

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 Three Months Ended June 30, 2022 (J-GAAP)

July 29, 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: August 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 Three Months Ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

(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	%
Three Months Ended June 30, 2022	118,957	19.9	4,880	30.5	3,938	5.6	2,575	6.5
Three Months Ended June 30, 2021	99,186	19.7	3,739	984.5	3,728	—	2,419	—

Note: Comprehensive income Three Months Ended June 30, 2022: 9,665 million yen (56.2%)
 Three Months Ended June 30, 2021: 6,188 million yen (—%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three Months Ended June 30, 2022	11.66	11.63
Three Months Ended June 30, 2021	10.95	10.93

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2022	400,057	208,818	51.8
As of March 31, 2022	386,237	203,311	52.2

Reference: Shareholders' equity As of June 30, 2022: 207,100 million yen
 As of March 31, 2022: 201,649 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, 2022	—	17.00	—	19.00	36.00
Fiscal year ending March 31, 2023	—				
Fiscal year ending March 31, 2023 (Forecast)		25.00	—	25.00	50.00

Note: Revision of dividends forecast since last announcement: Yes

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Percentages represent 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
First half	261,000	20.6	20,000	39.3	18,000	29.2	12,000	31.4	54.31
Full year	545,000	16.2	45,000	26.8	42,000	23.1	28,000	22.6	126.74

Note: Revision of consolidated results forecast since last announcement: Yes

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 June 30, 2022 231,000,000 shares

As of March 31, 2022 231,000,000 shares

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

As of June 30, 2022 10,027,237 shares

As of March 31, 2022 10,063,915 shares

3) Average number of shares during the period

April-June 2022 220,945,204 shares

April-June 2021 220,892,219 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 Three Months Ended June 30, 2022, (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 Three Months Ended June 30, 2022.....	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
(Additional Information).....	7
(Segment Information, etc.).....	8

1. Qualitative Information regarding Financial Results for the Three Months Ended June 30, 2022

(1) Explanation of Operating Results

During the three months ended June 30, 2022, the external environment surrounding the Group saw a recovery in the economy as measures to combat COVID-19 continued and economic activity moved toward normalization. Meanwhile, the tight supply and demand following rapid recovery in economic activity continued to have an impact due to price hikes of raw materials, supply shortages of parts and materials, and supply chain disruptions. Accordingly, the outlook remained uncertain due to concerns about the risk of an economic downturn caused by accelerating inflation and monetary tightening such as higher interest rates, the prolonged situation in Ukraine, and the impact of restrained economic activity in China.

Amid this environment, the Sanwa Group launched its long-term management vision, Sanwa Global Vision 2030, and the Mid-Term Management Plan 2024, and worked to establish the foundation to become a global leader in smart entrance solutions that meet the changing needs of society due to climate change and digitalization.

To expand and strengthen core businesses at Japan, North America, and Europe, we expanded our non-residential business by enhancing our product lineup and proposal capabilities, and our residential business and service business by differentiating our products and expanding our sales channels. To strengthen a basis for growth of the Asian business, we reorganized our sales structure in China, expanded our business through the operation of the Changshu Plant in China, and renovated production facilities at our main plants in Vietnam and other countries. To expand products for disaster prevention and climate change response and enhance smart products and services, we strived to expand waterproof products, wind-resistant products, and IoT and connectivity products. To increase productivity through digitalization and manufacturing innovation, we promoted system integration between manufacturing, sales, and engineering, as well as the digitalization of internal operations, and investment in the automation of production facilities. To enhance sustainability management, we set KPIs linked to ESG materiality and worked toward the realization of a sustainable society by reducing CO₂ emissions and water consumption.

As a result, net sales for the three months ended June 30, 2022 amounted to ¥118,957 million, a 19.9% year-on-year increase. In terms of profits, operating profit amounted to ¥4,880 million, a 30.5% year-on-year increase, ordinary profit amounted to ¥3,938 million, a 5.6% year-on-year increase, and profit attributable to owners of parent amounted to ¥2,575 million, a 6.5% year-on-year increase.

(2) Explanation of Financial Position

(Assets, Liabilities, and Net Assets)

As of June 30, 2022, total assets increased by ¥13,820 million from the end of the previous fiscal year, to ¥400,057 million, due mainly to an increase in inventories. Liabilities increased by ¥8,313 million from the end of the previous fiscal year, to ¥191,238 million, due mainly to an increase in trade payables. Net assets increased by ¥5,506 million from the end of the previous fiscal year, to ¥208,818 million, due mainly to an increase in foreign currency translation adjustment.

As a result, the shareholders' equity ratio rose by 0.4 points from the end of the previous fiscal year to 51.8%.

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

The consolidated results forecasts for the fiscal year ending March 31, 2023 have been revised from those announced on May 13, 2022. For details, please refer to the "Notice of Revision of Results Forecast and Dividends Forecast" released today (July 29, 2022).

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	52,897	54,139
Notes and accounts receivable - trade, and contract assets	98,000	91,608
Electronically recorded monetary claims - operating	11,116	11,230
Securities	9,000	8,054
Merchandise and finished goods	17,571	19,911
Work in process	11,549	17,201
Raw materials	34,557	39,400
Other	5,123	8,899
Allowance for doubtful accounts	(2,335)	(2,842)
Total current assets	237,480	247,602
Non-current assets		
Property, plant and equipment		
Buildings, net	23,748	24,221
Land	22,304	22,502
Other, net	28,914	29,970
Total property, plant and equipment	74,967	76,694
Intangible assets		
Goodwill	10,789	10,741
Other	18,783	19,864
Total intangible assets	29,573	30,605
Investments and other assets		
Investment securities	28,756	29,600
Retirement benefit asset	7,776	7,885
Other	8,247	8,249
Allowance for doubtful accounts	(564)	(580)
Total investments and other assets	44,215	45,155
Total non-current assets	148,756	152,454
Total assets	386,237	400,057

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	62,558	65,182
Short-term borrowings	8,190	10,107
Current portion of long-term borrowings	9,550	12,250
Income taxes payable	5,243	2,966
Provision for bonuses	7,400	9,997
Other	36,038	39,851
Total current liabilities	128,981	140,356
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term borrowings	9,966	7,191
Provision for retirement benefits for directors (and other officers)	502	288
Retirement benefit liability	12,359	12,547
Other	11,114	10,855
Total non-current liabilities	53,943	50,882
Total liabilities	182,925	191,238
Net assets		
Shareholders' equity		
Share capital	38,413	38,413
Capital surplus	39,732	39,739
Retained earnings	121,256	119,597
Treasury shares	(9,947)	(9,911)
Total shareholders' equity	189,455	187,838
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,482	1,685
Deferred gains or losses on hedges	37	136
Foreign currency translation adjustment	11,342	18,131
Remeasurements of defined benefit plans	(668)	(692)
Total accumulated other comprehensive income	12,194	19,261
Share acquisition rights	285	255
Non-controlling interests	1,376	1,462
Total net assets	203,311	208,818
Total liabilities and net assets	386,237	400,057

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
(Quarterly Consolidated Statements of Income)
(For the Three Months Ended June 30)

(Millions of yen)

	Three Months Ended June 30, 2021 (From April 1, 2021 to June 30, 2021)	Three Months Ended June 30, 2022 (From April 1, 2022 to June 30, 2022)
Net sales	99,186	118,957
Cost of sales	70,241	85,182
Gross profit	28,945	33,775
Selling, general and administrative expenses	25,205	28,894
Operating profit	3,739	4,880
Non-operating income		
Interest income	39	31
Dividend income	178	257
Foreign exchange gains	108	—
Other	66	60
Total non-operating income	394	349
Non-operating expenses		
Interest expenses	132	103
Foreign exchange losses	—	63
Share of loss of entities accounted for using equity method	62	113
Litigation expenses	—	771
Other	210	240
Total non-operating expenses	405	1,291
Ordinary profit	3,728	3,938
Extraordinary income		
Gain on sale of non-current assets	10	5
Total extraordinary income	10	5
Extraordinary losses		
Loss on sale and retirement of non-current assets	4	5
Business restructuring expenses for subsidiaries	7	—
Loss on liquidation of subsidiaries and associates	1	0
Other	1	—
Total extraordinary losses	15	5
Profit before income taxes	3,723	3,938
Income taxes	1,282	1,340
Profit	2,441	2,598
Profit attributable to non-controlling interests	21	22
Profit attributable to owners of parent	2,419	2,575

(Quarterly Consolidated Statements of Comprehensive Income)
(For the Three Months Ended June 30)

(Millions of yen)

	Three Months Ended June 30, 2021 (From April 1, 2021 to June 30, 2021)	Three Months Ended June 30, 2022 (From April 1, 2022 to June 30, 2022)
Profit	2,441	2,598
Other comprehensive income		
Valuation difference on available-for-sale securities	(274)	202
Deferred gains or losses on hedges	(87)	98
Foreign currency translation adjustment	4,056	6,390
Remeasurements of defined benefit plans, net of tax	(7)	(24)
Share of other comprehensive income of entities accounted for using equity method	60	398
Total other comprehensive income	3,747	7,067
Comprehensive income	6,188	9,665
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,157	9,594
Comprehensive income attributable to non-controlling interests	31	70

(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)

Three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)

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 first quarter of the fiscal year ending March 31, 2023 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 the Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021; hereinafter referred to as the "Implementation Guidance") from the beginning of the first quarter of the fiscal year ending March 31, 2023. Accordingly, new accounting policies provided for in the Implementation Guidance will continue to be applied, in accordance with the transitional treatment provided for in paragraph 27-2 of the Implementation Guidance. The application of these standards does not affect the quarterly consolidated financial statements.

(Additional Information)

(Application of the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System)

Effective from the first quarter of the fiscal year ending March 31, 2023, the Company and its domestic consolidated subsidiaries have shifted from a consolidated taxation system to a group tax sharing system. In accordance with this change, the accounting treatment and disclosure of income taxes and local income taxes and tax effect accounting are based on the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021; hereinafter referred to as "PITF No. 42"). In accordance with Paragraph 32 (1) of PITF No. 42, the Company has deemed that there is no impact from the change in accounting policy upon the application of PITF No. 42.

(Segment Information, etc.)

I. Three months ended June 30, 2021 (From April 1, 2021 to June 30, 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	45,437	32,306	20,044	1,381	99,170	15	99,186
Intersegment sales or transfers	16	10	6	—	34	(34)	—
Total	45,454	32,317	20,051	1,381	99,205	(18)	99,186
Segment income or loss	693	2,087	1,038	(31)	3,787	(47)	3,739

Notes: 1. Adjustments are as follows:

(1) Net sales

- Other net sales ¥15 million
- Elimination of intersegment transactions ¥(34) million

(2) Segment income (loss)

- Other income ¥15 million
- Corporate expenses ¥(394) million
- Amortization of goodwill ¥(411) million
- Other adjustments ¥(70) million
- Elimination of intersegment transactions ¥813 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 or loss 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. Three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)

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	46,998	45,096	25,100	1,747	118,941	15	118,957
Intersegment sales or transfers	20	20	25	—	65	(65)	—
Total	47,018	45,116	25,125	1,747	119,007	(50)	118,957
Segment income or loss	(90)	4,437	1,024	59	5,430	(550)	4,880

Notes: 1. Adjustments are as follows:

(1) Net sales

- Other net sales ¥15 million
- Elimination of intersegment transactions ¥(65) million

(2) Segment income (loss)

- Other income ¥15 million
- Corporate expenses ¥(585) million
- Amortization of goodwill ¥(674) million
- Other adjustments ¥(113) million
- Elimination of intersegment transactions ¥807 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 or loss 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. Matters related to changes in reportable segments, etc.

(Change in the method of calculating profit or loss by reportable segment)

Effective from the three months ended June 30, 2022, the Company has changed the basis for the adjustment method for intersegment transactions has been reviewed in order to better evaluate and manage the performance of each reportable segment. The segment information for the three months ended June 30, 2021 has also been prepared in accordance with the new method.

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

Not applicable.