SANWA HOLDINGS CORPORATION

Sanwa Holdings Corporation

Financial Results Briefing for the Fiscal Year Ended March 2024

May 14, 2024

Event Summary

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*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A or whose questions were read by moderator/company representatives.

Presentation

Atarashi: Good morning, everyone. It is time to start. We will now begin the briefing on the financial results of Sanwa Holdings Corporation for the fiscal year ended March 31, 2024. Thank you very much for taking time out of your busy schedule to attend our briefing today. I, Atarashi from the Corporate Communication Department, will serve as moderator today. Thank you.

I would like to introduce today's speakers.

This is Mr. Takayama, Representative Director and President of our company.

Takayama: Thank you.

Atarashi: This is Mr. Yamazaki, Director of our company and Senior Managing Executive Officer of the Corporate Planning Unit.

Yamazaki: Thank you.

Atarashi: These two members will give you the explanations. Thank you.

Here is today's schedule. Shortly, Mr. Takayama, President, will give an explanation along with the presentation materials linked to the screen. This will be followed by a question-and-answer session. The end time is scheduled to be at 11 AM. We also accept questions via text, so please send us your questions using the question form at the bottom left of the screen. This can be sent during the presentation.

Thank you very much for your patience.

Mr. Takayama, please begin.

Takayama: Now, I will start the explanations. Please allow me to explain according to the documents.

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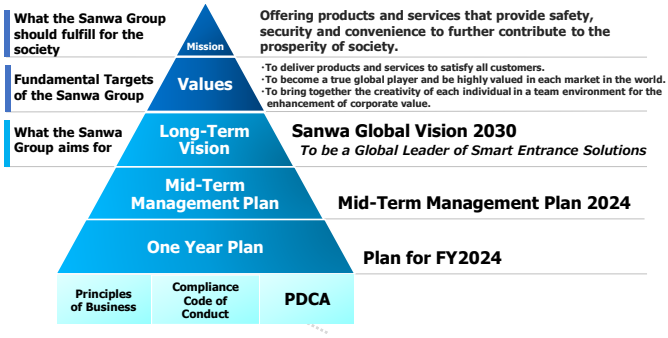
Our Mission, Our values



PDCA of Sanwa Group

In the PDCA (plan, do, check, act) cycle, it is important to carry out processes from planning to implementation, subsequent assessment of issues to be resolved, and improvements and countermeasures that lead to the next stage. In all business operations, all Sanwa Group employees act with an awareness of problems, are never satisfied with the status quo, and are committed to making steady efforts every day. Therefore, the Sanwa Group has made the PDCA cycle part of its Compliance Code of Conduct.

Foot-note on Forecast

Any contents in this brochure are based on various assumptions, and neither promise nor guarantee the indicated results of forecast or realization of any management issue.

02

The contents of today's presentation are as indicated in the table of contents on page two.

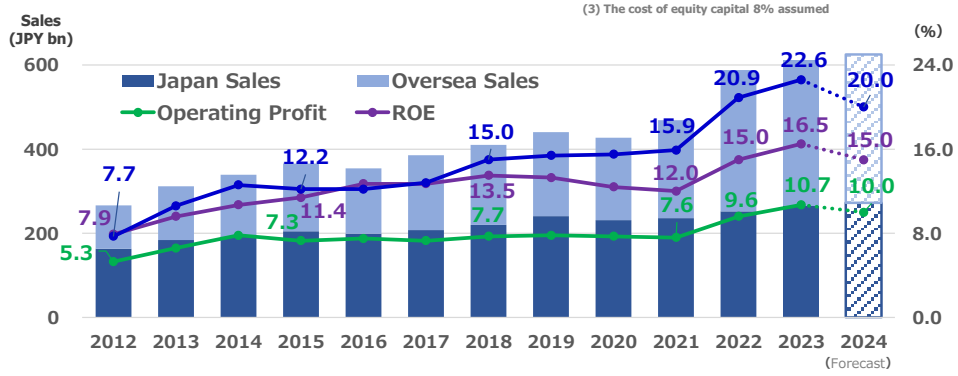
As you can see on the right, the Sanwa Group is currently implementing its Mid-term Management Plan 2024, which is a three-year plan started in 2022, and this is the final year of the plan. We will start the new mid-term management plan from 2025, and we are now at the stage of starting FY2024, which is the final year of the current plan.

01 Performance at a glance

- FY2023 sales and profits reached record levels. Operating profit margin was 10.7%, hitting double digits on a consolidated basis.
- In FY2024, we project a sales increase and profit decrease, but expect an operating profit margin of 10.0%.
- Year-end dividend increased 20 yen, for total annual dividends of 78 yen. FY2024 dividend forecast to remain unchanged at 78 yen.
- For shareholder returns, we announced a stock buyback of 5.0 billion yen.

(JPY bn)	FY2023 Actual	FY2023 Revised Forecast	FY2024 Forecast	Mid-Term Management Plan 2024 Targets
Net Sales	611.1	600.0	625.0	580.0
Operating Profit	65.36	60.00	62.50	45.00
Operating Profit Margin	10.7%	10.0%	10.0%	7.8%
SVA (1)	32.2	28.0	30.0	19.0
ROIC (2)	22.6%	19.5%	20.0%	17.5%
ROE (3)	16.5%	15.5%	15.0%	13.5%

(1) Calculated at the weighted average cost of capital (WACC) of 6%, tax rate of 33%
(2) ROIC=Net operating profit after tax / Invested capital x 100
*The invested capital used in the Company's ROIC has been calculated excluding cash and cash equivalents as well as investments in securities.
(3) The cost of equity capital 8% assumed



Forex rate	FY2023 Actual	FY2024 Forecast
1 USD	141.20	142.00
1 EUR	153.17	152.00

04

Now, please see page four here. This is a summary of today's financial results, which we call the key points of the earnings announcement.

First of all, in FY2023, we achieved record highs in both sales and profits.

Sales were JPY611.1 billion, and operating profit was JPY65.36 billion, which means that the operating margin was 10.7%. We have been targeting a consolidated operating margin of more than 10% for a long time, and we have finally succeeded in exceeding this target.

Unfortunately, we are forecasting an increase in revenue but a decrease in profit for FY2024. Sales will be JPY625 billion, and operating profit will be JPY62.5 billion. However, we would like to continue to secure a 10%, double-digit operating profit margin.

Thirdly, we plan to increase the year-end dividend by JPY20 to JPY78, in light of the very good financial results in FY2023. The dividend forecast for FY2024 is JPY78, the same as in FY2023.

As for the fourth point, we have recently announced a JPY5 billion share buyback to return profits to shareholders. This is the acquisition of the Company's own shares again following H2 of 2023. Thus, in general, we were able to achieve very good financial results. We are grateful for the understanding and cooperation of all of our stakeholders.

In addition, the Sanwa Group is what it is today because of the efforts of our seniors who built the past, which have led us to today's results. We will continue to move forward toward the future while changing what needs to be changed.

SANWA HOLDINGS CORPORATION

FY2023 Consolidated Results

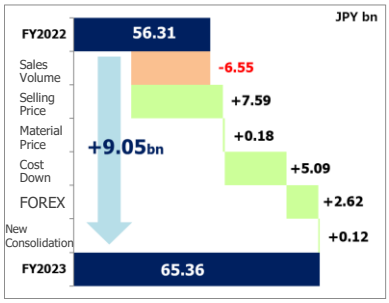
02 Business Results Highlights

(JPY bn, %)	FY2022 Actual	FY2023 Actual	FY2023 Revised Forecast	Variance vs. Forecast (amt)	Variance vs. FY2022 (amt)	Variance vs. FY2022 (%)
Net Sales	588.2	611.1 [585.9]	600.0	+11.1	+22.9 [△2.30]	+3.9 [△0.4]
Operating Profit	56.31	65.36 [62.74]	60.00	+5.36	+9.05 [+6.43]	+16.1 [+11.4]
Ordinary Profit	52.78	64.90 [62.37]	59.00	+5.90	+12.12 [+9.59]	+23.0 [+18.2]
Net Profit attributable to owners of parent	33.08	43.23 [42.29]	40.00	+3.23	+10.15 [+9.21]	+30.7 [+27.8]

[assumed Forex rate same as FY2022]

Forex Rate	FY2022	FY2023
1 USD	132.08	141.20
1 EUR	138.52	153.17

Operating profit reconciliation(consolidated)



〈Summary〉	Record sales and profits. Exceeded forecast and previous-year levels.
Net sales	・Exceeded forecast and previous year on consolidated basis. Forex impact of +25.2 billion yen. North America and Europe posted sales decreases on a local currency basis due to lower sales volume. Sales increased in Japan due to higher sales volume and price pass-through, and in Asia due to the impact of new consolidations.
Operating profit	・Profit margin was 10.7%, exceeding forecast and the previous year on a consolidated basis. Forex impact of +2.62 billion yen. Sales volume decline in North America and Europe due to market conditions affected to profit. Selling prices turned downward in North America, but increased in Japan and Europe. Inflation drove up costs globally, but cost reductions in North America contributed greatly to profit.
Ordinary profit	・Exceeded forecast and previous year, reflecting increase in operating profit.
Net Profit attributable to owners of parent	・Significantly exceeded forecast and previous year. Net extraordinary losses of 2.6 billion yen. Earnings per share of 196.0 yen.

06

Now, let us look at this in a little more detail. First of all, please see page six for the results for FY2023.

Both sales and profits exceeded the forecasted previous year and reached a new record high.

First of all, sales were JPY611.1 billion. Although sales increased by JPY22.9 billion from the previous year, there was a JPY25.2 billion impact from foreign exchange rates, and excluding this impact, overall sales decreased.

Please see the exchange rates on the right. As you are aware, the yen has depreciated significantly in 2023 compared to 2022, and the impact of the exchange rate has been significant.

By sector, the decrease in volume was particularly large in Europe and North America. In Japan and Asia, we secured an increase in sales, but the volume decline in Europe and North America was significant.

Operating profit, on the other hand, was JPY65.3 billion, and I would like to reiterate that we were able to achieve an operating profit margin of more than 10% on a consolidated basis.

As for operating profit, the graph on the lower left shows an analysis of the factors behind the increase or decrease from the previous year. The foreign exchange impact was JPY2.6 billion, but the other major factor was the sales price of JPY7.59 billion, which was the largest contributor to the increase in profit. In North America, sales prices began to decline throughout the year, but in Japan and Europe, sales prices were passed on to the Japanese and European markets, resulting in a large increase in profit.

On the other hand, cost reductions contributed to an increase in profit of more than JPY5 billion. As for costs, inflation is rising worldwide, which means that various costs are rising. In this context, cost reductions in North

America in particular have made a very large contribution, resulting in a JPY5 billion positive effect on a consolidated basis.

As for net income, it was JPY43.2 billion, and although there was a special loss, it was also a special gain, resulting in a negative net income of JPY2.6 billion.

FY2023 Consolidated Results

SANWA HOLDINGS CORPORATION

03 Net Sales & Operating Profit (By Sector)

(JPY bn, *USD m, EUR m*, %)

	【Net Sales】			【Operating Profit】			
	FY2022	FY2023	YoY (%)	FY2022	FY2023	YoY (%)	Comments
Japan	252.9	265.6	+5.0	24.71 9.8	27.73 10.4	+12.2	Strong factory construction and large-scale redevelopment projects fueled solid performance. Sales increased, led by doors for commercial buildings and condominiums, and partitions. Material costs rose more than expected, but price pass-through resulted in profit increase.
North America (ODC)	*1,659* 219.2	*1,558* 219.9	*△6.1* +0.3	*219.9* 29.05 13.3	*244.4* 34.50 15.7	*+11.1* +18.8	Sales decreased on a local currency basis as volume declined due to the slow residential market. Efforts to stem the decline in selling prices and to cut costs resulted in operating profit significantly higher than the revised forecast.
Europe (NF)	*761* 105.5	*728* 111.5	*△4.4* +5.8	*30.8* 4.27 4.0	*25.4* 3.89 3.5	*△17.6* △8.9	Sales decreased on a local currency basis, reflecting the substantial impact of the decline in sales volume amid a challenging market environment. Operating profit fell as efforts to counter the rise in costs with cost-cutting measures did not fully offset the decline in volume.
Asia	11.0	14.2	+28.7	0.26 2.3	0.58 4.1	+122.9	Sales increased due to the impact of new consolidations. Operating profit increased significantly as Hong Kong subsidiaries and An-Ho Metal Industrial Co., Ltd. in Taiwan maintained strong performance.
Consolidated	588.2	611.1	+3.9	56.31 9.6	65.36 10.7	+16.1	

*Due to intercompany elimination, values does not add up to consolidated result.
*The upper figure in NA and EU shows results on a local currency basis.
*The lower figure in Operating Profit shows the operating profit margin.

Forex Rate	FY2022	FX2023
1 USD	132.08	141.20
1 EUR	138.52	153.17

07

We will look at this by sector.

First, in Japan, sales increased by 5%. In Japan, the market remained strong, especially in H1, with the completion of a large-scale redevelopment project and strong sales at factories. Profits were also able to increase to some extent from the previous year. Although material and other costs have risen, we have been able to increase profits substantially because we have been able to pass these costs on to selling prices very successfully.

As for ODC in North America, excluding the effect of exchange rates, sales in local currency decreased by 6.1%, as shown in the blue text above. The residential market has been struggling very badly due to high interest rates and other factors, and we have been affected by these factors.

The sales price has also been affected by the slight decline in sales prices throughout the year since FY2023, although we had been able to raise prices in the past. Profit was JPY34.5 billion, which is a double-digit increase even excluding the impact of foreign exchange rates, and we were able to finish with a very good result. Although sales prices have declined, we have been able to control the extent of this decline. The cost reductions were also effective, resulting in a large increase in profit.

Next is Europe. Europe continues to face a very difficult business environment. As such, sales decreased by 4.4% in local currency terms. The exchange rate impact is increasing in yen but decreasing in the local currency

of euros. Profits have also declined due to cost increases that are even greater than the price hikes and other measures taken. We are still wondering if the situation will continue to be difficult.

Next is Asia. Sales and profits in Asia were good, although very small in FY2023. This was due in particular to the effect of new consolidations, as well as to strong business in Hong Kong and Taiwan.

FY2024 Consolidated Forecasts

SANWA HOLDINGS CORPORATION

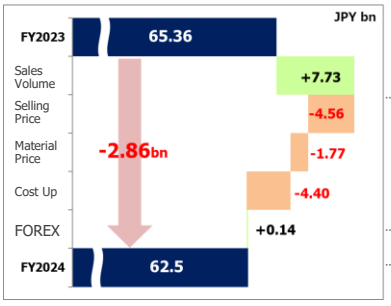
04 Business Forecasts Highlights

(JPY bn, %)	FY2023	FY2024 Forecast	1H FY2024	2H FY2024	Variance vs. FY2023(amt)	Variance vs. FY2023 (%)
Net Sales	611.1	625.0 [624.6]	293.0	332.0	+13.9 [+13.5]	+2.3 [+2.2]
Operating Profit	65.36	62.50 [62.36]	26.50	36.00	-2.86 [-3.00]	-4.4 [-4.6]
Ordinary Profit	64.90	62.00 [61.86]	26.00	36.00	-2.90 [-3.04]	-4.5 [-4.7]
Net Profit attributable to owners of parent	43.23	42.50 [42.39]	18.00	24.50	-0.73 [-0.84]	-1.7 [-1.9]

[assumed Forex rate same as FY2023]

Forex Rate	FY2023	FY2024 (F)
1 USD	141.20	142.00
1 EUR	153.17	152.00

Operating profit reconciliation(consolidated)



〈Summary〉	Sales are expected to increase with a projected increase in volume, but profits are forecast to decline.
Net sales	・Sales increase of +2.3% on a consolidated basis is forecast. Sales in Japan are forecast to increase due to volume growth and price pass-through. Sales in North America are projected to increase on volume growth, even factoring in the drop in selling prices. Sales in Europe are expected to be on par with the previous year, with sales measures compensating for further market shrinkage.
Operating profit	・Profit forecast to decrease 4.4% on consolidated basis, with the profit margin remaining at 10%. Expecting contribution by higher sales volume in Japan and North America. We will continue to work on price pass-through in Japan, but in North America, the impact of the drop in selling prices will be significant. Cost increases are projected globally, but in North America, we will promote cost reductions.
Ordinary profit	・Forecast to decline due to a decrease in operating profit
Net Profit attributable to owners of parent	・Slight decrease forecast due to a significant decrease in extraordinary losses. Earnings per share forecast at 194.2 yen, on par with previous year.

09

With the situation described for FY2023, I would now like to explain our forecast for FY2024.

As I mentioned at the beginning of this presentation, we are forecasting a double-digit 10% operating profit margin, although profits will decrease.

Please see the assumptions of the foreign exchange forecast first. The yen is expected to be at JPY142 and JPY152 compared to the current levels, but we are assuming that the yen will remain at about the same level as in the previous year.

First of all, sales will total JPY625 billion, up 2.3% from the previous year. All sectors are in the process of increasing sales.

However, it varies by sector, and In Japan, we expect to continue to see an increase in volume and a shift in selling prices to some extent. In North America, on the other hand, the market is expected to recover, but the decline in sales prices will have an effect, resulting in a slight increase in sales. While Europe continues to be challenging, we are hoping to manage to secure an increase in revenues.

Operating profit, on the other hand, is projected to be JPY62.5 billion, down JPY2.86 billion from the previous year.

As you can see in the graph below on the left, the volume factor was JPY7.73 billion, and the increase in volume was a factor that led to a large increase in operating profit. We expect volume growth in Japan to continue, and the upturn in North America market will also contribute to volume growth.

On the other hand, the sales price was negative JPY4.56 billion, which is the reason for the decrease in profit. Although sales prices in Japan and Europe continue to increase, the impact of the decline in sales prices in North America was significant, and the consolidated sales price was negative JPY4.56 billion.

Raw materials are still a slightly negative factor due to the global rise in prices of various materials other than steel.

Then, there is cost. As for costs, the decrease was due to a factor of JPY4.4 billion. Although cost reduction efforts in North America continue to be very large, the cost increases in Japan and Europe are so large that they cannot be covered by the cost reduction efforts.

FY2024 Consolidated Forecasts

SANWA HOLDINGS CORPORATION

05 Net Sales & Operating Profit (By Sector)

(JPY bn, *USD m, EUR m*, %)

	【Net Sales】			【Operating Profit】			
	FY2023	FY2024	YoY (%)	FY2023	FY2024	YoY (%)	Comments
Japan	265.6	278.6	+4.9	27.73 10.4	28.48 10.2	+2.7	Sales expected to increase with higher sales volume driven by factory and warehouse construction, etc., and price pass-through. Operating profit expected to increase as the cost of dealing with the 2024 issues in logistics is projected to rise, but we will also work on appropriate cost management and ensuring delivery, as well as price pass-through.
North America (ODC)	*1,558* 219.9	*1,585* 225.0	*+1.8* +2.3	*244.4* 34.50 15.7	*215.0* 30.53 13.6	*-12.0* -11.5	Sales expected to increase, fueled by a moderate recovery in the residential market, firm demand in the non-residential market, and sales expansion measures. Operating profit forecast to decrease due to impact of selling price declines exceeding the effect from higher sales volume and cost reductions.
Europe (NF)	*728* 111.5	*737* 112.0	*+1.2* +0.5	*25.4* 3.89 3.5	*23.3* 3.55 3.2	*-8.1* -8.8	Sales expected to be on par with the previous year, with sales measures compensating for market shrinkage. Operating profit forecast to decrease with costs rising substantially and volume not expected to increase.
Asia	14.2	15.5	+9.1	0.58 4.1	0.40 2.6	-30.5	In eastern China business, sales forecast to increase with expected growth in volume as we focus on sales expansion. Operating profit forecast to decrease compared with the strong performance of the previous year.
Consolidated	611.1	625.0	+2.3	65.36 10.7	62.50 10.0	-4.4	

*Due to intercompany elimination, values does not add up to consolidated result.
*The upper figure in NA and EU shows results on a local currency basis.
*The lower figure in Operating Profit shows the operating profit margin.

Forex Rate	FY2023	FY2024 (F)
1 USD	141.20	142.00
1 EUR	153.17	152.00

10

We would like to continue by sector.

First, in Japan, sales are up 4.9% from the previous year. We expect an increase in revenue by continuing to increase the volume of plants and warehouses at a high level and by further improving our sales prices. Operating profit is estimated at JPY28.4 billion, a slight increase of JPY0.7 billion from the previous year.

In Japan, we are seeing a slight increase in costs due to the so-called 2024 Problem in the logistics and construction industries. In response to this, we are working to pass on selling prices and to manage costs and delivery times appropriately, but the impact of these efforts is expected to be somewhat large, and the increase in profit may be somewhat insufficient. I see this area as being very uncertain.

Next is North America. In ODC, sales are up 1.8% in local currency terms. The residential market has been on a gradual recovery trend since H2 of 2023, and we expect it to be positive throughout the year in 2024. In the non-residential market, we expect the market to recover first of all, as the market is expected to remain strong, and we will continue to strengthen our sales measures to gain market share and secure an increase in sales.

We estimate that sales prices are affected by North America business by about 7%, so taking this into account, the increase in volume terms will be about 9%. On the other hand, operating profit was JPY30.5 billion, a double-digit decrease from the previous year, even on a local currency basis.

We will continue our efforts to reduce costs, and volumes will recover, but unfortunately, the impact of the decline in sales prices is even more significant than that, which is why we are making this forecast. We will do our best to minimize the decline in sales prices.

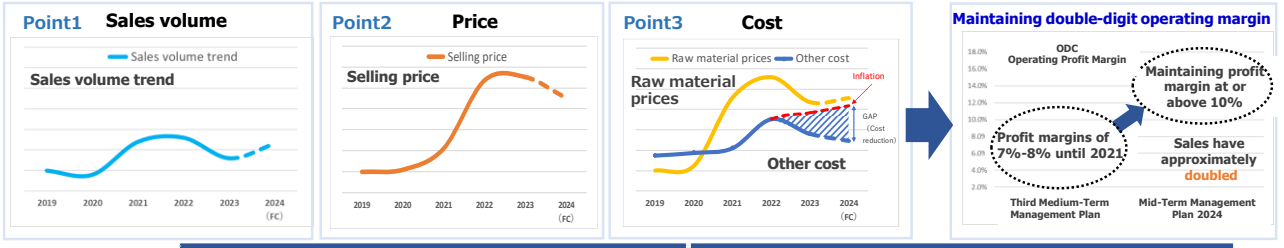
In Europe, we are forecasting to somehow increase sales on a local currency basis. The market reversal itself will still take some time, and we are in a situation where we may or may not hit the bottom during FY2024. By developing various sales measures, we hope to manage to turn sales into an increase. However, the forecast for profits is that profits will be slightly down from the previous year due to continued significant cost increases.

In Asia, the top line is expected to increase by 9.1%, but profits are expected to decrease from the previous year. The profit is expected to decrease to JPY400 million in the current fiscal year, partly in reaction to the sale of highly profitable properties in the previous year.

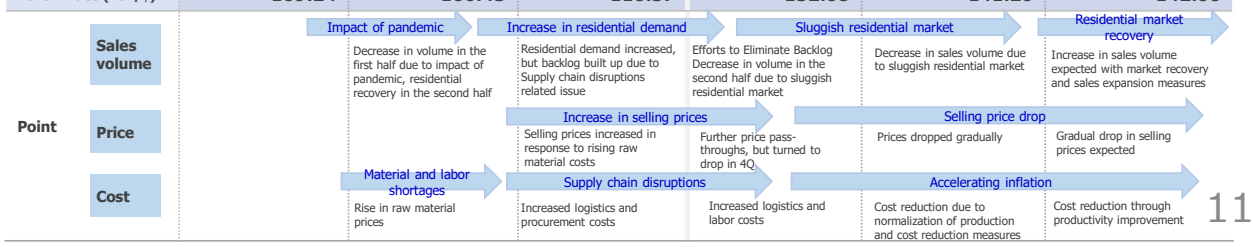
These are the forecasts for 2024.

06 Present Situation and Key Points in North America (ODC)

- 2023 net sales were nearly double 2019 sales (1.4 times on local currency basis)
- 2023 operating profit margin in 15% range, up 8.1 points from 2019



(*USD m*), JPY bn, %	Third Medium-Term Management Plan						Mid-Term Management Plan 2024					
	2019		2020		2021		2022		2023		2024 (Forecast)	
Net Sales	(1,085)	118.5	(1,102)	117.2	(1,261)	139.2	(1,659)	219.2	(1,558)	219.9	(1,585)	225.0
Operating Profit	(82.7)	9.03	(72.7)	7.73	(75.9)	8.38	(219.9)	29.05	(244.4)	34.50	(215.0)	30.53
Operating Profit Margin		7.6%		6.6%		6.0%		13.3%		15.7%		13.6%
Forex Rate (Yen/$)		109.24		106.43		110.37		132.08		141.20		142.00



Next, in the update status and key points in North America business section, we have summarized the business performance and circumstances of North America business over the past few years.

Although business in North America has been very strong, various factors have been changing rapidly over the past few years, and it is difficult to make predictions, as it is for us. With this in mind, we have provided these explanatory slides in the hope that they will be helpful to your understanding.

Sales for FY2023 were JPY219.9 billion in yen terms, which is double the sales in yen terms from the so-called pre-COVID-19 in 2019. In local currency terms, it has also increased by a factor of 1.4.

Operating profit increased from JPY9 billion, JPY7.7 billion, and JPY8.3 billion from 2019 to triple and quadruple in 2022 and 2023, and the operating profit margin was 15.7% in 2023, a very high operating profit margin. For 2024, we expect the profit margin to remain high, although it will be 13.6%, which means a decrease in profit. This is an explanation of the background of this area.

The level of the exchange rate is shown. The amount in yen is based on the change in the exchange rate. In particular, I would like to explain the situation up to this point in terms of fluctuations in business performance in local currencies, including volume, selling prices, and costs, including raw materials.

Although the volume of the so-called COVID-19 fell sharply in the beginning of FY2020, North America was quick to recover from COVID-19 and from H2 of 2020, demand recovered, especially in the residential market. This continued from 2021 to 2022.

In 2022, the market was sluggish, and in 2023, there was a very large volume decline. From there, we are going to move toward a recovery from 2024. However, this recovery in demand and our sales pitch were somewhat out of sync.

This is because we had a very disruptive supply chain problem in 2021 and 2022. Shipments were not enough to meet demand, and thus, our sales were delayed in recovery of that demand.

Next, the selling price has also increased since 2021 due to the sharp rise in raw material prices, and we were able to successfully pass on this increase. The price peaked in Q3 of 2022 and started to decline from Q4 of 2022.

Although the market continued to decline in 2023, the annual average for 2022 and 2023 was about the same, or only slightly negative. We expect that this will continue to decline moderately in 2024, and the 7% level I mentioned earlier is how much the annual rate of decline will be between 2023 and 2024.

On the other hand, in terms of costs, first of all, the price of raw materials, steel materials, rose very sharply and significantly in 2020. The yellow bar graph above shows the price of raw materials, which has increased significantly. After that, material prices settled down to some extent, with a ceiling in 2022. However, due to disruptions in the supply chain and other factors, logistics costs, the cost of various materials other than steel, and labor costs are on the rise. This trend is continuing.

However, in ODC, whereas the supply chain was in disarray in 2021 and 2022 and costs increased considerably, the disarray was normalized in 2023, and costs have been reduced significantly. Of course, we have also been concurrently reducing our own costs, and both of these efforts have been effective, resulting in a large increase in profits in 2023.

To some extent, the disruption in the supply chain has already been resolved, but we will continue our cost reduction efforts in 2024, and we believe that securing double-digit income in North America business on an ongoing basis will directly lead to securing double-digit operating profit on a consolidated basis as well.

This is the situation in recent years in the United States.

That was an explanation of the business performance.

07 Progress of Mid-Term Management Plan 2024

SANWA HOLDINGS CORPORATION

Basic Strategies ① Expand and strengthen core businesses at Japan, North America and Europe

With quick and appropriate response to customer needs, aims to strengthen business and expand core business, including the service business.

1 Increase market share of shutter and door business

- JP: Core products: Sales to factories and office buildings, etc., are solid
- JP: Strategic products : Partitions performed well
- JP: Focus on appropriate cost management and ensuring deliveries, and on price pass-through in response to 2024 issues in logistics
- NA: Expand share by sales measures to capture rebound in residential market and new products
- EU: Market conditions are challenging in Germany, the UK and northern Europe, but will aim for share expansion with a focus on industrial products

2 Expand service business

- JP: General repairs, scheduled maintenance and mandatory statutory inspections all performed well.
- NA: Steadily expanded service business with acquisition of Door Control, Inc.
- EU: Posted solid performance by developing and strengthening service business framework in major markets

(JPY bn)	FY2022 Actual	FY2023 Actual	FY2024 Forecast	Mid-Term Management Plan 2024 Targets
Consolidated Service Sales	74.2 (12.6)	79.9 (13.1)	84.5 (13.5)	76.0 (13.1)

＊( ) the ratio of consolidated net sales

3 Utilizing M&A to strengthen business and expand business domain

- Expansion of entrance business through Sanwa Facade Lab Corporation
- Expanded business domain by introducing dock products and gate openers in North America
- Continued to explore M&A opportunities that fit our growth strategy

13

I will now proceed with a brief description of the measures. Please see page 13 first.

This is about the basic strategies set forth in the medium-term business plan, and the first one is to expand and strengthen core businesses in Japan, North America, and Europe.

The market varies from country to country but is basically firm. In Japan, however, although the situation is firm, we have to keep a close eye on the 2024 Problem this year. In North America, we are thinking of firmly capturing the market recovery and expanding our market share.

Then, the second is the service business. In FY2023, the total sales of the Group amounted to JPY79.9 billion, accounting for 13% of the total sales of the entire group. We, of course, focus on this in Japan, but in Europe, where the environment is difficult, we are restructuring our service business, and this is working very well. In fact, in 2022 and 2023, the service business in Europe showed more than double-digit growth in a difficult environment, and we believe it is important to do what needs to be done even in a difficult environment.

Then, to strengthen our business and expand our domain through M&A. Although there were no M&As in FY2023, we are organically developing new business areas or unconventional products in Japan, North America, and elsewhere. We are planning to expand our facade and entrance business in Japan and to sell dock products for non-residential use and gate operators for residential use in North America, in addition to our existing products.

Basic Strategies ② Strengthen a basis for growth of Asian business

Restructuring manufacturing and sales operation to increase market share, and build foundation for a fourth pillar alongside Japan, North America and Europe

(JPY bn)	FY2022 Actual	FY2023 Actual	FY2024 Forecast	Mid-Term Management Plan 2024 Targets
Net Sales	11.0	14.2	15.5	16.0
Operating Profit	0.26	0.58	0.40	0.80

1 Significantly boost production capacity by enhanced facilities

- Focus on accommodating shorter delivery times at Sanwa NF Changshu and expanding production capacity through productivity improvements
- Improve productivity by renovating production facilities at main factories(Vietnam and Indonesia)

2 Restructuring sales operations and address product diversification

- Strengthen sales through synergy in Hong Kong with AUB, which is newly consolidated
- In eastern China business, shutters for factory market performed well, and we are also focusing on expanding sales of doors
- Expand sales by capturing demand in the fire resistance and heat insulation market in Asia

3 Strengthen the foundation of business framework

- Strengthen business administration at Sanwa Shanghai (centralize procurement functions in addition to administrative functions)
- Introduced ERP systems optimized in each region

Next is the basic strategy strengthening the basis for growth of the Asian business.

As shown in the table at the top, the target for Asia was JPY16 billion in sales and JPY800 million in operating profit, but unfortunately, while sales are decent, profits are still only half that level. However, we have managed to establish a system that can generate stable surpluses.

The Chinese economy is a major concern, especially in Asia, but as you can see in the middle of the second row, the East China business and shutter business, etc., have been very successful in targeting the good parts of the market, such as the factory market, despite the fact that the market as a whole is difficult. We're working hard to sell doors, too, building a new factory.

We are at the point where our business in China has not been affected as badly as has been said to that extent. However, the base is still weak, and we would like to expand it firmly, not just in terms of the market.

07 Progress of Mid-Term Management Plan 2024

SANWA HOLDINGS CORPORATION

Basic Strategies ③ Expand product for disaster prevention and climate change response and enhance smart products and services

Expand product for disaster prevention and climate change response and enhance smart products and services to meet the changing needs of society due to climate change and digitalization.

1 Expand product for disaster prevention and climate change response

(JPY bn)	FY2022 Actual	FY2023 Actual	FY2024 Forecast	FY2024 Target
Disaster Prevention Product	69.1 (11.8)	71.8 (11.7)	75.4 (12.1)	81.0 (14.0)
Climate Change Adaption Product	20.5 (3.5)	21.8 (3.6)	22.6 (3.6)	18.0 (3.2)
Climate Change Mitigation Product	106.6 (18.1)	101.2 (16.6)	103.4 (16.5)	96.0 (16.6)
Sales of product for disaster prevention and climate change response	196.2 (33.4)	194.8 (31.9)	201.4 (32.2)	195.0 (33.7)

2 Enhance smart products and services

Introduce additional smartphone-linked systems in each area
・JP: Expand smartphone-enabled system (RemoSma)
・NA: Expand connected apps such as AI speakers
・EU: Expand smart home compatibility
Introduce products and services that facilitate remote monitoring functions

Disaster Prevention

Lightweight steel doors (Specific fireproof equipment with window) (Sanwa Shutter)

Climate Change Mitigation

Re-carbo

Sanwa Shutter offers the Re-Carbo series, a lineup of products and services that contribute to CO_2 reduction and energy savings.

Re-Carbo series Overhead doors with high thermal insulation performance (Sanwa Shutter)

Climate Change Adaption

Water Guard Waterproof Shutter" Added a fireproof·smokeproof type (Sanwa Shutter)

Re-Carbo series **Thermally insulated QuickSaver** (Sanwa Shutter)

IoT

RemoSma smartphone-enabled garage door control system (Sanwa Shutter)

Aladdin Connect (ODC)

Homematic IP Smart Home System(NF)

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Then, number three.

We are expanding products for disaster prevention and climate change response and enhancing the smart products and services. We are sequentially launching new products in Japan, North America, and Europe based on these themes. Especially in Japan, we feel that the Re-carbo series of products and sales proposals are gradually taking root and being accepted as products that mitigate climate change.

As mentioned in the second section, in terms of smart products and services, the main focus has been on how to connect to what is called a smart home for the home in Japan, North America, and Europe. The remote monitoring functions shown at the bottom of this page and other product services that support such functions vary from country to country, but these products are gradually beginning to be deployed. We would like to expand these areas in the future.

Basic Strategies ④ Increase productivity through digitalization and manufacturing innovation

Promote digitalization of business processes and invest for production capacity expansion and labor saving

1 Promote Digitalization

- JP : Promote electronic data interchange (EDI) of installation contracts
  : Nationwide rollout of order intake system for partition products
- NA: Efficiency improvements at locations that have implemented ERP
  ERP being implemented in stages by function at main door factory (Mt. Hope)
- EU: Promoting digitalization of all processes, including ERP implementation at sales companies
  (NovoSite: Installation management app and other initiatives)
- AS: Promote business process improvement with ERP
  (Hong Kong, eastern China and Vietnam)

Capital Expenditure

(JPY bn)	FY 2022 Actual	FY 2023 Actual	FY 2024 Forecast	FY 2022-2024 Forecast	Mid-Term Management Plan 2024 total Targets
IT Investment	1.8	2.4	3.4	7.6	12.0
Capital Investment	8.2	11.0	15.1	34.3	34.0
Total Investment	10.0	13.4	18.5	41.9	4.60

2 Manufacturing Innovation

- JP: Upgrade staff skills and Capital Investments to strengthen door production
- NA: Start production at new factory in Mexico in automatic door business (March 2024)
  : Improve productivity by optimizing product lineup
- EU: Complete relocation of hinged door factory in UK, and start operation in April 2024
- AS: Productivity improvements at Sanwa Novoferm (Changshu) and smooth progress in production capacity expansions in Vietnam, Indonesia and other ASEAN countries

Matamoros new plant（Mexico）

Next is the basic strategy digitalization and manufacturing innovation.

We are continuing to invest aggressively in investments, IT, and production facilities, with the aim of allocating the cash we earn to investments.

As you can see, in FY2023, we invested JPY2.4 billion in IT and JPY11 billion in facilities, for a total of JPY13.4 billion. In 2024, this figure is JPY18.5 billion.

Some things do not go quite as planned. Although our actual performance is slightly below the plan, we are still determined to take a positive approach to the project.

We had projected a total of JPY46 billion for the three-year period, but the current figure is JPY41.9 billion, which is a little short of our original forecast, but the investment is progressing well.

The lower right photo shows the new plant in Mexico. This is the new plant that is now in operation at the automatic door business in North America.

Support
Japan 050.5212.7790 North America 1.800.674.8375
Tollfree 0120.966.744 Email Support support@scriptsasia.com
SCRIPTS Asia's Meetings, Globally

SANWA HOLDINGS CORPORATION

Basic Strategies ⑤ Enhance sustainability management

In the final year of the medium-term management plan, we will promote measures to achieve KPIs, and also promote initiatives with a view to the next medium-term management plan.

Manufacturing

2023

- Launch Re-carbo series of overhead doors with high thermal insulation
- Wind-resistant lightweight shutter "Taifu Guard LS" received honorable mention in 2023 'Cho' Monozukuri Innovative Parts and Components Award

2024KPI

- Climate change(mitigation･adaption) products ¥114bn（consolidated）
- Disaster prevention products ¥81bn（consolidated）

Future subject

- Quantify environmental contribution effects
- Expand lineup of products that solve problems

Environment

2023

- Broaden the scope of disclosure (consolidated)
- Expansion of Scope 3 calculation categories and scope of third-party verification (Sanwa Shutter)
- Installation of solar power generation equipment at NF (UK, Italy and Spain), Shanghai Baosteel-Sanwa Door (China) factory and Sanwa Shutter Kyushu factory

2024KPI

- Reduce Scope1+2 CO_2 emissions by 10% (Sanwa Shutter)

2030 KPI

- Reduce Scope1+2 CO_2 emissions by 30% (Sanwa Shutter)
- Reduce water usage･waste intensity by 10% (Sanwa Shutter)

Future subject

- Set new target of CO_2 emissions
- Response to biodiversity

People

2023

- Human rights due diligence
  - ･Enact Sanwa Group Human Rights Policy
  - ･Conduct supply chain questionnaire
- Conduct training for the next generation of leaders and career advancement training for female employees

2024KPI

- Conduct human rights due diligence

2030 KPI

- Rate of female managerial employees 15%(consolidated)
- Rate of female employees 20%(consolidated)

Future subject

- Expand scope of human rights due diligence
- Reset KPIs aligned with human rights strategy

Governance

2023

- Establish share ownership guidelines for directors
- Hold SR meeting (once a year)

2024KPI

- Address board diversity
- Number of stakeholder dialogue events: 200

Future subject

- Improvement of Board of Directors effectiveness
- Dialogue with various stakeholders

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Next is basic strategy number five.

As I mentioned earlier, we are enhancing sustainability management, and in the area of manufacturing, we are introducing a variety of new products from the perspectives of disaster prevention and the environment.

In terms of the second point, the environment, in FY2023, we expanded the disclosure of environmental data on a global basis to consolidated operations, calculated and disclosed Scope 3 information, and so on.

In addition, solar power generation, etc., is being introduced around the world.

In addition, in the area of people below that, we were able to start implementing human rights due diligence ahead of schedule in FY2023, and we are gradually making progress in these areas as well.

Appendix

08 External Evaluations

The Sanwa Group's sustainability initiatives and disclosure level are evaluated by external parties and are recognized with inclusion in domestic and international ESG indexes and receipt of various awards.

ESG Index		Awards and Rating	
MSCI Japan ESG Select Leaders Index First selection 2024 CONSTITUENT MSCI Japan ESG Select Leaders Index MSCI ESG RATINGS AA Rated up		CDP2022 Climate Change Score A- Score up	5th NIKKEI SDGS Management Survey ★3.5
FTSE4Good Index Series 3rd Consecutive FTSE4Good	FTSE Blossom Japan Index 3rd Consecutive FTSE Blossom Japan	Daiwa Investor Relation 2023 Internet IR Award 「Commendation Award」	Nikko Investor Relations 2023 All Japanese Listed Companies' Website Ranking in All and Sector [AAA Rating]
FTSE Blossom Japan Sector Relative Index 2nd Consecutive FTSE Blossom Japan Sector Relative Index	S&P／JPX Carbon Efficient Index	Institutional Investor The 2024 All-Japan Executive Team Rankings（Construction Sector）	Construction Sector 2nd place Best CEO 1st place Best Company Board 1st place Best ESG Program 2nd place Best IR Professional 1st place Best IR Program 1st place Best IR Team 2nd place

THE INCLUSION OF Sanwa Holdings Corporation IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF Sanwa Holdings Corporation BY MSCI OR ANY OF ITS AFFILIATES.
THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

Please let us jump to page 31, the last page. The reference material is included at the end of this document, which is an external evaluation.

Our various ESG initiatives have been evaluated to some extent, and we have recently received an A-minus rating from CDP and have been included in the AA index of MSCI's evaluation.

In addition, we will continue to actively promote IR in an easy-to-understand manner, and we believe that this aspect of our efforts has received a certain degree of positive feedback. We would like to continue to focus our efforts in this area.

Financial Highlights

SANWA HOLDINGS CORPORATION

08 Action on Management That Is Conscious of Cost of Capital and Stock Price

①Improvement of capital efficiency
Management focused on capital efficiency through Sanwa Value Added (SVA), the Company's unique indicator → Improve SVA, ROIC and ROE

②Cash allocation and shareholder returns
Allocate funds to strategic investment and shareholder returns, aiming for increasing corporate value → Increase stock price Improve PBR and PER

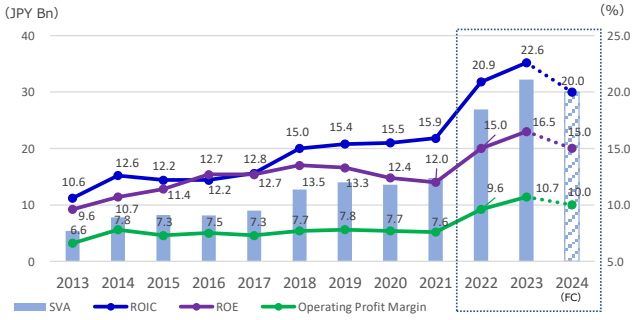
(JPY bn)

Key figures	FY2022 Actual	FY2023 Actual	FY2024 Forecast
SVA (※1)	26.9	32.2	30.0
ROIC (※2)	20.9%	22.6%	20.0%
ROE	15.0%	16.5%	15.0%
Shareholder's Equity Ratio	54.4%	57.7%	58.0%
Debt-Equity Ratio (times)	0.20	0.16	0.15
Dividend payout ratio	38.7%	39.8%	40.2%
PBR (times)	1.3	2.2	–
PER (times)	9.5	13.7	–

※1. SVA = Net operating profit after tax - Invested capital × WACC(6%)
※2. ROIC = Net operating profit after tax / Invested capital x 100

* The invested capital used in the Company's SVA, ROIC has been calculated excluding cash and cash equivalents as well as investments in securities.

- Maintain SVA and ROIC at a high level during Mid-Term Management Plan 2024, resulting in improvement of capital efficiency
- ROE well above the cost of equity at 16.5% in FY2023 and projected at 15.0% in FY2024
- PBR of 2.2 times in FY2023, indicating steady improvement of corporate value



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Now, please go back to an earlier page, and I would like to mention financials finally. Please see page 19.

Regarding financials, we have always been conscious of the management initiatives that focus on the cost of capital and stock price. We believe that it is necessary to take these steps again.

Specifically, we would like to improve capital efficiency, and secondly, cash allocation and shareholder returns, which are the two pillars of our management.

Although there are a variety of figures, we are generally doing well. During the period of this medium-term plan, especially the 2023, SVA and ROIC remained high, and capital efficiency improved. ROE has remained well above the cost of shareholders' equity, and the P/B ratio is 2.2 times, which I believe is above average.

SANWA HOLDINGS CORPORATION

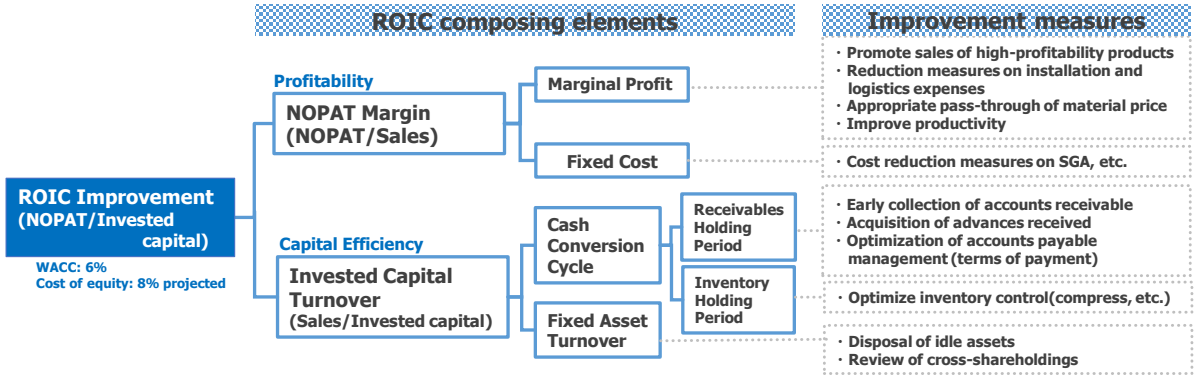
09 Improvement of Capital Efficiency

- Introduced SVA in FY2001, and continuing to focus on improving capital efficiency
- Improve ROIC by expanding the improvement measures (shown below) to each operating base and promoting capital cost management

SVA Improvement

SVA = NOPAT − Invested capital × Weighted average cost of capital (WACC:6%)
= ROIC × Invested capital − Invested capital × WACC (6%)
= Invested capital × (ROIC − WACC (6%))

Improvement of ROIC leads to improvement of SVA



Invested capital = Working Capital + Fixed Assets
= Net Assets + Interest-bearing debt
−(Cash and cash equivalents + Investment securities)

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I would like to look at these two big points one at a time. Please see page 20. The first is to improve capital efficiency.

We have been using the SVA indicator since 2001 and are continuously focusing on improving capital efficiency. To improve SVA, as you can see, improvement in ROIC leads to improvement in SVA. We break down the ROIC improvement into its various components and provide concrete examples of actions that can be taken at the field level for each of these components.

We are also linking this to our evaluations, and we believe that the Company as a whole is improving. We will continue our efforts to collect accounts receivable and advances received at an early stage, manage inventories properly, and of course, improve profitability.

Financial Highlights

SANWA HOLDINGS CORPORATION

10 Cash Allocation and Shareholder Returns

- Allocate funds for sustainable growth to strategic investment and shareholder returns, and aim for increasing corporate value
- Deliver shareholder returns combining flexible stock buybacks and stable dividends, with a target payout ratio of 40%

Cash Allocation（2022-2024）

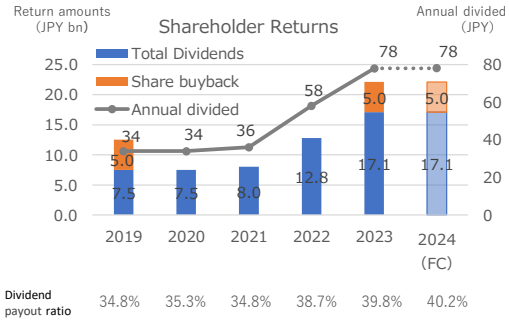
- Planning 120 billion yen in cash flow during Mid-Term Management Plan 2024
- In the Corporate Governance Code, we disclosed that we will aim for total shareholder return (dividends + stock buybacks) of 54.0 billion yen during the period of the mid-term management plan
- Expected use of funds during Mid-Term Management Plan 2024 is 118.9 billion yen
- Shareholder returns are projected to be 57.0 billion yen, compared with 54.0 billion yen in the plan

120.0 JPY bn　118.9 JPY bn　(JPY bn)

FY 2022-2024 Plan	FY 2022-2024 Forecast	FY2022-2023 Actual		FY2024 Forecast	
M&A 20.0	M&A 20.0	1.7	➡North America : Door Control ➡Asia : AUB（HK）	18.3	Difference from Actual
Capital Invest-ments 46.0	Capital Invest-ments 41.9	23.4	Capital Investments ··· 19.2 IT Investments ··· 4.2	18.5	Capital Investments(FC) ···15.1 Capital Investments(FC) ···3.4
Share-holder Returns 54.0	Share-holder Returns 57.0	34.9	Total Dividends ···29.9 Share buyback ···5.0	22.1	Total Dividends(FC) ···17.1 Share buyback(FC) ···5.0 (*Predictions at present))

Shareholder Returns

- Dividend policy: Aim for stable dividends with a target of 40% of EPS
- Dividend amount ：
  FY2023 : 78yen（1st half 29yen,Year-end 49yen）
  FY2024 : 78yen(forecast)（1st half 39yen,Year-end 39yen）
  FY2024 net profit is forecast to decline, but will maintain dividends at the FY2023 level.
- Stock buybacks: Flexibly implement buybacks while considering growth investments and cash on hand



21

This is followed by the second pillar, cash allocation and shareholder returns.

Our policy is to invest our cash for sustainable growth, while at the same time, we will strive to increase corporate value through well-balanced shareholder returns.

In terms of shareholder returns, our policy is to maintain a stable dividend payout ratio of 40%, or 40% of net income, and to buy back our own shares in a flexible manner.

The table on the lower left, shows how we are going to spend JPY120 billion, which is the total from 2022 to 2024. We are planning to spend JPY20 billion for M&A, JPY46 billion for capital investment, and JPY54 billion for shareholder returns.

The status and progress of the third-year forecast after the completion of the second year is shown in this JPY118.9 billion figure, but for the time being, we have put M&A at JPY20 billion. In 2022 and 2023, we achieved only JPY1.7 billion in two years, and we are considering M&A with a target of JPY20 billion for 2024.

Capital expenditures are JPY41.9 billion compared to JPY46 billion, and this was mentioned earlier.

On the other hand, shareholder returns are currently projected at JPY57 billion, which is higher compared to JPY54 billion.

The dividend policy is 40%, and the share buyback policy is to prioritize investment while flexibly implementing share buybacks in consideration of cash reserves, as written on the right-hand side. As a result, the annual dividend for FY2023 was JPY78, and the forecast for FY2024 is JPY78, which is in line with the dividend payout ratio to some extent.

Dividends are expected to total JPY57 billion over the three-year period, with JPY47 billion in dividends over the three-year period and JPY10 billion in share buybacks, including the current JPY5 billion.

As for dividends, there may naturally be a difference depending on profits. Of course, we take into consideration the stable dividend, which we hope will not fall below the previous year's level or that we will manage to maintain the forecast.

Regarding share buybacks, we will continue to monitor the cash situation. One is that cash is coming in from higher-than-expected profits, and we will continue to consider flexible share buybacks and share repurchases in light of the fact that those who use the cash are also not able to use it as much as expected.

Financial Highlights

SANWA HOLDINGS CORPORATION

11 Consolidated BS/CF & Extraordinary losses

(JPY bn, %)

Consolidated BS	FY2022 Actual	%	FY2023 Actual	%	Variance vs. FY2022 (amt)
Current assets	285.4	64.5	327.0	66.5	+41.6
Cash and cash equivalents	71.1	16.1	94.1	19.2	+23.0
Inventories, accounts receivable	208.6	47.2	213.7	43.5	+5.1
Noncurrent assets	156.8	35.5	164.6	33.5	+7.8
Investment securities	25.1	5.7	30.3	6.2	+5.2
Total assets	442.2	100.0	491.7	100.0	+49.5
Interest-bearing debt	49.2	11.1	45.3	9.2	-3.9
Other liabilities	150.6	34.1	160.8	32.7	+10.2
Net assets	242.3	54.8	285.5	58.1	+43.2

(JPY bn)

Consolidated CF	FY2022 Actual	FY2023 Actual	Variance vs. FY2022 (amt)
Net income before income taxes	49.0	62.2	+13.2
Depreciation and amortization/ Amortization of goodwill	14.7	16.0	+1.3
Income taxes paid	15.6	-20.9	-5.3
Working capital	21.5	1.7	+23.2
Others	7.8	13.3	+5.5
CF from Operating activities	34.4	72.4	+38.0
CF from Investing activities	-15.9	-24.8	-8.9
FCF（Operating＋Investing）	18.4	47.6	+29.2
CF from Financing activities	-9.8	-26.2	-16.4
Cash and cash equivalents (end of year)	71.1	94.1	+23.0

(JPY bn)

Breakdown of Extraordinary Losses	FY2022 Actual	FY2023 Actual	2024 Forecast
Loss on disposal of fixed assets	0.08	0.07	–
Business Restructuring Expenses	0.37	0.32	0.55
Impairment loss on fixed assets	3.45	4.67	–
Other Extraordinary Losses	–	2.31	0.45
Extraordinary Losses	3.90	7.37	1.00

Regarding Extraordinary Losses

- The impairment loss on fixed assets in FY2023 was mainly a one-time impairment loss in Europe and North America. Other extraordinary losses included a one-time loss related to pension plan changes in North America.
- Projected to be only 1.0 billion yen in FY2024, including business restructuring expenses

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Finally, page 22, B/S, cash flow, and extraordinary loss are as you can see.

The extraordinary loss for FY2023 was JPY7.3 billion, which was a bit large, but there was a separate special gain to compensate for this, resulting in a net loss of JPY2.6 billion. For FY2024, we do not see extraordinary losses that large and expect them to be limited to about JPY1 billion.

We are aware that it is very important to decide how to make effective use of the increased cash and cash equivalents as the current challenge.

That's pretty much all of my explanation, but I would like to mention one last point on page 30, which is a topic.

This is the main topic of discussion in recent years, the past year or so. At the top part are various new products. Japan, North America, and Europe are all offering a variety of products that take into account environmental concerns, high design quality, and disaster prevention.

Also, at the bottom part of the page, you will find a variety of other information. The new plant in Mexico and the establishment of this facade business company are some of the topics that I would like to introduce.

That is all from my presentation. Thank you for your attention.

Atarashi: Thank you very much.

Question & Answer

Atarashi [M]: We will now move on to the question-and-answer session.

If you have any questions, please send them to us using the opinions and questions link in the lower left corner of the screen.

I see that we have received several questions, so I would like to get started.

We have been asked a lot of questions about North America, so I would like to ask you to answer some of the questions that you mentioned in your presentation.

Teraoka [Q]: Mr. Teraoka of Daiwa Securities gave us the outlook for demand trends and sales prices for each of North America residential and non-residential business.

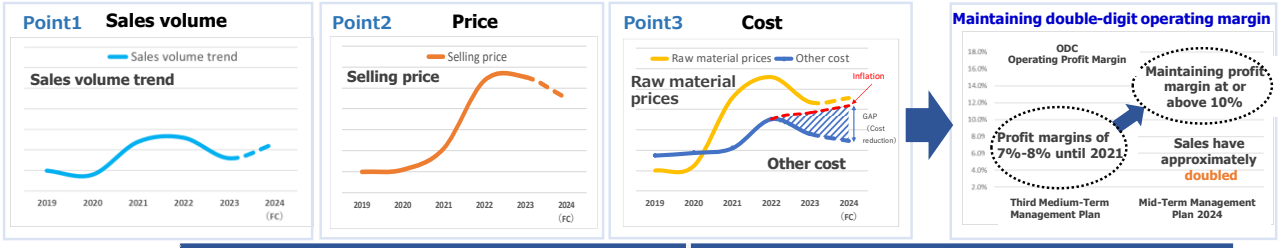
Kawashima [Q]: Mr. Kawashima of SMBC Nikko Securities has asked the same questions about the volume, sales price of each segment, such as the volume, sales price of residential and non-residential, and the future outlook for costs.

Atarashi [M]: We have received questions from Mr. Yagi of Morgan Stanley MUFG Securities, Mr. Hamakawa of Nomura Securities, and Mr. Ito of Japan Metal Daily, so could you please give us a summary answer from you, President? Thank you.

Takayama [A]: Okay. I can see that there is a great deal of interest in North America. That is why we have added this new 11-page document, so could you please look at this 11-page document again?

06 Present Situation and Key Points in North America (ODC)

- 2023 net sales were nearly double 2019 sales (1.4 times on local currency basis)
- 2023 operating profit margin in 15% range, up 8.1 points from 2019



(*USD m*), JPY bn, %	Third Medium-Term Management Plan						Mid-Term Management Plan 2024					
	2019		2020		2021		2022		2023		2024 (Forecast)	
Net Sales	(1,085)	118.5	(1,102)	117.2	(1,261)	139.2	(1,659)	219.2	(1,558)	219.9	(1,585)	225.0
Operating Profit	(82.7)	9.03	(72.7)	7.73	(75.9)	8.38	(219.9)	29.05	(244.4)	34.50	(215.0)	30.53
Operating Profit Margin		7.6%		6.6%		6.0%		13.3%		15.7%		13.6%
Forex Rate (Yen/$)		109.24		106.43		110.37		132.08		141.20		142.00

Point

Sales volume
- Impact of pandemic: Decrease in volume in the first half due to impact of pandemic, residential recovery in the second half
- Increase in residential demand: Residential demand increased, but backlog built up due to Supply chain disruptions related issue
- Sluggish residential market: Efforts to Eliminate Backlog Decrease in volume in the second half due to sluggish residential market; Decrease in sales volume due to sluggish residential market
- Residential market recovery: Increase in sales volume expected with market recovery and sales expansion measures

Price
- Increase in selling prices: Selling prices increased in response to rising raw material costs; Further price pass-throughs, but turned to drop in 4Q
- Selling price drop: Prices dropped gradually; Gradual drop in selling prices expected

Cost
- Material and labor shortages: Rise in raw material prices
- Supply chain disruptions: Increased logistics and procurement costs; Increased logistics and labor costs
- Accelerating inflation: Cost reduction due to normalization of production and cost reduction measures; Cost reduction through productivity improvement

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As I mentioned earlier, let me start with the sales price. The orange graph in the middle of the graph shows that the sales price has been slowly declining since Q3 of 2022.

I mentioned that we expect an average annual decline of about 7% from 2023 to 2024. Naturally, sales prices are determined by the competition. From a cost standpoint, the rapid rise in steel costs has slowed to a certain extent, and the decline in sales prices has been gradual.

03 Appendix

North America & Europe : Net Sales by products (ODC, NF)

ODC Group Sales Performance

$ in thousands, <⊿%yoy>

	FY2023						FY2024(F)					
	1H		2H		Full Year		1H		2H		Full Year	
		%to total		%to total		%to total		%to total		%to total		%to total
Sales breakdown by Products												
Vehicular Access	<-8.9> 551,749	72.4	<-7.5> 574,150	72.2	<-8.2> 1,125,900	72.3	<-1.3> 544,852	71.2	<-1.3> 566,509	69.1	<-1.3> 1,111,361	70.1
Residential	<-16.4> 267,595	35.1	<-12.8> 288,972	36.3	<-14.6> 556,566	35.7	<-1.5> 263,553	34.4	<-5.1> 274,300	33.5	<-3.4> 537,853	33.9
Commercial	<-0.6> 284,155	37.3	<-1.4> 285,178	35.8	<-1.0> 569,333	36.6	<-1.0> 281,299	36.8	<2.5> 292,209	35.7	<0.7> 573,508	36.2
Electronic & Perimeter Access Control	<-1.5> 146,262	19.2	<-8.6> 154,617	19.4	<-5.3> 300,878	19.3	<6.2> 155,317	20.3	<9.8> 169,702	20.7	<8.0> 325,019	20.5
Pedestrian Access	<25.8> 63,899	8.4	<4.1> 66,828	8.4	<13.7> 130,727	8.4	<1.7> 65,002	8.5	<24.8> 83,399	10.2	<13.5> 148,401	9.4
Net Sales	<-5.4> 761,910	100.0	<-6.9> 795,595	100.0	<-6.1> 1,557,505	100.0	<0.4> 765,171	100.0	<3.0> 819,610	100.0	<1.8> 1,584,781	100.0

1) < >= % year on year
2) Previous "Door" "Operator" "Automatic Door" are now "Vehicular Access" "Electronic & Perimeter Access Control" "Pedestrian Access" respectively.

NF Group Sales Performance

€ in thousands, <⊿%yoy>

	FY2023						FY2024(F)					
	1H		2H		Full Year		1H		2H		Full Year	
		%to total		%to total		%to total		%to total		%to total		%to total
Sales breakdown by Products												
Hinged Door	<-0.7> 102,555	27.9	<-1.0> 103,731	28.8	<-0.9> 206,286	28.3	<-0.9> 101,600	27.7	<1.6> 105,500	28.4	<0.4> 207,100	28.1
Garage Door	<-7.5> 88,807	24.1	<-5.9> 80,713	22.4	<-6.8> 169,519	23.3	<-2.1> 86,922	23.7	<5.6> 85,244	23.0	<1.6> 172,166	23.4
Industrial Door	<-3.1> 176,687	48.0	<-7.1> 175,648	48.8	<-5.1> 352,335	48.4	<0.6> 177,803	48.5	<2.5> 180,029	48.6	<1.6> 357,832	48.5
Net Sales	<-3.6> 368,048	100.0	<-5.1> 360,092	100.0	<-4.4> 728,140	100.0	<-0.5> 366,391	100.0	<2.9> 370,671	100.0	<1.2> 737,062	100.0

1) < >= % year on year

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As for demand, if you look at the data on page 26, you will see a table of sales in local currency in North America in the upper row. In particular, the largest division, vehicle access, which is the so-called door business division, has been divided into residential and non-residential segments.

As you can see from the figures for the full year, residential sales were minus 14.6 in FY2023, a very large drop. On the other hand, the non-residential sector was limited to minus 1%. Please be aware that sales prices for both residential and non-residential fell in the same way in FY2023, but sales prices were slightly flat to slightly negative in FY2023, and this is the kind of figure we are seeing in this context.

On the other hand, the forecast for FY2024 is minus 3.4% for residential and 0.7% for non-residential. This is on a value basis, and the impact of the sales price is about 7%. There may be a little more, but to give a rough estimate, we expect about 4% increase in the residential volume base, and about 8% in the non-residential volume base. In particular, the residential market, which has been difficult for a long time, is expected to increase on a volume basis in FY2024.

In the actual market itself, I believe both residential and non-residential are about 2%-plus each. To be honest, I do not think we have yet reached a full-fledged recovery, but we are seeing an increase in volume that exceeds the 2% market recovery, partly because we are currently doing very well in gaining market share.

As a result, prices and volumes have risen and fallen over the past several years, and although it is difficult to predict, we expect prices and volumes to be around this level to some extent this year. We also think that one key point is how to continue cost reductions in terms of profit.

This is the situation regarding the business environment and other aspects of North America business.

Atarashi [M]: Thank you very much.

We have received related questions from Mr. Nakagawa of Mizuho Securities and Mr. Arisawa of Seiga Asset Management, but please add one additional point in summary.

Participant [Q]: You mentioned that the unit price will drop 7% in North America. Is this an indicator time that your company is going to lower prices to increase volume and take market share? I wonder if there is any inevitability that prices will fall, while the overall inflationary trend of North America as a country as a whole has not changed. I was wondering if you could explain a little bit about your pricing strategy as a top company in the industry.

Atarashi [M]: This is his question. You have explained it generally, but could you please explain a little bit about whether it is an indication that you are willing to lower the price and go for higher quantities?

Takayama [A]: We are talking about taking a volume that exceeds the market growth, but we are not thinking of taking it by lowering the price at all. Therefore, we honestly do not have the idea of lowering prices in order to gain market share. Even so, as I mentioned earlier, we may have to lower the price to some extent due to the balance with the competition or the situation of costs, etc., but we honestly don't have the idea of reducing the price to get market share.

Of course, price is an important determining factor for each individual customer or property, but we do not have such a policy as a whole. I believe that the overall inflation in the American society should be different depending on the type of product being sold.

As for our products, the prices of those that were expensive at the peak of the peak period really doubled in a short period of time, so I think it is a rather natural move to slightly lower the prices from there. We do not intend to take the initiative in lowering the price.

That's all.

Atarashi [M]: Thank you very much. Since we have been also asked about our Japanese business, I would like to summarize it here. The questions regarding demand trends in the Japanese business from Mr. Teraoka of Daiwa Securities and Mr. Yagi of Morgan Stanley MUFG Securities.

Participant [Q]: There is active demand for the redevelopment of factory data centers. What do you envision as the areas that are likely to drive your Japanese business in the medium term over the next three years? We have also received questions about Japanese demand and the profitability of orders, which I think are short-term in nature.

Could you answer these questions, Mr. Yamazaki?

Yamazaki [A]: Okay. Now, I don't have the exact page for this, but I would like to ask you to look at page 13.

07 Progress of Mid-Term Management Plan 2024

SANWA HOLDINGS CORPORATION

Basic Strategies ① Expand and strengthen core businesses at Japan, North America and Europe

With quick and appropriate response to customer needs, aims to strengthen business and expand core business, including the service business.

1 Increase market share of shutter and door business

- JP: Core products: Sales to factories and office buildings, etc., are solid
- JP: Strategic products : Partitions performed well
- JP: Focus on appropriate cost management and ensuring deliveries, and on price pass-through in response to 2024 issues in logistics
- NA: Expand share by sales measures to capture rebound in residential market and new products
- EU: Market conditions are challenging in Germany, the UK and northern Europe, but will aim for share expansion with a focus on industrial products

2 Expand service business

- JP: General repairs, scheduled maintenance and mandatory statutory inspections all performed well.
- NA: Steadily expanded service business with acquisition of Door Control, Inc.
- EU: Posted solid performance by developing and strengthening service business framework in major markets

(JPY bn)	FY2022 Actual	FY2023 Actual	FY2024 Forecast	Mid-Term Management Plan 2024 Targets
Consolidated Service Sales	74.2 (12.6)	79.9 (13.1)	84.5 (13.5)	76.0 (13.1)

＊( ) the ratio of consolidated net sales

3 Utilizing M&A to strengthen business and expand business domain

- Expansion of entrance business through Sanwa Facade Lab Corporation
- Expanded business domain by introducing dock products and gate openers in North America
- Continued to explore M&A opportunities that fit our growth strategy

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First of all, as a premise, we believe that the Japanese construction market will continue to grow steadily over the long term until around 2030. On top of that, looking at the most recent year, FY2023 was a good year, as were the financial results. We are expecting for sales and profits of more than that in 2024, and our perspective is that perhaps 2025 will be even brighter.

In addition, as you pointed out, redevelopment projects are expected to be the largest driver of demand, but if we look at other areas by use, warehouse demand has grown considerably over the past several years. We believe that this will continue to be firm and will not fall.

Furthermore, factories continue to be strong, and we have great expectations for the data center sector.

Finally, maintenance services are also shown here, and these are global consolidated figures, but as you can see, we have far exceeded our mid-range targets in the second year, and will continue to grow significantly in 2024. We expect it will grow domestically in this field.

To change the perspective for a moment, we expect that the demand for constant monitoring using the latest technology will grow worldwide, including in Japan.

Lastly, I would like to mention that we have been able to improve profitability in this area, although there have been various cost increases in terms of profitability at the time of order receipt.

That is all from me.

Atarashi [M]: Okay. We continue a little more.

Participant [Q]: It seems the domestic 2024 Problem is a key point. Mr. Kawashima of SMBC Nikko Securities and Mr. Ito of Japan Metal Daily have asked us about the overall impact and measures to deal with it, so could you please give us a brief overview?

Mr. Yamazaki, please.

Yamazaki [A]: Okay. We believe that logistics issues are still a major challenge, and we have been upgrading our logistics management system over the past few years, first, by improving the efficiency of our own logistics.

In addition, we have our own logistics warehouses, and we are making full use of these warehouses to improve the efficiency of loading routes and reduce waiting time for loading. We believe that we are proceeding quite systematically in this area as well. In fact, we have changed the layout lines in the factory over the past few years to make it easier for trucks to enter the factory and load goods, and we believe that this has also led to increased efficiency.

In addition, we will secure trucks in order to achieve our plan for FY2024 with a reasonable increase in costs at the end of the year.

In terms of construction, we are also considering the impact of delays in the delivery dates of companies other than ours that are working under us on large projects. We would like to systematically address this issue, and the cost increase will be unavoidable. However, we believe that we will pass on that amount to the selling price.

That is all from me.

Atarashi [M]: There is another question from Mr. Arisawa of Seiga Asset Management and Mr. Hamakawa of Nomura Securities, asking about our approach to the upward trend in cash flow, but I will skip this part since it was explained earlier. I am sorry. We are also asked about the room for cost reduction in North America, but I think you explained this as well.

We have received a number of other detailed requests, which will be answered later by the corporate communication department.

As it is now exactly 11:00 AM, we will end the briefing here for now. Thank you very much for taking time out of your busy schedule today to attend our financial results briefing.

[END]

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