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Summary of Consolidated Financial Results for the Three Months Ended June 30, 2023 (J-GAAP)

July 31, 2023

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, 2023
 Scheduled Date to Start Dividend Payment: -
 Preparation of Results Briefing Materials: Yes
 Holding of Financial Results Briefing: None

Listing: Tokyo Stock Exchange

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

1. Consolidated Financial Results for the Three Months Ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

(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, 2023	132,173	11.1	8,670	77.7	8,263	109.8	5,833	126.5
Three Months Ended June 30, 2022	118,957	19.9	4,880	30.5	3,938	5.6	2,575	6.5

Note: Comprehensive income Three Months Ended June 30, 2023: 8,689 million yen (10.1%)
 Three Months Ended June 30, 2022: 9,665 million yen 56.2%

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three Months Ended June 30, 2023	26.39	26.33
Three Months Ended June 30, 2022	11.66	11.63

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2023	447,318	243,887	54.1
As of March 31, 2023	442,274	242,350	54.4

Reference: Shareholders' equity As of June 30, 2023: 242,107 million yen
 As of March 31, 2023: 240,656 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, 2023	-	25.00	-	33.00	58.00
Fiscal year ending March 31, 2024	-				
Fiscal year ending March 31, 2024 (Forecast)		29.00	-	29.00	58.00

Note: Revision of dividends forecast since last announcement: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(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	274,000	2.2	18,500	(13.9)	18,500	(6.8)	12,500	(7.3)	56.56
Full year	580,000	(1.4)	47,500	(15.6)	46,500	(11.9)	31,800	(3.9)	143.88

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 8 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: None

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

3) Changes in accounting estimates: None

4) Retrospective restatements: None

(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, 2023 231,000,000 shares

As of March 31, 2023 231,000,000 shares

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

As of June 30, 2023 9,948,870 shares

As of March 31, 2023 9,985,209 shares

3) Average number of shares during the period

April–June 2023 221,042,279 shares

April–June 2022 220,945,204 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, 2023, (3) Explanation of Consolidated Results Forecasts and Other Forward-looking Statements” on page 3 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.

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1. Qualitative Information regarding Financial Results for the Three Months Ended June 30, 2023

(1) Explanation of Operating Results

During the three months ended June 30, 2023, the external environment surrounding the Group continued to be unstable. This was due to factors such as the trend of interest rate hikes in various countries designed to curb inflation, exchange rate fluctuations, and the prolonged situation in Ukraine.

Amid this environment, the Sanwa Group started the second year of its long-term management vision, Sanwa Global Vision 2030, and the Mid-Term Management Plan 2024, and continue to work on establishing the foundation to become a global leader of smart entrance solutions that meet the changing needs of society due to climate change and digitalization as well as executing our basic strategies. Under our basic strategies of expanding and strengthening core businesses in Japan, North America, and Europe, we acquired Door Control, Inc. and Door Concepts, Inc. in January 2023. These US-based companies specialize in automatic door sales, installation, and repair services. Under our basic strategies of expanding products for disaster prevention and climate change response and enhancing smart products and services, we sought to make our products disaster-resistant and environmentally friendly and smart. Some of these products include the lightweight shutter *Taifu* (wind-resistant) Guard LS that features a high wind pressure resistance of 800 Pa, and the indoor fireproof door (Window type), which combines lightness and robustness typical of lightweight steel doors with fire-resistant properties. Under our basic strategies of strengthening a basis for growth of Asian business, we focused on strengthening the business foundation in addition to bringing Sanwa Shanghai, Sanwa Novoferm Changshu, and AUB within the scope of consolidation.

Looking at the operating results by segment, in Japan, in addition to core products such as heavy-duty shutters and doors for buildings and condominiums, mainly for factory facilities and large-scale redevelopment projects, the maintenance and service business performed well. In North America, non-residential markets performed well despite the significant slump in the residential market, and also we worked to maintain selling prices. In Europe, the environment was harsh for garage doors due to deterioration of the residential market. Meanwhile, sales were up in Asia owing to the effect of the new inclusion of subsidiaries in consolidation.

As a result, net sales for the three months ended June 30, 2023 amounted to ¥132,173 million, an 11.1% year-on-year increase. In terms of profits, operating profit amounted to ¥8,670 million, a 77.7% year-on-year increase, ordinary profit amounted to ¥8,263 million, a 109.8% year-on-year increase, and profit attributable to owners of parent amounted to ¥5,833 million, a 126.5% year-on-year increase.

The following describes performance by segment.

(1) Japan

Net sales amounted to ¥51,274 million, a 9.1% year-on-year increase, with segment income of ¥504 million, an improvement of ¥595 million.

(2) North America

Net sales amounted to ¥50,989 million, a 13.1% year-on-year increase (a 0.2% decrease on a local currency basis), with segment income of ¥7,616 million, a 71.7% increase.

(3) Europe

Net sales amounted to ¥27,481 million, a 9.5% year-on-year increase (a 0.1% increase on a local currency basis), with segment income amounting to ¥855 million, a 16.5% decrease.

(4) Asia

Net sales amounted to ¥2,411 million, a 38.0% year-on-year increase, with segment loss amounting to ¥41 million, ¥100 million decrease.

(2) Explanation of Financial Position

(Assets, Liabilities, and Net Assets)

As of June 30, 2023, total assets increased by ¥5,043 million from the end of the previous fiscal year, to ¥447,318 million, due mainly to an increase in inventories and non-current assets, etc. Liabilities increased by ¥3,507 million from the end of the previous fiscal year, to ¥203,430 million, due mainly to an increase in borrowings. Net assets increased by ¥1,536 million from the end of the previous fiscal year, to ¥243,887 million,

due mainly to an increase in valuation difference on available-for-sale securities and foreign currency translation adjustment.

As a result, the shareholders' equity ratio decreased by 0.3 points from the end of the previous fiscal year to 54.1%.

(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, 2024 that were announced on May 15, 2023.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	63,653	70,790
Notes and accounts receivable - trade, and contract assets	113,909	96,346
Electronically recorded monetary claims - operating	14,324	14,433
Securities	8,600	11,600
Merchandise and finished goods	20,301	21,159
Work in process	14,198	18,279
Raw materials	45,923	47,181
Other	8,567	11,778
Allowance for doubtful accounts	(4,061)	(4,128)
Total current assets	285,416	287,441
Non-current assets		
Property, plant and equipment		
Buildings, net	25,100	26,215
Land	20,900	20,993
Other, net	37,363	39,815
Total property, plant and equipment	83,364	87,024
Intangible assets		
Goodwill	7,601	8,136
Other	19,483	19,789
Total intangible assets	27,084	27,925
Investments and other assets		
Investment securities	32,054	30,591
Retirement benefit asset	7,262	7,377
Other	7,674	7,687
Allowance for doubtful accounts	(582)	(730)
Total investments and other assets	46,408	44,926
Total non-current assets	156,857	159,876
Total assets	442,274	447,318

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	66,962	65,971
Short-term borrowings	9,895	10,685
Current portion of long-term borrowings	8,541	5,841
Income taxes payable	7,374	3,234
Provision for bonuses	11,147	10,625
Other	40,587	42,001
Total current liabilities	144,508	138,358
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term borrowings	10,816	18,256
Provision for retirement benefits for directors (and other officers)	339	328
Retirement benefit liability	10,976	10,976
Other	13,282	15,510
Total non-current liabilities	55,414	65,071
Total liabilities	199,923	203,430
Net assets		
Shareholders' equity		
Share capital	38,413	38,413
Capital surplus	39,737	39,768
Retained earnings	144,460	143,043
Treasury shares	(9,869)	(9,834)
Total shareholders' equity	212,742	211,390
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,106	3,432
Deferred gains or losses on hedges	327	349
Foreign currency translation adjustment	25,895	27,263
Remeasurements of defined benefit plans	(414)	(328)
Total accumulated other comprehensive income	27,914	30,717
Share acquisition rights	255	255
Non-controlling interests	1,437	1,523
Total net assets	242,350	243,887
Total liabilities and net assets	442,274	447,318

(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, 2022 (From April 1, 2022 to June 30, 2022)	Three Months Ended June 30, 2023 (From April 1, 2023 to June 30, 2023)
Net sales	118,957	132,173
Cost of sales	85,182	91,654
Gross profit	33,775	40,519
Selling, general and administrative expenses	28,894	31,848
Operating profit	4,880	8,670
Non-operating income		
Interest income	31	70
Dividend income	257	280
Foreign exchange gains	—	18
Other	60	78
Total non-operating income	349	449
Non-operating expenses		
Interest expenses	103	212
Foreign exchange losses	63	—
Share of loss of entities accounted for using equity method	113	54
Litigation expenses	771	279
Other	240	310
Total non-operating expenses	1,291	855
Ordinary profit	3,938	8,263
Extraordinary income		
Gain on sale of non-current assets	5	13
Total extraordinary income	5	13
Extraordinary losses		
Loss on sale and retirement of non-current assets	5	3
Loss on liquidation of subsidiaries and associates	0	—
Total extraordinary losses	5	3
Profit before income taxes	3,938	8,274
Income taxes	1,340	2,386
Profit	2,598	5,887
Profit attributable to non-controlling interests	22	54
Profit attributable to owners of parent	2,575	5,833

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

(Millions of yen)

	Three Months Ended June 30, 2022 (From April 1, 2022 to June 30, 2022)	Three Months Ended June 30, 2023 (From April 1, 2023 to June 30, 2023)
Profit	2,598	5,887
Other comprehensive income		
Valuation difference on available-for-sale securities	202	1,325
Deferred gains or losses on hedges	98	22
Foreign currency translation adjustment	6,390	1,642
Remeasurements of defined benefit plans, net of tax	(24)	86
Share of other comprehensive income of entities accounted for using equity method	398	(274)
Total other comprehensive income	7,067	2,802
Comprehensive income	9,665	8,689
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	9,594	8,609
Comprehensive income attributable to non-controlling interests	70	79

(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, 2023 (From April 1, 2023 to June 30, 2023)

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, 2024 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.

(Segment Information, etc.)

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

Not applicable.

II. Three Months Ended June 30, 2023 (From April 1, 2023 to June 30, 2023)

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	51,274	50,989	27,481	2,411	132,157	16	132,173
Intersegment sales or transfers	41	28	25	170	264	(264)	—
Total	51,315	51,018	27,506	2,582	132,422	(248)	132,173
Segment income	504	7,616	855	(41)	8,935	(265)	8,670

Notes: 1. Adjustments are as follows:

(1) Net sales

- Other net sales ¥16 million
- Elimination of intersegment transactions ¥(264) million

(2) Segment income

- Other income ¥16 million
- Corporate expenses ¥(523) million
- Amortization of goodwill ¥(629) million
- Other adjustments ¥74 million
- Elimination of intersegment transactions ¥797 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.