are ranked No. 1 in the industry in terms of the number of products that contribute to safety and security as well as to convenient lifestyles. It is our belief that providing products and services that provide safety, security, and convenience to society leads to the resolution of social issues and, as a result, the Company's value creation. We aim to solve the problems in people's social lives such as those listed below by providing to society a wide variety of product groups cultivated through our product diversification strategy.

**Safe living** with protection from disasters

**Secure living** with protection from crimes against people and property

**Comfortable living** through easy-to-use access systems

### Our Products for Buildings

**Office Areas**

Partitions

Toilet booths

**Entrance Areas**

Automatic doors

Aluminum & stainless steel facades

Mailboxes

Waterproof shutters

**Building Exterior**

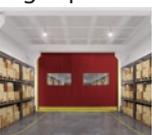
Curtain walls

**Safety Measures**

Fireproof & smokeproof shutters

Fireproof doors (steel doors)

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

<p><b>Door openers</b></p>  <p>Japan No. 3   North America No. 2   Europe No. 4   Asia</p>	<p><b>Automatic doors</b></p>  <p>Japan No. 3   North America No. 3   Europe   Asia</p>	<p><b>Partitions &amp; toilet booths</b></p>  <p>Japan No. 2*   North America   Europe   Asia</p>	<p><b>Waterproofing products</b></p>  <p>Japan   North America   Europe   Asia</p>
<p><b>High-speed sheet shutters</b></p>  <p>Japan No. 1   North America   Europe   Asia</p>	<p><b>Steel doors</b></p>  <p>Japan No. 1   North America   Europe No. 2   Asia</p>	<p><b>Aluminum &amp; stainless steel facades</b></p>  <p>Japan No. 1   North America   Europe   Asia</p>	<p><b>Curtain walls</b></p>  <p>Japan   North America   Europe   Asia</p>
<p><b>Garage doors</b></p>  <p>Japan No. 1   North America No. 2   Europe No. 2   Asia</p>	<p><b>Industrial sectional doors</b></p>  <p>Japan No. 1   North America No. 1   Europe No. 2   Asia</p>	<p><b>Condominium doors</b></p>  <p>Japan No. 2   North America   Europe   Asia</p>	<p><b>Mail boxes &amp; delivery boxes</b></p>  <p>Japan No. 2   North America   Europe   Asia</p>
<p><b>Lightweight shutters</b></p>  <p>Japan No. 1   North America No. 1   Europe   Asia</p>	<p><b>Heavy duty shutters</b></p>  <p>Japan No. 1   North America No. 1   Europe   Asia</p>	<p><b>Window shutters</b></p>  <p>Japan No. 3   North America   Europe   Asia</p>	<p><b>Lightweight sliding doors</b></p>  <p>Japan No. 1   North America   Europe   Asia</p>

**Core Products**

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

\* Toilet booth market

Detached Houses

Housing Complexes

Commercial Facilities and Office Buildings

Schools

Medical and Welfare Facilities

Factories and Warehouses

Expansion of the Non-shutter Business

<p><b>■ Non-shutter Sales Ratio (Sanwa Shutter)</b></p> <p>FY 1988      FY 2018      FY 2019 targets</p> <p><b>62.3%</b>    ▶ <b>75.8%</b>    ▶ <b>77.0%</b></p> <p><small>(Percentage of net sales from products other than lightweight shutters and heavy-duty shutters at Sanwa Shutter Corporation)</small></p>	<p><b>■ Door Business Sales (Sanwa Shutter)</b></p> <p>FY 1988      FY 2018      FY 2019 targets</p> <p><b>¥38.3 billion</b>    ▶ <b>¥58.8 billion</b>    ▶ <b>¥62.2 billion</b></p>
<p><b>■ Partition Business Sales (Sanwa Shutter)</b></p> <p>FY 2008      FY 2018      FY 2019 targets</p> <p><b>¥5.4 billion</b>    ▶ <b>¥12.1 billion</b>    ▶ <b>¥14.4 billion</b></p>	<p><b>■ Ratio of the Maintenance and Service Business to Overall Business (Consolidated)</b></p> <p>FY 2015      FY 2018      FY 2020 targets</p> <p><b>8.9%</b>      ▶ <b>12.1%</b>      ▶ <b>12.9%</b></p>

# Why Was Sanwa Group Able to Establish its Global Position?



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 have now secured a strong presence in 25 countries and regions worldwide. So why were we able to accomplish this? Firstly, we were quick off the mark within the industry when it comes to focusing attention on overseas markets and establishing ourselves in those locations. Next, from the latter half of the 1990s to the 2000s, we acquired the top manufacturer in North America and the No. 2 manufacturer in Europe, and with both localization and PDCA promotion we worked to create a firm foundation in both of those regions. With an eye on 2020 we are raising our profile in the global markets in which the Sanwa Group conducts business, and continuing to pursue expansion and to strengthen our presence across all regions, thus becoming a truly major global player.

## ■ The Basis of Sanwa Group Growth

### Focusing on Overseas Markets Where There Is Room to Grow

Established in 1956, the Sanwa Group announced its listing on the Tokyo Stock Exchange's Second Section in 1963, the first company to do so, even though we were a latecomer to the industry. The funds we procured were allocated to investments for growth, and we aggressively grew our presence nationwide, becoming the manufacturer with the top share of Japan's shutter market. However, looking to the long term, we determined that major growth would be difficult within the confines of the Japanese market. Given this, over the decade of the 1990s we began to look in earnest and consider setting up a presence in overseas markets.

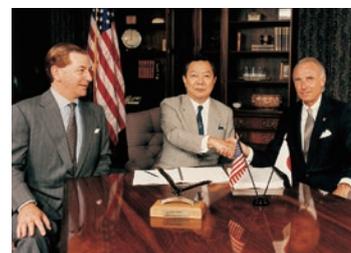
### Aiming to Achieve North American Market Penetration through a Corporate Acquisition

In 1974, we had already entered into a technical tie-up with Overhead Door Corporation (ODC) of the U.S. when we concluded a licensing agreement with that company to sell our respective products in both Japan and the U.S., and to mutually announce both companies' newly developed technologies. From

this point until the 1990s we worked to accumulate U.S. market research in the firm belief that success in expanding overseas would not be easily forthcoming without an understanding of that market's cultural characteristics. Market penetration will be difficult by merely bringing Japanese building materials as is to overseas locations that differ in terms of culture, climate, and weather. We reached the conclusion that M&A would be the most suitable way to achieve development, and consequently set out to find a partner company that we could consider a good match for Sanwa.

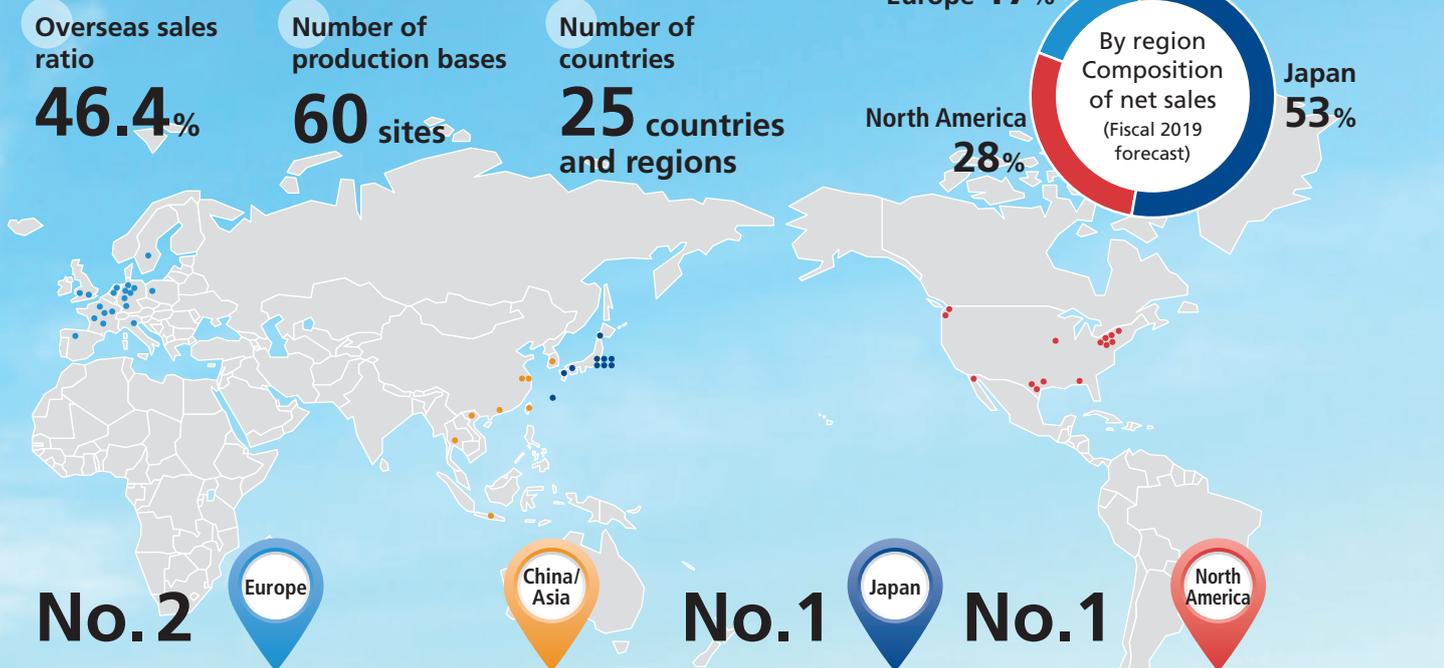
### The Acquisition of ODC, the First Step on the Road to Overseas Expansion

In our approach to a corporate acquisition, we had as a primary consideration the selection of a company with which we had chemistry. Given that, the conclusion we decided upon was to acquire ODC, the company that since 1974 we had entered into a



Signing ceremony for the ODC acquisition

## A Global Presence



**At the time of acquisition**  
(Fiscal 2004)

**Net Sales**

€**340 million**

**Major Products**

- Industrial sectional doors
- Hinged doors
- Door openers

**Current**  
(Fiscal 2019 forecast)

**Net Sales**

€**585 million**  
(¥70.2 billion)

(Fiscal 2019 forecast)

**Net Sales**

¥**7.0 billion**

**Major Products**

- Shutters
- Door

(Fiscal 2019 forecast)

**Net Sales**

¥**251.5 billion**

**Major Products**

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

**At the time of acquisition**  
(Fiscal 1997)

**Net Sales**

US\$**597 million**

**Major Products**

- Heavy duty shutters/Lightweight shutters
- Industrial sectional doors
- Door openers

**Current**  
(Fiscal 2019 forecast)

**Net Sales**

US\$**1,132 million**  
(¥118.9 billion)

(Notes) 1. The sales figures for each region include internal sales  
2. The exchange rates for fiscal 2019 are expected to be  
\$1: ¥105 and €1: ¥120

technical tie-up with and had enjoyed a close working relationship. We announced the acquisition in June 1996. The cost of the acquisition was approximately ¥51.7 billion, which was close to 30% of our net sales in fiscal 1996, that being roughly ¥187.5 billion. This was the largest deal in Japan's building material industry at the time. At that point ODC boasted the top share of the market for commercial overhead doors and shutters, had net sales of \$550 million (over ¥60 billion) and operated with approximately 400 distributors across the U.S. This acquisition marked our first full-fledged step toward globalization.

### A Three-polar structure in Japan, the U.S., and Europe with the Acquisition of NF Group

The 2003 acquisition of the Novoferm (NF) Group, a venerable manufacturer of doors and shutters in Germany, secured for the Sanwa Group a three-point presence, namely in Japan, the U.S. and Europe. The NF Group is a long-standing manufacturer, established in 1955, with manufacturing bases that consisted of its core site in Germany, together with others in France, Holland, Italy and Spain. Its sales network spanned all regions of Europe, occupying a position as a leader among major companies.

Entering the 2010s we continued to acquire multiple product types and pioneer markets through M&A activities, like in the U.S. and in Europe as well with the acquisitions of Alpha Deuren International B.V. of the Netherlands and Norsud Gestion S.A.S., of France among others, and secured the No. 2 share in Europe's industrial door, garage door and steel door field.

### Thorough Localization, PDCA

We were aware that to generate maximum post-acquisition synergies, before taking on product or technology issues, we would need to have mutual understanding and communication. Based on the relationships of trust we had cultivated, we raised the level of interest toward our respective products and technologies, and developed a process to cooperatively tackle the required localization. In addition, to quickly get up to speed at a high level, the Sanwa Group mission of "safety, security and convenience," as well as PDCA would as a general rule need to be thoroughly engrained outside of Japan as well. This became the foundation of our path to becoming a major global player.

## ■ The Challenges of Achieving Growth



### A Briefing from the Executive Officer Responsible for Global Business Unit

#### ■ Bold decision to early on establish an overseas presence Still tasks for a truly major global player

I'd like to discuss the topic of globalization in the Sanwa Group. If I were to be asked, "Is the Sanwa Group already a truly global company?" my response would be: No. Likely our investors would think that there are still things that could be done, so we must pick up the pace and become a truly global company.

That said, looking back at things now, the accomplishment of making two major acquisitions, the early-stage acquisition of ODC in North America in 1996 and the 2003 acquisition of Novoferm (NF) Group in Europe, were bold decisions for management to have made. What is important to remember is that acquiring companies that we already had lengthy relationships with did not go smoothly owing to coincidence. When we made the two acquisitions we already had a thorough understanding of what those companies were about, and the results of our careful considerations led to success.

In addition to the remarkable foresight of Sanwa Shutter, a company that at that time operated domestically in Japan, certainly the results we have achieved today reflect the persistent efforts to find solutions to each of those big issues that existed below the surface, unexposed, following the acquisitions.

#### ■ Making capital expenditures without hesitation, and charging ahead on acquisitions

When I first became involved in Sanwa Group's international business around 2015, I did not have the impression that there was management being conducted to respond to market needs. The first thing I applied my efforts to was getting local management to understand the importance that they would need to somehow quickly gain an awareness of market needs to respond with maximum speed to get ahead of our competitors. The next thing I had them take another look at was the product lineup and production equipment.

We are a manufacturer so of course we aim to run at full capacity, but at the time, in both the U.S. and Europe, the equipment had certainly seen better days. This was due to it being the period after the Lehman shock and a prolonged era of caution with regard to capital expenditures. I was very active in having local management consider, then take action to develop new products that met market needs, and to introduce equipment that could make those products with high productivity.

It seems that we Japanese do not have as detailed an understanding of overseas operations as the local people. For that reason, rather than acting like a know-it-all, it is important to leave daily management up to the local team, and on the other hand, give them clear guidance on the fundamentals of management policy and strategy. For example, telling them "The mountain you should climb this year is not Mt. Takao, and it is not Mt. Fuji either. Your goal is Mt. Tanigawa." However, "You can climb the southern face or the northern face. That's up to you." This is what I mean.

#### ■ North America (ODC): Low-share products should capture a 30% share, and in Japan as well, introduce new products we have not dealt with before

Management issues such as the following come up with regard to North America. The first is the introduction of ERP. We have been deploying Oracle's integrated system since 2013, but this is taking more time than expected, and deployment expenses are ballooning. According to plans completion is still years away, however we are applying quite a large amount of human resources to shore things up, and it is a struggle.

The second issue is do we somehow raise to a 30% share of the market those products that are below that level, and to do that, developing concrete measures and then implementing them. Also, the U.S. is an immense market that can be broadly categorized into East, Central and Western areas, but within these, it is becoming important also have a strategy to somehow raise the share of regions with a low market share.

## Hiroatsu Fujisawa

Director  
Senior Managing  
Executive Officer  
Global Business Unit



The third issue is entering into new business domains. Is that what in Japan we would call “multiple product types?” This is not entering completely different types of industry, but we are setting our sights on lines with growth potential in the access systems industry. To offer one example, I would definitely like to get into the security door business where a door does not open for just anybody, but only those people whose identity can be confirmed. If there was a good company that stood out from the crowd, I would really like to acquire it.

### ■ Europe (NF): Expanding to unserved areas, and anticipating ongoing two-digit growth

For the past few years in Europe we have been making solid progress, with double-digit growth every year. Market share is lower than that in the U.S., so there is still room for growth. It is possible that we will continue to see double-digit growth, and we are setting goals so as to definitely reach net sales of one-billion euros by about 2023.

We currently have the 20 EU nations as our home market for Europe, but within that we would like to fill in those areas where we do not yet have a presence, and are now targeting the UK, Northern Europe and Eastern Europe. Perhaps we will move into those areas organically, or gain a presence through the corporate acquisition process. Following that is the expansion of existing product sales. As one way to do that, “bundling” multiple products together for sale is a way that is proving effective.

### ■ China/Asia: Achieving synergies amongst each country’s operating companies, promoting localization of management

To tell the truth, there are many issues in Asia and there is a mountain of things that should be done. Differing from the paths taken leading to the establishment of business in the U.S. and Europe, there was no acquisition process, rather, almost all of the locations in Asia have been newly estab-

lished. There are also many cases where we leveraged customers in Japan that were themselves setting up operations in Asia. When the Japanese companies pull out, though, we have been faced with the difficulty of contraction to business scale. The conventional approach had been to conduct business based on the strategy tailored to each country, but from now we are changing our stance and endeavoring to take ASEAN as a single market. Within the ASEAN region there is also a preferential tax system and we will try out product flexibility in the region. By treating China, Hong Kong and Taiwan as “Greater China,” we are not thinking of each individual company’s profits on an independent basis, but this is a policy in terms of mutual accommodation. On the other hand, when discussing sales’ strategy it is important to be clear about whether the main targets are Japanese companies, local companies, or both.

Furthermore, we urgently need to put in place a management structure, and with regard to the short term, the issue is to localize management. In 2018 we went from a minor investment of 18.88% in the Indonesian business, to a 51% majority investment and appointed an Indonesian national as the president. Whether or not this will be successful will be the touchstone, and if it does generate positive results, I would like to try something similar in other markets as well.

We have set from ¥20 billion to ¥25 billion as our sales target in China and the rest of Asia for 2023. Although the region accounts only for a nominal percent of all markets, I would like to hike this by about 10%. Looking only at Japanese company customers, we need to be above at least a 50% share among Japanese general contractors that have a presence in China and ASEAN regions.

Japan

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



Meiji Takayama

Representative Director and President,  
Sanwa Shutter Corporation

- 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 FY2018 net sales up 15.6%
- Product appeal through order responses



- Deterioration of profitability due to market factors
- Risk of not being able to pass on price increases for raw materials and various rises in costs in product prices
- Volume production not possible due to responses to orders

- Strong demand for construction, including facilities for the 2020 Tokyo Olympics and Paralympics as well as EXPO 2025 Osaka, and the redevelopment of the Tokyo metropolitan area
- Full-scale implementation of periodic inspection report system for fire prevention equipment and expansion of service business following a revision to the Building Standards Act
- Development of products in response to climate change
- Total sales proposals by means of multi-product sales initiatives

- Declining trend in housing starts
- Sudden price hikes for raw materials such as steel
- All types of soaring costs, including for personnel, logistics and installation
- Rival manufacturers' product variations and quality
- Retaining of personnel

## FY2018 Business Performance and FY2019 Outlook

### FY2018 Net Sales Increased 6.4% Year on Year to ¥234.0 Billion

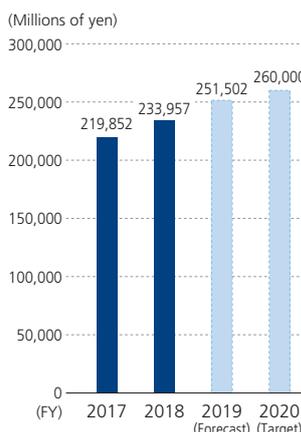
The main company, Sanwa Shutter Corporation, engaged in measures to increase quantity and improve quality while responding to natural disaster demand and recorded net sales of ¥198.6 billion (an increase of 6.0% year on year). Operating income totaled ¥18.34 billion (an increase of 7.2% year on year), but there were major issues on the supply side—including coordination problems between manufacturing, installation and logistics as well as cost increases—and as a result the initial forecast of ¥19.5 billion was not reached and remained an issue.

Japanese subsidiaries recorded net sales of ¥35.4 billion (an increase of 9.0% year on year) and operating income of ¥1.21 billion (an increase of 4.6% year on year). Although each subsidiary improved on its sales results from the previous year, a lack of growth for the Sanwa System Wall and the impact of cost increases resulted in operating income not reaching the initial forecast of ¥1.5 billion.

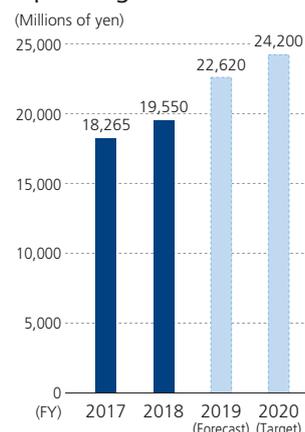
For FY2019, Sanwa Shutter Corporation is forecasting net sales of ¥208.0 billion (an increase of 4.7% year on year) and

Japanese subsidiaries ¥43.5 billion (an increase of 22.9% year on year). Sanwa Shutter is forecasting operating income of ¥20.2 billion (an increase of 10.1% year on year), and Japanese subsidiaries ¥2.42 billion (an increase of 98.9% year on year).

#### Net Sales



#### Operating Income



(Note) Figures for net sales and operating profit represent those before offsetting of internal transactions

# Business Strategy

## A Look Back at Our Second Three-Year Plan

### Tasks: Dedicated System for Strategic Products and Stabilization of Logistics and Installation System

In our business in Japan, we focused on growth by maintaining profit from core products and by multi-product sales initiatives and on strengthening the service business. In the case of our core products, we implemented measures to cover increases in raw material costs, such as for steel, and in variable costs by passing them on in increased sales prices, but these did not filter down sufficiently. We also experienced problems on the supply side, thus our initial profit plan was not achieved. With regard to the multi-product sales initiatives, we have made progress with the establishment of a dedicated system for strategic products, such as partitions, entrances, and exteriors, but this has not yet led to the establishment of a foundation for

growth. The strengthening of dedicated systems and the establishment of stable logistics and installation systems remained as outstanding issues.

In the service business, we advanced improvements of business structure and business expansion. We responded to the periodic inspection reporting system for fire prevention equipment, introduced in accordance with the revision to the Building Standards Act that has been in force since June 2016. As a result of having aimed to maintain a market share of 50% or more, the maintenance and service business increased significantly by ¥8.6 billion (a 137.8% increase) to ¥31.6 billion over the three-year period. There was still a shortage of maintenance personnel, however, and retaining sufficient personnel remained an issue.

## Third Mid-Term Management Plan

### Fiscal 2020 Targets

	Net Sales	Variance vs. FY2018	Operating Income	Variance vs. FY2018
Sanwa Shutter	¥213.7 billion	+7.6%	¥21.5 billion	+17.2%
Japanese Subsidiaries	¥46.3 billion	+30.9%	¥2.72 billion	+123.6%

### Grow as an access systems company by establishing positions in each business field

#### ■ Expansion of Core Business

In our core business, we will work to improve marginal profits by promoting business-specific customer strategies while strengthening the revenue base. We will also increase our dominance over other companies by strengthening our unrivalled product appeal.

#### ■ Expansion of Growing Business

In growing business, we will aim to expand our business domains by realizing growth strategies while implementing a strategy to defeat rival manufacturers in competition for market share. Specifically, we will strengthen synergies through cooperation among domestic Group companies and put school partition specialist Sanwa System Wall on track as we aim to expand the partition business. We will also strengthen our development capabilities and product appeal to exceed those of specialized manufacturers.

#### ■ Expand Service Business

In the service business, we are planning to expand our share of the legal inspections market, expand the maintenance business from legal inspections, maintain and expand the foundation of our general repair and maintenance business, and thus steadily grow the business.

### Strengthen the Structure for Business Expansion

#### ■ Strengthening of Manufacturing, Logistics, Installation Structures

We are working to strengthen our supply systems by utilizing the latest IT systems, such as AI and the IoT, for business expansion. In manufacturing, we will promote production efficiency by maintaining production lead times, strengthening our manufacturing capabilities, and systematization. In logistics, we will pay close attention to keeping to delivery deadlines and to maintaining and expanding our transport capacity by strengthening our logistics management systems. In installation, we will focus on developing a training system to retain installation personnel and improve our installation capabilities.

#### ■ Reforming Employee Safety Awareness, Strengthening the Product Quality Control Framework

We are working to reform employee safety awareness and strengthen management systems while aiming to eradicate occupational accidents. We are also aiming to improve our corporate brand by maintaining product quality.

#### ■ Productivity Improvements, Work-Style Reforms

We will work to drastically improve productivity through operational efficiency and process standardization, which will lead to work-style reforms.

# The Evolution of Sanwa

## Regional Operations

### Value Creation for Business Expansion

#### Expansion of safe, secure products for use in event of disaster: "Airote" steel door with opening force reduction mechanism launched

Sanwa Shutter Corporation launched its "Airote" steel door, which features a mechanism that allows the door to open with minimal force to facilitate firefighting and ensuring a safe escape route in the event of a fire. This product is a steel door for installation in rooms with special evacuation staircases or in emergency elevator lobbies. By means of a mechanism that divides the door into front and rear sides, "Airote" creates a gap to relieve the difference in pressure, thereby enabling the door to be opened with minimal force. Under normal circumstances it acts as single door, and in the event of a fire, the door can be opened by a mechanism that releases the connection between the front and rear of the door, thus we have added to our lineup of products that ensure ease of operation and safety.



The "Airote" door facilitates firefighting and safe evacuations.

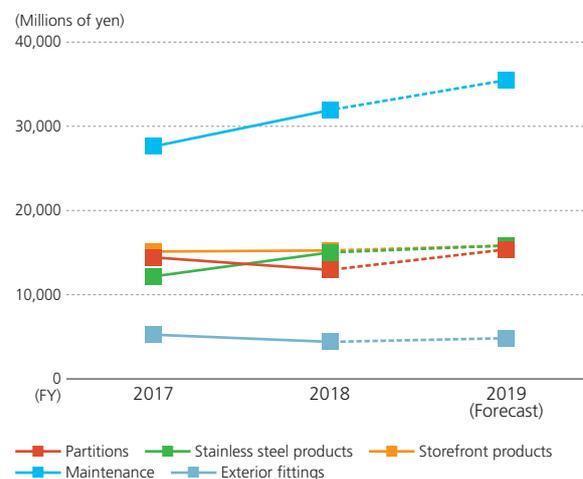
#### Promoting Domestic Group Optimization

From fiscal 2019, we have consolidated four companies: Showa Kensan Co., Ltd., Tajima Metal Work Co., Ltd., Hayashi Kogyo Co., Ltd. and Sanwa Electronics Engineering Co., Ltd. Our aims are to improve our capabilities in the manufacture and sale of automatic doors and of mailboxes, which are positioned as multi-product sales initiative products, and improve our capabilities in the manufacture of our core shutter and door products, while strengthening the management of the entire domestic group. We will work to speed up business expansion in Japan by sharing issues and strategies and demonstrating synergies through closer collaboration, such as in the development of new customers. We are targeting total net sales from these four companies of ¥6.2 billion and operating income of ¥600 million in fiscal 2019, and total net sales of ¥7.8 billion and operating income of ¥ 700 million\* in fiscal 2020.

\* All figures shown are those before consolidation.

#### Net Sales by Product

(Sanwa Shutter Corporation)



## Factors in Co-creating Value with Stakeholders

### Development of Safe, Secure Service Providers: Fire Prevention Equipment Periodic Inspection Skills Contest Held

The periodic inspection reporting system for fire prevention equipment, which became mandatory following the revision to the Building Standards Act, has been fully operational since June 2019. In connection with this, to improve maintenance inspection skills, Sanwa Shutter Corporation held a contest in May 2019 that brought together top-class installers from each region to pit their skills against each other. The top installers competed on all 22 technical items, including preparation and inspection work as well as manners. The main purpose is to work to improve the technical level and manners of installers, but one of the contest's other aims is to record the work processes of the best people for training purposes, share those processes with installers across the country, and standardize them.

In the years to come, we will continue to provide social safety, security and convenience by improving the maintenance inspection and repair techniques of each and every one of our installers and building relationships of trust with our customers.



Competing on maintenance and inspection skills at the contest

### Improvements in Productivity by Installation Labor-Saving

Sanwa Shutter Corporation has made progress with its installation labor-saving efforts. These include its integrated-shutter installation method, by which the shafts and slats of heavy shutters are assembled in advance at the factories and then brought in. This is a "flameless" installation method, by which doors are attached without using welding, and employs a process of connecting all electrical components beforehand. At the present time, the Company has more than 3,800 installers, but shortages of manpower are expected to become more serious in the years to come due to the ongoing aging of the population. Labor-saving installation therefore enhances safety and productivity at construction sites and ensures high quality through efficient work.



Logistics facilities advanced by labor-saving measures during installation



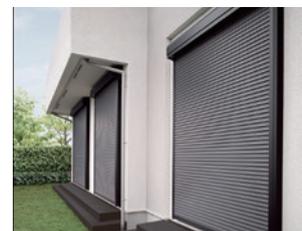
Lightweight shutters



Heavy-duty shutters



Building & condominium doors



Window shutters



Partitions



Storefront products



Stainless steel products



Exterior fittings

North America

Strengthening core businesses while entering into adjacent business fields



Kelly Terry

Overhead Door Corporation  
President & CEO

- Business in the United States and Canada (A powerful brand and top-tier market share)
- A strong network of about 400 “Ribbon Distributors” and more than 2,000 other dealers



- Disparities based on the region of the distributor or dealer
- Distributor competition based on downstream strategies
- Delayed introduction of ERP systems

- Economic growth and strong investment in housing
- Enhanced market share in metropolitan areas
- Introduction of new products in peripheral business domains

- Impact of US administration policies
- Forex risk
- Sharp rise in raw material prices
- Increased market penetration by overseas companies

Fiscal 2018 results and fiscal 2019 forecasts

On a US\$ basis, fiscal 2018 sales were up 4.9% year on year to \$1,056.6 million.

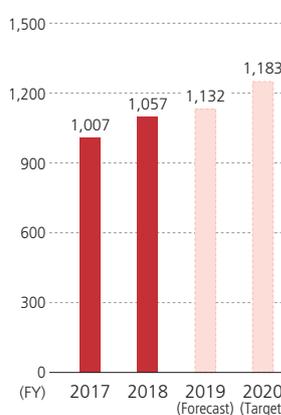
In the North American business, sales improved 3.4% year on year to ¥116.6 billion, while operating income was flat (±0.0%) year on year at ¥8.78 billion. Sales expanded by ¥3.9 billion (an increase of 3.5% year on year) more than initially expected. While higher sales prices served to offset the increase in raw material costs, operating income declined ¥0.25 billion (a decrease of 2.8% year on year), falling short of our initial forecast, due largely to weaker-than-expected sales volume.

On a US\$ basis, fiscal 2018 sales were \$1,056.6 million, (an increase of 4.9% year on year) while operating income improved to \$79.56 million (an increase of 1.6% year on year).

For fiscal 2019, we estimate sales in the North American business rising to ¥118.9 billion (an increase of 1.9% year on year) and operating income improved to ¥9.35 billion (an increase of 6.4% year on year). On a US\$ basis, we estimate sales rising to \$1,132 million (an increase of 7.1% year on year), with operating up to \$89 million (an increase of 11.9% year on year).

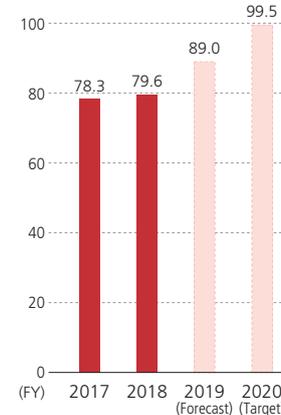
Net Sales

(Millions of U.S. dollars)



Operating Income

(Millions of U.S. dollars)



FY	2017	2018	2019 (Forecast)	2020 (Target)
JPY/US\$ rate	¥112.04	¥110.36	¥105.00	¥105.00

## Business strategy

### Looking back on the Second Three-year Mid-Term Management Plan

The strengthening of sales channels has produced a certain amount of positive effects in the mainstay door business, and we have been able to achieve QCD (quality, cost, delivery) improvements in manufacturing operations. We also pursued aggressive overseas development, including the project in Lima in South America, and moved forward with the restructuring

and strengthening of our downstream businesses. In the services business, Canadian firm Creative Door Services (CDS), which constructs, sells, and maintains doors, was successful in its effort to expand sales, achieving its initial target in the process.

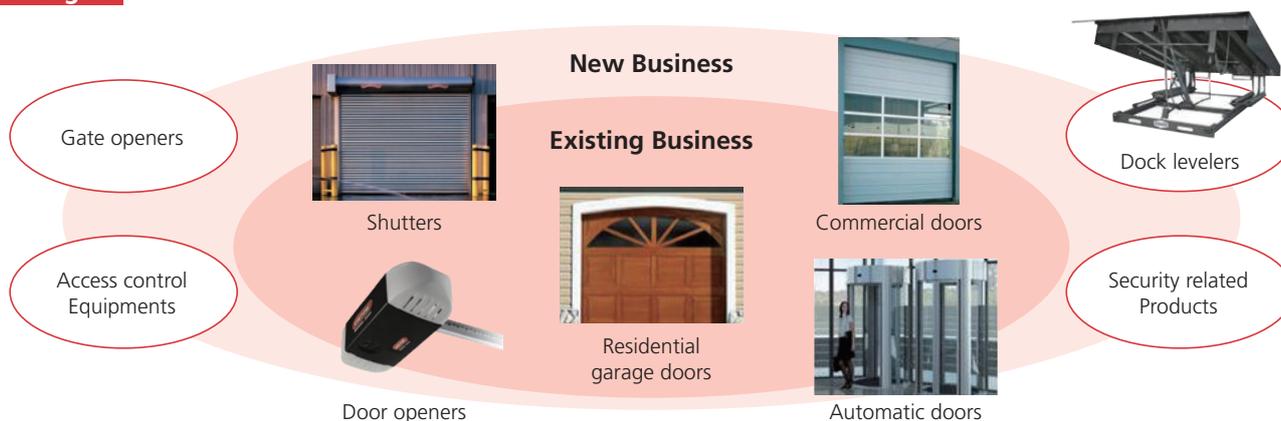
### Third Mid-Term Management Plan

#### Fiscal 2020 Targets

	Net Sales	Variance vs. FY2018	Operating Income	Variance vs. FY2018
ODC (North America)	¥124.2 billion	+6.5%	¥10.45 billion	+19.0%
	\$1,183 million	+12.0%	\$99.5 million	+25.1%

#### Basic Strategies

#### Strengthening core business segments while entering adjacent business fields



#### Core businesses

##### ■ Targeting profit growth through a strengthening of the core businesses

While housing starts in the US are expected to remain flat from fiscal 2018 in both fiscal 2019 and fiscal 2020, we expect capital investment to remain firm. Based on these external conditions, we target ODC sales in fiscal 2020 rising 6.5% from fiscal 2018 to ¥124.2 billion, with operating income rising 19.0% compared to fiscal 2018 to ¥10.45 billion.

With the goal of expanding our market share in residential and commercial doors, we intend to strengthen our upstream businesses and promote improvements in distributor support. Focusing on metropolitan areas and the west coast, where our market share is relatively low, we are working to improve quality and capacity through a shift to automated production in line with our goal of completing the introduction of ERP systems.

We are also considering expanding into the security as a peripheral business to our core business.

#### Growth businesses

##### ■ Expanding our business model and strengthening our service operations

We are working to improve added value, as well as expand our business model and develop new customers, by providing services with a close connection to the local communities. Efforts to strengthen the services business in North America are focused mainly on Creative Door Services (Canada), with directly managed sales offices (NS) being restructured as part of the Door Business. We are also working to expand the number of automated door plants through M&A and improve profitability through the introduction of a field service system.

# The Evolution of Sanwa

## Regional Operations

### Creating value to expand our business

#### Expanding supply capacity in door openers and automatic doors at our plant in Mexico

The expansion to increase production capacity at our plant in Matamoros, Mexico, where we manufacture automatic doors and door openers in the North American region, was completed in May 2019. The expansion was aimed at increasing capacity in the automatic door and door opener businesses and proved successful in greatly enhancing production capacity. With the goal of further improving production efficiency, we intend to close our Baltic facility in the US and consolidate door opener production at the Matamoros plant. In line with expectations for economic growth and favorable construction investment in the North American market, we intend to focus on improving efficiency and further expanding capacity so that we can effectively meet the expected increase in demand as we enter peripheral business domains, including the access control equipment business.



Matamoros, Mexico plant

### Co-creating value with our stakeholders

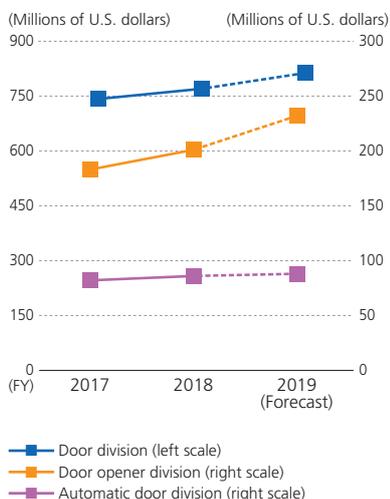
#### Enhancing customer/partner engagement

The sales system in North America is focused on selling products through distributors, and not directly to end users. The distributors, dealing mainly in Overhead Door Corporation (ODC) products, play an important role in creating value for the group. ODC celebrated the 98th anniversary of its founding in 2019, and its distributors, with a sales network of about 400 companies throughout the US, are often referred to as "Ribbon Distributors" in line with ODC's ribbon logo. With the goal of continuously strengthening its relationships with the Ribbon Distributors, ODC uses feedback gained from regular dialogue and information exchanges with the distributors to improve product quality and develop new products. The 2019 National Ribbon Distributor Meeting in Scottsdale, Arizona was a large-scale event, with about 700 participants from 220 distributorships.



National Ribbon Distributor Meeting

#### Sales trends by product



Doors (sectional doors)



Doors (commercial doors)



Doors (residential garage doors)



Door openers



Automatic doors

# Further strengthen industrial segment and promote digitalization through NF4.0



**Rainer Schackmann**  
Novoferm Group  
CEO

<ul style="list-style-type: none"> <li>■ Business development in the mainstay German market as well as other major markets</li> <li>■ Expanding the industrial doors business</li> <li>■ Ability to respond to local needs in each region</li> <li>■ Integrated distribution and sales network built through structural reform</li> <li>■ Flexible M&amp;A strategy</li> </ul>	<p><b>S</b> Strengths</p> <p><b>W</b> Weaknesses</p> <p><b>O</b> Opportunities</p> <p><b>T</b> Threats</p>	<ul style="list-style-type: none"> <li>■ Intensifying competition in the German market</li> <li>■ Cost burden associated with business centers being dispersed by regions and countries based on differing lifestyles and cultures</li> </ul>
<ul style="list-style-type: none"> <li>■ Promotion of synergies on integration with acquired companies</li> <li>■ Promotion of digitalization through NF4.0</li> <li>■ Increasing production capacity on the manufacture of a wide variety of products</li> <li>■ Expansion into until now undeveloped regions</li> </ul>		<ul style="list-style-type: none"> <li>■ Strong competitor foothold</li> <li>■ Spike in raw material prices</li> <li>■ Forex risk</li> <li>■ Ability to secure adequate labor force</li> <li>■ UK leaving the EU</li> </ul>

## Fiscal 2018 results and fiscal 2019 forecasts

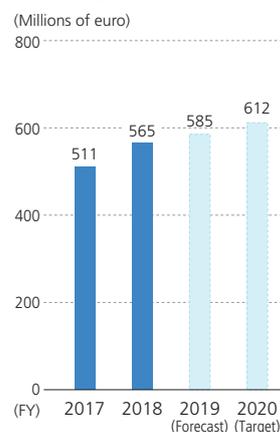
**On a euro basis, sales in fiscal 2018 were up 10.7% year on year to €565.07 million.**

In the European business, sales in fiscal 2018 improved a strong 13.1% year on year to ¥73.5 billion. Operating income also sharply expanded, to ¥3.83 billion (an increase of 32.9% year on year). The rise in raw material costs was offset by improved volume and reduced costs in other areas.

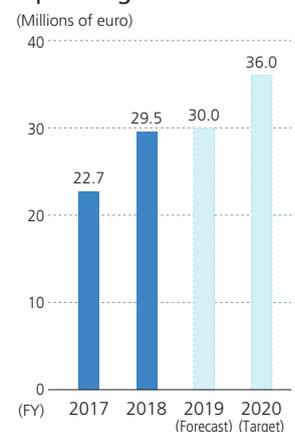
On a euro basis, sales in fiscal 2018 were €565.07 million (an increase of 10.7% year on year), with operating income rising to €29.5 million (an increase of 30% year on year).

For fiscal 2019, we forecast sales of ¥70.2 billion (a decrease of 4.4% year on year), with operating income of ¥3.6 billion (a decrease of 6.1% year on year). On a euro basis, we anticipate sales of €585 million (an increase of 3.5% year on year), with operating of €30 million (an increase of 1.7% year on year).

**Net Sales**



**Operating Income**



FY	2017	2018	2019 (Forecast)	2020 (Target)
JPY/€ rate	¥127.22	¥130.00	¥120.00	¥120.00

# The Evolution of Sanwa

## Regional Operations

### Business strategy

#### Looking back on the Second Three-year Mid-Term Management Plan

In the European business, we focused on our policy aimed at establishing a profitable growth base centered on our key products. We expanded production capacity at the Alpha Deuren plant in the Netherlands, and bolstered our industrial door business by shifting supply to Norsud in France. We also strengthened the supply system for the garage door business through

improved collaboration between the businesses in Germany and the UK, and between the businesses in Germany and France.

In services, we worked to strengthen service orders in cooperation with our directly managed sales outlets, with a focus in particular on large-scale projects such as distribution centers. We also acquired British service company Bolton Gate Services.

#### Third Mid-Term Management Plan

##### Fiscal 2020 Targets

	Net Sales	Variance vs. FY2018	Operating Income	Variance vs. FY2018
NF (Europe)	¥73.4 billion	-0.1%	¥4.32 billion	+12.8%
	€612 million	+8.3%	€36 million	+22.1%

#### Basic Strategies

#### Further strengthen industrial segment and promote digitalization through NF4.0

##### Strengthen the industrial overhead sliding door business

- Completed out expansion at the Alpha Deuren plant (Netherlands)  
(Extended by 18,000m<sup>2</sup> to total building area of 53,000m<sup>2</sup>)
- Production started in the first quarter of 2019
- Roughly doubled the yearly production capacity

##### Strengthen the dock leveler business

- Expand NF Door (Poland) facilities step by step followed by robust demand, and promote multi-product sales initiatives as a total solution provider of industrial products

#### Core businesses

##### ■ Targeting continued strength from fiscal 2018, improved profit margins

Numerical targets for fiscal 2020 include sales of ¥73.4 billion and operating income of ¥4.32 billion. With growth investment in residential and non-residential construction expected to slow over the next two years, we do not expect robust sales growth and along with the impact of exchange rates the outlook is for low growth. On the other hand, profit margins in the business are lower than they are in the US and Japan, and we have accordingly set a target for operating income growth over two years of 12.8%.

As part of our strategy aimed at an expansion in the core businesses, we target enhanced production capacity in dock levelers and an expanded lineup of high-speed sheet shutters, as well as a strengthening in the service and spare parts businesses, and an expansion in sales in the industrial doors business. In the hinged doors business, we aim to strengthen our upstream strategies while advancing synergies with Robust, which we acquired in 2019, and expand sales channels in the Northern European, Southern European, and Eastern European markets. Likewise, we aim in the garage door business to expand sales channels in the Southern European, and Eastern European markets by bolstering our brand strength.

#### Growth businesses

##### ■ Targeting further advancement through promotion of digitalization

With the goal of advancing operational reform, we are promoting continued efficiency improvements through the NF3.0 Project, as well as enhanced efficiency in sales, services, production, and distribution through a shift to digitalization in line with the launch of the NF4.0 Project. We are also enhancing head office functions to support growth across Europe, including through the establishment of a new internal auditing department.

## Creating value to expand our business

### Expanding into areas in Europe where our market share is relatively low

In May 2019, the NF Group acquired all shares of Robust AB, which is developing the hinged door business in Sweden, Norway, and the UK. The hinged door business in Northern Europe and the UK, and in particular for security and fire doors, is very important and is expected to show favorable growth over the next several years. The Robust AB acquisition allows the NF Group to bolster its hinged door business and target further growth through the maximization of group company synergies. The acquisition also allows us to further penetrate the Northern European market and enhance our presence in areas where our market share has been to date relatively low.

Robust AB recorded fiscal 2018 sales of about ¥3.28 billion and had 175 employees.



Robust AB

## Operational process reforms that co-create value with stakeholders

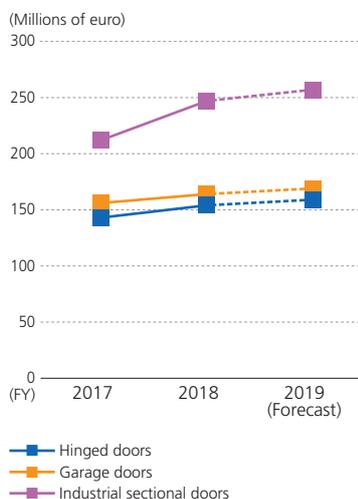
### Launching the NF4.0 digitalization project

One of the key themes in the Sanwa Group's Third Mid-Term Management Plan is the launch of the NF4.0 project promoting digitalization in the European business. The project aims at the digitalization of operations in Europe as a whole in order to improve production and operational efficiency in the sales, manufacturing, and management divisions throughout the region. Realization of NF4.0 could allow digitalization of the quote and ordering process, where the needs of the customers are at their highest. We are also working to achieve enhanced efficiency and optimize the operational process models in production and distribution. In sales, digitalization would allow us to provide added value in a variety of ways, including by displaying product delivery and arrival dates, providing property-related information, as well as information on all offered products, and linking our system to that of the customer.



NF4.0 for reforming operational processes

### Sales trends by product



Hinged doors



Garage doors



Industrial sectional doors



Dock levelers\*



Door openers



High-performance doors

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

China/Asia

Enhancing management synergies of each Group company, increasing consolidated businesses



<ul style="list-style-type: none"> <li>■ Exceptional quality utilizing Sanwa Group technology</li> <li>■ The firm financial foundation of the Sanwa Group</li> <li>■ Production and sales structures that utilize four bases in the China Business, and four bases in the Asia Business</li> </ul>	<p><b>S</b> Strengths</p>	<ul style="list-style-type: none"> <li>■ Delay in localization progress</li> <li>■ Status of production system</li> <li>■ Status of sales channels</li> </ul>	<p><b>W</b> Weaknesses</p>
<ul style="list-style-type: none"> <li>■ Economic growth in the ASEAN region</li> <li>■ Rising income levels</li> <li>■ Favorable logistics market</li> </ul>	<p><b>O</b> Opportunities</p>	<ul style="list-style-type: none"> <li>■ Economic slowdown in China and insufficient workforce</li> <li>■ Geopolitical risks</li> <li>■ Amendments to laws</li> <li>■ Inroads made by overseas companies</li> </ul>	<p><b>T</b> Threats</p>

Business Strategy

Looking Back on the Second Three-Year Plan

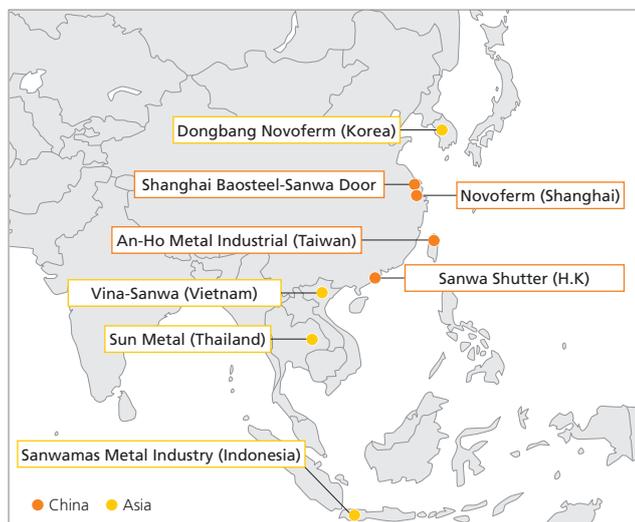
Under the Second Three-Year Plan we sought to secure a foundation for profits by separating our China Business from the Asia Business, and worked to strengthen our management structure.

We endeavored to build a sales and production system for the door business in China, and with Shanghai Baosteel-Sanwa

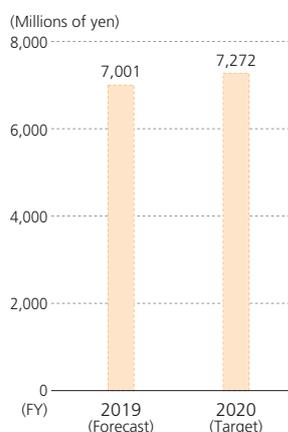
Door, strengthened action taken on logistics market projects and worked to improve productivity that would strengthen profitability.

With Vina-Sanwa in Vietnam we made progress on bolstering exports to ASEAN markets, and focused efforts on raising productivity.

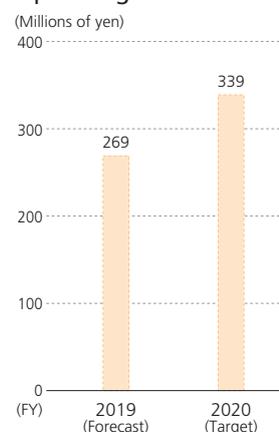
- Coming within the scope of consolidation from fiscal 2019 will be the China Business (Shanghai Baosteel-Sanwa Door, An-Ho Metal Industrial, Sanwa Shutter (H.K.), and the Asia Business (Vina-Sanwa)



Net Sales



Operating Income



\* Comprehensive figures of the four companies that came within the scope of consolidation

## Third Mid-Term Management Plan

### Fiscal 2020 Targets

	Net Sales	Operating Income
China/Asia	¥7.3 billion	¥0.34 billion

#### ■ Aiming for Further Business Expansion by Bringing China and Asia Businesses Within the Scope of Consolidation

In our China Business we will take action to strengthen our door business and our business targeting logistics facilities to realize business synergies within the East China region where Shanghai Baosteel-Sanwa Door and Novoferm (Shanghai) are located. We also will work to strengthen cooperation between Sanwa Shutter (Hong Kong) and Shanghai Baosteel-Sanwa Door to expand business in the South China region. We aim to grow business in Taiwan with efforts to boost production capacity. We have set consolidated net sales targets for the China Business in fiscal 2020 at ¥5.6 billion, and for operating income, the target is ¥0.3 billion.

In the Asia Business, we will work to optimize productivity across ASEAN through the development of production bases. Vina-Sanwa is to undertake various efforts, including the raising of production capacity and taking action on measures to strengthen installation capabilities, while Sanwamas Metal Industry is to steadily enhance equipment. We have set consolidated net sales targets for the Asia Business in fiscal 2020 at ¥1.7 billion, and for operating income, the target is ¥40 million.

Three companies in the China Business (Shanghai Baosteel-Sanwa Door, An-Ho Metal Industrial (Taiwan), Sanwa Shutter (Hong Kong)), and one in the Asia Business (Vina-Sanwa) will come under the scope of consolidation from fiscal 2019. Leading up to fiscal 2020 we will focus efforts on further expanding the scope of consolidation.

## Value Creation for Business Expansion

### Integrated Management in the Asian Region

In October 2018, we took a controlling interest in PT. Sanwamas Metal Industry of Indonesia, hiking our investment from 18.88% to 51.02%. Leveraging this development, we will integrate management among Asia's ASEAN region. Up until now, the primary method of business development was for each country in the ASEAN region to conduct local production for local sales. However, as an element of the plan going forward, we will make progress on an optimized strategy that takes all of the ASEAN region into consideration and construct a flexible structure that moves beyond such a framework that places restrictions on each country.

The mutual supply of products produced in the plants of each country and consolidation of production bases will work to promote business growth in each country, and together with that, we aim to expand sales to markets that have the potential for future economic growth, even if they currently do not have sales functions.



Sanwamas Metal Industry plant (Indonesia)

## Co-creating Value together with Stakeholders

### Seizing Upon Synergies in the China Business

Shanghai Baosteel-Sanwa Door has captured a large-scale order for Sanwa Group products to support a construction project to build the Mongolia-Japan Teaching Hospital in Mongolia's capital of Ulaanbaatar, which is the first medical university hospital for that country. This project was undertaken as part of the Japanese government's Official Development Assistance (ODA), with construction having commenced in 2015, and completed in the summer of 2019. Under this project we delivered shutters, overhead sliders, doors, partitions, and sash products.

Ulaanbaatar is known for having the lowest average temperature of any of the world's capitals. In winter, temperatures fall below minus 40°C so the sash used here employ a distinctive three-panel glass. Patient rooms feature the "Smood" sliding doors manufactured by Novoferm (Shanghai) Co., Ltd., and installation was cooperatively conducted by Shanghai Baosteel-Sanwa Door and Novoferm (Shanghai). We will continue to integrate management operations in the China and Asia businesses to capture synergies amongst each company.



The Mongolia-Japan Teaching Hospital

# Sustainability Management Approach

## Sanwa Group's CSR Vision

In 2005, the Sanwa Group established its CSR Vision: "We will contribute to the prosperity of society and raise our corporate value by offering products that provide safety, security and convenience." We have identified themes and priority issues from the perspective of stakeholder satisfaction, and work continuously to enhance corporate value at each Sanwa Group company and business division.

**CSR Vision** We will contribute to the prosperity of society and raise our corporate value by offering products that provide safety, security and convenience.



- Safe living with protection from disaster
- Secure living with protection from crimes against people and property
- Comfortable living through easy-to-use access systems

The concept behind ESG at the Sanwa Group is to contribute to society through our core business. Our corporate mission is to offer the products and services that provide safety, security and convenience, and for that very reason it leads to solutions to societal problems, and as a result, to the creation of corporate value for the Company.

In providing society with a diverse product lineup cultivated through our multi-product sales strategy, we aim to find solutions to issues that confront people as they live their lives in society.

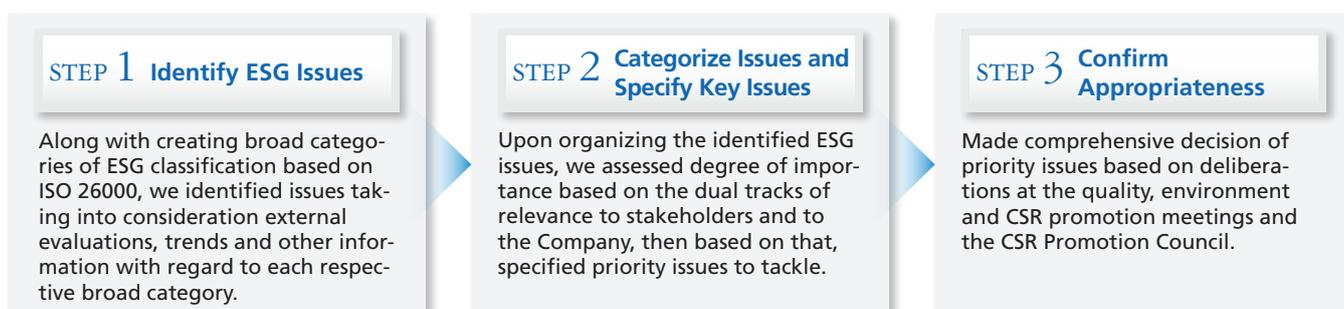
## Promotional Structure

Sanwa Group rolls out its CSR activities in an integrated manner, and to facilitate that, four times a year it holds its Group CSR Promotion Council. In addition, each Group company holds meetings biannually to promote quality, the environment and CSR, and also establishes promotion committees that are a driving force for carrying out relevant duties and managing their progress.

<b>Group CSR Promotion Council</b>	<b>Secretariat:</b> Corporate Communications Department, Sanwa Holdings Corporation
<p><b>Chair:</b> Executive Officer in charge of Corporate Planning Unit, Sanwa Holdings</p> <p><b>Attendees:</b> Sanwa Holdings President, Executive Officer in charge of Global Business Unit, Sanwa Shutter President, Vice President</p> <p><b>Frequency:</b> Four times a year</p>	<p>The Council convenes once every business quarter for domestic and global divisions to investigate and report on the progress of ESG-related measures, and on quality, risk and compliance issues.</p>
<b>Quality, Environment and CSR Promotion Council</b>	<b>Secretariat:</b> Quality Assurance Department, Human Resources and General Affairs Department, Sanwa Shutter Corporation
<p><b>Chair:</b> Sanwa Shutter President</p> <p><b>Attendees:</b> Domestic Group company presidents, Sanwa Shutter Vice President, Heads of production, development, purchasing and engineering departments</p> <p><b>Frequency:</b> Twice a year</p>	<p>The Council mainly investigates quality, environment and ESG-related issues at Group companies in Japan and manages the progress in creating and promoting a compliance action framework at each company.</p>
<b>CSR Promotion Committee</b>	<b>Secretariat:</b> General Affairs Department at Each Group Company
<p><b>Chair:</b> Group company presidents</p>	<p>The Committee within each Group company notifies employees of CSR topics, and drafts, implements and manages the progress of CSR-related measures.</p>

## Decision-Making Process for Key ESG Issues (Materiality)

In light of international trends and the business environment in which Sanwa Group operates, and given the vigorous efforts companies are making to take global action toward achieving a sustainable society in recent years, the Sanwa Group has used the following process to identify those ESG priority issues (materiality) upon which we should be applying our energies.



	ISO 26000 Core Subjects	Key Issues	Background
Environment <b>E</b>	Environment	<ul style="list-style-type: none"> <li>Reduction of Greenhouse Gas Emissions</li> <li>Appropriate Waste Management</li> <li>Promotion of Green Purchasing</li> <li>Providing of Eco-Friendly Products</li> </ul>	In 2007, the Sanwa Group formulated its "Sanwa Group Environmental Policy," and strived to reduce the volume of energy it consumed and the waste it produced. Climate change has for the past few years become an issue garnering attention. On one hand this means such risks as rising costs for supplies and increasingly stringent CO <sub>2</sub> emissions regulations, while on the other, it presents an opportunity for business growth with environmentally friendly products that contribute to a sustainable society, and by providing disaster prevention products with qualities that help prevent water damage and that stand up well to abnormal weather conditions.
	Human Rights	<ul style="list-style-type: none"> <li>Respect for Human Rights</li> </ul>	Sanwa Group, developing its business globally, is bolstering its efforts to address an issue that is gaining worldwide attention, namely "human rights." Eliminating discrimination and harassment based on nationality, gender, age, disability or other characteristic will lead to the creation of a workplace that is free-spirited and open, high motivation among employees and the fostering of loyalty, while also raising corporate competitive capabilities and generating a stream of innovation.
Social <b>S</b>	Labor Practices	<ul style="list-style-type: none"> <li>Work-Life Balance</li> <li>Diversity</li> <li>Human Resource Development</li> <li>Health and Safety</li> </ul>	Sanwa Group requires a multitude of labor capabilities, from development to installation, so that its building materials and building opening products can exert functionality as access systems. This is why the Company seeks to create workplaces where people can carry out their duties with peace of mind given the initiatives taken to remedy long working hours, and that have respect for the diversity and occupational safety of employees. Moreover, at the foundation of business is the fostering of human talent that will be a driver of corporate growth, and this will be a source of competitiveness.
	Consumer Issues	<ul style="list-style-type: none"> <li>Offering Products and Services that Contribute to Safety, Security and Convenience</li> <li>Strengthening of Quality Control</li> <li>Improvement of Customer Satisfaction</li> </ul>	Sanwa Group conducts business activities based on its mission of "providing safety, security and convenience to further contribute to the prosperity of society." We support the lifestyles of people and the places they live, on a 24-7 basis. Continuing to do that into the future requires providing products and services that contribute to safety, security and convenience, as well as the pursuit of quality assurance and customer satisfaction. This is the Company's raison d'être and is at the core of how we differentiate ourselves.
	Community Involvement and Development	<ul style="list-style-type: none"> <li>Regional Contribution</li> <li>Social Contribution</li> </ul>	Sanwa Shutter Corporation, comprising the core of the Group, was the industry's quickest player off the mark in building a nationwide production and sales network, which has become the cornerstone of our business. We now conduct business activities deeply rooted in local communities in regions throughout the world. Product development that takes into account local characteristics, co-existence with communities, and contributing to society through our core business will link to the development of both local society and the Sanwa Group.
Governance <b>G</b>	Organizational Governance	<ul style="list-style-type: none"> <li>Corporate Governance</li> <li>Compliance</li> <li>Risk Management</li> <li>Stakeholder Dialogue</li> </ul>	Sanwa Group is a global corporation with Group companies in Japan, the U.S., Europe and Asia, and amid escalating corporate competition, we are boosting corporate value through efforts to build highly transparent management systems, strengthen compliance, and conduct proper risk management. We work to achieve lively communication with various stakeholders, and believe it important to perform business activities while listening to such voices.
	Fair Operating Practices	<ul style="list-style-type: none"> <li>Fair Competition</li> <li>Anti-corruption</li> </ul>	Sanwa Group conducts business activities that are supported by a wide range of stakeholders, including partners and suppliers, installers, as well as design and factory support companies. As we move into the future, we have a firm understanding of the importance of building relationships that are just and fair, as well as ethical, so as to grow and develop together with these stakeholders, and to pursue being a company that is trusted by society.

# Sustainability Management Approach

## Stakeholder Engagement

In pressing forward with CSR activities, we focus on dialogue with a diverse range of stakeholders. The points made and information that emerge from such dialogue that are deemed to be of importance to Company operations are provided as feedback to top management.

### Dialogue with Customers

Sanwa Group products are used in the openings of a wide variety of structures, from buildings, condominiums, factories, and warehouses, to schools, medical and welfare facilities, and others to support the lives of people on a daily basis. Together with responding to the diverse comments and requests of customers with a nationwide network of over 250 locations and a 24-7 repair service, the opinions acquired at our customer centers are shared throughout the Group, which leads to improved products and services.

### Dialogue with Employees

In addition to briefings on corporate strategy and vision provided by top management to employees, we convey the importance of promoting CSR and compliance through internal newsletters that are issued four times a year as well as messages sent by e-mail. Sanwa Shutter Corporation's management team, led by the president, visits the approximately 10 locations twice a year to explain strategy and policies, and to exchange opinions. In addition, the Employee Awareness Survey and internal whistle blower system work to improve organizational climate and eradicate improper behavior.

### Dialogue with Partners

The "Sanwakai" group, consists of roughly 110 companies that are Sanwa Shutter's suppliers, factory support companies and other partners, facilitates the sharing of information and takes QCDE\* initiatives to the next level through synergies gained from mutual suppliers. The Company is pursuing long-term mutual development based on strengthened ties and as one of the activities of the "Sanwakai" we are bringing together a purchasing group, consisting of suppliers that enables reduced costs and improved quality, and a manufacturing group of factory support companies that has priority goals of raising quality and performing safety activities, among others.

\* QCDE: An abbreviation for Quality, Cost, Delivery and Environment

### Dialogue with Shareholders and Investors

We are striving to achieve sustainable growth and to raise corporate value by disclosing information in a timely and appropriate manner, and reflecting the content of the dialogue we have with all of our shareholders and investors back to management. We hold financial results briefings on a biannual basis, and individual IR meetings over 200 times a year, while also holding an international road show to North America, Europe and Asia, as well as briefings to individual investors and plant tours to institutional investors, among other activities. We publish the "Integrated Report" annually.

### Dialogue with Installers

We make concerted efforts to raise installation quality and enhance engagement with the over 3,800 installers who are the lifeline of the Company in their support of safety, security and convenience through access systems. Installers can pick up information on installation quality and occupational safety conveyed at regular monthly occupational safety meetings, and in addition to all types of training and contests, we provide long-service awards, and support for benefits packages. We also publish a biannual public relations magazine catering to installers, among other initiatives.

### Dialogue with Local Communities

As a good corporate citizen, the Sanwa Group uses product materials produced in local prefectures and conducts activities deeply rooted in local communities, such as factory tours and Sanwa Environmental Day, in which 1,500 people participate every year. In addition, the Group seeks solutions to societal problems in the course of its business activities, including the development of products that are environmentally friendly and that serve to support disaster prevention, while also actively performing work to contribute to society, such as conducting donation drives and volunteer activities.

## ESG Data

● SANWA HOLDINGS CORPORATION and Sanwa Shutter Corporation ● Group companies in Japan ● Group companies overseas ● Entire Group

ESG	ISO 26000 Core Subjects	Key Issues	Results of Initiatives	Upcoming Issues	Related SDGs
Environment	Environment	Reduction of Greenhouse Gas Emissions	Reduction in energy consumption Fiscal 2018 results ● Offices: Basic unit of facility energy consumption 0.0242 (target: 0.0243) ● Factories: Basic unit of facility energy consumption 0.117 (target: 0.1079) Basic unit of logistics energy consumption 0.0522 (target: 0.0542)	● Target setting for energy reduction ● Collection of environmental impact data/target setting for energy reduction	7 AFFORDABLE AND CLEAN ENERGY
		Appropriate Waste Management	Reduction in volume of waste generated Fiscal 2018 results ● Offices: Basic unit of waste 22.29 (target: 23.46) ● Factories: Basic unit of waste 35.85 (target 36.62)	● Target setting for waste reduction	11 SUSTAINABLE CITIES AND COMMUNITIES
		Promotion of Green Purchasing	Promotion of 3Rs for packaging materials/Measuring a rate of green purchasing Fiscal 2018 results ● Promoted switch to 4Ms (manpower, machines, methods and materials): 5 projects (target 4 projects) ● Rate of green purchasing (No. of companies): 68%	● Promoted increase 3Rs for packing materials ● Raise rate of green purchasing	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
		Providing of Eco-Friendly Products	Expand sales of environmentally friendly products Fiscal 2018 results ● ¥31.4 billion Commercialize eco-products and Design for the Environment (DfE) products Fiscal 2018 results ● Eco-products: 2 items (targets: 2 items) Design for Environment (DfE) products: 10 items (targets: 10 items)	● Expand sales of environmentally friendly products ● Eco-products, designed with the environment in mind Product development and sales	13 CLIMATE ACTION

ESG	ISO 26000 Core Subjects	Key Issues	Results of Initiatives	Upcoming Issues	Related SDGs
Social	Human Rights	Respect for Human Rights	Conducting training on harassment Fiscal 2018 results ● 218 people	● Expand scope of training, content	
		Work-Life Balance	Revising long working hours through appropriate management of work practices Introduction of telecommuting trial Fiscal 2018 results ● 6 people confirmed	● Promote work-style reforms ● Expand scope of teleworking	
	Labor Practices	Diversity	Enhancing measures to support a balance between childcare and work Fiscal 2018 results ● Introduced paid vacation by the hour ● No. of employees who took child care leave: 17 ● Rate of return to work after child care: 100% Hiring of sports athletes and conducted spectator events Fiscal 2018 results ● Held 2 times (64 people participated)	● Promote taking of child care leave by male employees ● Support employees balancing work with home care ● Hold career enhancement training for female employees ● Hold sports experience event	
		Human Resource Development	Cultivating professional and global human resources Fiscal 2018 results ● Total No. of employees trained at the Human Resource Development Center: 1,448 ● No. of employees who took e-learning: 100 Securing and training installers (including internal installers) Fiscal 2018 results ● No. of installers trained at the Installation Training Center: 1,121	● Carry out new training plan ● Hold diversity management training	
		Health and Safety	Initiatives to eliminate work-related accidents Fiscal 2018 results ● Rate of lost-worktime due to injuries (Factories): 0.9% Health management initiatives Fiscal 2018 results ● Decided Health management officer and constructed promotion framework	● Promote efforts to eliminate work-place accidents ● Identify priority health issues and promote countermeasures	
		Offering Products and Services that Contribute to Safety, Security and Convenience	Expanding sales of products and services that contribute to safety, security and convenience Fiscal 2018 results ● Products that protect from fire, floods and other disasters: ¥86.8 billion ● Water-proof products: ¥800 million ● Service business ¥49.0 billion	● Expand sales of products and services that contribute to safety, security and convenience	
	Consumer Issues	Strengthening of Quality Control	On-site supplier surveys Fiscal 2018 results ● Quality diagnosis (process patrol): 24 companies	● Secure stable quality and promote initiatives to further raise quality	
		Improvement of Customer Satisfaction	Customer consultation and ample response to repair requests Fiscal 2018 results ● No. of customer consultations: 15,622 ● No. of general repair requests: 130,462 Business etiquette training Fiscal 2018 results ● No. of business etiquette training participants: 23 ● No. of installers taking business etiquette training: 307	● Raise degree of customer satisfaction with implementation of customer survey (repair response, products)	
	Community Involvement and Development	Regional Contribution	Participating regional events and local cleanup activities Fiscal 2018 results ● No. of participants in community clean-up activities: 1,529	● Promote local community development initiatives	
		Social Contribution	Promoting Sanwa Group Social Contribution Club activities Fiscal 2018 results ● No. of Sanwa Group Social Contribution Club members: 1,185 ● Cumulative Sanwa Group Social Contribution Club donations: ¥54.5 million Participation in charity events, donations, free loans for facilities	● Grow membership in Sanwa Group Social Contribution Club and promote volunteer activities ● Further promote social contributions through core business	
Governance	Organizational Governance	Corporate Governance	Enhancing Corporate Governance Fiscal 2018 results ● Conducted Board of Directors' survey ● Decided on lead outside director ● Partially revised basic policy for construction of internal control system (strengthened prevention of misconduct)	● Announce corporate governance guidelines ● Enhance governance at overseas subsidiaries	
		Compliance	Providing Compliance Training Fiscal 2018 results ● 324 participants Established internal whistleblower system (Japan, U.S., Europe, Asia) Fiscal 2018 results ● 42 issues	● Expand scope of compliance training, enrich contents ● Enhance effectiveness of internal whistleblower system	
		Risk Management	Promoting risk management Fiscal 2018 results ● 20 themes Strengthened information security	● Construct a structured risk management system ● Ongoing improvements to BCP	
		Stakeholder Dialogue	Proactive dialogue with major stakeholders Fiscal 2018 results ● Conducted employee awareness survey Response rate: 95.1%	● Disclose information in proper and timely manner, raise corporate value by deepening dialogue	
	Fair Operating Practices	Fair Competition	Thorough Guidelines on Regulations Concerning Contact with Associates from Industry Peers Implementing Anti-trust Law Training Fiscal 2018 results ● 170 people	● Expand scope of Antitrust Law training, enrich content	
	Anti-corruption	Compliance training, education with casebook	● Establish guidelines		

# Sustainability Management System

## Environmental Initiatives



As interest in ESG and the SDGs has grown, contributing to the realization of a sustainable society has become an indispensable part of improving corporate value. Based on the Sanwa Group Environmental Policy, the Sanwa Group conducts its business activities in coexistence with the global environment and local communities. As a good corporate citizen, we contribute to a sustainable, affluent society.

### Policy

As globally integrated manufacturers of building materials, the Sanwa Group contributes to the realization of an enriched society capable of sustainable development through environmentally responsible business activities and the supply of environment-friendly products and services.

### Reduction of Greenhouse Gas Emissions

Sanwa Shutter Corporation has created and operates an environmental management system based on ISO 14001 and works to reduce energy use by promoting various initiatives, including increasing the efficiency of primary logistics using depots (small-scale delivery centers) in the Tokyo metropolitan area and in Sendai, as well as controlling energy use through demand monitoring systems installed in each factory. Starting in fiscal 2019, Group companies in Japan have been strengthening initiatives to reduce energy use by a target of 1% per unit of production from fiscal 2018 levels.



Shizuoka Plant Demand Monitoring System

### Waste Reduction

Sanwa Shutter Corporation works to reduce waste by providing on-site guidance at high-emissions locations and promoting recycling at factories. Moreover, improvements made to the coating lines at the Ota Door Plant and Hiroshima Plant during fiscal 2017 served to improve the adhesion rates of paint and reduced the amount of waste coating. An-Ho Metal Industrial Hsinchu Plant has increased yields 4.4% by purchasing steel sheets that match the size of finished door frames and by improving placement efficiency during steel sheet nesting. In this way, these moves contribute to the effective use of resources and reduce waste.



Improvements in Placement Efficiency During Nesting Increase Yields

### Promotion of Green Purchasing

Sanwa Shutter Corporation issued its "Green Purchasing Guidelines", and promotes the 3Rs (Reduce, Reuse, Recycle) for packaging materials during visits to plants and suppliers. In fiscal 2018, the Company began measuring green purchasing ratios and has been implementing initiatives to raise the green purchasing ratio through dialogue with and making proposals to suppliers.

#### Green Supplier Evaluation Standards

- Status of acquisition of certifications from third-party certification organizations (ISO 14001 etc.)
- Requirements for establishing and operating an environmental management system
- Management of environmentally hazardous substances contained in products
- Environmental impact of business activities
- Environment-related laws and regulations



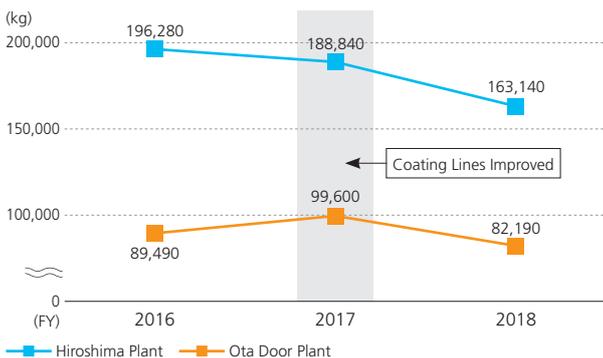
### Providing Eco-Friendly Products

As a company engaged in manufacturing, the Sanwa Group contributes to a sustainable global environment through the development and provision of eco-friendly products. Sold in Japan, North America, Europe, and Asia, high-speed sheet shutters, which open and close a sheet-like curtain at high-speed, contribute to energy savings at factories and distribution centers throughout the world by increasing airtightness and improving air conditioning efficiency.



ODC (North America) High-speed Sheet Shutter

### Sludge (paint residue, etc.) Emissions



## Human Resource Initiatives



The source of corporate value creation lies in the full participation of every employee. As measures designed to utilize a diverse range of human resources, the Sanwa Group promotes the active role of women, cultivates global competence, mobilizes senior workers, and employs those with disabilities. These measures develop human resources that can drive growth and maximize the capabilities of the organization.

### Policy

The Sanwa Group creates new value that contributes to the resolution of customer and social issues by nurturing an organizational culture that respects and embraces the diversity of each employee. In addition, the Group focuses on the development of human resources capable of creating value by enhancing systems and work environments that enable employees to maximize their capabilities.

### Human Resource Development

Sanwa Shutter Corporation introduced a new training system called the "Sanwa Professional Human Resources Training Plan." Through job rotations over the course of two years, this system provides new college graduates who entered the company in fiscal 2019 with the opportunity to learn about the Company's core operations of sales, installation, factory work, and design. The goal of this system is to ensure closer cooperation between production, sales, and engineering, as well as to train human resources that can make decisions through a comprehensive, optimized field of view.

Moreover, the Sanwa Holdings Corporation Global Human Resource Planning Division takes the lead in cultivating global competence, and works to increase the speed of training based on the two educational pillars of overseas practical training and e-learning.

During fiscal 2018, 12 managers from Group companies in China, Hong Kong, and Vietnam were invited to Japan to participate in the Asia Group Company Manager Training program, which educates participants on the Sanwa Group Mission, Values, and PDCA, among others. This program spreads Sanwa Group's DNA throughout the Asian Region while promoting the localization of the Asian business.



Asia Group Company Manager Training

### Work-Life Balance Initiatives

Along with appropriately managing working hours and reforming long working hours, the Sanwa Group also introduced a telecommuting scheme on a trial basis to promote a balance between finding fulfillment in work and a rich, fulfilling life among all its employees. The Group designs these systems under the assumption that they will be used by those in different situations, not only women currently raising children, and is also investigating the further expansion of these.



Telecommuting Has Been Well-received by Female Employees Currently Raising Children

### Promoting Diversity

Sanwa Shutter Corporation is committed to enhancing and expanding systems that embrace and ensure the participation of a diverse range of employees, including women. This commitment includes introducing paid vacation in hourly units, extending the reduced working hour system for childcare (up to the sixth year of elementary school), and introducing a partial paid leave scheme for childcare (five days). In addition, the Group mobilizes senior employees and recruits and supports sports athletes.

#### Comments from One Man Who Has Taken Child Care Leave

Being our second child, I decided to take five days of childcare leave because I wanted to relieve some of the burden on my wife. I spent a fulfilling five days helping my wife and her parents feed and play outside with our oldest son, as well as change our youngest son's diapers and put him to sleep. I am very grateful to my managers and colleagues for warmly embracing my decision to take childcare leave.



Sanwa Shutter Corporation Akita General Sales Office Kento Haba

### Securing and Training Installation Technicians

Sanwa Shutter Corporation strives to improve installation quality and related skills by offering various training programs to more than 1,000 installation technicians every year at the Installation Training Center, a dedicated training facility. Some of these programs include welding training and product installation qualification training.

In addition, the Group utilizes practical skill training videos at safety meetings and training sessions throughout Japan as a means of horizontally deploying inspection skills and expertise. Winners of the "Fire Prevention Equipment Regular Inspection Skill Contest" who achieved outstanding results appear in these videos for this purpose.



Practical Skill Training Video Being Played at a Safety Meeting

## Human Rights Initiatives



Respect for human rights is a social responsibility of corporations, where human rights must be respected among all stakeholders, not only employees. The Sanwa Group stands firmly for the respect of human dignity, and recognizes the diverse set of values held by individuals. The Group respects individual character and personality, and goes beyond the requirements of the law in presenting a stance that does not endorse discrimination, child labor or forced labor.

### Policy

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

### Increasing the Awareness of Human Rights

In April 2019, the Group provided harassment training led by an outside expert lecturer to its executives. Attended by a total of 218 individuals, including general managers, plant managers, branch managers, and head office managers from Sanwa Holdings Corporation and Sanwa Shutter Corporation, as well as presidents, directors, and general managers from Group companies in Japan,

participants learned about which situations fall within the appropriate scope of business and ways to provide guidance. Through continued awareness activities, the Group is working to eliminate harassment and raise the overall level of human rights awareness.



Harassment Training Seminar

## Safety Initiatives



The Sanwa Group is committed to conducting business activities under its mission of providing safety, security and convenience to further contribute to the prosperity of society. Aside from the obvious of providing product safety, ensuring a safe working environment for employees, a major asset of the Sanwa Group, is also a critical issue. The Group promotes safety education and on-site improvements at all factories and installation sites.

### Policy

As a company engaged in manufacturing, the Sanwa Group recognizes that ensuring the health and safety of employees is fundamental to our sustainability and our responsibility as a Company. Thus, the Group does its utmost to create a work environment that takes mental and physical wellbeing into consideration based on the notion that this is the responsibility of the company.

### Manufacturing Site Initiatives

The Sanwa Group works to raise safety awareness and strengthen its management system in line with its annual health and safety action plan as a means of eliminating occupational accidents. A safety notebook covering matters related to safety such as safety-related laws, risk prediction activities and training, and safe operation guidelines has been translated into six languages (English, Chinese, Spanish, Portuguese, Vietnamese and Indonesian) for the Group's foreign workers, which have been increasing in number in recent years.

In addition, the Sanwa Shutter Corporation Shizuoka Plant has introduced work-assistance suits for the purpose of reducing the physical burden on the backs of its workers that handle doors. The Group will continue to strive towards improving the work environment and work efficiency in aims of reducing the burden on its diverse range of workers, including women and the elderly.



Safety Notebook Is Available in Six Languages



Work-assistance Suit

### Installation Site Initiatives

The Sanwa Group takes steps to prevent and eliminate occupational accidents through regular, continuous safety education at installation sites. Similarly, during safety-related meetings throughout Japan the Group also holds presentations regarding actions that can be taken to prevent accidents. These presentations are made by those who have been involved in occupational accidents.

In addition, installation managers provide "Job dispatch training" to all installation technicians using "Job dispatch card" These cards provide advanced instructions regarding the site conditions and rules for the purpose of eliminating occupational accidents and accidents where installation is at fault as a result of insufficient information provided beforehand and insufficient planning.

Shanghai Baosteel-Sanwa Door sends dedicated supervisors involved in the safety of the company to randomly selected installation sites to check the clothing of installation technicians and the on-site facilities.



Job Dispatch Card



Shanghai Baosteel-Sanwa Door Safety Supervisor Checks the Installation of the Electrical Earthing for a Switchboard

# Quality Initiatives



Enhancing quality management for products and pursuing safety is the primary responsibility of manufacturers. The Sanwa Group undertakes initiatives to improve product safety, installation quality, service, and traceability for the purpose of preventing the recurrence of product-related accidents. By striving to improve quality and safety in these ways, the Group secures the trust and satisfaction of its customers around the world.

**Policy** The Sanwa Group works to improve quality and safety, the primary responsibilities of a manufacturer, in all processes from development to sales, production, installation and maintenance.

## Further Improving Product Quality

The Sanwa Group promotes measures aimed at achieving the quality targets set by each company. Group companies in Japan confirm the progress towards these targets during the Quality, Environment and CSR Promotion Council, held once every six months.

Sanwa Shutter Corporation holds product quality and safety meetings every month in order to prevent the recurrence of complaints and product-related accidents. Meanwhile, the Purchasing Department directly visits suppliers for head office purchases to monitor quality and propose improvements. In particular, the Group is strengthening its supply chain quality management framework, for example by making annual visits to suppliers that handle door openers and other core functional components.

Overhead Door Corporation works to ensure quality by employing quality managers that provide training and guidance to pre-shipment inspectors and by implementing other measures related to quality improvements. Meanwhile, Novoferm (Germany) shares the response history for quality-related problems at each company within the Group in working to improve the overall level of quality.

Novoferm (Shanghai) has established a quality management framework in which three dedicated quality inspectors check dimensions and perform an external checks on the attachment of clasps and paintwork.



ODC Quality Manager



Novoferm (Shanghai) Dedicated Quality Inspector

## Towards Enhancing Customer Satisfaction

Sanwa Shutter Corporation implements various initiatives to enhance customer satisfaction, including operating a 24-hour-a-day, 365-day-a-year service and repair request receiving system called FTS (Full Time Service) throughout Japan as part of its efforts to create an environment in which customers can use its products with safety, security and convenience. At the same time, the Company utilizes feedback received by the Customer Center to improve sales office response and to develop new products.



Sanwa Shutter Corporation Customer Center

Overhead Door Corporation strives to continuously improve relations with distributors by reflecting feedback from periodic dialogue and information sharing back into new product development and the improvement of product quality.

Novoferm (Germany) conducts customer surveys every year, where higher levels of quality connect to greater customer satisfaction. The Company is also working to further expand its scope of business and build its brand by establishing the image of "Easy to do business with Novoferm."



Novoferm (Germany) Customer Satisfaction Survey (1: Very good to 5: Unsatisfactory)

## "Safety Pledge Day" Initiative

The Group has designated March 26, the date of a fatal revolving door accident in 2004 at Roppongi Hills Mori Tower in Roppongi, Tokyo, as "Safety Pledge Day." On this date, everyone involved with the Sanwa Group thinks about and renews their commitment to safety. To ensure the lessons of this tragic accident are not forgotten, as well as for use in safety education and training inside and outside of the company, the revolving door involved in this incident has been preserved in working condition.



Revolving Door Preserved in Working Condition

# Corporate Governance

To work for continuous growth and improvement in its corporate value and to contribute to the sustainable development of society, Sanwa Holdings Corporation positions corporate governance, which forms its foundation, as an important management issue.



### Policy

The Sanwa Group works to create a more highly transparent and sound management system in order to continually enhance corporate value through the realization of our management vision.

## Basic Approach to Corporate Governance

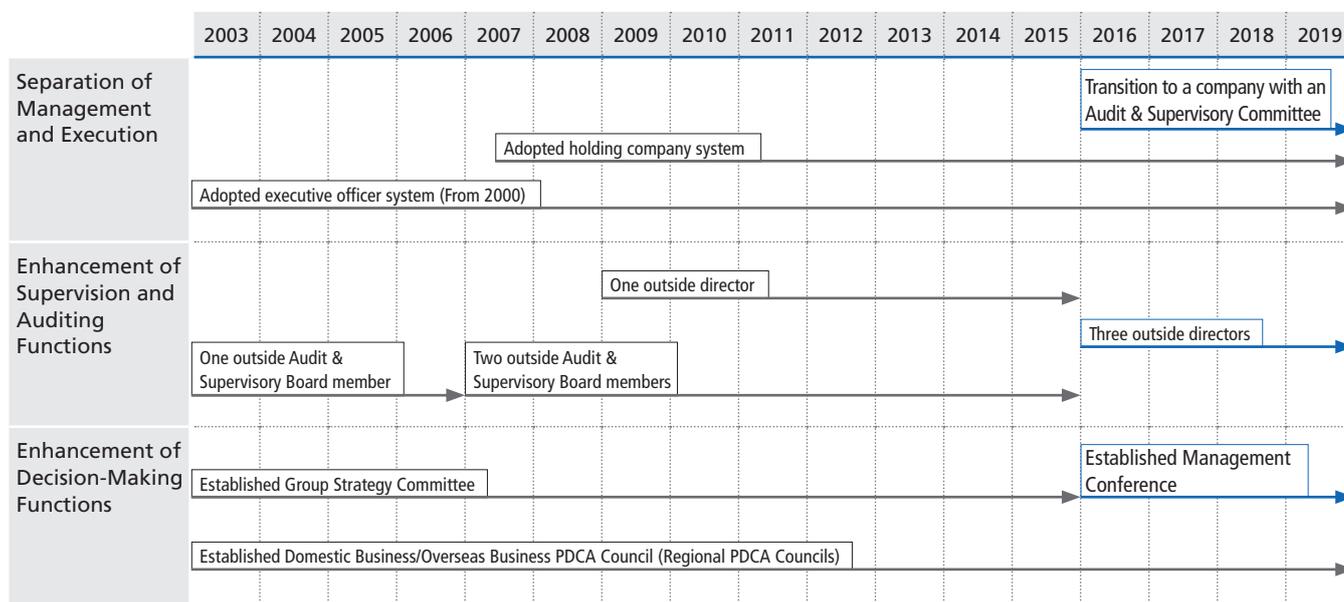
As a global access systems company that is developing business in 25 countries and regions in North America, Europe and Asia as well as in Japan, Sanwa Holdings Corporation achieves business growth through good faith and fair business activities on the basis of the Company's "Mission," "Our Values," "Principles of Business" and "Compliance Code of Conduct" while aiming to instill "two kinds of reliability" (reliable business performance and reliable management). Continuing to grow and improve corporate value, the Company will also contribute to the sustainable development of society while positioning corporate governance, which forms its foundation, as an important management issue.

The Company's Second Three-Year Plan of Sanwa Global Vision 2020, our long-term management vision, was launched in 2016, the year the Company marked the 60th anniversary of its establishment. In that same year, we transitioned to a company with an Audit & Supervisory Committee structure under the Companies Act with the aim of further strengthening corporate governance to build a corporate structure trusted by society and befitting of a major global enterprise. In the years to come, we will maintain a system to ensure the appropriateness of operations, while striving to enhance corporate governance and build highly transparent group management.

## Corporate Governance Highlights

Number of Directors (of whom are outside directors)	Number of Board of Directors Meetings	Attendance Rate at Board of Directors Meetings (of whom are outside directors)
9 (3)	8	100% (100%)
Number of Audit & Supervisory Committee Members (of whom are outside directors)	Number of Audit & Supervisory Committee Meetings	Attendance Rate at Audit & Supervisory Committee Meetings (of whom are outside directors)
3 (2)	10	100% (100%)

## Timeline of Corporate Governance Reforms



## Corporate Governance Structure

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

### Establishment of Management Conference in accordance with delegation of business to director (CEO)

In accordance with the transition to a company with an Audit & Supervisory Committee structure in 2016, from the perspective of speeding up management decisions a director (CEO) was entrusted to make "significant decisions concerning business execution," excluding matters prescribed by law. Consequently, set up as an advisory body to the delegated director (CEO), a Management Conference deliberates and reports on important management issues, assists the CEO in making decisions and strengthening the flexibility of business execution. Discussing (i) matters concerning important business execution decisions delegated by the Board of Directors to the CEO, (ii) matters deemed necessary by the director (CEO) from among the Board of Directors' meeting agenda items, and (iii) other important, management-related matters deemed necessary by the director (CEO), the Management Conference works in conjunction with the Board of Directors in the making of quick and efficient management decisions.

### Detailed supervision/audits of business execution by Group and Regional PDCA Councils

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

### Group CSR Promotion Council

To enable the Group to carry out CSR activities, such as ESG, risk management, and compliance, in an integrated manner, a Group

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

## Status of Compliance with the Corporate Governance Code

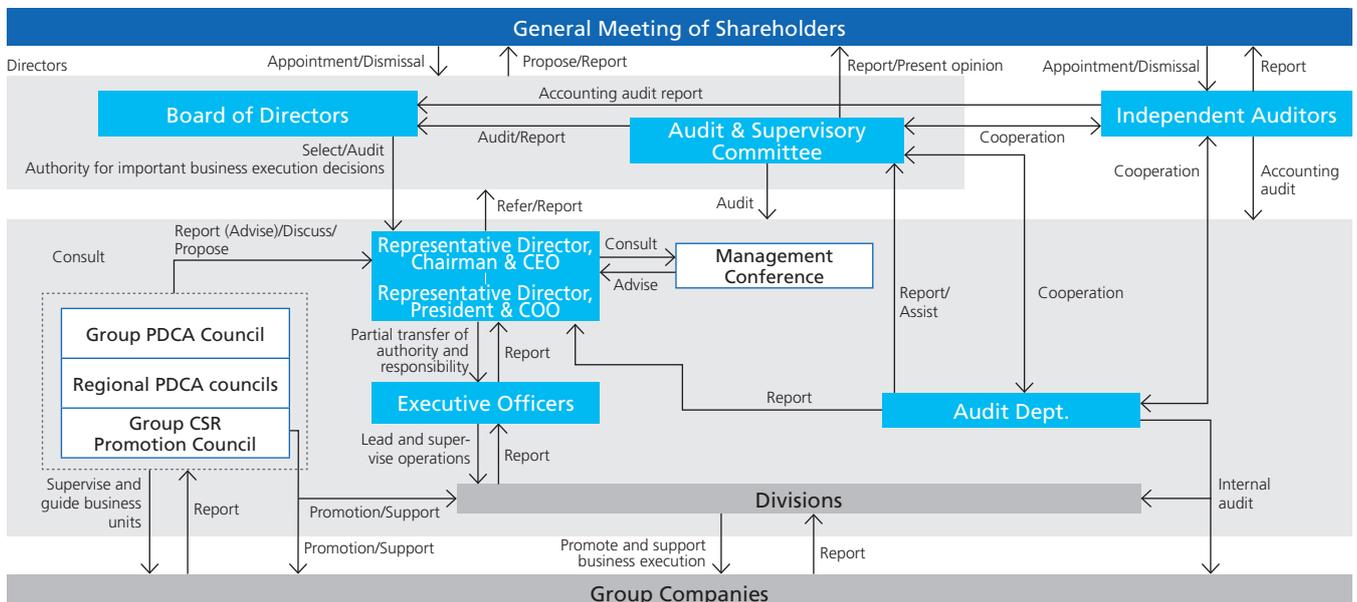
We are responding to the principles prescribed in the Corporate Governance Code of the Tokyo Stock Exchange. However, the following principle is not implemented for the following reason set out below.

### Principles Not Implemented and Reasons

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

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

## The Sanwa Group's Corporate Governance Structure



**Establishment of Corporate Governance Guidelines (Established July 1, 2019)**

Established to fulfill our responsibilities to all our shareholders, these guidelines clarify the Company's basic approach to corporate governance. We clarify what the Company specifically has to address to achieve sustainable growth and increases in corporate value over the medium to long term.

Please see the section "Corporate Governance Guidelines" posted on our website.

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

**Group Governance**

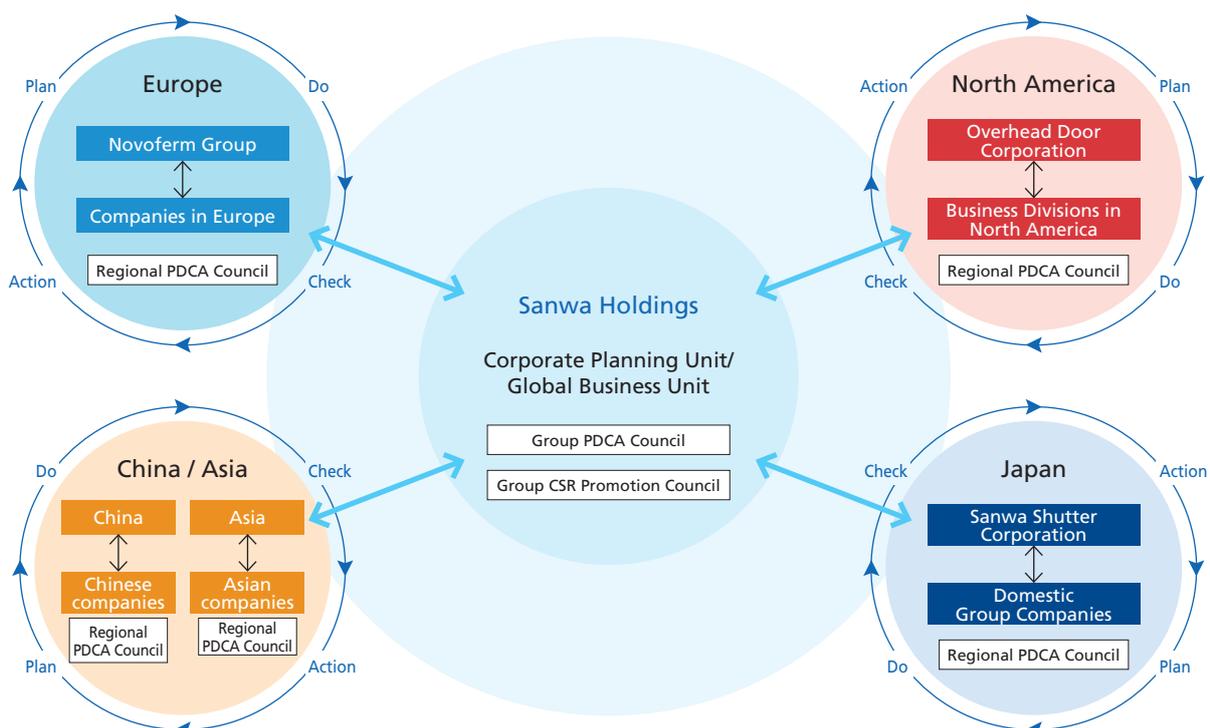
The Company strives to strengthen governance of the Group by transferring authority to each Group company as deemed appropriate, and verifying the implementation status of the PDCA cycle for measures designed to heighten the "two kinds of reliability" (reliable business performance and reliable management)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

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

**System Ensuring Appropriate Duties Across Group Companies**

- (1) The Sanwa Group shall ensure that each Group company is fully aware of our mission, our values, our principles of business and our Compliance Code of Conduct to enable the appropriateness of operations in light of optimal benefit for the Group while respecting the autonomous and independent management and responsibilities of each entity. The Group shall promote wholesome and efficient corporate group activities through a Group-wide compliance system, quality assurance system and risk management system, etc.
- (2) Sanwa Group companies are managed autonomously as independent companies and fulfill their management responsibilities in compliance with laws and internal regulations and rules. To ensure and promote the appropriateness of operations, the director responsible for each Group company monitors the operational decisions and status of business execution at each company, provides guidance, issues recommendations and reports to the Board of Directors to improve business management transparency.
- (3) Regional PDCA Council meetings and other meetings are held to formulate management policy, management targets and yearly business plans based on pertinent two-way discussions with each group company.
- (4) An executive officer or employee of the Company or an executive officer or employee appointed by the Company takes on a position as director or Audit & Supervisory Board member at each group company to ensure the legality and effectiveness of management.
- (5) The Sanwa Group requires Group companies to seek preliminary consultation or approval on certain matters concerning business execution, as well as to submit follow-up reports, in accordance with the Group Company Management Regulations and the standards of respective regulating authorities for companies in Europe, the United States and Asia.

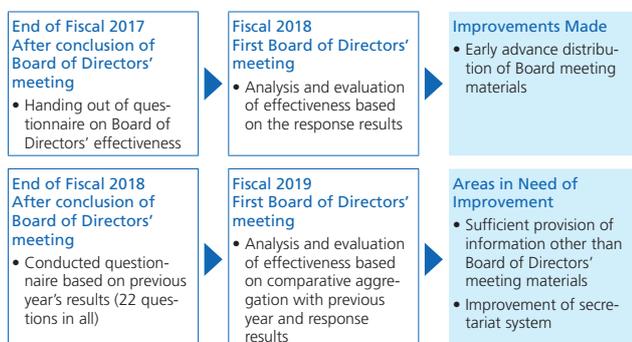
**Group Governance System**



## Result of Evaluations of Board of Directors' Effectiveness (Overview)

The Company has been conducting a questionnaire on the effectiveness of the Board of Directors at the conclusion of Board of Directors' meetings since the end of fiscal 2017. In the same year, we obtained responses from all directors, and at the first Board meeting in fiscal 2018 they analyzed and evaluated effectiveness based on the response results. As a result, although there were issues raised, we evaluated that our Board of Directors is functioning effectively. In fiscal 2018, we worked on the "early advance distribution of Board meeting materials" for the purpose of enhancing discussion. Having received evaluations saying that we could improve, we decided to continue the evaluations and newly provide other information and improve the secretariat system. An overview of the results for fiscal 2018 appears below.

### Evaluation Process



### Board of Directors' Evaluation Implementation Guidelines

**Subjects of evaluation:** All nine fiscal 2018 directors  
**Implementation method:** Anonymous survey (freedom to express own opinions)

**Question content:** 22 questions in all, related to the degree of deliberation at Board of Directors' meetings, the status of ensuring the effectiveness of the Board of Directors, the status of the Board of Directors' management, and the self-evaluation of Company and outside directors

**Evaluation Method:** Compilation of questionnaire results, implementation of comparative aggregation with previous year  
 The results of the questionnaire were reported at a Board of Directors' meeting and, based on the response results, the evaluation with regard to the Board's effectiveness was confirmed. (Content that could be evaluated)

- As regards management of Board of Directors' meeting proceedings, lively discussions are taking place
- Sufficient time is being given for discussion

Initiatives arising from fiscal 2017 results

- Improved with regard to early distribution of materials for Board meetings

(Points to be improved)

- Sufficient provision of information other than Board of Directors' meeting materials
- Improvement of secretariat system

(Other opinions expressed)

There were opinions given on the establishment of a voluntary committee on nomination and compensation and increasing diversity on the Board of Directors.

Based on the above results, we will continue to maintain and enhance the effectiveness of a Board of Directors best suited to the Company.

### Policy for Selection of Outside Directors

We appoint outside directors based on our overall judgment of a number of considerations using information such as candidates' career histories and the relationship of their previous employers with the Company. Judgment criteria include whether there are any issues regarding their independence from the Company, and whether the candidates are qualified to perform the monitoring and supervision functions that the Company requires of 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/csr/effort/governance/pdf/Independence\\_Criteria\\_for\\_OutsideOfficers.pdf](http://www.sanwa-hldgs.co.jp/english/csr/effort/governance/pdf/Independence_Criteria_for_OutsideOfficers.pdf)

### Reasons for Appointment of Outside Directors

Name	Audit & Supervisory Committee member	Independent outside director	Supplementary Explanation	Reasons for Selection
<b>Makoto Yasuda</b> 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.
<b>Tsunekatsu Yonezawa</b> Number of Board of Directors meetings attended: 8 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
<b>Akira Gokita</b> Number of Board of Directors meetings attended: 8 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.

### Compensation of Directors

Matters related to the policy regarding the determination of the amounts of director compensation and their calculation methods are as follows.

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

With regard to the compensation of directors (excluding directors serving as Audit & Supervisory Committee members), a director delegated by the Board of Directors (Representative Director and Chairman [CEO] Toshitaka Takayama) determines the compensation for each director (stock options are determined by the Board of Directors) based on the policies below, which are set by the Board of Directors. (Stock options, most recently implemented in June 2018, are determined by the Board of Directors.) The Company does not currently have a voluntary compensation committee, but the Audit & Supervisory Committee has the authority to verify and form opinions, from policy decisions with regard to compensation to the amounts decided, thereby ensuring objectivity and transparency. The policy for determining compensation for directors who are Audit and Supervisory Committee members will be determined based on the following policy, in consultation with directors who are Audit and Supervisory Committee members.

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

##### ■ Basic Concept of Compensation for Directors

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

##### ■ Compensation of Directors

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

The compensation of directors consists of base compensation, performance-linked variable compensation, and stock options.

The compensation of outside directors, however, consists only of base compensation. The total amounts of base compensation and performance-linked variable compensation shall be within the limits of the total compensation determined by the General Meeting of Shareholders. The total amount of stock options shall be within the limit for stock options, also determined by the General Meeting of Shareholders.

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

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

(3) Base compensation

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

(4) Performance-linked compensation

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

(5) Stock options

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

#### ■ Overview of Compensation (Fiscal 2018)

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)	380	214	131	34	4
Directors serving as Audit & Supervisory Committee members (excluding outside directors)	33	33	—	—	1
Outside directors (excluding Audit & Supervisory Committee members)	10	10	—	—	1
Outside directors (Audit & Supervisory Committee members)	40	40	—	—	2

- (Notes) 1. The amount paid to directors does not include the portion of employee's salary for those directors who concurrently serve as employees.  
2. The compensation limit for directors (excluding directors serving as Audit & Supervisory Committee members) is ¥680 million per year (as approved at the 81st Ordinary General Meeting of Shareholders held on June 28, 2016). For performance-linked compensation, consolidated operating income has been adopted as the main indicator to provide incentives that enable sustainable growth based on the consolidated performance of the Company as a whole.  
3. Separately from (2) above, the compensation limit for director stock options (excluding outside directors and directors serving as Audit & Supervisory Committee members) is within ¥60 million per year (as approved at the 81st Ordinary General Meeting of Shareholders held on June 28, 2016).  
4. The compensation limit for directors serving as Audit & Supervisory Committee members is ¥100 million per year (as approved at the 81st Ordinary General Meeting of Shareholders held on June 28, 2016).  
5. Stock options are in the amount recorded in the current fiscal year related to stock acquisition rights granted as stock options.

## Strategic Shareholdings

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

Investment stocks held for purposes other than net investment totaled 46 shares, worth ¥12,396 million (as of the end of March 2019).

## Internal Controls System

In accordance with the provisions of the Companies Act, the Company passed a resolution on its "Basic Policy for Building an Internal Control System" at a Board of Directors' meeting and is appropriately establishing an internal control system based on that basic policy. Passed by resolution at the Board of Directors' meeting held on March 27, 2019, the basic policy has been par-

tially revised, as a strengthening measure for the prevention of misconduct. Also, every year, we check the execution status of the internal control system and report the results to the Board of Directors and, via business reports, to shareholders. We will continue to strengthen corporate governance by making improvements.

## Functions as Corporate Pension Asset Owner

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

## Dialogue with Shareholders and Investors

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

### Individual Investor Briefings

For the purpose of deepening their understanding of the Company, we hold company briefings for individual investors. At these events we provide easily understood explanations of the business and future prospects.

### Recognition

In *Institutional Investor* magazine's 2019 All-Japan Executive Team Rankings (best Japanese companies for IR ranking), Sanwa Holdings ranked third in the Most Honored Companies category in the construction sector, and ranked second in the Best IR Program Combined category.

<p>■ Exercise Ratio of Voting Rights at 84th Ordinary General Meeting of Shareholders (held on June 26, 2019)</p> <p style="text-align: center;"><b>88.62%</b></p>	<p>■ Number of Explanatory Sessions for Institutional Investors and Analysis</p> <p>Fiscal 2018</p> <p style="text-align: center;"><b>2</b></p>	<p>■ IR meetings</p> <p>Number of Individual Meetings <b>Total of 229</b></p> <p>Number at which director present <b>65</b></p>
<p>■ Overseas Roadshows</p> <p>Fiscal 2018 In each of the United States, Europe and Asia</p> <p style="text-align: center;"><b>1</b></p>	<p>■ Number of Explanatory Sessions for Individual Investors</p> <p>Fiscal 2018</p> <p style="text-align: center;"><b>7</b></p>	<p>■ Tours of Plants for Institutional Investors</p> <p>Fiscal 2018</p> <p style="text-align: center;"><b>1</b></p>

# Risk Management and Compliance

## Risk Management



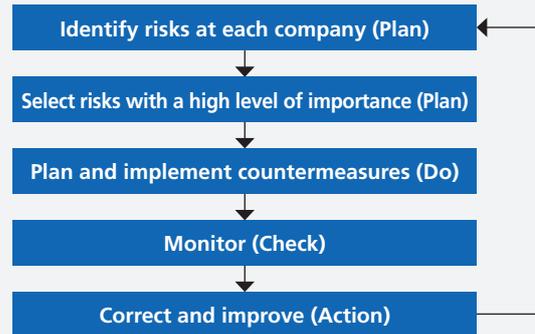
### Policy

The Sanwa Group ensures stable business management by implementing a Group-wide risk management system and working to predict and prevent potential risks, as well as by responding appropriately to risks as required for business continuity.

### Implementing Risk Management

#### Promoting Risk Management for the Sanwa Group

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



This cycle is repeated annually to identify and reevaluate risks.

#### Establishment of the Information Security Countermeasures Council

In June 2019, we established the Information Security Countermeasures Council chaired by the executive officer in charge of the Corporate Planning Unit in order to enhance and promote security countermeasures during emergencies. The Information Security Countermeasures Council identifies security risks Group-wide (including overseas operations); investigates, formulates and implements various measures to maintain and increase security levels; and aims to formulate security measures based on the latest information received mainly from external organizations. In addition, we have established the

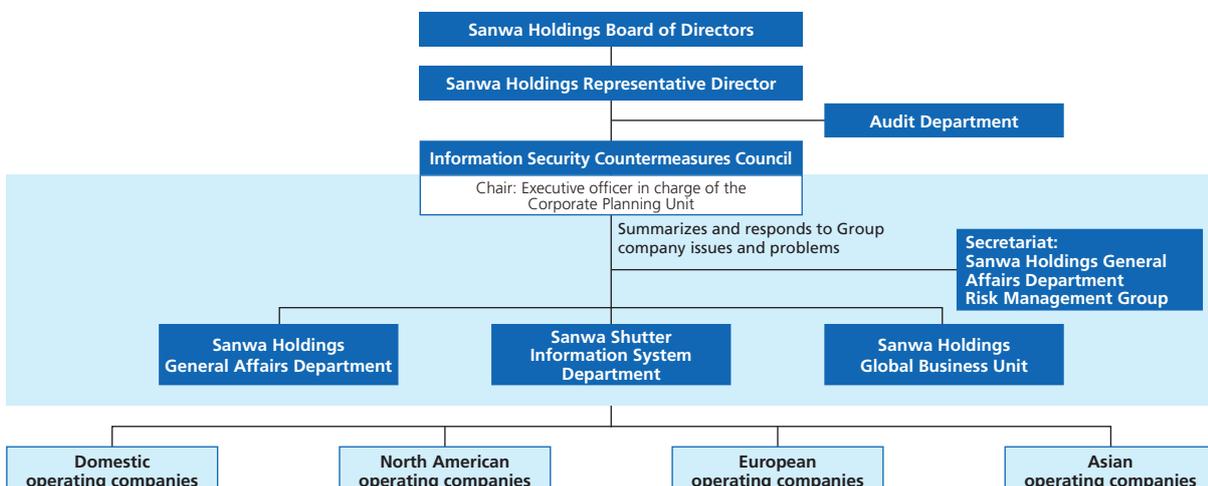
24-hour telephone/email hotline Virus 110 as a concrete security measure, distributed security goods to raise awareness of information security, and plan to conduct e-learning-based training programs.

Going forward, we will work to further enhance information security countermeasures through multilayered initiatives in both hard and soft areas.



Sticker calling attention to suspicious emails

### Sanwa Group Information Management System



\* Each company's administrative departments promote information management

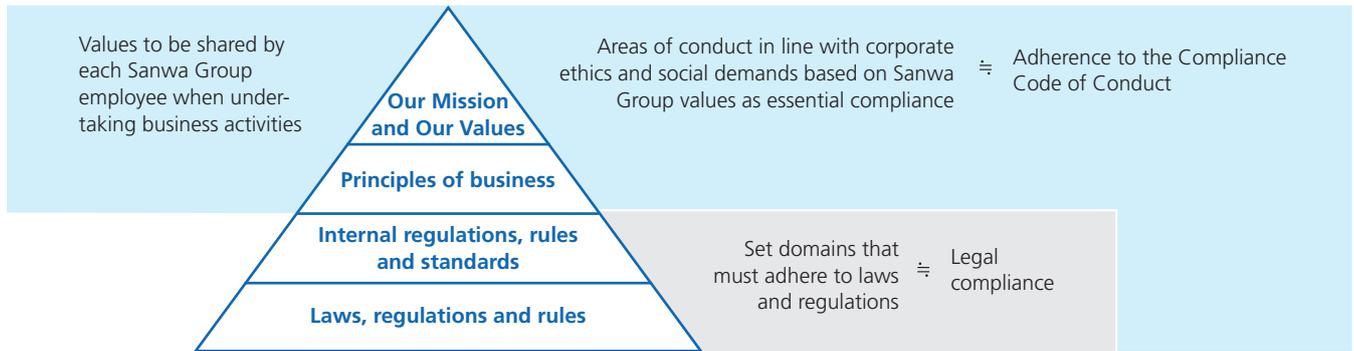
## Compliance



### Policy

The Sanwa Group ensures compliance with laws, corporate ethics, internal regulations and rules as an important foundation to garner trust and meet the expectations of society.

### Compliance Code of Conduct: Conceptual Diagram



### Formulation of the Compliance Code of Conduct

In order to maintain the trust of society, the Sanwa Group formulated in October 2005 the Compliance Code of Conduct, which outlines specific conduct that must be adhered to and is based on the Group's mission, Our Values, Principles of Business, and values.

In January 2006, we distributed to all Group employees the Compliance Code of Conduct booklet, which provides examples and explanations of actual incidents that occurred at individual departments. This booklet has been subsequently undergone revisions as needed in an effort to promote compliance.

### Introduction of Internal Whistleblower System at Companies in China and Asia

Starting in July 2019, we have introduced whistleblower systems (corporate ethics hotlines) at six companies in China and other areas of Asia. We have developed a system that employees can understand through the use of the native languages (or equivalents) in each region, displaying posters and distributing cards to employees in English, Chinese (simplified, traditional), Vietnamese, and Thai. We have also appropriately publicized the system and have worked to increase trust by keeping reported information strictly secret and prohibiting the adverse treatment of system users.



Card in the Thai language announcing the introduction of the internal whistleblower system

### Compliance Initiatives

Implemented Activities	Target	Frequency	Tools, teaching, materials, output
Compliance code of conduct and case study booklet	All employees	Revise every 4-5 years	
Compliance training	Management	Once every two years	Textbook on Compliance training
	Newly appointed managers	Every November	Compliance code of conduct and case study booklet
	New employees	Every April	Antitrust Law Guidebook (4th Edition)
Harassment training	Management	As needed	
Compliance month	All employees	Every November	Compliance code of conduct and case study booklet CEO message, posters, mini tests
Corporate ethics hotline (whistle-blower system)	All employees, dispatched workers, internal subcontractors, installers	As needed	Corporate ethics hotline card, Compliance posters
Guidelines and regulations on contact with main competitors	Sales division employees, directors, executive officers	As needed	Antitrust Law Guidebook (4th Edition)
Training on cease and desist measures	Sales positions in the six prefectures in the Kinki region	Every November	Textbook on compliance training. Antitrust Law Guidebook (4th Edition)
Safety and quality inspection month	All employees	Every July	
Compliance awareness survey	All employees	Once every two years	Feedback materials on from employees awareness survey
Management of working hours	All employees	Monthly	Working hours PDCA report

## Interview with an Outside Director

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### Q What are the issues with regard to corporate governance, and what in your personal experience can you bring to the Board of Directors?

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The role of the Board of Directors is moving to strengthen functions from conventional “management decision making” to “management oversight.” I would like the Board of Directors to fulfill a robust oversight function.

Firstly, allow me to state, in general terms, what is constantly in my thoughts.

From 2010 onward, the term “internal control” came into common use within the governance structures at certain listed companies, and in corporate governance it has now come to be something that everyone talks about. However, originally this came about due to the pressure applied by the government (public administration), and it appears that a lot of companies are satisfied that, for the time being anyway, they have cleared the Governance Code standards.

I previously served at a trading house, and the structure of the business was such that in addition to distribution and logistics that focused on trade, both in Japan and overseas, I was also involved in the business operations across a number of different industries, and performed at the top level of management. Sanwa Group is in the manufacturing industry, and every day I keenly feel a difference in corporate culture varying from company to company. The essence of each company’s strategy is the corporate culture, philosophy, and climate that each company has cultivated, and I believe that people outside a company that have not learned or experienced these can only make their decisions based on economic rationalization. As money circulates around the world, on the other hand, we have come to a point where we need to secure transparency at Japanese companies as well. Consequently, the execution of voting rights by outside directors is in response to a diverse range of stakeholder’s expectations, and as a desirable corporate function, we will ideally strike a good balance with those who are actually implementing management. In line with the evolution of governance, we think that the more execution and management separate, the more that the traditional role carried out by the Board of Directors will transition from a “management decision making function” to an “oversight function.” I think that having a firm hand in performing such an oversight function is one of the most critical roles of an outside director.

### Q How do you see the mission of an outside director? As a member of the Audit & Supervisory Committee, please tell us about the Company’s audit system.

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The three outside auditors each have their own respective skills and experience, and based on that, we offer our frank opinions to those who execute management.

Among the outside director members, my role is to voice my thoughts at the Management Conference and Board of Directors’ meetings, primarily on risk management, based on my personal experience in corporate management gained in overseas business, and as an Audit & Supervisory Committee director. Another member of that committee, Outside Director Gokita is an attorney-at-law who offers up sharp questions, mainly on legal matters, and also gives his straightforward opinions to CEO Takayama.

There’s also Outside Director Yasuda, who is not a member of the Audit & Supervisory Board Committee, who consults on matters of management at overseas corporations in a range of industries, and provides comprehensive opinions from a broad perspective. From that perspective there are now three outside directors of nine in total, and I think that this ratio strikes a good balance. It’s necessary to have half or more of the Audit & Supervisory Committee directors be outside directors, and currently two of the three members are outside directors. The other member, Director Zaima, is in charge of accounting and finance matters, so in that sense, each of the three members of the Audit & Supervisory Committee have different yet complimentary skills, and I believe that it has an exceptional composition.



**Tsunekatsu Yonezawa**  
Outside Director (Audit &  
Supervisory Committee Member)

**Q We are now in our first year of the Third Mid-Term Management Plan. Please outline your views on the plan.**

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Based on my experience, mid-term management plans are by their very nature formulated in line with a focus on qualitative factors, like strategy, and it's my opinion that quantitative factors, such as numerical targets, are in the end just rough guides. Now we are working on the Third Mid-Term Management Plan, and in line with the completion period of Sanwa Global Vision 2020, this is a two-year plan that to a certain extent unavoidably focuses on quantitative numerical targets. However, I hope that from the next mid-term management plan our emphasis will be on content such as a qualitative strategy which we will aggressively work to achieve.

**Q What do you think are the priority issues that we should be pursuing, especially now that we are experiencing steady business results?**

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Priority issues to tackle are these three initiatives—growth in overseas markets, the nurturing of our human talent, and strengthening governance.

I see the following three points as issues we are now facing. First, there is achieving further growth in overseas markets. It's well understood that the industry that we operate in, that is to say, the construction business, cannot expect to achieve significant growth in demand in Japan on account of the country's declining population. Consequently, I believe that we should emphasize overseas markets in our growth strategy. As a way to go about doing that, certainly aggressively conducting M&A operations with outstanding projects would be an effective policy.

The second point is nurturing our human talent. Fostering growth in people who can pick up capabilities from a wide and varied range of venues requires that focus efforts based on a methodical support of employees' career paths. I suppose one topic of discussion will be strengthening our human resource planning functions in HD.

The third point is to strengthen governance. As a global corporation it is necessary that we conduct institutional reform with the separation of the execution of duties and management, and work to accelerate decision making. Perhaps this will come in the next stage. Stakeholders, particularly investors, apply a bit more pressure every year, and investors are becoming ever-more severe in the way they speak about a responsibility to supervise management. From that perspective, with things such as ROE and ROA, it will also be important to improve indicators of management efficiency.

As a stakeholder advocate, I intend to sincerely say what is needed for the Sanwa Group.

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
- 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)
- Apr. 2019 Representative Director, Chairman of the Board, Sanwa Shutter Corporation (present post)

Current shareholdings in the Company:  
108,287 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:  
24,300 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:  
73,800 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:  
86,838 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:  
5,100 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

Hiroyuki Yamazaki	Senior Executive Officer	Subleader, Corporate Planning Unit General Manager of Corporate Planning Dept.
Toshiaki Doba	Senior Executive Officer	Head of Americas Business
Takenobu Hoizumi	Executive Officer	Subleader, Corporate Planning Unit
Kazuhiko Yokota	Executive Officer	Head of China Business, Chairman of Sanwa Holdings (Shanghai) Co., Ltd.

# 12-Year Summary

(As of March 31, 2019)

**Sanwa Vision 2010**  
 (FY2001–FY2012)

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

(FY)	2008	2009	2010	2011	2012
<b>Operating Results</b> (Millions of yen)					
Net sales	272,970	232,029	237,295	248,214	265,913
Overseas sales ratio (%)	36.9	38.1	56.0	41.0	39.3
Cost of sales	205,425	173,108	179,399	186,683	196,631
Gross profit	67,544	58,921	57,895	61,530	69,281
Operating income	8,070	5,624	4,562	8,855	14,174
Ordinary income	7,495	4,829	4,033	8,190	13,988
Profit attributable to owners of the parent company	2,312	(725)	(2,443)	3,297	7,181
Research and development expenses	2,607	2,750	2,436	2,456	2,440
Capital expenditures	6,508	3,894	3,495	2,897	4,293
Depreciation and amortization (excluding amortization of goodwill)	4,962	4,651	5,063	5,348	5,428
<b>Cash Flows</b> (Millions of yen)					
Cash flows from operating activities	14,312	17,870	3,717	5,453	14,855
Cash flows from investing activities	(7,076)	(22,287)	(3,791)	(9,253)	(5,313)
Cash flows from financing activities	(12,392)	17,914	(14,252)	312	(4,340)
Cash and cash equivalents (end of year)	20,547	34,912	20,306	16,825	22,275
Free cash flows	7,236	(4,417)	(74)	(3,800)	9,542
<b>Financial Position (at Balance Sheet Date)</b>					
(Millions of yen)					
Total assets	231,054	246,599	218,933	226,579	241,771
Interest-bearing debt	54,482	74,628	59,892	61,607	60,799
Net assets	95,365	96,109	86,021	85,522	97,134
Working capital	60,343	56,151	52,188	59,833	69,593
Cash Conversion Cycle (CCC) (Day)	90.0	91.6	83.3	82.4	84.7
<b>Per Share Data</b> (Yen)					
Net income (loss) per share	9.6	(3.0)	(10.2)	13.7	29.9
Net assets per share	396.65	399.56	357.59	355.37	404.57
Cash dividends per share	10	5	8	8	10
<b>Financial Indicators</b>					
Operating income ratio (%)	3.0	2.4	1.9	3.6	5.3
R&D expenditures to net sales ratio (%)	1.0	1.2	1.0	1.0	0.9
Return on assets (%)	0.85	(0.30)	(1.05)	1.48	3.07
Return on equity (%)	1.9	(0.8)	(2.7)	3.8	7.9
ROIC (%)	4.5	2.9	2.6	4.9	7.7
SVA (Billions of yen)	(1.6)	(3.5)	(3.5)	(1.2)	1.9
Debt/equity ratio (Times)	0.57	0.78	0.70	0.72	0.63
Shareholders' equity ratio (%)	41.3	38.9	39.3	37.7	40.1
Liquidity ratio (Times)	1.6	1.2	1.7	1.6	1.7
Payout ratio (%)	104.2	—	—	58.3	33.4

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

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

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

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

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

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

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

2013	2014	2015	2016	2017	2018	2019 (forecast)
311,957	339,045	365,615	353,922	385,673	409,990	425,000
41.7	43.8	44.7	44.4	46.1	46.4	44.5
225,954	242,273	260,078	250,068	273,155	291,301	—
86,003	96,771	105,537	103,854	112,517	118,689	—
20,649	26,334	26,870	26,440	28,322	31,593	34,000
20,316	25,975	26,161	25,278	27,898	30,437	33,000
10,161	12,857	14,627	17,070	18,280	20,910	22,000
3,149	3,505	3,868	3,999	4,422	4,611	—
7,116	7,727	8,127	8,096	11,383	12,367	10,274
6,180	7,188	8,022	7,290	7,622	8,049	9,005
19,728	22,304	24,378	23,670	26,532	24,271	—
5,932	(27,080)	(15,641)	(8,006)	(13,172)	(13,677)	—
3,876	10,625	(25,702)	(838)	(20,505)	(11,349)	—
52,307	58,605	41,516	56,290	49,263	47,977	—
25,660	(4,776)	8,737	15,664	13,360	10,593	—
281,917	323,327	310,269	323,393	331,686	338,432	350,854
69,153	88,484	70,798	74,739	65,945	61,217	52,901
113,956	126,748	130,334	139,905	151,121	161,603	168,166
71,051	80,820	84,012	82,982	90,794	96,162	—
78.8	81.7	82.3	86.1	82.2	83.2	—
42.4	54.1	63.1	74.6	81.0	93.0	97.8
474.63	541.49	565.64	607.16	667.09	713.50	—
13	16	23	25	30	32	34
6.6	7.8	7.3	7.5	7.3	7.7	8.0
1.0	1.0	1.1	1.1	1.1	1.1	—
3.88	4.25	4.62	5.39	5.58	6.2	—
9.6	10.7	11.4	12.7	12.7	13.5	13.5
10.6	12.6	12.2	12.2	12.8	15.0	—
5.4	7.8	8.2	8.1	9.0	12.7	14.0
0.61	0.70	0.54	0.53	0.44	0.38	0.31
40.4	39.1	41.7	43.0	45.2	47.4	47.4
1.6	1.7	1.8	1.8	1.7	1.7	—
30.7	29.6	36.5	33.5	37.1	34.4	34.8

### Business Overview

The final fiscal year is approaching for the Second Three-Year Plan—“three years to strengthen our competitiveness as a major global player”—of Sanwa Global Vision 2020, our long-term management vision. Accordingly, in Japan we are continuing to focus on enhancing existing businesses, strengthening and expanding businesses through tie-ups, and responding the new periodic inspection reporting system for fire prevention equipment along with operating Osaka plant (partition business) and enhancing diversified product supply capacity. In North America, we are working to enhance our foundation and increase market share by strengthening support for core door business distributors and sales offices, releasing new products, and pursuing product-specific channel strategies. In Europe, we acquired Bolton Gate Services in January 2018 to strengthen services operations in the U.K. while working to further expand the industrial sectional door business by focusing on enhancing Alpha Deuren International’s factories, generating synergies with Norsud, and expanding sales of production capacity for dock levelers, a strategic product.

### Earnings

Consolidated earnings for the fiscal year ended March 31, 2019 were as follows: sales increased 6.3% year on year to ¥409,990 million, operating income rose 11.5% to ¥31,593 million, ordinary income increased 9.1% to ¥30,437 million, and profit attributable to owners of the parent company grew 14.4% to ¥20,910 million.

(FY)	2016	2017	2018	Variance vs. FY2017
Net sales	353,922	385,673	409,990	+6.3
Operating income	26,440	28,322	31,593	+11.5
Ordinary income	25,278	27,898	30,437	+9.1
Profit attributable to owners of the parent company	17,070	18,280	20,910	+14.4

### Operating income/operating income ratio

Operating income rose 11.5% year on year to ¥31,593 million. Operating income ratio increased 0.4 points to 7.7%

### Profit attributable to owners of the parent company

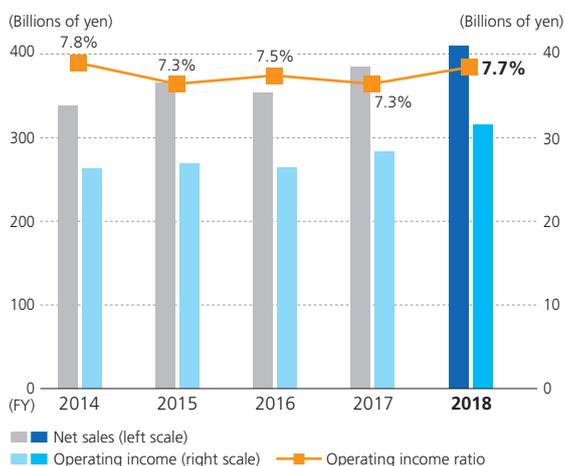
Profit attributable to owners of the parent company grew 14.4% year on year to ¥20,910 million.

### Segment Overview for the Fiscal Year under Review

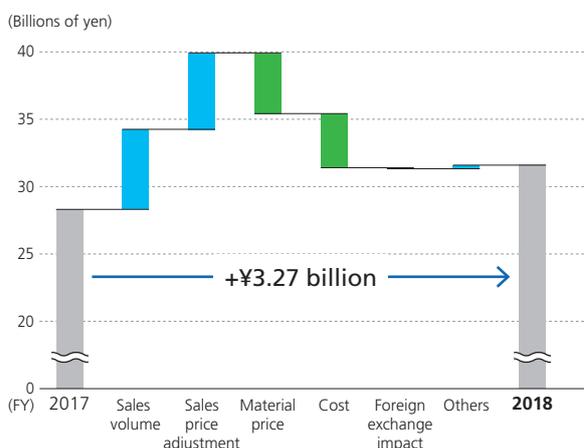
#### Japan

Net sales increased 5.5% year on year to ¥219,559 million owing to higher revenues for heavy-duty shutters and other core products as well as the maintenance and service business. Segment profit rose 7.0% year on year to ¥22,258 million due to rises in volumes and successful reflection of higher steel prices in sales prices.

### Net sales/Operating income/Operating income ratio



### Factors Increasing/Decreasing Operating Income



## North America

Net sales reached ¥116,574 million, up 3.4% year on year (up 4.9% on a local currency basis), due to strong sales in the mainstay door and door opener businesses. Segment profit increased 2.3% year on year to ¥8,409 million as a result of the successful reflection of higher steel prices in sales prices and improved productivity at the door opener business.

## Europe

Net sales increased 13.2% year on year (up 10.8% on a local currency basis) to ¥73,394 million, a major gain due to steady progress in existing businesses and the consolidation of BGS. Segment profit rose 36.1% year on year to ¥3,658 million owing to the successful reflection of higher steel prices in sales prices and large contributions particularly from volume growth.

\* Segment sales/profits are before elimination of inter-segment transactions.

## Capital Expenditures

In principle, we make capital investments necessary for maintaining and continuing existing businesses within the range of depreciation and amortization. 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 ¥12,367 million (including strategic capital expenditures) in fiscal 2018. By segment, expenditure was ¥2,571 million in Japan, ¥3,978 million in North America, ¥5,803 million in Europe, and ¥14 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.

## R&D Expenditures

R&D activities in fiscal 2018 involved work to develop new products and improve existing products while enhancing their product lineup for each application market, promoting shifts to platforms, consolidating products, materials and parts, improving quality, safety and workability, and implementing cost-cutting measures. R&D expenditures totaled ¥4,611 million.

## Financial Position

Total assets as of March 31, 2019 were ¥338,432 million, up ¥6,745 million from the end of the previous fiscal year. The increase was mainly due to the acquisition of fixed assets and rises in accounts receivable and inventories. Total liabilities decreased ¥3,736 million to ¥176,828 million mainly due to the repayment of loans and redemption of bonds. Net assets increased ¥10,481 million to ¥161,603 million mainly due to an increase in retained earnings.

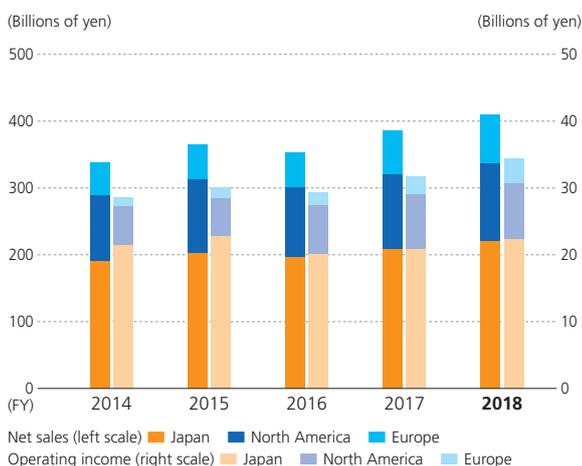
As a result, the shareholders' equity ratio increased 2.2 points from the end of the previous fiscal year to 47.4 %, indicating that financial position remains healthy.

## Cash Flows

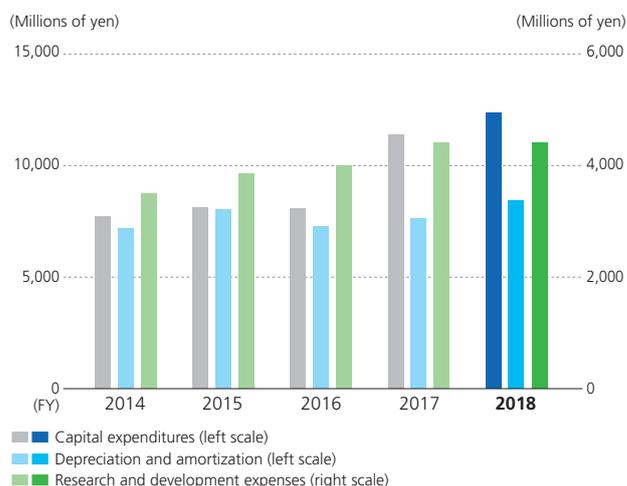
Cash and cash equivalents ("cash") decreased ¥1,285 million from the end of the previous fiscal year to ¥47,977 million. Cash flows by category for the fiscal year under review are summarized as follows.

Net cash provided by operating activities totaled ¥24,271 million due to an increase in net profit before income taxes (compared with ¥26,532 million in the previous fiscal year).

### By Segment: Net sales/Operating income



### Capital expenditures/Depreciation and amortization/Research and development expenses



## Financial Review

Net cash used in investment activities totaled ¥13,677 million (compared with ¥13,172 million in the previous fiscal year) mainly due to the acquisition of fixed assets.

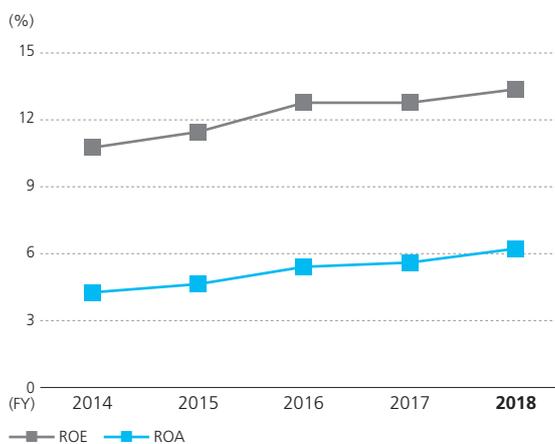
Net cash used in financing activities totaled ¥11,349 million (compared with ¥20,505 million in the previous fiscal year) mainly due to the repayment of borrowings and payment of dividends.

### Shareholder Returns

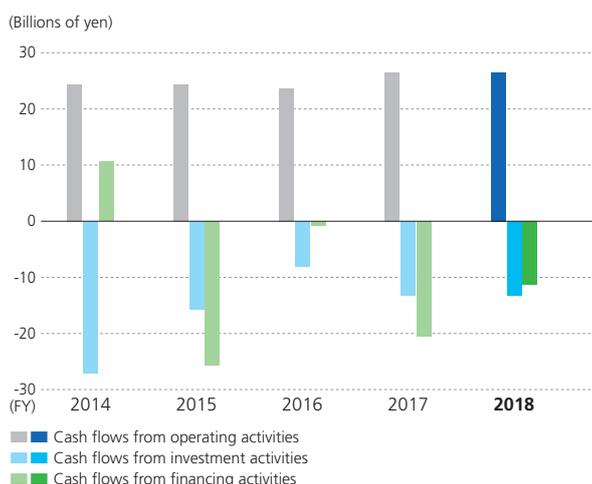
In order to further promote management aimed at increasing corporate value while also improving the corporate culture and strengthening the management foundation, the Sanwa Group's basic policy is to maintain a stable dividend payout ratio and distribute profits based on consolidated performance. Our guideline for profit distribution specifies a target payout ratio of 35% of profit attributable to owners of the parent company.

Our basic policy is to distribute surplus funds twice per year in the form of interim and year-end dividends. For fiscal 2018, we paid a year-end dividend of ¥16 per share (¥32 per share including interim dividend). The Company will utilize internal reserves for M&A and other strategic investments, capital expenditures, and reduction of interest-bearing debt.

### ROE/ROA



### Free cash flow

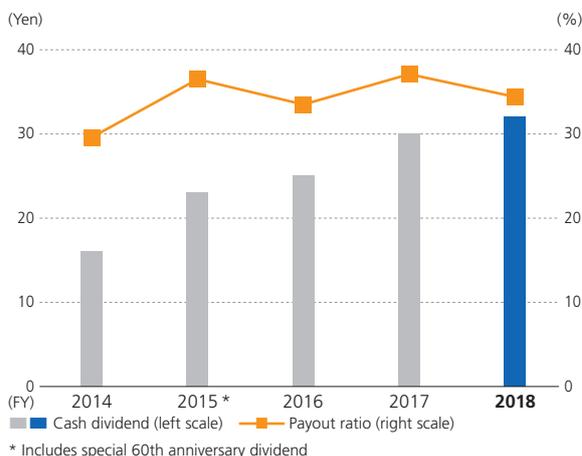


### Outlook

We expect Japanese economic conditions to remain weak due to a tapering off of domestic demand growth driven by the 2020 Tokyo Olympics and Paralympics as well as the consumption tax hike. Despite a slightly slower growth in housing starts, we expect the U.S. economy to remain steady mainly owing to an autonomous, private sector-driven economic recovery and boosts from tax system reforms. The European economy will likely continue to slow due to weaker economic growth in each European country and housing market sluggishness.

Against this backdrop, the Sanwa Group expects new record-high sales and profits by implementing the following measures during the second year of establishing a foundation for leading brands as a major global player ahead of the initial year of the third mid-term management plan, Sanwa Global Vision 2020. As a fundamental core business strategy, in Japan we will strengthen systems to expand our businesses as a comprehensive construction materials company with an established position in each business field. In North America, we will focus on increasing market share in core businesses and rebuilding downstream integrated business strategies. In Europe, we will continue to pursue industrial door business expansion and garage door market share growth. In addition, we will work to strengthen services fields and expand our business models in Japan, the United States and Europe while enhancing our business foundation in China and the rest of Asia.

### Cash dividend per share/Payout ratio



	(Millions of yen)		
(FY)	2017	2018	2019 (forecast)
Net sales	385,673	409,990	425,000
Operating income	28,322	31,593	34,000
Profit attributable to owners of the parent company	18,280	20,910	22,000
Operating income ratio	7.3%	7.7%	8.0%
ROE	12.7%	13.5%	13.5%

## Financial Section and Corporate Data

# Consolidated Statements of Operations

Sanwa Holdings Corporation and Subsidiaries  
For the years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
<b>Net sales</b>	¥409,990	¥385,673	\$3,727,182
<b>Cost of sales</b> (Note 15)	291,301	273,155	2,648,191
Gross profit	118,689	112,517	1,078,991
<b>Selling, general and administrative expenses</b> (Note 14, 15)	87,095	84,195	791,773
<b>Operating income</b>	31,593	28,322	287,209
<b>Other income (expenses):</b>			
Interest and dividend income	756	548	6,873
Interest expenses	(637)	(604)	(5,791)
Equity in losses of non-consolidated subsidiaries and affiliates	(599)	(10)	(5,445)
Other, net (Note 17)	(1,065)	(304)	(9,682)
<b>Other income (expenses), net</b>	(1,546)	(369)	(14,055)
<b>Net profit before income taxes</b>	30,046	27,953	273,145
<b>Income taxes</b> (Note 16)			
Current	8,200	9,079	74,545
Deferred	812	480	7,382
<b>Total income taxes</b>	9,012	9,559	81,927
<b>Net profit</b>	21,034	18,393	191,218
<b>Profit attributable to non-controlling interests</b>	123	113	1,118
<b>Profit attributable to owners of the parent company</b>	¥ 20,910	¥ 18,280	\$ 190,091

	Yen		U.S. dollars (Note 1)
	2019	2018	2019
<b>Per share:</b> (Note 21)			
Net profit—Basic	¥92.95	¥80.97	\$0.85
—Diluted	92.73	80.77	0.84
Cash dividends	32.00	30.00	0.29

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, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
<b>Net profit</b>	¥21,034	¥18,393	\$191,218
<b>Other comprehensive income</b> (Note 18)			
Net unrealized holding gains on securities	(1,361)	2,020	(12,373)
Deferred losses on hedges	109	(101)	991
Foreign currency translation adjustments	(2,563)	679	(23,300)
Remeasurements of defined benefit plans	62	615	564
Share of other comprehensive income of non-consolidated subsidiaries and affiliates accounted for using the equity method	(143)	72	(1,300)
<b>Total other comprehensive income</b> (Note 18)	(3,896)	3,285	(35,418)
<b>Comprehensive income</b>	¥17,137	¥21,679	\$155,791
<b>Comprehensive income attributable to:</b>			
Owners of the parent company	¥17,064	¥21,494	\$155,127
Non-controlling interests	73	184	664

The accompanying notes are an integral part of these statements.

# Consolidated Balance Sheets

Sanwa Holdings Corporation and Subsidiaries  
As of March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and deposits (Note 3)	¥ 43,007	¥ 29,208	\$ 390,973
Short-term investments (Note 4, 11)	8,013	21,199	72,845
Notes and accounts receivable, trade (Note 11)	82,563	78,379	750,573
Electronically recorded monetary claims (Note 11)	9,526	9,292	86,600
Inventories (Note 5)	56,475	53,422	513,409
Other current assets	6,607	5,211	60,064
Allowance for doubtful accounts	(1,405)	(1,383)	(12,773)
<b>Total current assets</b>	<b>204,789</b>	<b>195,331</b>	<b>1,861,718</b>
<b>Non-Current assets:</b>			
<b>Property, plant and equipment:</b>			
Land	18,505	18,591	168,227
Buildings and structures	54,740	52,379	497,636
Machinery and equipment	77,329	76,570	702,991
Construction in progress	4,122	2,454	37,473
	154,697	149,996	1,406,326
Less accumulated depreciation	(94,515)	(92,230)	(859,227)
Total property, plant and equipment	60,182	57,765	547,109
<b>Intangible assets:</b>			
Goodwill	6,769	7,401	61,536
Other intangible assets (Note 6)	17,231	17,073	156,645
Total intangible assets	24,001	24,475	218,191
<b>Investments and other assets:</b>			
Investments in securities (Note 4, 11)	36,949	41,905	335,900
Long-term loans receivable	578	452	5,255
Net defined benefit asset (Note 8)	6,088	6,139	55,345
Deferred income taxes (Note 16)	3,011	2,830	27,373
Other assets	3,096	3,096	28,145
Allowance for doubtful accounts	(265)	(311)	(2,409)
Total investments and other assets	49,459	54,114	449,627
<b>Total Non-current assets</b>	<b>133,642</b>	<b>136,354</b>	<b>1,214,927</b>
<b>Total assets</b>	<b>¥338,432</b>	<b>¥331,686</b>	<b>\$3,076,655</b>

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities:</b>			
Short-term debt (Note 7, 11)	¥ 20,390	¥16,663	\$ 185,364
Notes and accounts payable, trade (Note 11)	52,401	50,300	476,373
Accrued income taxes	4,479	4,883	40,718
Accrued expenses	22,551	21,707	205,009
Other current liabilities	19,045	19,542	173,136
Total current liabilities	118,868	113,098	1,080,618
<b>Long-term liabilities:</b>			
Long-term debt (Note 7, 11)	40,826	49,282	371,145
Net defined benefit liability (Note 8)	11,901	13,289	108,191
Deferred income taxes (Note 16)	3,467	2,885	31,518
Other long-term liabilities	1,763	2,007	16,027
Total long-term liabilities	57,959	67,465	526,900
<b>Total liabilities</b>	<b>176,828</b>	<b>180,564</b>	<b>1,607,527</b>
<b>Contingent liabilities</b> (Note 9)			
<b>NET ASSETS</b> (Note 13)			
<b>Shareholders' equity</b>			
Common stock:			
Authorized—550,000,000 shares at March 31, 2019 and 2018			
Issued—235,000,000 shares at March 31, 2019 and 2018	38,413	38,413	349,209
Capital surplus	39,902	39,902	362,745
Retained earnings	81,741	67,403	743,100
Treasury stock, at cost			
(10,020,866 shares at March 31, 2019 and 10,019,997 shares at March 31, 2018)	(8,989)	(8,988)	(81,718)
Total shareholders' equity	151,068	136,731	1,373,345
<b>Accumulated other comprehensive income:</b>			
Net unrealized holding gains on securities	2,219	3,583	20,173
Deferred losses on hedges	(25)	(134)	(227)
Foreign currency translation adjustments	8,853	11,558	80,482
Remeasurements of defined benefit plans	(1,593)	(1,656)	(14,482)
Total accumulated other comprehensive income	9,454	13,350	85,945
Stock acquisition rights (Note 14)	248	213	2,255
Non-controlling interests	832	825	7,564
<b>Total net assets</b>	<b>161,603</b>	<b>151,121</b>	<b>1,469,118</b>
<b>Total liabilities and net assets</b>	<b>¥338,432</b>	<b>¥331,686</b>	<b>\$3,076,655</b>

## Financial Section and Corporate Data

# Consolidated Statements of Changes in Net Assets

Sanwa Holdings Corporation and Subsidiaries  
For the years ended March 31, 2019 and 2018

	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, 2017	¥38,413	¥39,902	¥58,367	¥(7,837)	¥1,563	¥ (33)	¥10,806	¥(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)	1,563	(33)	10,806	(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			(134)	263							128
Retirement of treasury stock			(3,587)	3,587							—
Net changes during the year other than shareholders' equity					2,020	(101)	751	1,442	(88)	133	4,158
Total net changes during the year	—	—	8,208	(1,150)	2,020	(101)	751	1,442	(88)	133	11,216
Balance at March 31, 2018	¥38,413	¥39,902	¥67,403	¥(8,988)	¥3,583	¥(134)	¥11,558	¥(1,656)	¥213	¥825	¥151,121
Cumulative effects of changes in accounting policies			401								401
Restated balance	38,413	39,902	67,804	(8,988)	3,583	(134)	11,558	(1,656)	213	825	151,523
Net changes during the year											
Cash dividends			(6,974)								(6,974)
Profit attributable to owners of the parent company			20,910								20,910
Purchase of treasury stock				(1)							(1)
Net changes during the year other than shareholders' equity					(1,364)	109	(2,704)	62	34	7	(3,855)
Total net changes during the year	—	—	13,936	(1)	(1,364)	109	(2,704)	62	34	7	10,080
<b>Balance at March 31, 2019</b>	<b>¥38,413</b>	<b>¥39,902</b>	<b>¥81,741</b>	<b>¥(8,989)</b>	<b>¥2,219</b>	<b>¥ (25)</b>	<b>¥ 8,853</b>	<b>¥(1,593)</b>	<b>¥248</b>	<b>¥832</b>	<b>¥161,603</b>

	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, 2018	\$349,209	\$362,745	\$612,755	\$(81,709)	\$32,573	\$(1,218)	\$105,073	\$(15,055)	\$1,936	\$7,500	\$1,373,827
Cumulative effects of changes in accounting policies			3,645								3,645
Restated balance	349,209	362,745	616,400	(81,709)	32,573	(1,218)	105,073	(15,055)	1,936	7,500	1,377,482
Net changes during the year											
Cash dividends			(63,400)								(63,400)
Profit attributable to owners of the parent company			190,091								190,091
Purchase of treasury stock				(9)							(9)
Net changes during the year other than shareholders' equity					(12,400)	991	(24,582)	564	309	64	(35,045)
Total net changes during the year	—	—	126,691	(9)	(12,400)	991	(24,582)	564	309	64	91,636
<b>Balance at March 31, 2019</b>	<b>\$349,209</b>	<b>\$362,745</b>	<b>\$743,100</b>	<b>\$(81,718)</b>	<b>\$20,173</b>	<b>\$ (227)</b>	<b>\$ 80,482</b>	<b>\$(14,482)</b>	<b>\$2,255</b>	<b>\$7,564</b>	<b>\$1,469,118</b>

The accompanying notes are an integral part of these statements.

# Consolidated Statements of Cash Flows

Sanwa Holdings Corporation and Subsidiaries  
For the years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
<b>Cash flows from operating activities:</b>			
Net profit before income taxes	¥30,046	¥27,953	\$273,145
Adjustments for:			
Depreciation and amortization	8,049	7,622	73,173
Amortization of goodwill	1,449	1,603	13,173
Equity in losses of non-consolidated subsidiaries and affiliates	599	10	5,445
Gain on step acquisitions	—	(38)	—
Interest and dividend income	(756)	(548)	(6,873)
Interest expenses	637	604	5,791
Increase in allowance for doubtful accounts	27	27	245
Decrease (increase) in allowance for bonuses	(122)	370	(1,109)
Decrease (increase) in net defined benefit liability and asset	(1,072)	11	(9,745)
Decrease in notes and accounts receivable	(3,101)	(5,876)	(28,191)
Decrease in inventories	(5,345)	(4,181)	(48,591)
Increase in notes and accounts payable	2,478	4,217	22,527
Other, net	(138)	3,864	(1,255)
Subtotal	32,752	35,641	297,745
Interest and dividend income received	721	515	6,555
Interest expenses paid	(626)	(577)	(5,691)
Income taxes paid	(8,575)	(9,046)	(77,955)
Net cash provided by operating activities	24,271	26,532	220,645
<b>Cash flows from investing activities:</b>			
Payments for purchase of investments in securities	(1,134)	(2,328)	(10,309)
Proceeds from sales of investments in securities	1,255	912	11,409
Payments for purchase of tangible and intangible assets	(12,367)	(11,383)	(112,427)
Acquisition of investments in subsidiaries resulting in change in scope of consolidation	(1,519)	(495)	(13,809)
Payments for advances	(2,972)	(864)	(27,018)
Proceeds from collections of advances	1,930	513	17,545
Other, net	1,130	473	10,273
Net cash used in investing activities	(13,677)	(13,172)	(124,336)
<b>Cash flows from financing activities:</b>			
Increase in short-term loans, net	1,414	356	12,855
Proceeds from long-term loans	5,091	5,190	46,282
Repayments of long-term loans	(10,265)	(11,778)	(93,318)
Repayments of bonds	(550)	(3,000)	(5,000)
Purchase and disposal of treasury stock, net	(1)	(4,873)	(9)
Cash dividends paid	(6,974)	(6,348)	(63,400)
Cash dividends paid to non-controlling interests	(65)	(50)	(591)
Net cash used in financing activities	(11,349)	(20,505)	(103,173)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(529)	117	(4,809)
<b>Net decrease in cash and cash equivalents</b>	(1,285)	(7,027)	(11,682)
<b>Cash and cash equivalents at beginning of year</b>	49,263	56,290	447,845
<b>Cash and cash equivalents at end of year (Note 3)</b>	¥47,977	¥49,263	\$436,155

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, 2019 and 2018

## 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.

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

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

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader, using the approximate exchange rate at March 31, 2019, which was ¥110 to US\$1.00.

## 2. Summary of Significant Accounting Policies

### (a) Scope of Consolidation

At March 31, 2019, the Company had 92 subsidiaries and 14 affiliates.

The scope of consolidation for the fiscal year ended March 31, 2019 (FY2018) includes Sanwa Holdings Corporation and its 51 consolidated subsidiaries. Equity method accounting is applied to investments in 7 non-consolidated subsidiaries and 2 affiliates at March 31, 2019 (FY2018).

In the fiscal year ended March 31, 2019, Bolton Gate Services Ltd. and two other companies were included in the scope of consolidation because the Company acquired additional shares of their stock, and Bemo Brandschutzsysteme GmbH was excluded in the scope of consolidation because it was filed for liquidation.

### (b) Foreign Currency Translation

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

Shareholders' equity accounts of foreign subsidiaries and affiliates are translated at historical rates. The resulting translation differences are debited or credited to 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 224,979 thousand and 225,761 thousand for the fiscal years ended March 31, 2019 and 2018, 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.

## Notes to the Consolidated Financial Statements

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

### (p) Reclassifications

Certain reclassifications of the financial statements for the fiscal year ended March 31, 2018 have been made to conform to the presentation for the fiscal year ended March 31, 2019.

### (q) Changes in Accounting Policies

Certain subsidiaries of the Company have applied IFRS 15 (Revenue from Contracts with Customers) from the fiscal year ended March 31, 2019. Cumulative effects of applying IFRS 15 have been added to or deducted from the opening retained earnings at March 31, 2018 in accordance with the transitional treatment prescribed in IFRS 15.

As a result of this change, the opening retained earnings at April 1, 2018 increased by ¥401 million. The effects of applying the accounting standard on the consolidated financial statements for the fiscal year ended March 31, 2019 were immaterial.

### (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, 2018)

#### (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. Cash and Deposits

The balances of cash and deposits reflected in the accompanying consolidated balance sheets at March 31, 2019 and 2018 were reconciled to the balances of cash and cash equivalents in the accompanying consolidated statements of cash flows for the years ended March 31, 2019 and 2018 as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Cash and deposits	¥43,007	¥29,208	\$390,973
Securities	8,013	21,199	72,845
Time deposits with maturities of more than three months	(30)	(1,145)	(273)
Debt securities with maturities of more than three months	(3,013)	(0)	(27,391)
Cash and cash equivalents at end of period	¥47,977	¥49,263	\$436,155

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

At March 31, 2019 and 2018, other securities, which are included in short-term investments and investment in securities, were as follows:

	Millions of yen						Thousands of U.S. dollars		
	2019			2018			2019		
	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	¥10,548	¥ 7,028	¥3,519	¥13,916	¥ 8,657	¥5,259	\$ 95,891	\$ 63,891	\$31,991
Bonds and debentures	9,186	9,154	32	9,091	9,054	37	83,509	83,218	291
Other	3,006	3,005	0	4,306	4,305	0	27,327	27,318	0
Subtotal	¥22,741	¥19,188	¥3,553	¥27,314	¥22,016	¥5,297	\$206,736	\$174,426	\$32,300
Securities whose carrying value does not exceed their acquisition costs:									
Equity securities	¥1,934	¥ 2,208	¥ (274)	¥598	¥692	¥(94)	\$ 17,582	\$ 20,073	\$ (2,491)
Bonds and debentures	5,384	5,400	(15)	10,556	10,599	(43)	48,945	49,091	(136)
Other	2,924	3,004	(79)	13,191	13,204	(13)	26,582	27,309	(718)
Subtotal	¥10,242	¥10,613	¥ (370)	¥24,345	¥24,497	¥ (151)	\$ 93,109	\$ 96,482	\$ (3,364)
Total	¥32,984	¥29,801	¥3,182	¥51,659	¥46,513	¥5,146	\$299,855	\$270,918	\$28,927

Unlisted equity securities (carrying value for the years ended March 31, 2019 and 2018 amounted to ¥259 million (\$2,354 thousand) and ¥275 million, respectively), unlisted debt securities (carrying value for the years ended March 31, 2018 amounted to ¥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, 2019 and 2018 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Proceeds from sales	¥85,555	¥88,417	\$777,773
Gross realized gain	154	4	1,400

The Group has recognized loss on impairment of marketable securities classified as other securities in the amount of ¥0 million (\$6 thousand) for the year ended March 31, 2019 and in the amount of ¥4 million for the year ended March 31, 2018. Impairment loss is recorded for the securities whose market value declines by 50% or more as compared with their acquisition costs.

At March 31, 2019 and 2018, investments in non-consolidated subsidiaries and affiliates were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Equity securities	¥11,719	¥11,150	\$106,536
Advances	341	76	3,100
	¥12,060	¥11,226	\$109,636

## Notes to the Consolidated Financial Statements

### 5. Inventories

Inventories at March 31, 2019 and 2018 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Finished goods	¥ 9,640	¥10,529	\$ 87,636
Work in process	23,965	21,747	217,864
Raw materials and supplies	22,869	21,146	207,900
	¥56,475	¥53,422	\$513,409

### 6. Other Intangible Assets

Other intangible assets at March 31, 2019 and 2018 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Trademark	¥ 5,071	¥ 5,233	\$ 46,100
Software	8,216	5,901	74,691
Other	3,944	5,938	35,855
	¥17,231	¥17,073	\$156,645

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

Short-term debt and long-term debt at March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Short-term debt (unsecured)	¥ 6,845	¥ 5,847	\$ 62,227
Current portion of long-term debt	12,045	10,266	109,500
0.100% unsecured bonds, due 2018	—	550	—
0.100% unsecured bonds, due 2019	1,500	—	13,636
Short-term debt	¥20,390	¥16,663	\$185,364
0.494% unsecured bonds, due 2022	20,000	20,000	181,818
0.100% unsecured bonds, due 2019	—	1,500	—
0.370% unsecured bonds, due 2026	10,000	10,000	90,909
Loans from banks and other financial institutions unsecured maturing 2020 - 2025 with interest average rate from 0.27% to 3.20%	22,872	28,048	207,927
Long-term debt	¥52,873	¥59,548	\$480,664
Less, current portion	(12,045)	(10,266)	(109,500)
Long-term debt	¥40,826	¥49,282	\$371,145

Aggregate annual maturities of long-term debt at March 31, 2019 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2021	¥ 5,926	\$ 53,873
2022	20,950	190,455
2023 and thereafter	13,950	126,818
	¥40,826	\$371,145

## 8. Retirement and Severance Benefits

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

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

Information on retirement benefits for the fiscal years ended March 31, 2019 and 2018 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
	2019	2018	2019
Beginning balance of retirement benefit obligations	¥43,723	¥43,708	\$397,482
Service cost	1,504	1,524	13,673
Interest cost	494	547	4,491
Actual differences arising during the year	(671)	692	(6,100)
Retirement benefits paid	(2,831)	(2,910)	(25,736)
Other	(767)	162	(6,973)
Ending balance of retirement benefit obligations	¥41,452	¥43,723	\$376,836

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Beginning balance of plan assets	¥37,090	¥35,813	\$337,182
Expected return on plan assets	1,161	1,080	10,555
Actual differences arising during the year	(1,383)	848	(12,573)
Contribution made by the Company and consolidated subsidiaries	1,533	1,641	13,936
Retirement benefits paid	(2,001)	(2,146)	(18,191)
Other	(233)	(148)	(2,118)
Ending balance of plan assets	¥36,166	¥37,090	\$328,782

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Beginning net defined benefit liability	¥517	¥258	\$4,700
Increase Due to New Consolidation	—	226	—
Retirement benefits expense	90	97	818
Retirement benefits paid	(45)	(29)	(409)
Contribution to plan	(36)	(35)	(327)
Ending net defined benefit liability	¥527	¥517	\$4,791

## Notes to the Consolidated Financial Statements

### (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
	2019	2018	2019
Funded retirement benefit obligations	¥36,169	¥38,424	\$328,809
Plan assets	(36,731)	(37,630)	(333,918)
	(562)	793	(5,109)
Unfunded retirement benefit obligations	6,375	6,356	57,955
Net amount of liability and asset on consolidated balance sheets	5,812	7,150	52,846
Net defined benefit liability	11,901	13,289	108,191
Net defined benefit asset	(6,088)	(6,139)	(55,345)
Net amount of liability and asset on consolidated balance sheets	¥ 5,812	¥ 7,150	\$ 52,836

### (5) Retirement Benefit Expenses

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Service cost	¥1,504	¥1,524	\$13,673
Interest cost	494	547	4,491
Expected return on plan assets	(1,161)	(1,080)	(10,555)
Amortization of actuarial differences	669	1,144	6,082
Retirement benefit expenses using the simplified method	90	97	818
Retirement benefit expenses for defined benefit pension plans	¥1,598	¥2,232	\$14,527

### (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
	2019	2018	2019
Actuarial differences	¥47	¥1,283	\$427
Total	¥47	¥1,283	\$427

### (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
	2019	2018	2019
Unrecognized actuarial differences	¥(2,169)	¥(2,216)	\$(19,718)
Total	¥(2,169)	¥(2,216)	\$(19,718)

## (8) Plan Assets

### a. Breakdown of pension assets

	2019	2018
Bonds	52%	46%
Stocks	28%	34%
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

	2019	2018
Discount rate	(0.2%)–4.4%	0.0%–3.7%
Expected rate of return on plan assets	1.0%–6.8%	0.7%–6.8%
Expected rate of increase in compensation level	1.5%–6.1%	1.5%–6.1%

## 2. Defined Contribution Pension Plans

### Contributions to defined contribution pension plan

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Contributions to defined contribution pension plan	¥974	902	\$8,855

## 9. Contingent Liabilities

Contingent liabilities at March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
As a guarantor of indebtedness of:			
Affiliates	¥1,142	¥1,480	\$10,382

## 10. Leases

Obligations under non-cancelable operating leases as of March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Due within one year	¥1,289	¥1,566	\$11,718
Due after one year	2,959	2,899	26,900
	¥4,248	¥4,466	\$38,618

## 11. 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, 2019 and 2018 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		
	2019		
	Book value	Fair value	Difference
(1) Cash and deposits	¥ 43,007	¥ 43,007	¥ —
(2) Notes and accounts receivable, trade	82,563	82,563	—
(3) Electronically recorded monetary claims	9,526	9,526	—
(4) Securities and investments in securities	32,984	32,984	—
Total assets	¥ 168,082	¥ 168,082	¥ —
(1) Notes and accounts payable, trade	(52,401)	(52,401)	—
(2) Short-term debt	(20,390)	(20,401)	(10)
(3) Long-term debt	(40,826)	(41,197)	(371)
Total liabilities	¥(113,618)	¥(114,000)	¥(381)

	Millions of yen		
	2018		
	Book value	Fair value	Difference
(1) Cash and deposits	¥ 29,208	¥ 29,208	¥ —
(2) Notes and accounts receivable, trade	78,379	78,379	—
(3) Electronically recorded monetary claims	9,292	9,292	—
(4) Securities and investments in securities	51,659	51,659	—
Total assets	¥ 168,540	¥ 168,540	¥ —
(1) Notes and accounts payable, trade	(50,300)	(50,300)	—
(2) Short-term debt	(16,663)	(16,709)	(45)
(3) Long-term debt	(49,282)	(49,485)	(202)
Total liabilities	¥(116,246)	¥(116,495)	¥(248)

	Thousands of U.S. dollars		
	2019		
	Book value	Fair value	Difference
(1) Cash and deposits	\$ 390,973	\$ 390,973	\$ —
(2) Notes and accounts receivable, trade	750,573	750,573	—
(3) Electronically recorded monetary claims	86,600	86,600	—
(4) Securities and investments in securities	299,855	299,855	—
Total assets	\$ 1,528,018	\$ 1,528,018	\$ —
(1) Notes and accounts payable, trade	(476,373)	(476,373)	—
(2) Short-term debt	(185,364)	(185,464)	(91)
(3) Long-term debt	(371,145)	(374,518)	(3,373)
Total liabilities	\$(1,032,891)	\$(1,036,364)	\$(3,464)

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

## Notes to the Consolidated Financial Statements

### Assets

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

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

(4) Securities and investments in securities

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

For information on securities classified by holding purpose, please refer to Note 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 12. "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
	2019	2018	2019
	Book value		Book value
Investments in non-consolidated subsidiaries and affiliates	¥11,719	¥11,150	\$106,536
Other securities			
Unlisted equity securities	259	275	2,355
Others	—	20	—

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

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

	Millions of yen			
	2019		2018	
	Within 1 year	Over 1 year	Within 1 year	Over 1 year
Cash and deposits	¥ 43,007	¥ —	¥ 29,208	¥ —
Notes and accounts receivable, trade	82,563	—	78,379	—
Electronically recorded monetary claims	9,526	—	9,292	—
Securities and investments in securities				
Other securities (Bonds)	3,012	11,557	4,719	14,948
Other securities (Others)	5,000	920	16,500	986
Total	¥143,111	¥12,478	¥138,100	¥15,935

	Thousands of U.S. dollars	
	2019	
	Within 1 year	Over 1 year
Cash and deposits	\$ 390,973	\$ —
Notes and accounts receivable, trade	750,573	—
Electronically recorded monetary claims	86,600	—
Securities and investments in securities		
Other securities (Bonds)	27,382	105,064
Other securities (Others)	45,455	8,364
<b>Total</b>	<b>\$1,301,009</b>	<b>\$113,436</b>

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

## 12. Derivative Transactions

Derivative transactions to which hedge accounting is not applied at March 31, 2019 and 2018 are as follows:

	Millions of yen					
	2019			2018		
	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	¥11,709	¥172	¥172	¥11,208	¥(1,242)	¥(1,242)

	Thousands of U.S. dollars		
	2019		
	Contract amounts	Fair value	Unrealized gain (loss)
Currency swap contracts:			
Over-the-counter transactions			
Receive in dollar, pay in euro	\$106,445	\$1,564	\$1,564

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

Notes to the Consolidated Financial Statements

Derivative transactions to which hedge accounting is applied at March 31, 2019 and 2018 are as follows:

	Millions of yen					
	2019			2018		
	Contract amounts	Over 1 year	Fair value	Contract amounts	Over 1 year	Unrealized gain (loss)
Currency swap contracts:						
Classification: Deferral hedge accounting						
Hedged item: Long-term debt interest						
Receive in euro, pay dollar	¥ 294	¥76	¥(36)	¥ 491	¥282	¥(182)
Interest swap contracts:						
Classification: Special method						
Hedged item: Long-term debt						
Receive floating, pay fixed	¥ —	¥—	¥ —	¥ 500	¥ —	¥ (0)
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	¥1,412	¥—	¥(21)	¥1,070	¥ —	¥ (13)
Foreign currency forward contracts:						
Classification: Special method						
Hedged item: Short-term receivables						
Receive in yen, pay cyn	¥ 142	¥—	¥ (2)	¥ 460	¥ —	¥ 0

	Thousands of U.S. dollars		
	2019		
	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	\$ 2,673	\$691	\$(327)
Foreign currency forward contracts:			
Classification: Special method			
Hedged item: Short-term receivables			
Receive in cyn, pay yen	\$12,836	\$ —	\$(191)
Foreign currency forward contracts:			
Classification: Special method			
Hedged item: Short-term receivables			
Receive in yen, pay cyn	\$ 1,291	\$ —	\$ (18)

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

## 13. Shareholders' Equity

The Law provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any

time by resolution of the shareholders or by the Board of Directors if certain conditions are met.

The Company's legal reserve included in retained earnings is nil at March 31, 2019 and 2018.

Movements in common stock and treasury stock for the years ended March 31, 2019 and 2018 were summarized as follows:

### 1. Stock Information

	Thousands of Shares			
	Balance at beginning of year	Increase	Decrease	Balance at end of year
<b>2019</b>				
Shares issued:				
Common Stock	235,000	—	—	235,000
Treasury stock:				
Treasury Stock	10,019	0	—	10,020

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

	Thousands of Shares			
	Balance at beginning of year	Increase	Decrease	Balance at end of year
<b>2018</b>				
Shares issued:				
Common Stock	239,000	—	4,000	235,000
Treasury stock:				
Treasury Stock	10,209	4,107	4,297	10,019

The decrease in common stock of 4,000 thousand shares is due to cancellation of 4,000 thousand shares by the resolution on board meeting. The increase in treasury stock of 4,107 thousand shares is due to purchases of 4,105 thousand shares by the resolution on board meeting and purchases of 1 thousand shares of less than one voting unit and the decrease in treasury stock of 4,297 thousand shares is due to cancellation of 4,000 thousand shares by the resolution on board meeting, sales of 0 thousand shares at the requests of shareholders who own less than one voting unit and of 297 thousand shares corresponding to exercising stock options for the year ended March 31, 2018.

### 2. Dividend Information

			2019			
Dividends paid in fiscal year ended March 31, 2019			Dividends Per share		Total dividends	
Resolution	Record date	Effective date	Yen	U.S. dollars	Millions of yen	Thousands of U.S. dollars
Shareholders' meeting on June 27, 2018	March 31, 2018	June 28, 2018	15.0	0.14	3,374	30,673
Board of Directors on October 31, 2018	September 30, 2018	December 5, 2018	16.0	0.15	3,599	32,718
Dividends paid after March 31, 2019			Dividends Per share		Total dividends	
Resolution	Record date	Effective date	Yen	U.S. dollars	Millions of yen	Thousands of U.S. dollars
Shareholders' meeting on June 26, 2019	March 31, 2019	June 27, 2019	16.0	0.15	3,599	32,718

## Notes to the Consolidated Financial Statements

2018				
Dividends paid in fiscal year ended March 31, 2018			Dividends Per share	Total dividends
Resolution	Record date	Effective date	Yen	Millions of yen
Shareholders' meeting on June 28, 2017	March 31, 2017	June 29, 2017	13.0	2,974
Board of Directors on October 31, 2017	September 30, 2017	December 5, 2017	15.0	3,374

Dividends paid after March 31, 2018			Dividends Per share	Total dividends
Resolution	Record date	Effective date	Yen	Millions of yen
Shareholders' meeting on June 27, 2018	March 31, 2018	June 28, 2018	15.0	3,374

## 14. Stock Options

### 1. The amount of expense appropriation and the accounting name during the fiscal years ended March 31, 2019 and 2018.

Equity deal expense (included in "Selling, general and administrative expenses") was ¥34 million (\$309 thousand) and ¥40 million for the fiscal years ended March 31, 2019 and 2018, respectively.

### 2. The contents, scale, and change in Stock options

#### (1) The contents of Stock Options

	June 2008 stock option	June 2009 stock option
Company	Sanwa Holdings Corporation	Sanwa Holdings Corporation
Resolution date	June 26, 2008	June 30, 2009
Grantee classification and the number	1 director	1 director
Type and number of shares	Common stock of the Company: 49,000 shares	Common stock of the Company: 52,000 shares
Date of grant	July 15, 2008	July 15, 2009
Exercise period of rights	For 30 years from grant date (from July 16, 2008 to July 15, 2038)	For 30 years from grant date (from July 16, 2009 to July 15, 2039)

	June 2010 stock option	June 2011 stock option
Company	Sanwa Holdings Corporation	Sanwa Holdings Corporation
Resolution date	June 30, 2010	June 29, 2011
Grantee classification and the number	1 director	1 director
Type and number of shares	Common stock of the Company: 61,000 shares	Common stock of the Company: 63,000 shares
Date of grant	July 15, 2010	July 14, 2011
Exercise period of rights	For 30 years from grant date (from July 16, 2010 to July 15, 2040)	For 30 years from grant date (from July 15, 2011 to July 14, 2041)

	June 2012 stock option	June 2013 stock option
Company	Sanwa Holdings Corporation	Sanwa Holdings Corporation
Resolution date	June 28, 2012	June 26, 2013
Grantee classification and the number	3 directors	3 directors
Type and number of shares	Common stock of the Company: 90,000 shares	Common stock of the Company: 49,000 shares
Date of grant	July 13, 2012	July 12, 2013
Exercise period of rights	For 30 years from grant date (from July 14, 2012 to July 13, 2042)	For 30 years from grant date (from July 13, 2013 to July 12, 2043)

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

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

	June 2018 stock option
Company	Sanwa Holdings Corporation
Resolution date	June 27, 2018
Grantee classification and the number	4 directors
Type and number of shares	Common stock of the Company: 36,800 shares
Date of grant	July 13, 2018
Exercise period of rights	For 30 years from grant date (from July 14, 2018 to July 13, 2048)

## (2) Scale, and change in Stock Options

### (2)-1 Number of stock options

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

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

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

	U.S. dollars										
	June 2008 stock option	June 2009 stock option	June 2010 stock option	June 2011 stock option	June 2012 stock option	June 2013 stock option	June 2014 stock option	June 2015 stock option	June 2016 stock option	June 2017 stock option	June 2018 stock option
Exercise price	0.009	0.009	0.009	0.009	0.009	0.009	0.009	0.009	0.009	0.009	0.009
Average share price at exercise	—	—	—	—	—	—	—	—	—	—	—
Fair value unit price (Date of grant)	2.736	2.391	2.273	2.209	2.291	4.682	5.682	8.373	7.364	8.864	8.436

### 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 2018 stock option plan are as follows:

Major assumptions	2018 plan	
Estimated Volatility	a	32.1%
Estimated remaining period	b	10 years
Estimated dividend	c	¥30 per share
Risk-free rate	d	0.03%

(a) Estimated volatility was computed by the closing stock prices of common stock in each trading day from July 7, 2008 to July 9, 2018.

(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, 2018.

(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.

## 15. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses were ¥3,970 million (\$36,091 thousand) and ¥3,877 million for the fiscal years ended March 31, 2019 and 2018, respectively.

Research and development expenses included in cost of sales were ¥641 million (\$5,827 thousand) and ¥545 million for the fiscal years ended March 31, 2019 and 2018, respectively.

## 16. Income Taxes

The Company and its domestic subsidiaries are subject to several taxes based on income, which in the aggregate resulted in a statutory tax rate of approximately 30.6% and 30.9% for the fiscal years ended March 31, 2019 and 2018 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, 2019 and 2018 differ from the Company's statutory tax rates for the following reasons:

	2019	2018
Statutory tax rate	30.6%	30.9%
Expenses not deductible for income tax purposes	(0.4)	0.1
Depreciation of goodwill	1.3	1.9
Change in valuation allowance	(0.3)	0.2
Other	(1.2)	1.1
Effective tax rate	30.0	34.2

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Deferred tax assets:			
Allowance for bonuses	¥ 1,196	¥ 1,206	\$ 10,873
Net defined benefit liability	4,099	4,218	37,264
Tax loss carryforwards	871	1,096	7,918
Securities	255	385	2,318
Investment in affiliates securities	155	103	1,409
Impairment loss	1,492	1,492	13,564
Other	3,757	3,370	34,155
Subtotal	11,827	11,873	107,518
Valuation allowance (Deficits) (Note 1)	(217)	—	(1,973)
Valuation allowance (Temporary difference)	(1,912)	—	(17,382)
Less valuation allowance subtotal	(2,130)	(2,283)	(19,364)
Total	¥ 9,697	¥ 9,589	\$ 88,155
Deferred tax liabilities:			
Depreciation	(5,817)	(5,228)	(52,882)
Net unrealized holding gains on securities	(982)	(1,581)	(8,927)
Net defined benefit asset	(2,807)	(2,492)	(25,518)
Other	(547)	(342)	(4,973)
Total	¥(10,154)	¥ (9,645)	\$(92,309)
Net deferred tax assets	¥ (456)	¥ (55)	\$ (4,145)

Note 1: Amounts of deficits and related deferred tax assets by tax loss carry-forwards for the year ended March 31, 2019, were as follows.

## Notes to the Consolidated Financial Statements

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

Thousands of U.S. dollars							
2019							
	Within 1 year	More than 1 year, within 2 years	More than 2 years, within 3 years	More than 3 years, within 4 years	More than 4 years, within 5 years	More than 5 years	Total
Deficits <sup>(*)</sup>	2,836	2,045	1,282	509	118	1,100	7,918
Valuation allowance	(827)	(64)	(109)	(118)	(118)	(727)	(1,973)
Deferred tax assets	2,009	1,982	1,173	391	—	373	5,936 <sup>(**)</sup>

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

(\*\*2) Regarding deficits of ¥871 million (\$7,918 thousand) (amount after multiplying the statutory tax rate), the Company records deferred tax assets of ¥653 million (\$5,636 thousand). Regarding deficits, valuation allowance related to the portion deemed to be recoverable based on future taxable income forecasts is not recognized.

## 17. Other Income (Expenses)

Other, net, for the fiscal years ended March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Gain (Loss) on sales and disposal of fixed assets	¥ (20)	¥ 134	\$ (182)
Gain (Loss) on sales of investments in securities	154	0	1,400
Write-down of investments in securities	(1)	(4)	(7)
Loss on restructuring cost of subsidiary	(180)	(83)	(1,636)
Loss on liquidation of subsidiaries	(21)	(27)	(191)
Other, net	(997)	(322)	(9,064)
	¥(1,065)	¥(304)	\$ (9,682)

## 18. Other Comprehensive Income

The reclassification adjustments and tax effects for components of other comprehensive income (loss) for the fiscal years ended March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Unrealized holding gains on securities:			
Amount arising during the year	¥(1,808)	¥2,910	\$(16,436)
Reclassification adjustments for losses realized in net income	(154)	1	(1,400)
Before tax effect	(1,963)	2,911	(17,845)
Tax effect	601	(891)	5,464
Total unrealized holding gains on securities	(1,361)	2,020	(12,373)
Deferred losses on hedges:			
Amount arising during the year	158	(146)	1,436
Reclassification adjustments for losses realized in net income	—	—	—
Before tax effect	158	(146)	1,436
Tax effect	(48)	44	(436)
Total deferred losses on hedges	109	(101)	991
Foreign currency translation adjustments:			
Amount arising during the year	(2,563)	679	(23,300)
Reclassification adjustments for losses realized in net income	—	—	—
Total foreign currency translation adjustments	(2,563)	679	(23,300)
Remeasurements of defined benefit plans:			
Amount arising during the year	(385)	103	(3,500)
Reclassification adjustments for losses realized in net income	432	1,179	3,927
Before tax effect	47	1,283	427
Tax effect	15	(668)	136
Total remeasurements of defined benefit plans	62	615	564
Share of other comprehensive income of non-consolidated subsidiaries and affiliates accounted for using the equity method:			
Amount arising during the year	(143)	72	(1,300)
Total other comprehensive income	¥(3,896)	¥3,285	\$(35,418)

## 19. 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 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 on reportable segments is based on operating income. Intersegment sales and transfers between segments are based on market price.

## Notes to the Consolidated Financial Statements

Information about operations in reportable segments of the Group for the fiscal years ended March 31, 2019 and 2018, was as follows:

**(1) Reportable Segments**

	Millions of yen					Consolidated financial statement
	2019					
	Japan	North America	Europe	Total	Adjustments	
Sales to customers	¥219,559	¥116,574	¥73,394	¥409,528	¥ 462	¥409,990
Intersegment sales or transfers	0	32	70	102	(102)	—
Total sales	219,559	116,607	73,464	409,631	359	409,990
Segment income (loss)	¥ 22,258	¥ 8,409	¥ 3,658	¥ 34,326	¥ (2,733)	¥ 31,593
Segment assets	¥137,047	¥ 69,968	¥49,042	¥256,059	¥82,372	¥338,432
Depreciation and amortization	2,813	3,202	1,998	8,014	34	8,049
Investment in equity method companies	—	223	—	223	6,043	6,267
Capital expenditures	2,571	3,978	5,803	12,353	14	12,367

	Millions of yen					Consolidated financial statement
	2018					
	Japan	North America	Europe	Total	Adjustments	
Sales to customers	¥208,021	¥112,768	¥64,817	¥385,607	¥ 65	¥385,673
Intersegment sales or transfers	3	46	145	195	(195)	—
Total sales	208,025	112,815	64,962	385,803	(129)	385,673
Segment income (loss)	¥ 20,794	¥ 8,221	¥ 2,687	¥ 31,702	¥ (3,380)	¥ 28,322
Segment assets	¥132,440	¥ 65,164	¥46,241	¥243,846	¥87,839	¥331,686
Depreciation and amortization	2,428	3,225	1,933	7,587	34	7,622
Investment in equity method companies	—	309	—	309	5,886	6,195
Capital expenditures	5,576	3,378	2,424	11,379	4	11,383

	Thousands of U.S. dollars					Consolidated financial statement
	2019					
	Japan	North America	Europe	Total	Adjustments	
Sales to customers	\$1,995,991	\$1,059,764	\$667,218	\$3,722,982	\$ 4,200	\$3,727,182
Intersegment sales or transfers	0	291	636	927	(927)	—
Total sales	1,995,991	1,060,064	667,855	3,723,918	3,264	3,727,182
Segment income (loss)	\$ 20,527	\$ 76,445	\$ 33,255	\$ 312,055	\$ (24,845)	\$ 287,209
Segment assets	\$1,245,882	\$ 636,073	\$445,836	\$2,327,809	\$748,836	\$3,076,655
Depreciation and amortization	25,573	29,109	18,164	72,855	309	73,173
Investment in equity method companies	—	2,027	—	2,027	54,936	56,973
Capital expenditures	23,373	36,164	52,755	112,300	127	112,427

Adjustments are as follows;

- 1 (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 and amortization consist of adjustments of depreciation and amortization to which are not included in the reportable segments.
  - (5) Adjustments on Investment in equity method companies consist of adjustments of investment in equity method companies to which are not included in the reportable segments.
  - (6) Adjustments on Capital expenditures consist of adjustments of capital expenditures to which are not included in the reportable segments.
2. Segment income or loss is reconciled primarily to operating income on the consolidated statement of income.
3. 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				
	2019				
	Commercial	Residential	Maintenance/ Home improvement	Other	Consolidated
Sales to customers	¥255,969	¥108,155	¥42,627	¥3,239	¥409,990

	Millions of yen				
	2018				
	Commercial	Residential	Maintenance/ Home improvement	Other	Consolidated
Sales to customers	¥241,035	¥104,885	¥36,623	¥3,128	¥385,673

	Thousands of U.S. dollars				
	2019				
	Commercial	Residential	Maintenance/ Home improvement	Other	Consolidated
Sales to customers	\$2,326,991	\$983,227	\$387,518	\$29,445	\$3,727,182

### b) Information on Each Region

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

	Millions of yen			
	2018			
	Japan	North America	Europe	Total
Property, plant and equipment	¥30,422	¥13,956	¥13,386	¥57,765

	Thousands of U.S. dollars			
	2019			
	Japan	North America	Europe	Total
Property, plant and equipment	\$270,227	\$127,091	\$149,773	\$547,109

## 20. Information on Related Parties

Fiscal years ended March 31, 2019 and 2018

Not applicable.

## 21. Per Share Information

	Yen		U.S. dollars
	2019	2018	2019
Net assets per share	¥713.50	¥667.09	\$6.49
Earnings per share	92.95	80.97	0.85
Diluted earnings per share	92.73	80.77	0.84

(Note 1) The basis for calculation

### 1. Earnings per share

	Yen		U.S. dollars
	2019	2018	2019
Profit attributable to owners of parent	¥20,910	¥18,280	\$190,091
Amount not attributable to common shareholders	—	—	—
Profit related to common shares attributable to owners of parent	20,910	18,280	190,091

	Thousand shares	
	2019	2018
Average number of common shares during the period	224,979	225,761
Increase in common stock:		
Stock subscription rights	527	565

### 2. Net assets per share

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Total net assets	¥161,603	¥151,121	\$1,469,118
Deductions from total net assets:			
Stock subscription rights	248	213	2,255
Non-controlling interests	832	825	7,564
Total net assets attributable to common stockholders	160,522	150,082	1,459,291

	Thousand shares	
	2019	2018
Number of shares of common stock used in the calculation of net assets per share	224,979	224,980

## 22. Subsequent Events

Fiscal years ended March 31, 2019 and 2018

Not applicable.

# Independent Auditor's Report

## KYORITSU AUDIT CORPORATION

### Independent Auditor's Report

The Board of Directors  
Sanwa Holdings Corporation;

We have audited the accompanying consolidated financial statements of Sanwa Holdings Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2019, 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 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 those 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, 2019, 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, 2019 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 25, 2019

# Corporate Data

## Consolidated Subsidiaries and Affiliated Companies (As of July 31, 2019)

Region	Company Name	Established	Investment Ratio	Category	Main Business
<b>Japan</b>					
	Sanwa Shutter Corporation	Oct. 2007	100.00%	Consolidated subsidiary	Manufactures, sells and services general building materials, including shutter products, door products and partitions
	Showa Front Co., Ltd.	Jun. 1963	100.00%	Consolidated subsidiary	Sells aluminum store fronts and curtain walls
	Okinawa Sanwa Shutter Corporation	Jan. 1996	100.00%	Consolidated subsidiary	Manufactures and sells steel building materials such as shutters and doors, and store building materials
	Sanwa Tajima Corporation	Oct. 1938	100.00%	Consolidated subsidiary	Manufactures and sells stainless steel building products
	Sanwa Exterior Niigata Plant Co., Ltd.	Apr. 1987	100.00%	Consolidated subsidiary	Manufactures exterior products and shutters for windows
	Venix Co., Ltd.	Jul. 2011	100.00%	Consolidated subsidiary	Manufactures partitions
	Sanwa System Wall Co., Ltd.	Apr. 2017	100.00%	Consolidated subsidiary	Manufactures and sells partitions
	Showa Kensan Co., Ltd.*	Jul. 1967	100.00%	Consolidated subsidiary	Manufactures automatic door engines
	Tajima Metalwork Co., Ltd.*	Apr. 1963	100.00%	Consolidated subsidiary	Sells post boxes, delivery boxes, nameplates, etc. for condominiums
	Yoshida Seisakusho Co., Ltd.	Mar. 1955	100.00%	Non-consolidated subsidiary	Manufactures stainless steel products
	Metalwork Kansai Co., Ltd.	Oct. 1969	100.00%	Non-consolidated subsidiary	Manufactures stainless steel products
	Hayashi Kogyo Co., Ltd.*	Dec. 1973	100.00%	Consolidated subsidiary	Manufactures steel doors
	ACE Co., Ltd.	Apr. 1969	100.00%	Non-consolidated subsidiary	Manufactures and sells facades for stores and other building materials
	Sanwa Electronics Engineering Co., Ltd.*	1954	100.00%	Consolidated subsidiary	Manufactures door operators
	Sanwa Mitaka K.K.	Apr. 2003	100.00%	Non-consolidated subsidiary	Manufactures aluminum/wood/plastic composite doors
	Living110.com Co., Ltd.	Nov. 2000	100.00%	Non-consolidated subsidiary	Business related to rental garage houses

\* Consolidated subsidiary from fiscal 2019

<b>North America</b>					
	Overhead Door Corporation	1921	100.00%	Consolidated subsidiary	
	Access Systems Division				Manufactures and sells residential and commercial doors, provides services and manufactures and sells dollies, doors and walk ramps for truck loading/unloading
	Genie				Manufactures and sells residential and commercial door operators
	Horton Automatics				Manufactures and sells automatic sliding and slide doors for commercial, industrial, public facility and hospital use, as well as revolving doors, operator systems, platform screen doors

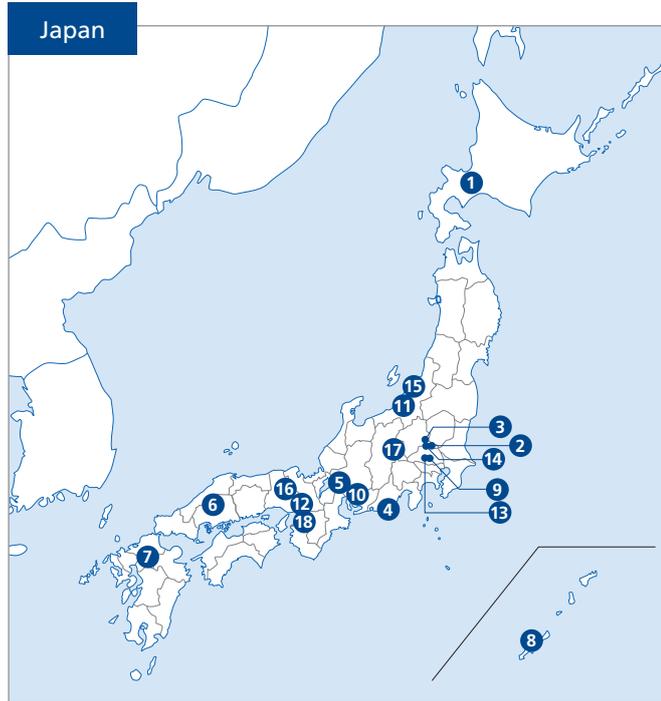
Region	Company Name	Established	Investment Ratio	Category	Main Business
<b>Europe</b>					
Germany	Novoferm Group	Apr. 1955	100.00%	Consolidated subsidiary	
	Novoferm GmbH			Consolidated subsidiary	Manufactures and sells residential garage doors, sectional doors and door products
	Novoferm Rießinger Türenwerke GmbH			Consolidated subsidiary	Manufactures and sells fireproof doors and industrial sectional doors
	Novoferm Siebau GmbH			Consolidated subsidiary	Manufactures and sells various door products
	Novoferm Tormatic GmbH			Consolidated subsidiary	Manufactures and sells garage door operators
Netherlands	Novoferm Nederland B.V.			Consolidated subsidiary	Manufactures and sells industrial sectional doors
	Alpha Deuren International B.V.			Consolidated subsidiary	Manufactures and sells industrial sectional doors
France	Novoferm France S.A.S			Consolidated subsidiary	Manufactures and sells residential garage doors and fireproof doors
	Norsud S.A.S			Consolidated subsidiary	Sells and installs industrial sectional doors
Italy	Novoferm Schievano S.r.l.			Consolidated subsidiary	Manufactures and sells door products
U.K.	Novoferm UK Limited			Consolidated subsidiary	Manufactures residential garage doors
	Bolton Gate Services Ltd.			Consolidated subsidiary	Service business for industrial sectional doors
Switzerland	Novoferm Schweiz AG			Consolidated subsidiary	Sells door products
Poland	Novoferm Door Sp. zo.o.			Consolidated subsidiary	Manufactures door products and dock levelers
	Novoferm Polska Sp. zo.o.			Consolidated subsidiary	Sells residential garage doors
Spain	Novoferm Alsai S.A.			Consolidated subsidiary	Manufactures door products, residential garage doors and industrial sectional doors
Sweden	Robust AB*			Consolidated subsidiary	Manufacture and sale of hinged doors

\* Acquired May 2019

<b>China/Asia</b>					
China	Shanghai Baosteel-Sanwa Door Co., Ltd.*	Apr. 2006	80.00%	Consolidated subsidiary	Manufactures and sells shutters
	Novoferm (Shanghai) Co., Ltd.	Dec. 2005	100.00%	Equity-method affiliate	Manufactures and sells doors
Hong Kong	Sanwa Shutter (H.K.) Ltd.*	Oct. 1986	100.00%	Consolidated subsidiary	Manufactures and sells shutter and doors
Taiwan	An-Ho Metal Industrial Co., Ltd.*	Aug. 1988	79.02%	Consolidated subsidiary	Manufactures and sells shutters and doors
Vietnam	Vina-Sanwa Company Liability Ltd.*	Jan. 2008	87.63%	Consolidated subsidiary	Manufactures and sells shutters and doors
Indonesia	PT. Sanwamas Metal Industry	Dec. 1996	51.02%	Equity-method affiliate	Manufactures and sells shutters
Korea	Dongbang Novoferm Inc.	1957	50.00%	Equity-method affiliate	Manufactures and sells doors
Thailand	Sun Metal Co., Ltd.	Feb. 1991	25.60%	Affiliated company	Manufactures and sells shutters and doors

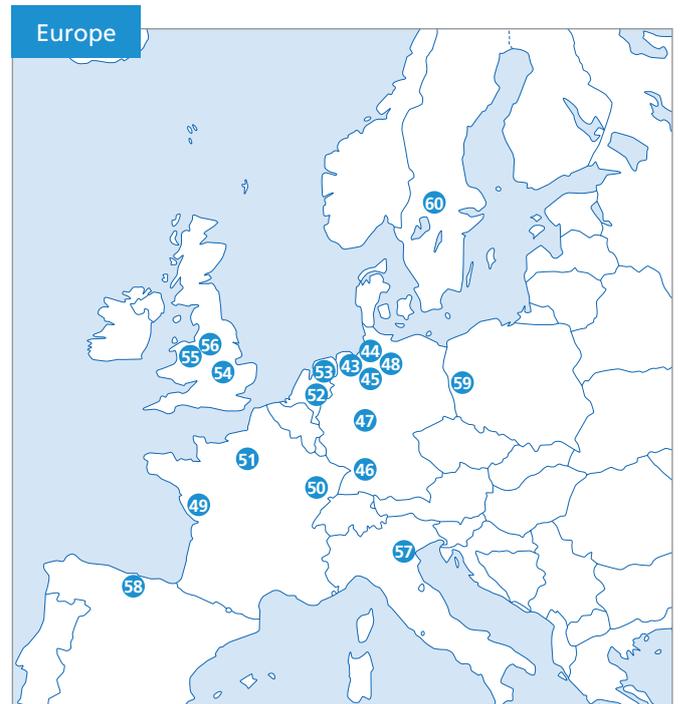
\* Consolidated subsidiary from fiscal 2019

Global Network



Group Plant Locations

Country	Company	Plant Name	Products
<b>Japan</b>			
Japan	Sanwa Shutter Corporation	① Sapporo	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
		⑧ Okinawa	Rolling shutters, doors & door frames
	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 Kansen 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	
<b>China/Asia</b>			
China	Shanghai Baosteel-Sanwa Door Co., Ltd.	⑲ Shanghai	Overhead doors, rolling shutters, sheet shutters
	Novoferm (Shanghai) Co., Ltd.	⑳ Shanghai	Doors & door frames
Hong Kong	Sanwa Shutter (H.K.) Ltd.	㉑ Hong Kong	Rolling shutters, doors & door frames
Taiwan	An-Ho Metal Industrial Co., Ltd.	㉒ Hsinchu	Doors & door frames
Vietnam	Vina-Sanwa Company Liability Ltd.	㉓ Hanoi	Doors & door frames, rolling shutters, sheet shutters
Thailand	Sun Metal Co., Ltd.	㉔ Korat	Rolling shutters, doors & door frames
Indonesia	PT. Sanwamas Metal Industry	㉕ Bekasi	Rolling shutters
Korea	Dongbang Novoferm Inc.	㉖ Seoul	Doors & door frames



Country	Company	Plant Name	Products		
<b>North America</b>					
<b>Overhead Door Corporation</b>					
U.S.A.	Access Systems Division	27 Lewistown	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		
		37 Marion	Truck & trailer doors		
		Mexico		38 Tecate	Truck & trailer doors
		U.S.A.	Genie	39 Baltic	Garage door openers
		Mexico		40 Matamoros	Garage door openers
U.S.A.	Horton Automatics	41 Corpus Christi	Automatic doors		
Mexico		42 Matamoros	Automatic doors		
<b>Europe</b>					
<b>Novoferm Group</b>					
Germany	Novoferm GmbH	43 Haldern	Doors & door frames		
		44 Werth	Residential garage doors, doors & door frames		
		45 Dortmund	Residential garage doors, industrial sectional doors		
		Novoferm Rixinger Türenwerke GmbH	46 Brackenheim	Fireproof doors & door frames, industrial sectional doors	
		Novoferm Siebau GmbH	47 Buschhütten	Other doors	
France	Novoferm France S.A.S	Novoferm Tormatic GmbH	48 Dortmund	Garage door operators	
		49 Macheoul	Residential garage doors		
		50 Bavilliers	Residential garage doors		
Netherlands	Novoferm Nederland B.V.	51 Melun	Fireproof doors		
		52 Roermond	Industrial sectional doors		
U.K.	Alpha Deuren International B.V.	53 Didam	Industrial sectional doors		
		54 Luton	Residential garage doors		
Italy	Novoferm UK Limited	Horton Automatics Limited	55 Telford	Automatic doors	
		Robust UK Limited	56 Stoke-on-Trent	Doors & door frames	
Spain	Novoferm Schievano S.r.l.	57 Padova	Doors & door frames		
Poland	Novoferm Alsai S.A.	58 Cantabria	Doors & door frames, residential garage doors, industrial sectional doors		
Sweden	Novoferm Door Sp. zo.o	59 Wykroty	Doors & door frames, dock levelers		
	Robust AB	60 Nykroppa	Doors & door frames		

**History of Sanwa Group**

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 Hong Kong.
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., 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. 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., strengthening the industrial door business. Overhead Door Corporation acquired Horton Automatics of Ontario, 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. Dec.	Novoferm Group acquired Bolton Gate Services Ltd., strengthening the service business in the U.K. Overhead Door Corporation acquired Lux Overhead Door to strengthen the services business in North America.
2019	May	Novoferm Group acquired Robust AB of Sweden to strengthen the hinge door business in Europe.

## Corporate Overview (As of March 31, 2019)

<b>Company Name</b>	Sanwa Holdings Corporation		
<b>Head Office</b>	Shinjuku Mitsui Building 52F Nishi-Shinjuku 2-1-1, Shinjuku-ku, Tokyo 163-0478, Japan Phone: +81-3-3346-3019		
<b>Established</b>	April 10, 1956		
<b>Capital (Paid-In)</b>	¥38,413 million		
<b>Employees</b>	10,151 (consolidated)		
<b>Stock Listings</b>	Tokyo Stock Exchange		
<b>Transfer Agent</b>	Mitsubishi UFJ Trust and Banking Corporation Corporate Agency Department Higashisuna 7-10-11, Koto-ku, Tokyo 137-8081, Japan		
<b>Common Stock</b>	Authorized:	550,000,000 shares	
	Issued:	235,000,000 shares	
	Number of shareholders:	9,800	

## Principal Shareholders

	Percentage of voting rights (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	9.27
The Master Trust Bank of Japan, Ltd. (Trust Account)	7.30
Sumitomo Mitsui Banking Corporation	4.99
The Dai-ichi Life Insurance Company, Limited	3.60
SSBTC CLIENT OMNIBUS ACCOUNT	2.88
Aioi Nissay Dowa Insurance Co., Ltd.	2.85
BBH FOR MATTHEWS JAPAN FUND	2.34
Nisshin Steel Co., Ltd.	2.20
Mitsubishi UFJ Trust and Banking Corporation	2.06
JP MORGAN CHASE BANK 385632	1.85

Notes: 1. The Company's treasury stock (10,020,866 shares) is not included in the above.  
2. The percentage of voting rights is calculated after excluding treasury stock.

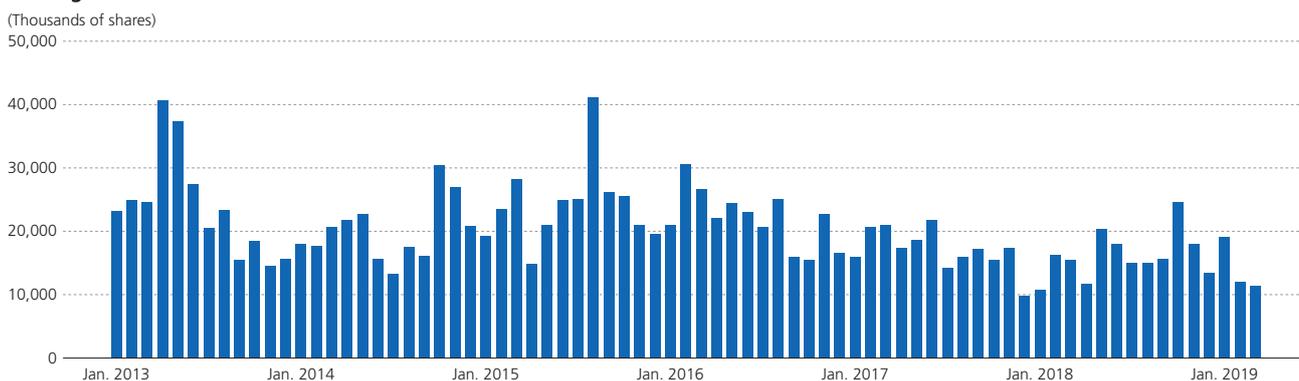
## Stock Price Trend

	High (Yen)	Low (Yen)
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
April 1, 2018 – March 31, 2019	1,449	1,135

## Stock Price Range



## Trading Volume





## SANWA HOLDINGS CORPORATION

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