

FY2014 Third Quarter consolidated financial highlights

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Jan 29, 2015
Sanwa Holdings Corporation

I . Overview of Consolidated Results

	FY2013										FY2014										
	3Q		3Q YTD			4Q		Full Year			3Q		3Q YTD			4Q (Forecast)		Full Year (Forecast)			
		Y/Y	(@96.62 @127.43)	profit ratio	Y/Y		Y/Y	(@97.99 @130.56)	profit ratio	Y/Y		Y/Y	(@103.27 @139.18)	profit ratio	Y/Y		Y/Y	Original F (@100.00 @140.00)	(@103.00 @135.00)	profit ratio	Y/Y
Net Sales	68,923	22.9%	203,338		15.4%	108,618	21.1%	311,957		17.3%	75,994	10.3%	222,401		9.4%	110,098	1.4%	329,000	332,500		6.6%
[assumed forex rate same as the previous year]																					
Sanwa Shutter	31,471	16.8%	96,687		9.3%	63,832	18.6%	160,520		12.8%	32,338	2.8%	104,281		7.9%	63,118	-1.1%	164,000	167,400		4.3%
Japanese Subsidiaries	6,801	16.0%	18,746		8.7%	9,834	15.7%	28,581		11.0%	6,623	-2.6%	18,881		0.7%	10,488	6.6%	29,200	29,370		2.8%
ODC (U.S.A.)	\$228,210	4.5%	\$646,471		3.4%	\$243,903	1.2%	\$890,375		2.7%	\$246,661	8.1%	\$672,530		4.0%	\$254,469	4.3%	\$970,000	\$927,000		4.1%
	22,350	30.9%	62,462		26.0%	24,785	24.7%	87,247		25.7%	25,915	15.9%	69,452		11.2%	26,028	5.0%	97,000	95,481		9.4%
Novoferm (Europe)	€78,817	-2.0%	€239,044		-4.0%	€89,175	-0.6%	€328,219		-3.1%	€94,245	19.6%	€251,981		5.4%	€103,018	15.5%	€335,000	€355,000		8.2%
	10,306	30.8%	30,461		20.1%	12,390	28.1%	42,852		22.3%	13,008	26.2%	35,070		15.1%	12,854	3.7%	46,900	47,925		11.8%
Operating Income	3,831	93.1%	8,345	4.1%	58.7%	12,303	38.0%	20,649	6.6%	45.7%	4,338	13.2%	11,479	5.2%	37.6%	12,020	-2.3%	22,000	23,500	7.1%	13.8%
[assumed forex rate same as the previous year]																					
Sanwa Shutter	1,708	107.0%	5,320	5.5%	69.6%	8,149	45.9%	13,470	8.4%	54.5%	2,011	17.7%	7,251	7.0%	36.3%	8,248	1.2%	13,900	15,500	9.3%	15.1%
Japanese Subsidiaries	261	233.9%	554	3.0%	220.7%	769	26.2%	1,323	4.6%	69.2%	201	-23.0%	649	3.4%	17.0%	935	21.7%	1,435	1,585	5.4%	19.7%
ODC (U.S.A.)	\$13,987	39.3%	\$24,438		6.7%	\$25,242	-3.3%	\$49,681		1.3%	\$18,561	32.7%	\$34,045		39.3%	\$25,954	2.8%	\$60,000	\$60,000		20.8%
	1,359	72.3%	2,361	3.8%	30.1%	2,507	18.7%	4,868	5.6%	23.9%	1,932	42.2%	3,515	5.1%	48.9%	2,664	6.3%	6,000	6,180	6.5%	26.9%
Novoferm (Europe)	€4,195	26.9%	€2,259		-12.2%	€5,988	22.7%	€8,247		10.7%	€3,436	-18.1%	€2,943		30.3%	€7,056	17.8%	€8,500	€10,000		21.2%
	531	57.1%	287	0.9%	9.8%	788	55.1%	1,076	2.5%	39.7%	478	-9.9%	409	1.2%	42.3%	940	19.2%	1,190	1,350	2.8%	25.4%
Current Income	3,894	103.3%	8,193	4.0%	58.6%	12,123	37.4%	20,316	6.5%	45.2%	4,121	5.8%	10,947	4.9%	33.6%	12,052	-0.6%	21,500	23,000	6.9%	13.2%
[assumed forex rate same as the previous year]																					
Sanwa Shutter	1,794	101.8%	5,564	5.8%	66.7%	8,205	45.3%	13,769	8.6%	53.2%	2,121	18.2%	7,553	7.2%	35.7%	8,246	0.5%	14,120	15,800	9.4%	14.7%
Japanese Subsidiaries	270	205.5%	582	3.1%	191.5%	777	25.7%	1,359	4.8%	66.2%	214	-21.0%	688	3.6%	18.2%	931	19.8%	1,460	1,620	5.5%	19.1%
ODC (U.S.A.)	\$14,854	36.8%	\$24,438		8.5%	\$24,329	-5.7%	\$48,768		0.9%	\$18,164	22.3%	\$33,370		36.6%	\$25,029	2.9%	\$57,000	\$58,400		19.8%
	1,442	68.9%	2,361	3.8%	32.3%	2,417	15.8%	4,778	5.5%	23.4%	1,891	31.2%	3,446	5.0%	45.9%	2,568	6.3%	5,700	6,015	6.3%	25.9%
Novoferm (Europe)	€3,742	-7.0%	€123		-95.4%	€5,358	13.5%	€5,481		-25.8%	€2,871	-23.3%	€2,170		1,664.3%	€6,729	25.6%	€7,400	€8,900		62.4%
	470	14.1%	15	0.1%	-94.2%	699	42.0%	715	1.7%	-6.4%	400	-15.0%	302	0.9%	1,827.0%	899	28.6%	1,036	1,202	2.5%	68.0%
Other Affiliates	122	(+)	101		18.9%	104	235.5%	206		76.9%	-40	(-)	-247		(-)	59	-42.8%	225	-188		(-)
Net Income	2,427	137.7%	3,343	1.6%	31.9%	6,817	46.7%	10,161	3.3%	41.5%	3,151	29.8%	6,438	2.9%	92.6%	5,061	-25.8%	11,500	11,500	3.5%	13.2%
[assumed forex rate same as the previous year]																					
Sanwa Shutter	1,119	121.0%	2,252	2.3%	20.8%	4,963	44.8%	7,216	4.5%	36.3%	1,300	16.1%	4,716	4.5%	109.4%	5,283	6.4%	8,750	10,000	6.0%	38.6%
Japanese Subsidiaries	160	705.3%	347	1.9%	268.3%	328	-20.6%	676	2.4%	33.0%	133	-16.8%	407	2.2%	17.3%	592	80.1%	810	1,000	3.4%	47.8%
ODC (U.S.A.)	\$3,647	-48.7%	\$6,081		-48.6%	\$14,551	16.6%	\$20,633		-15.1%	\$12,048	230.3%	\$21,815		258.7%	\$16,684	14.7%	\$34,500	\$38,500		86.6%
	354	-36.8%	587	0.9%	-37.3%	1,434	42.0%	2,021	2.3%	3.8%	1,254	254.1%	2,252	3.2%	283.4%	1,712	19.4%	3,450	3,965	4.2%	96.1%
Novoferm (Europe)	€1,677	-37.5%	€380		(-)	€2,831	129.5%	€2,451		22.0%	€764	-54.5%	€-1,368		(-)	€2,468	-12.8%	€2,300	€1,100		-55.1%
	210	-24.1%	-48	-0.2%	(-)	368	185.9%	320	0.7%	53.9%	107	-48.8%	-190	-0.5%	(-)	338	-8.0%	322	148	0.3%	-53.6%
Other Affiliates	122	(+)	101		18.9%	104	235.5%	206		76.9%	-40	(-)	-247		(-)	59	-42.8%	225	-188		(-)

1) The relevant financial periods for each entity are as follows:

Sanwa Shutter & Japanese subsidiaries:

ODC & Novoferm:

Q3YTD

Oct.1 to Dec.31

July.1 to Sep.30

Full Year

Apr.1 to Mar.31 following year

Jan.1 to Dec.31

2) Figures are round off. <+> is for increase, <-> is for decrease from the previous year.

3) Each figure by entities is before consolidation adjustment.

II. Q3 and YTD FY2014 Consolidated Financial Results Summary

summary	YTD Q3 2014 consolidated net sales increased vs. same period of last year in all sectors due mainly to favorable Japanese business, US business growth, Alpha acquisition, as well as yen depreciation effects. YTD FY2014 consolidated operating income increased significantly vs. last year due to favorable Japanese business, US business recovery as well as Alpha acquisition effect. YTD Q3 2014 consolidated operating income, current income and net income achieved all-time high record .
Net Sales	YTD Q3 2014 consolidated net sales increased by 9.4% or 19.1 billion yen vs. same period of LY (if using 2013 currency rate, it would have increased by 5.7% or 11.6 billion yen). <u>Japan (vs. YTD Q3 2013):</u> Increased by 6.7%. Sanwa Shutter sales increased by 7.9%. Q3 2014 (3 months) net sales increased by 2.8% vs. same period of LY. The pace of sales increase(vs.LY) is slowing down increase due to 1. weakening residential product sales due to the reaction of last-minute demand related to consumption tax hike effective in April 2014, 2. softening some commercial building related products sales and 3. Q3 2013 (3 months) sales was very strong (increased significantly by 16.8% vs. Q3 2012). Regarding net sales by product (YTD Q3 2014), both heavy-duty shutters and commercial building/condominium doors increased significantly by 10% and 10.3% vs. LY, respectively. Light-duty shutters decreased by 2.0% vs. YTD 2013 and by 6.6% vs. Q3 2013 (3 months). Q3 2014 (3 months) window related products decreased vs. Q3 LY. YTD Q3 2014 Japanese subsidiaries total, except Sanwa Shutter, increased by 0.7% vs. YTD 2013. <u>USA (ODC)(vs. YTD Q3 2013, in local currency):</u> Increased by 4.0%. Door sales (Access Systems Division) increased by 5.6% driven by strong sales of garage doors, commercial sectional doors and rolling steels. Operator sales (mainly retail sales) increased by 5.4%. Automatic door sales decreased by 7.9% due mainly to delay in product shipment related to new ERP implementation troubles. Truck door sales increased significantly by 30.2% thanks to strong demand from US truck industry as well as the absence of some troubles occurred in LY. <u>Europe (NF)(vs. YTD Q3 2013, in local currency):</u> Increased by 5.4% thanks to the addition of Alpha sales (17.3 million euro). If excluding Alpha sales, it would have decreased by 1.8%.
Operating Income	YTD Q3 2014 consolidated operating income increased by 3.13 billion yen vs. same period of LY. If using 2013 currency rate, it would have increased by 2.87 billion yen vs. LY. <u>Japan (vs. YTD Q3 2013):</u> Sanwa Shutter increased significantly by 1.93 billion yen due to sales volume increase and realization of price adjustment, partially offset by increase of personnel costs and SG&A costs. Japanese subsidiaries total, except Sanwa Shutter, increased by 0.09 billion yen. <u>USA (ODC)(vs. YTD Q3 2013, in local currency):</u> Increased significantly by \$9.6 million driven by volume increase and realization of price adjustment, partially offset by raw material costs hike and ERP implementation costs. <u>Europe (NF)(vs. YTD Q3 2013, in local currency):</u> Increased by 0.7 million euro thanks to the Alpha acquisition effect, partially offset by weakening NF existing business affected by sluggish European market.
Current Income	YTD Q3 2014 consolidated current income increased by 2.75 billion yen vs. same period of LY. Equity method income decreased by 0.35 billion yen due to deteriorating Asian business performance.
Net Income	YTD Q3 2014 consolidated net income increased by 3.1 billion yen due mainly to the absence of one-time costs occurred in LY such as Sanwa Shutter's IT costs and ODC France liquidation costs.

FY 2014 full year forecast

summary	The company maintains its forecast announced on October 31, 2014.
Net Sales	Japanese business progresses as expected and both US and EU sales (local currency basis) expected to be higher than last year. <u>Japan</u>: Order volume for Sanwa Shutter keeps higher than last year. It is expected that Sanwa Shutter will achieve the revised forecast despite the negative reaction of last-minute demand related to consumption tax hike last year. <u>USA (ODC)</u>: ODC expected to achieve the revised forecast driven by favorable sales of garage doors, commercial doors, operators and truck doors, partially offset by weakening automatic doors sales. <u>Europe (NF)</u>: Although European market has been slowing down again, NF expected to achieve the revised forecast thanks to the addition of Alpha sales since Q3 2014.
Operating Income	Japanese business maintains strong performance and both US and EU business expected to achieve income increase as forecast. <u>Japan</u>: Expected to achieve the revised forecast as Sanwa Shutter maintains sales volume increase and price adjustment realization, partially offset by personnel costs increase. <u>USA (ODC)</u>: Expected to ensure the forecast driven by sales volume increase, price adjustment realization, cost reduction efforts as well as yen depreciation effect. <u>Europe (NF)</u>: Expected to achieve the forecast driven by Alpha acquisition effect and yen depreciation effect.

III. Order Intake and Net Sales by products / Sanwa Shutter

JPYm・%

		FY2013								FY2014							
		3Q YTD				Full Year				3Q YTD				Full Year(F)			
		Order Intake	% to total	Sales	% to total	Order Intake	% to total	Sales	% to total	Order Intake	% to total	Sales	% to total	Order Intake	% to total	Sales	% to total
Rolling Shutters	Lightweight	<0.3>		<0.1>		<3.1>		<4.7>		<-1.8>		<-2.0>		<-1.9>		<-3.3>	
		21,015	16.6	20,065	20.8	27,678	16.5	27,659	17.2	20,633	15.2	19,663	18.9	27,160	15.3	26,760	16.0
	Heavy-duty	<25.2>		<13.9>		<18.0>		<20.0>		<7.0>		<10.0>		<3.2>		<0.5>	
		24,424	19.3	18,243	18.9	32,049	19.1	30,953	19.3	26,132	19.2	20,066	19.2	33,090	18.6	31,120	18.6
	Sub Total	<12.3>		<6.2>		<10.6>		<12.3>		<2.9>		<3.7>		<0.9>		<-1.3>	
		45,439	36.0	38,308	39.6	59,727	35.6	58,613	36.5	46,766	34.4	39,729	38.1	60,250	33.9	57,880	34.6
Shutter-related Products	Overhead Doors	<12.6>		<8.0>		<9.8>		<13.3>		<-3.3>		<0.8>		<2.6>		<-2.2>	
		4,699	3.7	4,039	4.2	6,120	3.6	6,153	3.8	4,541	3.3	4,070	3.9	6,280	3.5	6,020	3.6
	Others																
		7,691	6.1	5,902	6.1	10,123	6.0	10,013	6.2	8,439	6.2	6,221	6.0	11,020	6.2	10,440	6.2
	Sub Total	<12.4>		<7.8>		<8.3>		<12.2>		<4.8>		<3.5>		<6.5>		<1.8>	
		12,392	9.8	9,943	10.3	16,244	9.7	16,166	10.1	12,982	9.6	10,292	9.9	17,300	9.7	16,460	9.8
Doors	Commercial Buildings/ Condominiums	<18.9>		<4.1>		<15.3>		<8.5>		<7.7>		<10.3>		<5.9>		<7.0>	
		41,053	32.5	25,181	26.0	54,011	32.2	50,352	31.4	44,223	32.5	27,763	26.6	57,180	32.2	53,860	32.2
	Residential	<52.0>		<51.7>		<62.8>		<62.7>		<41.3>		<41.5>		<23.3>		<23.3>	
		1,764	1.4	1,759	1.8	2,586	1.5	2,587	1.6	2,493	1.8	2,490	2.4	3,190	1.8	3,190	1.9
	Sub Total	<20.0>		<6.3>		<16.8>		<10.3>		<9.1>		<12.3>		<6.7>		<7.8>	
		42,817	33.9	26,941	27.9	56,598	33.7	52,939	33.0	46,716	34.4	30,254	29.0	60,370	34.0	57,050	34.1
Window-related Products		<27.4>		<27.5>		<29.4>		<30.1>		<5.4>		<5.9>		<-0.4>		<-1.0>	
		6,221	4.9	6,151	6.4	8,542	5.1	8,541	5.3	6,558	4.8	6,512	6.2	8,510	4.8	8,460	5.1
Exterior Fittings		<24.7>		<11.7>		<38.2>		<31.7>		<13.4>		<23.2>		<15.9>		<19.4>	
		2,689	2.1	2,272	2.3	3,735	2.2	3,493	2.2	3,049	2.2	2,799	2.7	4,330	2.4	4,170	2.5
Others	Partitions	<24.2>		<17.3>		<23.5>		<21.8>		<15.3>		<19.7>		<19.7>		<18.8>	
		7,401	5.9	4,808	5.0	10,025	6.0	8,611	5.4	8,529	6.3	5,755	5.5	12,000	6.8	10,230	6.1
	Stainless-Steel Entrances	<22.8>		<6.2>		<29.1>		<6.2>		<53.4>		<39.8>		<37.0>		<20.5>	
		3,621	2.9	1,963	2.0	5,050	3.0	4,065	2.5	5,556	4.1	2,744	2.6	6,920	3.9	4,900	2.9
	Aluminum Fronts	<4.7>		<2.7>		<6.3>		<13.5>		<13.1>		<-4.4>		<1.9>		<-10.8>	
		699	0.6	624	0.6	912	0.5	942	0.6	791	0.6	597	0.6	930	0.5	840	0.5
	Automatic door operator									<12.5>		<11.2>		<10.8>		<7.8>	
		1,762	1.4	1,481	1.5	2,437	1.5	2,355	1.5	1,982	1.5	1,647	1.6	2,700	1.5	2,540	1.5
	Others																
		3,300	2.6	4,193	4.3	4,678	2.8	4,790	3.0	2,986	2.2	3,948	3.8	4,300	2.4	4,870	2.9
	Sub Total	<16.8>		<19.2>		<19.1>		<12.5>		<18.2>		<12.4>		<16.2>		<12.6>	
		16,784	13.3	13,071	13.5	23,104	13.8	20,766	12.9	19,846	14.6	14,692	14.1	26,850	15.1	23,380	14.0
Total		<16.3>		<9.3>		<14.9>		<12.8>		<7.6>		<7.9>		<5.8>		<4.3>	
		126,345	100.0	96,687	100.0	167,952	100.0	160,520	100.0	135,919	100.0	104,281	100.0	177,610	100.0	167,400	100.0
Commercial Building Materials		<21.5>		<8.9>		<17.0>		<13.2>		<10.0>		<11.5>		<8.4>		<6.3>	
		80,607	63.8	52,671	54.5	105,818	63.0	98,604	61.4	88,678	65.2	58,745	56.3	114,700	64.6	104,800	62.6
Shop-related Materials		<-0.0>		<-0.4>		<3.0>		<5.1>		<-2.3>		<-2.9>		<-3.4>		<-5.4>	
		16,946	13.4	15,889	16.4	22,259	13.3	22,188	13.8	16,559	12.2	15,425	14.8	21,500	12.1	21,000	12.5
Residential Housing Materials		<31.9>		<28.9>		<37.3>		<36.5>		<11.7>		<14.1>		<6.5>		<6.8>	
		11,349	9.0	10,843	11.2	15,774	9.4	15,546	9.7	12,680	9.3	12,373	11.9	16,800	9.5	16,600	9.9
Maintenance & Repair		<4.4>		<2.5>		<5.9>		<6.8>		<3.8>		<3.3>		<2.5>		<2.1>	
		15,190	12.0	14,266	14.8	20,858	12.4	20,940	13.0	15,764	11.6	14,743	14.1	21,390	12.0	21,390	12.8
Others		<5.1>		<65.9>		<11.9>		<6.9>		<-0.6>		<-0.8>		<-0.7>		<11.4>	
		2,251	1.8	3,017	3.1	3,241	1.9	3,239	2.0	2,236	1.6	2,992	2.9	3,220	1.8	3,610	2.2
		amount				amount				amount				amount			
Outstanding Order Intake		81,552				59,536				91,640				70,284			
	Work-in-process	27,542				12,455				28,080				16,500			

1) < > = % year on year 2) Outstanding Order Intake = Unordered, unpurchased and work-in-process

IV. Order situation of Sanwa Shutter

