

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2021 (J-GAAP)

January 31, 2022

Listed Company Name: Sanwa Holdings Corporation
 Securities Code: 5929 URL <https://www.sanwa-hldgs.co.jp/english/>
 Representative: Yasushi Takayama, Representative Director, President
 Contact: Katsumi Fujii, General Manager, Corporate Planning Department
 Scheduled Date to Submit Quarterly Securities Report: February 10, 2022
 Scheduled Date to Start Dividend Payment: -
 Preparation of Results Briefing Materials: Yes
 Holding of Financial Results Briefing: None

Listing: Tokyo Stock Exchange

Tel.: +81-3-3346-3019

(Amounts of less than one million yen have been truncated)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2021 (from April 1, 2021 to December 31, 2021)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2021	327,173	12.8	19,145	14.5	18,379	13.7	11,694	9.6
Nine months ended December 31, 2020	290,063	-2.2	16,717	1.4	16,165	0.8	10,666	2.5

Note: Comprehensive income
 Nine months ended December 31, 2021: 16,379 million yen (49.2%)
 Nine months ended December 31, 2020: 10,980 million yen (101.2%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2021	52.94	52.80
Nine months ended December 31, 2020	48.29	48.17

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2021	384,436	190,486	49.1
As of March 31, 2021	375,159	181,387	47.9

Reference: Shareholders' equity
 As of December 31, 2021: 188,882 million yen
 As of March 31, 2021: 179,827 million yen

2. Dividends

	Full-year dividend				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2021	-	17.00	-	17.00	34.00
Fiscal year ending March 31, 2022	-	17.00	-		
Fiscal year ending March 31, 2022 (Forecast)				17.00	34.00

Note: Revision of dividends forecast since last announcement: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	457,000	7.0	34,000	2.8	32,700	1.7	21,600	1.6	97.77

Note: Revision of consolidated results forecast since last announcement: None

Notes:

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries due to changes in the scope of consolidation): None

New: — Excluded: —

(2) Application of special accounting treatments in preparing quarterly consolidated financial statements: Yes

Note: For details, please refer to "2. Quarterly Consolidated Financial Statements and Primary Notes (3) Notes to Quarterly Consolidated Financial Statements (Application of Accounting Treatments Specific to the Preparation of Quarterly Consolidated Financial Statements)" on page 7 of the attached materials.

(3) Changes in accounting policies, accounting estimates, and retrospective restatements

1) Changes in accounting policies in accordance with revision of accounting standards: Yes

2) Changes in accounting policies other than item 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatements: None

Note: For details, please refer to "2. Quarterly Consolidated Financial Statements and Primary Notes (3) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)" on page 7 of the attached materials.

(4) Number of shares issued (common stock)

1) Number of shares issued at the end of the period (including treasury shares)

As of December 31, 2021 231,000,000 shares

As of March 31, 2021 231,000,000 shares

2) Number of treasury shares at the end of the period

As of December 31, 2021 10,063,694 shares

As of March 31, 2021 10,107,727 shares

3) Average number of shares during the period

April–December 2021 220,918,780 shares

April–December 2020 220,878,752 shares

The quarterly review procedure by a certified public accountant or an auditing firm does not apply to this Summary of Consolidated Financial Results.

Explanation regarding appropriate use of results forecast and additional notes

(Earnings forecasts and other forward-looking statements)

This document includes projections based on assumptions, forecasts, and plans for the future that are available on the day of its publication, and actual results may differ from the forecast figures stated in the document due to various risk factors and uncertainties. For further details regarding the earnings forecasts, please see "1. Qualitative Information regarding Financial Results for the Nine Months Ended December 31, 2021, (3) Explanation of Consolidated Results Forecasts and Other Forward-looking Statements" on page 2 of the attached materials.

(Supplementary presentation materials for the quarterly results)

Supplementary materials for the quarterly results will be posted on the Company's website, along with a summary of the quarterly financial results report.

Contents of the Attachment

1. Qualitative Information regarding Financial Results for the Nine Months Ended December 31, 2021.....	2
(1) Explanation of Operating Results.....	2
(2) Explanation of Financial Position.....	2
(3) Explanation of Consolidated Results Forecasts and Other Forward-looking Statements.....	2
2. Quarterly Consolidated Financial Statements and Primary Notes.....	3
(1) Quarterly Consolidated Balance Sheets.....	3
(2) Quarterly Consolidated Statements of Income and Comprehensive Income.....	5
(3) Notes to Quarterly Consolidated Financial Statements.....	7
(Notes on the Going Concern Assumption).....	7
(Notes on Significant Changes in the Amount of Shareholders' Equity).....	7
(Application of Accounting Treatments Specific to the Preparation of Quarterly Consolidated Financial Statements).....	7
(Changes in Accounting Policies).....	7
(Segment Information, etc.).....	9

1. Qualitative Information regarding Financial Results for the Nine Months Ended December 31, 2021

(1) Explanation of Operating Results

During the nine months ended December 31, 2021, the external environment surrounding the Sanwa Group was impacted by COVID-19 for an extended period. Vaccination coverage rates increased and economic policies were introduced in various countries, resulting in an overall recovery trend. Meanwhile, corporate activities were impacted due to the supply chain disruptions including soaring raw material prices and shortages of parts and materials, as well as labor shortages, resulting from the tight supply and demand balance associated with the rapid recovery of economic activities. Uncertain conditions have continued toward the end of the year as new COVID-19 variants continued to spread.

Looking at the world by region, in Japan, declarations of a state of emergency had been issued intermittently but were lifted in October, and there were signs of recovery in corporate activities. In the U.S., the economy performed strongly as restrictions on activities were eased, although currently there are concerns regarding rising interest rates caused by inflation. In Europe, there was a recovery trend due to the gradual easing of restrictions on activities in various countries. In Asia, although economies were on a recovery trend especially in China, the pace of recovery slowed due to government regulations such as tightening restrictions on movement and measures to control investment.

Under these circumstances, the Sanwa Group has extended the period of the Third Mid-Term Management Plan, "Sanwa Global Vision 2020," which was originally planned to be completed in fiscal 2020, by one year to fiscal 2021, and has continued to work on the following strategies in addition to appropriate responses to the COVID-19 pandemic in order to accomplish the strategies set forth in the Mid-Term Management Plan, which were affected by the spread of COVID-19.

As basic strategies for our core business, in Japan, the Group worked to strengthen systems to grow and expand business as an access system company, by establishing our position in each business field. In the U.S., Overhead Door Corporation, which celebrated the 100th anniversary of its founding, maintained and expanded its core business segments while focusing on entering adjacent business fields, and in April 2021 acquired Won-Door Corporation, a manufacturer and seller of horizontal sliding doors. In Europe, with the aim of further expanding the industrial segment and promoting digitalization in the entire European area, the Group acquired Manuregion S.A.S. in October 2021, a company which has strengths in the installation and maintenance business for industrial products. As basic strategies for our growing business, the Group promoted a strengthening of service businesses in Japan, the U.S., and Europe, while working on restructuring sales and production systems and strengthening its management structure, with the aim of enhancing operation bases of its Asia business. In addition, in order to respond to supply chain disruptions and soaring prices of raw materials, Group companies strived to secure procurement, pass on costs to sale prices, and reduce costs.

As a result, net sales for the nine months ended December 31, 2021 amounted to ¥327,173 million, a 12.8% year-on-year increase. In terms of profits, operating profit amounted to ¥19,145 million, a 14.5% year-on-year increase, ordinary profit amounted to ¥18,379 million, a 13.7% year-on-year increase, and profit attributable to owners of parent amounted to ¥11,694 million, a 9.6% year-on-year increase.

(2) Explanation of Financial Position

(Assets, Liabilities, and Net Assets)

As of December 31, 2021, total assets increased by ¥9,277 million from the end of the previous fiscal year, to ¥384,436 million, due to increases in raw materials and non-current assets, etc. resulting from the acquisition of Won-Door Corporation, despite a decrease in work in process due mainly to the application of the accounting standard for revenue recognition. Liabilities increased by ¥178 million from the end of the previous fiscal year, to ¥193,950 million, due mainly to an increase in trade payables, despite a decrease in income taxes payable. Net assets increased by ¥9,098 million from the end of the previous fiscal year, to ¥190,486 million, due mainly to increases in retained earnings and foreign currency translation adjustment.

As a result, the shareholders' equity ratio rose by 1.2 points from the end of the previous fiscal year to 49.1%.

(3) Explanation of Consolidated Results Forecasts and Other Forward-looking Statements

No changes have been made to the consolidated results forecasts for the fiscal year ending March 31, 2022 that were announced on October 29, 2021.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	76,805	65,628
Notes and accounts receivable - trade	76,388	-
Notes and accounts receivable - trade, and contract assets	-	80,704
Electronically recorded monetary claims - operating	10,910	10,744
Securities	13,002	12,500
Merchandise and finished goods	9,119	12,980
Work in process	25,444	19,717
Raw materials	26,192	34,788
Other	4,598	5,289
Allowance for doubtful accounts	(1,858)	(1,959)
Total current assets	240,602	240,393
Non-current assets		
Property, plant and equipment		
Buildings, net	21,248	23,506
Land	21,607	22,247
Other, net	26,559	27,288
Total property, plant and equipment	69,415	73,042
Intangible assets		
Goodwill	4,913	8,558
Other	15,862	18,313
Total intangible assets	20,776	26,871
Investments and other assets		
Investment securities	28,976	28,434
Retirement benefit asset	7,756	8,109
Other	8,194	8,110
Allowance for doubtful accounts	(563)	(524)
Total investments and other assets	44,364	44,129
Total non-current assets	134,556	144,043
Total assets	375,159	384,436

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	51,986	58,997
Current portion of bonds payable	20,000	20,000
Short-term borrowings	6,004	5,697
Current portion of long-term borrowings	1,050	8,750
Income taxes payable	6,243	1,495
Provision for bonuses	6,313	4,431
Other	40,258	40,446
Total current liabilities	131,856	139,818
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term borrowings	19,140	10,797
Provision for retirement benefits for directors (and other officers)	443	501
Retirement benefit liability	13,566	13,289
Other	8,764	9,542
Total non-current liabilities	61,915	54,131
Total liabilities	193,771	193,950
Net assets		
Shareholders' equity		
Share capital	38,413	38,413
Capital surplus	39,902	39,729
Retained earnings	105,450	110,095
Treasury shares	(9,990)	(9,947)
Total shareholders' equity	173,776	178,291
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,066	1,520
Deferred gains or losses on hedges	(8)	(56)
Foreign currency translation adjustment	5,130	10,131
Remeasurements of defined benefit plans	(1,137)	(1,005)
Total accumulated other comprehensive income	6,051	10,591
Share acquisition rights	279	285
Non-controlling interests	1,280	1,318
Total net assets	181,387	190,486
Total liabilities and net assets	375,159	384,436

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
(Quarterly Consolidated Statements of Income)
(For the Nine Months Ended December 31)

(Millions of yen)

	Nine Months Ended December 31, 2020 (From April 1, 2020 to December 31, 2020)	Nine Months Ended December 31, 2021 (From April 1, 2021 to December 31, 2021)
Net sales	290,063	327,173
Cost of sales	202,993	232,115
Gross profit	87,070	95,057
Selling, general and administrative expenses	70,352	75,912
Operating profit	16,717	19,145
Non-operating income		
Interest income	189	111
Dividend income	261	306
Foreign exchange gains	-	112
Other	308	232
Total non-operating income	758	763
Non-operating expenses		
Interest expenses	361	351
Foreign exchange losses	179	-
Share of loss of entities accounted for using equity method	174	236
Other	595	940
Total non-operating expenses	1,311	1,528
Ordinary profit	16,165	18,379
Extraordinary income		
Gain on sale of non-current assets	13	25
Gain on sale of investment securities	23	0
Refund of surcharges	84	-
Total extraordinary income	121	25
Extraordinary losses		
Loss on sale and retirement of non-current assets	21	28
Loss on valuation of investment securities	-	0
Business restructuring expenses for subsidiaries	26	77
Loss on liquidation of subsidiaries and associates	5	2
Loss on corrective measures for product defects	38	-
Other	17	4
Total extraordinary losses	108	113
Profit before income taxes	16,177	18,291
Income taxes	5,433	6,451
Profit	10,744	11,839
Profit attributable to non-controlling interests	78	145
Profit attributable to owners of parent	10,666	11,694

(Quarterly Consolidated Statements of Comprehensive Income)
(For the Nine Months Ended December 31)

(Millions of yen)

	Nine Months Ended December 31, 2020 (From April 1, 2020 to December 31, 2020)	Nine Months Ended December 31, 2021 (From April 1, 2021 to December 31, 2021)
Profit	10,744	11,839
Other comprehensive income		
Valuation difference on available-for-sale securities	753	(545)
Deferred gains or losses on hedges	(46)	(47)
Foreign currency translation adjustment	(845)	4,949
Remeasurements of defined benefit plans, net of tax	429	131
Share of other comprehensive income of entities accounted for using equity method	(55)	51
Total other comprehensive income	236	4,539
Comprehensive income	10,980	16,379
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,886	16,214
Comprehensive income attributable to non-controlling interests	93	165

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on the Going Concern Assumption)

Not applicable.

(Notes on Significant Changes in the Amount of Shareholders' Equity)

Nine months ended December 31, 2021 (From April 1, 2021 to December 31, 2021)

Not applicable.

(Application of Accounting Treatments Specific to the Preparation of Quarterly Consolidated Financial Statements)

(Calculation of Tax Expenses)

The Company reasonably estimates an effective tax rate after applying tax effect accounting to profit before income taxes for the fiscal year in which the third quarter of the fiscal year ending March 31, 2022 is included, and calculates tax expenses by multiplying quarterly profit before income taxes by the estimated effective tax rate. However, in cases where the calculation of tax expenses using the estimated effective tax rate yields a result that is considered not to be reasonable to a significant extent, the statutory tax rate is used. Note that income taxes - deferred is included in income taxes.

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, issued on March 31, 2020; hereinafter, the "Revenue Recognition Accounting Standard"), etc. from the beginning of the first quarter of the fiscal year ending March 31, 2022, and has recognized revenue at the amount expected to be received in exchange for promised goods or services at the time the control of such goods or services is transferred to the customer. The Company and its consolidated subsidiaries in Japan had previously adopted the percentage-of-completion method for construction contracts involving construction work for which the outcome of the progress of such construction projects by the end of the current fiscal year can be reliably recognized (the progress of construction work is estimated by the cost-to-cost method), and the completed-contract method for other construction projects. However, as a result of application of the Revenue Recognition Accounting Standard, when the outcome of a performance obligation to be satisfied over a certain period can be reasonably measured, revenue is recognized according to the ratio of the actual costs to the estimated total costs (the input method), except for projects involving a very short construction period. For cases in which the outcome of a performance obligation cannot be reasonably measured, revenue is recognized only to the extent of the incurred costs. Further, if a performance obligation is satisfied at a certain point in time, revenue is recognized when the construction work is completed.

The Company applies the Revenue Recognition Accounting Standard, etc. in accordance with the transitional treatment provided for in the proviso of paragraph 84 of the Revenue Recognition Accounting Standard. Accordingly, the cumulative effect of the retrospective application, in the case in which the new accounting policy had been applied to periods prior to the beginning of the first quarter of the fiscal year ending March 31, 2022, is added to or deducted from the balance of retained earnings at the beginning of the first quarter of the fiscal year ending March 31, 2022, and the new accounting policy is applied from the balance at the beginning of the period. However, the new accounting policy is not retrospectively applied to contracts for which essentially all of the amount of revenue had been recognized in accordance with the previous treatment in periods prior to the beginning of the first quarter of the fiscal year ending March 31, 2022, by applying the method provided for in paragraph 86 of the Revenue Recognition Accounting Standard. In addition, the Company has applied the method provided for in (1) of the second part of paragraph 86 of the Revenue Recognition Accounting Standard. Accordingly, contract modifications made prior to the beginning of the first quarter of the fiscal year ending March 31, 2022 are accounted for based on the contract terms after reflecting all modifications, and the cumulative effect of such modifications is added to or deducted from the balance of retained earnings at the beginning of the first quarter of the fiscal year ending March 31, 2022.

Consequently, net sales for the nine months ended December 31, 2021 increased by ¥7,170 million, cost of sales and selling, general and administrative expenses increased by ¥7,074 million, and operating profit, ordinary profit, and profit before income taxes increased by ¥96 million, respectively. Retained earnings at the beginning of the period increased by ¥373 million.

As a result of the application of the Revenue Recognition Accounting Standard, "Notes and accounts receivable -

trade,” which was presented under “Current assets” in the consolidated balance sheets of the previous fiscal year, is included in “Notes and accounts receivable - trade, and contract assets” from the first quarter of the fiscal year ending March 31, 2022. In accordance with the transitional treatment provided for in paragraph 89-2 of the Revenue Recognition Accounting Standard, financial statements for the previous fiscal year have not been reclassified based on the new presentation method. Furthermore, in accordance with the transitional treatment provided for in paragraph 28-15 of the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12, issued on March 31, 2020), the information on the breakdown of revenue from contracts with customers for the nine months ended December 31, 2020 is not stated.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, issued on July 4, 2019; hereinafter, the “Fair Value Measurement Accounting Standard”), etc. from the beginning of the first quarter of the fiscal year ending March 31, 2022. Accordingly, new accounting policies provided for in the Fair Value Measurement Accounting Standard will continue to be applied, in accordance with the transitional treatment provided for in paragraph 19 of the Fair Value Measurement Accounting Standard and paragraph 44-2 of the “Accounting Standards for Financial Instruments” (ASBJ Statement No. 10, issued on July 4, 2019). The application of these standards does not affect the quarterly consolidated financial statements.

(Segment Information, etc.)

I. Nine months ended December 31, 2020 (From April 1, 2020 to December 31, 2020)

1. Net sales and income or loss by reportable segment

(Millions of yen)

	Reportable segment					Adjustments (Note 1)	Quarterly consolidated statements of income (Note 2)
	Japan	North America	Europe	Asia	Total		
Net sales							
Sales to customers	148,475	85,563	51,488	4,488	290,017	46	290,063
Intersegment sales or transfers	75	57	31	0	164	(164)	-
Total	148,550	85,620	51,520	4,489	290,181	(117)	290,063
Segment income	12,700	4,840	1,603	57	19,201	(2,484)	16,717

Notes: 1. Adjustments are as follows:

(1) Net sales

- Other net sales ¥46 million
- Elimination of intersegment transactions ¥(164) million

(2) Segment income

- Other income ¥46 million
- Corporate expenses ¥(1,070) million
- Amortization of goodwill ¥(1,180) million
- Other adjustments ¥(280) million
- Elimination of intersegment transactions ¥0 million

Items marked as "Other" involve incidental activities associated with management operations.

Corporate expenses primarily consist of general and administrative expenses that are not attributable to any of the reportable segments.

2. Segment income is reconciled to the operating profit of the quarterly consolidated statements of income.

3. The major countries and regions in each reportable segment are as follows:

North America: USA, Canada, etc.

Europe: Germany, France, Italy, Netherlands, England, etc.

Asia: China, Hong Kong, Taiwan, and Vietnam

2. Impairment losses on non-current assets or goodwill, etc. by reportable segment

Not applicable.

II. Nine months ended December 31, 2021 (From April 1, 2021 to December 31, 2021)

1. Net sales and income or loss by reportable segment

(Millions of yen)

	Reportable segment					Adjustments (Note 1)	Quarterly consolidated statements of income (Note 2)
	Japan	North America	Europe	Asia	Total		
Net sales							
Sales to customers	160,700	98,773	62,676	4,976	327,126	46	327,173
Intersegment sales or transfers	174	48	42	0	265	(265)	-
Total	160,874	98,821	62,718	4,976	327,392	(218)	327,173
Segment income	14,653	4,070	3,297	137	22,159	(3,014)	19,145

Notes: 1. Adjustments are as follows:

(1) Net sales

- Other net sales ¥46 million
- Elimination of intersegment transactions ¥(265) million

(2) Segment income

- Other income ¥46 million
- Corporate expenses ¥(1,181) million
- Amortization of goodwill ¥(1,550) million
- Other adjustments ¥(329) million
- Elimination of intersegment transactions ¥0 million

Items marked as "Other" involve incidental activities associated with management operations.

Corporate expenses primarily consist of general and administrative expenses that are not attributable to any of the reportable segments.

2. Segment income is reconciled to the operating profit of the quarterly consolidated statements of income.

3. The major countries and regions in each reportable segment are as follows:

North America: USA, Canada, etc.

Europe: Germany, France, Italy, Netherlands, England, etc.

Asia: China, Hong Kong, Taiwan, and Vietnam

2. Impairment losses on non-current assets or goodwill, etc. by reportable segment

Not applicable.