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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2022 (J-GAAP)

October 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: November 11, 2022
 Scheduled Date to Start Dividend Payment: December 2, 2022
 Preparation of Results Briefing Materials: Yes
 Holding of Financial Results Briefing: Yes

Listing: Tokyo Stock Exchange

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2022 (from April 1, 2022 to September 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	%
Six Months Ended September 30, 2022	268,179	23.9	21,494	49.7	19,852	42.5	13,487	47.6
Six Month Ended September 30, 2021	216,500	13.4	14,356	49.9	13,927	53.6	9,135	57.3

Note: Comprehensive income
 Six Months Ended September 30, 2022: 33,083 million yen (133.8%)
 Six Months Ended September 30, 2021: 14,151 million yen (144.7%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six Months Ended September 30, 2022	61.04	60.88
Six Month Ended September 30, 2021	41.35	41.25

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2022	423,595	232,077	54.4
As of March 31, 2022	386,237	203,311	52.2

Reference: Shareholders' equity
 As of September 30, 2022: 230,382 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	—	25.00			
Fiscal year ending March 31, 2023 (Forecast)			—	25.00	50.00

Note: Revision of dividends forecast since last announcement: None

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
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: 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 (4) Notes to Quarterly Consolidated Financial Statements (Application of Accounting Treatments Specific to the Preparation of Quarterly Consolidated Financial Statements)” on page 9 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 (4) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)” on page 9 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 September 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 September 30, 2022 9,985,037 shares

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

3) Average number of shares during the period

April–September 2022 220,975,113 shares

April–September 2021 220,911,250 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)

(1) 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 Six Months Ended September 30, 2022, (3) Explanation of Consolidated Results Forecasts and Other Forward-looking Statements” on page 3 of the attached materials.

(2) Business results briefing for securities analysts and institutional investors

The Company will not be holding a business results briefing at a physical location, in light of the spread of the COVID-19 infection. However, the Company will hold an online business results briefing, and a streaming video of the briefing will be posted on the Company's website at a later date.

(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.

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1. Qualitative Information regarding Financial Results for the Six Months Ended September 30, 2022

(1) Explanation of Operating Results

During the six months ended September 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, in addition to the rapid depreciation of the yen against the backdrop of widening interest rate differential between Japan and the U.S., soaring energy and other prices due to 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 core businesses and service business by promoting measures to pass the soaring costs of raw materials onto our prices, while strengthening the foundation in preparation for future business expansion. To strengthen a basis for growth of the Asian business, in June 2022, we commenced operations of our Changshu Plant in China; in August 2022, we expanded business by acquiring AUB Limited, which manufactures and sells industrial door products mainly in Hong Kong and Macau; and we 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 acquired fireproof certification in our fireproof specifications for our high wind pressure-resistant window shutter, which was the first in the industry for shutters built on earthen floors and balconies; and we made efforts to promote smart products including making “Mado More” residential window shutter series compatible with HomeLink. 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 made investments to expand production capacity in the door plants in Japan, and in dock leveler plants in Europe, as well as automate production. 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 six months ended September 30, 2022 amounted to ¥268,179 million, a 23.9% year-on-year increase. In terms of profits, operating profit amounted to ¥21,494 million, a 49.7% year-on-year increase, ordinary profit amounted to ¥19,852 million, a 42.5% year-on-year increase, and profit attributable to owners of parent amounted to ¥13,487 million, a 47.6% year-on-year increase.

(2) Explanation of Financial Position

(Assets, Liabilities, and Net Assets)

As of September 30, 2022, total assets increased by ¥37,358 million from the end of the previous fiscal year, to ¥423,595 million, due mainly to an increase in trade receivables and inventories. Liabilities increased by ¥8,592 million from the end of the previous fiscal year, to ¥191,517 million, due mainly to an increase in trade payables. Net assets increased by ¥28,765 million from the end of the previous fiscal year, to ¥232,077 million, due mainly to an increase in retained earnings and foreign currency translation adjustment.

As a result, the shareholders' equity ratio rose by 2.2 points from the end of the previous fiscal year to 54.4%.

(Cash Flows)

As of September 30, 2022, cash and cash equivalents (hereinafter, “cash”) decreased by ¥4,252 million from the end of the previous fiscal year, to ¥57,144 million. Cash flows by category during the six months ended September 30, 2022 are as follows.

Net cash provided by operating activities amounted to ¥3,418 million (net cash of ¥9,636 million was provided in the same period of the previous fiscal year), due mainly to the recording of profit before income taxes.

Net cash used in investing activities amounted to ¥4,671 million (net cash of ¥12,589 million was used in the same period of the previous fiscal year), due mainly to the purchase of property, plant and equipment and intangible assets, etc.

Net cash used in financing activities amounted to ¥4,816 million (net cash of ¥4,311 million was used in the same period of the previous fiscal year), due mainly to dividends paid, etc.

(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, 2023 that were announced on 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 September 30, 2022
Assets		
Current assets		
Cash and deposits	52,897	50,644
Notes and accounts receivable - trade, and contract assets	98,000	108,879
Electronically recorded monetary claims - operating	11,116	11,361
Securities	9,000	6,500
Merchandise and finished goods	17,571	23,277
Work in process	11,549	17,312
Raw materials	34,557	44,069
Other	5,123	8,569
Allowance for doubtful accounts	(2,335)	(3,424)
Total current assets	237,480	267,189
Non-current assets		
Property, plant and equipment		
Buildings, net	23,748	24,821
Land	22,304	22,770
Other, net	28,914	31,572
Total property, plant and equipment	74,967	79,165
Intangible assets		
Goodwill	10,789	10,920
Other	18,783	20,971
Total intangible assets	29,573	31,891
Investments and other assets		
Investment securities	28,756	29,581
Retirement benefit asset	7,776	7,996
Other	8,247	8,367
Allowance for doubtful accounts	(564)	(596)
Total investments and other assets	44,215	45,348
Total non-current assets	148,756	156,405
Total assets	386,237	423,595

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	62,558	65,131
Short-term borrowings	8,190	8,737
Current portion of long-term borrowings	9,550	17,250
Income taxes payable	5,243	4,975
Provision for bonuses	7,400	7,978
Other	36,038	41,326
Total current liabilities	128,981	145,399
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term borrowings	9,966	2,186
Provision for retirement benefits for directors (and other officers)	502	306
Retirement benefit liability	12,359	12,715
Other	11,114	10,908
Total non-current liabilities	53,943	46,117
Total liabilities	182,925	191,517
Net assets		
Shareholders' equity		
Share capital	38,413	38,413
Capital surplus	39,732	39,729
Retained earnings	121,256	130,373
Treasury shares	(9,947)	(9,869)
Total shareholders' equity	189,455	198,646
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,482	1,385
Deferred gains or losses on hedges	37	430
Foreign currency translation adjustment	11,342	30,645
Remeasurements of defined benefit plans	(668)	(725)
Total accumulated other comprehensive income	12,194	31,735
Share acquisition rights	285	255
Non-controlling interests	1,376	1,439
Total net assets	203,311	232,077
Total liabilities and net assets	386,237	423,595

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
(Quarterly Consolidated Statements of Income)
(For the Six Months Ended September 30)

(Millions of yen)

	Six Months Ended September 30, 2021 (From April 1, 2021 to September 30, 2021)	Six Months Ended September 30, 2022 (From April 1, 2022 to September 30, 2022)
Net sales	216,500	268,179
Cost of sales	151,435	187,651
Gross profit	65,064	80,527
Selling, general and administrative expenses	50,708	59,032
Operating profit	14,356	21,494
Non-operating income		
Interest income	56	59
Dividend income	200	280
Foreign exchange gains	155	37
Other	141	173
Total non-operating income	553	551
Non-operating expenses		
Interest expenses	255	220
Share of loss of entities accounted for using equity method	220	264
Litigation expenses	—	1,215
Other	505	494
Total non-operating expenses	981	2,194
Ordinary profit	13,927	19,852
Extraordinary income		
Gain on sale of non-current assets	12	22
Gain on sale of investment securities	0	4
Total extraordinary income	13	26
Extraordinary losses		
Loss on sale and retirement of non-current assets	20	6
Business restructuring expenses for subsidiaries	7	23
Loss on liquidation of subsidiaries and associates	2	1
Other	3	—
Total extraordinary losses	33	31
Profit before income taxes	13,907	19,847
Income taxes	4,667	6,306
Profit	9,240	13,541
Profit attributable to non-controlling interests	104	53
Profit attributable to owners of parent	9,135	13,487

(Quarterly Consolidated Statements of Comprehensive Income)
(For the Six Months Ended September 30)

(Millions of yen)

	Six Months Ended September 30, 2021 (From April 1, 2021 to September 30, 2021)	Six Months Ended September 30, 2022 (From April 1, 2022 to September 30, 2022)
Profit	9,240	13,541
Other comprehensive income		
Valuation difference on available-for-sale securities	100	(96)
Deferred gains or losses on hedges	(80)	392
Foreign currency translation adjustment	4,764	18,546
Remeasurements of defined benefit plans, net of tax	58	(57)
Share of other comprehensive income of entities accounted for using equity method	67	756
Total other comprehensive income	4,911	19,541
Comprehensive income	14,151	33,083
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	14,011	32,950
Comprehensive income attributable to non-controlling interests	140	133

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Six Months Ended September 30, 2021 (From April 1, 2021 to September 30, 2021)	Six Months Ended September 30, 2022 (From April 1, 2022 to September 30, 2022)
Cash flows from operating activities		
Profit before income taxes	13,907	19,847
Depreciation	5,155	5,650
Amortization of goodwill	991	1,350
Increase (decrease) in allowance for doubtful accounts	8	696
Increase (decrease) in provision for bonuses	111	169
Increase or decrease in retirement benefit asset and liability	(407)	(375)
Interest and dividend income	(256)	(340)
Interest expenses	255	220
Share of loss (profit) of entities accounted for using equity method	220	264
Decrease (increase) in trade receivables	3,211	(3,283)
Decrease (increase) in inventories	4,288	(12,932)
Increase (decrease) in trade payables	(1,416)	(228)
Other, net	(8,136)	88
Subtotal	17,934	11,126
Interest and dividends received	264	347
Interest paid	(241)	(168)
Income taxes paid	(8,321)	(7,886)
Net cash provided by (used in) operating activities	9,636	3,418
Cash flows from investing activities		
Purchase of short-term and long-term investment securities	(1,710)	(953)
Proceeds from sale of short-term and long-term investment securities	4,001	1,089
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(11,146)	—
Purchase of property, plant and equipment and intangible assets	(3,789)	(4,140)
Loan advances	(69)	(71)
Proceeds from collection of loans receivable	71	155
Other, net	53	(750)
Net cash provided by (used in) investing activities	(12,589)	(4,671)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	29	93
Proceeds from long-term borrowings	58	—
Repayments of long-term borrowings	(171)	(86)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(201)	(240)
Net decrease (increase) in treasury shares	15	56
Dividends paid	(3,755)	(4,197)
Dividends paid to non-controlling interests	(25)	—
Other, net	(260)	(441)
Net cash provided by (used in) financing activities	(4,311)	(4,816)
Effect of exchange rate change on cash and cash equivalents	1,378	1,816
Net increase (decrease) in cash and cash equivalents	(5,884)	(4,252)
Cash and cash equivalents at beginning of period	87,795	61,397
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	92	—
Cash and cash equivalents at end of period	82,003	57,144

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on the Going Concern Assumption)

Not applicable.

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

Six Months Ended September 30, 2022 (From April 1, 2022 to September 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 second 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. Six Months Ended September 30, 2021 (From April 1, 2021 to September 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	106,822	64,569	41,797	3,279	216,468	31	216,500
Intersegment sales or transfers	23	28	20	—	72	(72)	—
Total	106,845	64,598	41,818	3,279	216,541	(41)	216,500
Segment income	9,206	3,210	2,288	76	14,781	(425)	14,356

Notes: 1. Adjustments are as follows:

(1) Net sales

- Other net sales ¥31 million
- Elimination of intersegment transactions ¥(72) million

(2) Segment income

- Other income ¥31 million
- Corporate expenses ¥(800) million
- Amortization of goodwill ¥(991) million
- Other adjustments ¥(290) million
- Elimination of intersegment transactions ¥1,625 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. Six Months Ended September 30, 2022 (From April 1, 2022 to September 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	112,371	100,213	51,540	4,022	268,147	31	268,179
Intersegment sales or transfers	56	52	49	—	157	(157)	—
Total	112,427	100,265	51,590	4,022	268,305	(126)	268,179
Segment income	8,672	11,719	2,079	107	22,578	(1,083)	21,494

Notes: 1. Adjustments are as follows:

(1) Net sales

- Other net sales ¥31 million
- Elimination of intersegment transactions ¥(157) million

(2) Segment income

- Other income ¥31 million
- Corporate expenses ¥(1,154) million
- Amortization of goodwill ¥(1,350) million
- Other adjustments ¥(225) million
- Elimination of intersegment transactions ¥1,614 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. 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 six months ended September 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.