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

October 31, 2023

Listed Company Name: Sanwa Holdings Corporation	Listing: Tokyo Stock Exchange
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	Tel.: +81-3-3346-3019
Scheduled Date to Submit Quarterly Securities Report: November 13, 2023	
Scheduled Date to Start Dividend Payment: December 1, 2023	
Preparation of Results Briefing Materials: Yes	
Holding of Financial Results Briefing: Yes	

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2023 (from April 1, 2023 to September 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	%
Six Months Ended September 30, 2023	285,657	6.5	27,733	29.0	27,163	36.8	22,109	63.9
Six Months Ended September 30, 2022	268,179	23.9	21,494	49.7	19,852	42.5	13,487	47.6

Note: Comprehensive income
 Six Months Ended September 30, 2023: 38,866 million yen 17.5%
 Six Months Ended September 30, 2022: 33,083 million yen 133.8%

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six Months Ended September 30, 2023	100.01	99.77
Six Months Ended September 30, 2022	61.04	60.88

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2023	478,180	274,206	56.9
As of March 31, 2023	442,274	242,350	54.4

Reference: Shareholders' equity
 As of September 30, 2023: 272,244 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	–	29.00			
Fiscal year ending March 31, 2024 (Forecast)			–	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
Full year	600,000	2.0	60,000	6.6	59,000	11.8	40,000	20.9	180.94

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 (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: 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 September 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 September 30, 2023 9,914,818 shares

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

3) Average number of shares during the period

April–September 2023 221,060,679 shares

April–September 2022 220,975,113 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 Six Months Ended September 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 Six Months Ended September 30, 2023

(1) Explanation of Operating Results

During the six months ended September 30, 2023, the external environment surrounding the Group remained uncertain. This was due to factors such as the trend of interest rate hikes in various countries designed to curb inflation, the impact of yen depreciation, the prolonged situation in Ukraine, and concerns about the future of Chinese economy due to sluggishness of real estate development investment.

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 is working 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 continued to work to increase our market share for core products such as shutters and doors and strategic products, including partitions, expand our maintenance and service business, and enhance our structure for business expansion. 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 high-speed sheet-style shutters, with both strong heat insulation and quick opening/closing. 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. As part of our efforts to enhance sustainability management, we worked to reduce CO2 emissions, including installing solar panels on the premises of our Kyushu Plant.

Looking at the operating results by segment, in Japan, we sought to secure profitability through price pass-on, and the maintenance and service business performed well. In addition, solid sales were recorded for core products such as heavy-duty shutters and doors for buildings and condominiums, mainly for factory facilities and large-scale redevelopment projects, and strategic products including partitions. In North America, we worked to maintain selling prices and improve productivity amid the significant slump in the residential market. In Europe, business conditions remained harsh due to the deterioration of the market environment caused by the economic slowdown on top of various cost increases such as energy prices. 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 six months ended September 30, 2023 amounted to ¥285,657 million, a 6.5% year-on-year increase. In terms of profits, operating profit amounted to ¥27,733 million, a 29.0% year-on-year increase, ordinary profit amounted to ¥27,163 million, a 36.8% year-on-year increase, and profit attributable to owners of parent amounted to ¥22,109 million, a 63.9% year-on-year increase.

The following describes performance by segment.

(1) Japan

Net sales amounted to ¥121,387 million, an 8.0% year-on-year increase, with segment income of ¥10,541 million, a 21.6% increase.

(2) North America

Net sales amounted to ¥103,973 million, a 3.8% year-on-year increase (a 5.4% decrease on a local currency basis), with segment income of ¥16,476 million, a 40.6% increase.

(3) Europe

Net sales amounted to ¥54,411 million, a 5.6% year-on-year increase (a 3.5% decrease on a local currency basis), with segment income amounting to ¥1,254 million, a 39.7% decrease.

(4) Asia

Net sales amounted to ¥5,853 million, a 45.5% year-on-year increase, with segment income amounting to ¥47 million, a 56.0% decrease.

(2) Explanation of Financial Position

(Assets, Liabilities, and Net Assets)

As of September 30, 2023, total assets increased by ¥35,906 million from the end of the previous fiscal year, to ¥478,180 million, due mainly to an increase in inventories and non-current assets, etc. Liabilities increased by ¥4,050 million from the end of the previous fiscal year, to ¥203,974 million, due mainly to an increase in lease obligations and accounts payable - other. Net assets increased by ¥31,855 million from the end of the previous fiscal year, to ¥274,206 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 increased by 2.5 points from the end of the previous fiscal year to 56.9%.

(Cash Flows)

As of September 30, 2023, cash and cash equivalents (hereinafter, "cash") increased by ¥14,164 million from the end of the previous fiscal year, to ¥85,317 million. Cash flows by category during the six months ended September 30, 2023 are as follows.

Net cash provided by operating activities amounted to ¥31,135 million (net cash of ¥3,418 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 ¥9,396 million (net cash of ¥4,671 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 ¥10,132 million (net cash of ¥4,816 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

The consolidated results forecasts for the fiscal year ending March 31, 2024 have been revised from those announced on May 15, 2023. For details, please refer to the "Notice of Revision of Results Forecast" released today (October 31, 2023).

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	63,653	74,521
Notes and accounts receivable - trade, and contract assets	113,909	114,612
Electronically recorded monetary claims - operating	14,324	14,311
Securities	8,600	14,000
Merchandise and finished goods	20,301	22,208
Work in process	14,198	18,170
Raw materials	45,923	48,359
Other	8,567	8,843
Allowance for doubtful accounts	(4,061)	(4,187)
Total current assets	285,416	310,839
Non-current assets		
Property, plant and equipment		
Buildings, net	25,100	27,676
Land	20,900	21,356
Other, net	37,363	43,449
Total property, plant and equipment	83,364	92,482
Intangible assets		
Goodwill	7,601	7,982
Other	19,483	20,949
Total intangible assets	27,084	28,931
Investments and other assets		
Investment securities	32,054	31,048
Retirement benefit asset	7,262	7,475
Other	7,674	8,172
Allowance for doubtful accounts	(582)	(768)
Total investments and other assets	46,408	45,927
Total non-current assets	156,857	167,341
Total assets	442,274	478,180

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	66,962	65,901
Short-term borrowings	9,895	9,331
Current portion of long-term borrowings	8,541	841
Income taxes payable	7,374	7,317
Provision for bonuses	11,147	9,767
Other	40,587	44,404
Total current liabilities	144,508	137,563
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term borrowings	10,816	18,117
Provision for retirement benefits for directors (and other officers)	339	321
Retirement benefit liability	10,976	11,273
Other	13,282	16,698
Total non-current liabilities	55,414	66,411
Total liabilities	199,923	203,974
Net assets		
Shareholders' equity		
Share capital	38,413	38,413
Capital surplus	39,737	39,750
Retained earnings	144,460	159,319
Treasury shares	(9,869)	(9,800)
Total shareholders' equity	212,742	227,681
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,106	3,871
Deferred gains or losses on hedges	327	224
Foreign currency translation adjustment	25,895	40,694
Remeasurements of defined benefit plans	(414)	(227)
Total accumulated other comprehensive income	27,914	44,562
Share acquisition rights	255	255
Non-controlling interests	1,437	1,706
Total net assets	242,350	274,206
Total liabilities and net assets	442,274	478,180

(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, 2022 (From April 1, 2022 to September 30, 2022)	Six Months Ended September 30, 2023 (From April 1, 2023 to September 30, 2023)
Net sales	268,179	285,657
Cost of sales	187,651	194,446
Gross profit	80,527	91,211
Selling, general and administrative expenses	59,032	63,478
Operating profit	21,494	27,733
Non-operating income		
Interest income	59	380
Dividend income	280	317
Foreign exchange gains	37	258
Other	173	168
Total non-operating income	551	1,125
Non-operating expenses		
Interest expenses	220	537
Share of loss of entities accounted for using equity method	264	107
Litigation expenses	1,215	399
Other	494	650
Total non-operating expenses	2,194	1,694
Ordinary profit	19,852	27,163
Extraordinary income		
Gain on sale of non-current assets	22	38
Gain on sale of investment securities	4	—
Settlement received	—	4,369
Total extraordinary income	26	4,408
Extraordinary losses		
Loss on sale and retirement of non-current assets	6	11
Loss on valuation of shares of subsidiaries and associates	—	184
Business restructuring expenses for subsidiaries	23	22
Loss on liquidation of subsidiaries and associates	1	—
Total extraordinary losses	31	219
Profit before income taxes	19,847	31,352
Income taxes	6,306	9,133
Profit	13,541	22,219
Profit attributable to non-controlling interests	53	110
Profit attributable to owners of parent	13,487	22,109

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

(Millions of yen)

	Six Months Ended September 30, 2022 (From April 1, 2022 to September 30, 2022)	Six Months Ended September 30, 2023 (From April 1, 2023 to September 30, 2023)
Profit	13,541	22,219
Other comprehensive income		
Valuation difference on available-for-sale securities	(96)	1,764
Deferred gains or losses on hedges	392	(103)
Foreign currency translation adjustment	18,546	15,001
Remeasurements of defined benefit plans, net of tax	(57)	187
Share of other comprehensive income of entities accounted for using equity method	756	(203)
Total other comprehensive income	19,541	16,647
Comprehensive income	33,083	38,866
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	32,950	38,644
Comprehensive income attributable to non-controlling interests	133	222

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Six Months Ended September 30, 2022 (From April 1, 2022 to September 30, 2022)	Six Months Ended September 30, 2023 (From April 1, 2023 to September 30, 2023)
Cash flows from operating activities		
Profit before income taxes	19,847	31,352
Depreciation	5,650	6,420
Amortization of goodwill	1,350	1,290
Settlement received	—	(4,369)
Increase (decrease) in allowance for doubtful accounts	696	(94)
Increase (decrease) in provision for bonuses	169	(1,787)
Increase or decrease in retirement benefit asset and liability	(375)	(270)
Interest and dividend income	(340)	(697)
Interest expenses	220	537
Share of loss (profit) of entities accounted for using equity method	264	107
Decrease (increase) in trade receivables	(3,283)	6,270
Decrease (increase) in inventories	(12,932)	(1,471)
Increase (decrease) in trade payables	(228)	(3,685)
Other, net	88	2,640
Subtotal	11,126	36,242
Interest and dividends received	347	645
Interest paid	(168)	(412)
Settlement package received	—	4,369
Income taxes paid	(7,886)	(9,709)
Net cash provided by (used in) operating activities	3,418	31,135
Cash flows from investing activities		
Purchase of short-term and long-term investment securities	(953)	(1,127)
Proceeds from sale of short-term and long-term investment securities	1,089	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(957)
Purchase of property, plant and equipment and intangible assets	(4,140)	(6,809)
Loan advances	(71)	(37)
Proceeds from collection of loans receivable	155	55
Other, net	(750)	(519)
Net cash provided by (used in) investing activities	(4,671)	(9,396)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	93	(978)
Proceeds from long-term borrowings	—	7,731
Repayments of long-term borrowings	(86)	(8,134)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(240)	—
Net decrease (increase) in treasury shares	56	81
Dividends paid	(4,197)	(7,293)
Other, net	(441)	(1,539)
Net cash provided by (used in) financing activities	(4,816)	(10,132)
Effect of exchange rate change on cash and cash equivalents	1,816	2,224
Net increase (decrease) in cash and cash equivalents	(4,252)	13,831
Cash and cash equivalents at beginning of period	61,397	71,153
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	—	333
Cash and cash equivalents at end of period	57,144	85,317

(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, 2023 (From April 1, 2023 to September 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 second 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. 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 or loss	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 (loss)

- 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 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. Six Months Ended September 30, 2023 (From April 1, 2023 to September 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	121,387	103,973	54,411	5,853	285,625	31	285,657
Intersegment sales or transfers	94	58	34	93	280	(280)	—
Total	121,482	104,031	54,445	5,947	285,906	(248)	285,657
Segment income	10,541	16,476	1,254	47	28,320	(586)	27,733

Notes: 1. Adjustments are as follows:

(1) Net sales

- Other net sales ¥31 million
- Elimination of intersegment transactions ¥(280) million

(2) Segment income

- Other income ¥31 million
- Corporate expenses ¥(1,061) million
- Amortization of goodwill ¥(1,290) million
- Other adjustments ¥108 million
- Elimination of intersegment transactions ¥1,624 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.

(Significant Subsequent Events)

(Share buyback)

At the meeting of the Board of Directors held on October 31, 2023, the Company passed a resolution on matters pertaining to a share buyback in accordance with Article 459, Paragraph 1 of the Companies Act and the Company’s Articles of Incorporation.

1. Reason for share buyback

To further enhance shareholder return, as well as improve capital efficiency and implement a flexible capital policy.

2. Matters pertaining to share buyback

- (1) Type of share: Common stock
- (2) Total number of shares: 3,250,000 shares (maximum)
- (3) Total value of shares: ¥5,000 million (maximum)
- (4) Period: November 1, 2023 to March 31, 2024
- (5) Method: Market purchase on the Tokyo Stock Exchange