Sanwa Global Vision 2030

In fiscal 2022, the Sanwa Group launched its Long-Term Vision, the Sanwa Global Vision 2030. The Mid-Term Management Plan 2024, which runs from fiscal 2022 to fiscal 2024, aims to establish a foundation toward becoming a global leader of smart entrance solutions that meet the changing needs of society due to climate change and digitalization. In fiscal 2022, the first year of the plan, sales and profits rose in all regions we operate in (Japan, North America, Europe and Asia), meeting the targets for the final fiscal year of the plan two years ahead of schedule. In fiscal 2023, too, we set record highs in terms of sales and profits, and our consolidated operating profit ratio exceeded double digits at 10.7%. While leaving the Mid-Term Management Plan 2024 target amounts unchanged, we will focus on initiatives for each measure specified in the plan by steadily implementing the basic strategies with the intent of exceeding those targets.

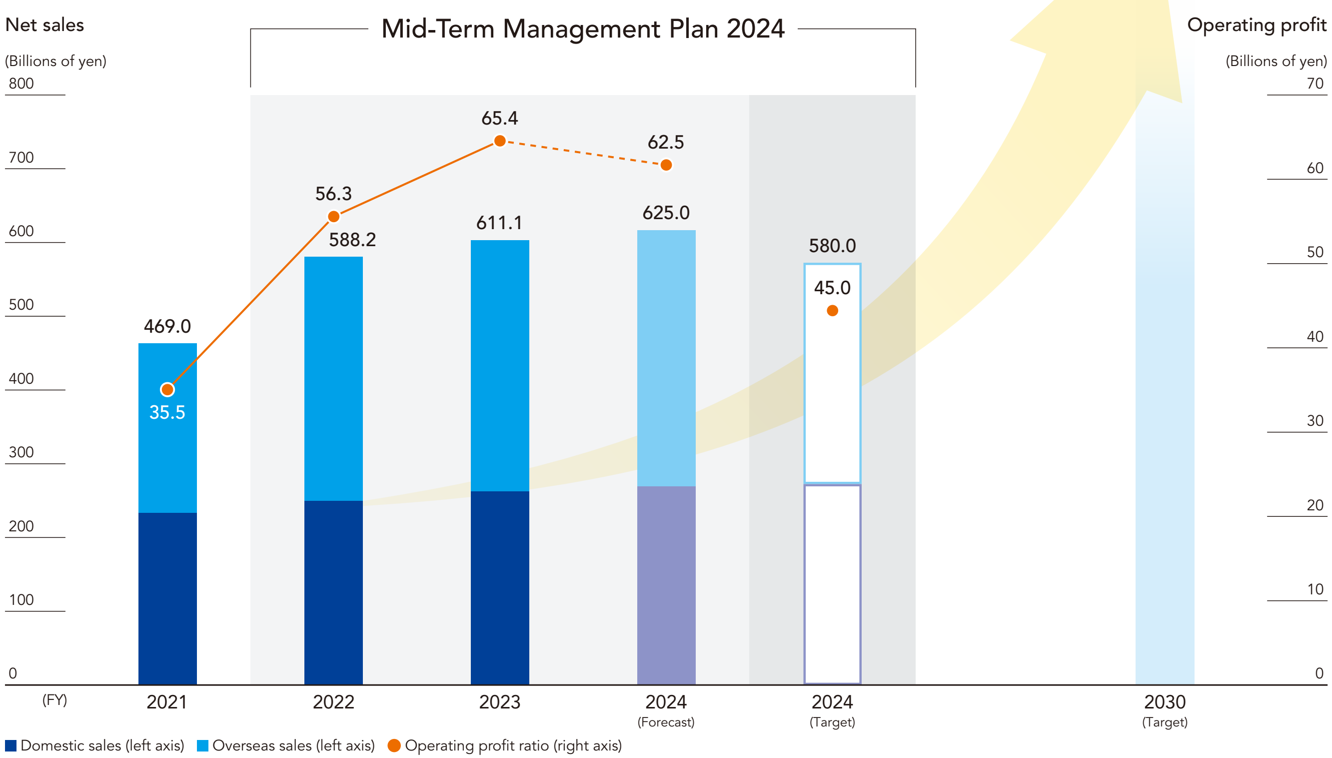
Sanwa Global Vision 2030

To be a Global Leader of Smart Entrance Solutions

Basic strategies

1	Expand and strengthen core businesses in a four-polar global structure consisting of Japan, North America, Europe, and Asia
2	Create customer value through products for disaster prevention and climate change response, as well as smart products and services
3	Increase productivity through digitalization and manufacturing innovation
4	Strengthen core businesses and expand into new business areas through M&A
5	Become a corporate group valued globally with enhanced sustainability management

Achieved net sales and operating profit targets for the Mid-Term Management Plan 2024 two years ahead of schedule.



Progress of the Mid-Term Management Plan 2024

	Strategy overview	Progress in achieving targets	Main achievements in FY2023	Future direction of efforts
1	**Expand and strengthen core businesses (shutters, doors & service) in Japan, North America and Europe** · Increase market share in shutter and door businesses · Expand the service business · Utilize M&A to strengthen business and expand business domains		**Increase market share in shutter and door businesses** · Japan: Performed particularly well in terms of core products for factories, offices, etc.; partitions performed favorably in terms of strategic products **Expand the service business** · Japan: Made steady progress in general repairs and periodic maintenance · North America: Door Control, Inc. joined the Sanwa Group · Europe: Established and strengthened service business systems in key markets **Utilize M&A to strengthen business and expand business domains** · Expanded entranceway business through Sanwa Facade Lab · Expanded business domain by introducing dock products and gate openers to North America	**Increase market share in shutter and door businesses** · Japan: In response to the problems of 2024, focus on appropriate cost management, ensuring delivery times, and passing on costs to sales prices · North America and Europe: Expand market share by implementing measures tailored to each region while keeping a close eye on market trends **Expand the service business** · Japan: Strengthen proposals for repairs and replacements based on inspections · North America: Capitalize on Door Control, Inc. joining the Group to smoothly expand the service business **Utilize M&A to strengthen business and expand business domains** · Give ongoing consideration to M&A that are consistent with our growth strategy
2	**Strengthen the basis for growth of the Asia business** · Significantly boost production capacity with enhanced facilities · Restructure sales operations and address product diversification · Strengthen the foundation of our business structure		**Significantly boost production capacity with enhanced facilities** · Expanded production capacity at Sanwa Novoferm Changshu through shorter delivery times and improved productivity · Improved productivity by renovating production facilities at main factories **Restructure sales operations and address product diversification** · Newly consolidated AUB Limited (Hong Kong) · Performed well in the factory market for shutters in the East China business **Strengthen the foundation of our business structure** · Strengthened business management through Sanwa Shanghai · Introduced ERP systems optimized for each region	**Significantly boost production capacity with enhanced facilities** · Further improve productivity through the renewal of production facilities at main plants **Restructure sales operations and address product diversification** · Strengthen sales capabilities through synergies · Expand sales by capturing demand in the fireproof product and heat insulation markets **Strengthen the foundation of our business structure** · Improve business processes by putting ERP systems into operation
3	**Expand products for disaster prevention and climate change response and enhance smart products and services** · Expand disaster prevention products and climate change products · Move forward with smart products and services		**Expand disaster prevention products and climate change products** · Achieved almost the entire Mid-Term Management Plan net sales target of ¥195 billion for disaster prevention and climate change products (FY2023 net sales: ¥194.8 billion) **Move forward with smart products and services** · Introduced additional systems linked to smartphones in each area · Introduced products and services compatible with remote monitoring functions	**Expand disaster prevention products and climate change products** · Strengthen our lineup of disaster prevention and climate change products that respond to needs of a changing society, such as climate change **Move forward with smart products and services** · Japan: Expand smartphone operating system Remo Sma · North America: Expand connection apps for AI speakers, etc. · Europe: Expand support for smart homes
4	**Improve productivity through digitalization and manufacturing innovation** · Move forward with digitalization · Manufacturing innovation		**Move forward with digitalization** · Japan: Digitalized installation work contracts (EDI) · North America: Improved efficiency at sites where ERP systems have already been introduced · Europe: Promoted the digitalization of processes, including the introduction of ERP systems at sales companies · Asia: Improved business processes through ERP systems (already in operation in Hong Kong, East China, and Vietnam) **Manufacturing innovation** · Japan: Improve the skill levels of personnel and capital investment to enhance the SD supply system · North America: Improved productivity in the automatic door business through the start of production at the new plant in Mexico (in March 2024) and optimization of our product lineup · Europe: Completed the relocation of our hinged door plant in the UK	**Move forward with digitalization** · Japan: Roll out order system for partition products nationwide · North America: Introduce ERP systems by function at main door plant (Mt. Hope) · Europe: Promote digitalization of production processes **Manufacturing innovation** · Japan: Strengthen supply systems in response to large-scale redevelopment projects · North America: Expand production capacity at the new factory (Mexico) in the automatic door business · Europe: Commence operations at the new hinged door plant in the UK · Asia: Expand production capacity in the ASEAN region, such as Vietnam and Indonesia
5	**Enhance sustainability management**		· Launched overhead doors with high heat insulation from the Re-carbo series and Heat Insulation Quick Saver TR · Expanded the scope of Scope 3 calculation categories and third-party verification · Implemented human rights due diligence, and established the Sanwa Group Human Rights Policy · Established shareholding guidelines for directors · Appointed an outside director as chair of the Nomination & Compensation Committee	**Promote measures to achieve KPIs in the final year of the Mid-Term Management Plan** · Quantify the effects of our environmental contributions · Assess our impacts on biodiversity · Reset KPIs in line with our human resources strategy

Financial Strategies

We will continue to improve our financial performance with an eye to profitability and capital efficiency, while also stepping up growth investments for the future

Hiroyuki Yamazaki

Director, Senior Managing Executive Officer, Responsible for Corporate Planning Unit

My mission as the director responsible for financial strategy

When it comes to financial strategy, the most important thing is to strike a balance with the company's business strategy. For a manufacturing company like ours, achieving a good harmony between financial strategy and business strategy is particularly important. If a company is trying to improve financial indicators such as ROE and ROA, it will not get the results it desires if it simply deploys measures within the company without first thinking carefully about how best to approach things. A variety of ideas need to be incorporated into the frontline level of each business, such as the early collection of accounts receivable and the optimization of inventory. The same is true if you want to achieve a target for reducing CO_2 emissions: you can get the results you want by instilling in employees the importance of saving electricity and corporate social responsibility. As I see it, my role is to act as a bridge between the tasks of ensuring financial information is disclosed to all stakeholders and helping employees make steady improvements in their work. In Europe and the U.S., there is a tendency for companies to value short-term, theatrical reforms led by top management. However, I think that reforms taken with this approach are not suited to Japanese companies and would be unlikely to lead to lasting change. I believe that the role of management is to steer frontline employees who have perceived the need for change in a direction in which they will work to make steady improvements on their own initiative. Our company has a corporate culture of PDCA, an essential element for enhancing the effectiveness of employee-led improvement activities. My mission is to leverage our core competence of being able to truly set the PDCA cycle in motion to work with frontline employees to promote ongoing improvements in our financial position, and to support our growth strategy.

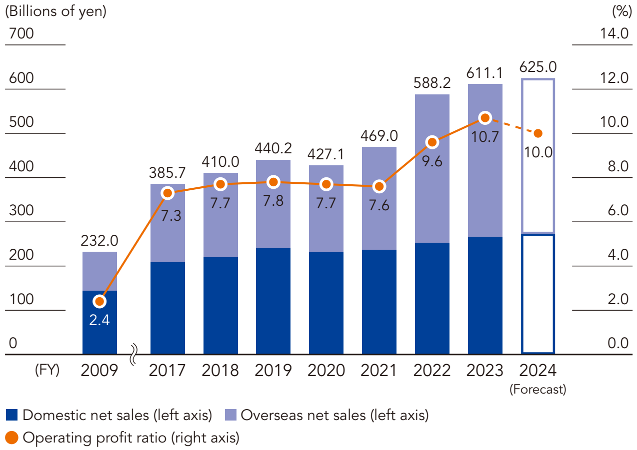
Financial results for fiscal 2023

During the current Mid-Term Management Plan (hereinafter, "MMP"), covering the period from fiscal 2022 until fiscal 2024, there have been numerous changes in the business environment that have affected our corporate finances. These include factors such as the economic recovery from the COVID-19 pandemic, rising interest rates, exchange rate fluctuations, inflation, rising wage levels, and growing geopolitical risks in various parts of the world. Against this backdrop, in fiscal 2023, we saw growth in high-value-added products such as IoT-compatible products and disaster prevention and climate change products, as well as in the maintenance and services business. Consolidated net sales increased by 3.9% year-on-year to ¥611.1 billion, while operating profit increased by 16.1% year-on-year to ¥65.4 billion, partly due to the effect of cost reductions. In addition, for the first time, the operating profit ratio exceeded our long-standing target of 10%, reaching 10.7%.

Looking at our results by region, our businesses in Japan and North America performed well. In Japan, profits rose 12.6% on the back of strong demand for factory construction and large-scale redevelopment projects. In the North America, the residential market was sluggish, but as a result of efforts we made aimed at reducing costs and halting falling prices, operating profit in terms of local currency rose 11%. In Europe, however, we struggled in the face of a deteriorating economic environment. In Asia, profits doubled thanks in part to new consolidations.

Our capital efficiency has improved steadily. We have been able to increase ROE to 16.5% (15.0% in the previous year) and

Net sales / Operating profit ratio



ROIC to 22.6% (20.9% in the previous year).

The annual dividend increased by 34% to ¥78 per share (¥58 in the previous year). With regard to share buybacks, we have announced that we will acquire a further ¥5 billion of treasury stock in the first half of fiscal 2024, having already acquired ¥5 billion in the second half of fiscal 2023. As a result of these measures, the total amount of shareholder returns stands at around ¥22 billion per year. The total payout ratio has reached a level exceeding 50%, and we have received positive evaluations from our shareholders.

Our share price was ¥2,681 as of the end of the fiscal year (¥1,416 in the previous year), an 89% increase on the previous year. The Price-to-Book Ratio (PBR) was 2.2 (1.3 in the previous year), and the Price Earnings Ratio (PER) was 13.7 (9.5 in the previous year), representing an improvement of each of these indicators.

Progress of the Mid-Term Management Plan 2024 (FY2022–FY2024)

For the period of the MMP, we are on track to achieve record-highs in terms of both consolidated net sales and profits. In fiscal 2024, we also expect to achieve record-high net sales, and operating profit for all three years of the MMP is expected to significantly exceed the MMP targets. Furthermore, we anticipate that the operating profit ratio, which exceeded our long-standing target of 10% to reach 10.7% in fiscal 2023, will also exceed 10% in fiscal 2024. We believe that by surpassing the 10% operating profit ratio, our Group has entered a new stage in its development.

The indicators expressing capital efficiency, including ROE and ROIC, have all exceeded the targets set out in the MMP. As a result, shareholder returns have also exceeded these targets. Therefore, at present, we are focusing our efforts on addressing qualitative rather than quantitative issues in relation to the MMP targets. One specific issue is that, against the backdrop of rising stock prices in the US and issues with exchange rates, we have developed a mindset of wanting to avoid the risk of making purchases at a high price. Consequently, we have become wary of M&A. Although we are making progress as planned in investment to move forward with digitalization and smart products and services, one of our key strategies, I believe that we need to further accelerate our efforts to this end.

Breaking the current situation down by region, in Japan, we have a large backlog of orders, and the market environment is certainly good enough for us to be able to achieve the targets we set out in our MMP. We have a number of large projects scheduled for completion in 2025 and 2026. Problems with logistics and installation work in 2024 are certainly a factor that will increase costs. However, we aim to achieve sustained rapid growth by managing costs appropriately, working to maintain delivery times, and passing on cost increases to sales prices.

In the North America, we are achieving results that significantly exceed our MMP. Our initial forecast for operating profit in the final year of the MMP (fiscal 2024) is ¥30.5 billion, which is 2.3 times the target of ¥13.5 billion. However, some of our competitors are also achieving good results, so will not be complacent and will continue working to reduce costs and improve production efficiency. We will also work on the urgent task of unifying our Enterprise Resource Planning (ERP) system, as this is the basis for managing costs and production activities. Our business in the North America has grown over the years through the integration of various companies, but we have yet to fully realize our potential. By streamlining our business processes through ERP, we are confident that we can generate significant profits during the next MMP period.

In Europe, we expect to fall short of the quantitative targets outlined in the MMP. This underperformance is partly due to the sluggish business environment, but it is also partly due to our own shortcomings. We will work to improve production efficiency, promote digitalization, strengthen and optimize our sales structure, and enhance our human resources at each of our locations in more than a dozen countries in Europe. Europe is currently facing an uncertain political and economic environment, compounded by the problems in the Middle East, but we will continue to make steady improvements and work to improve our profit ratio.

In Asia, profits increased in fiscal 2023, but because fiscal 2024 is a changeover period for us, profits are expected to decrease slightly and we do not expect to reach the goals set out in the MMP. Since our market share in Asia is not especially high, rather than worrying about market trends, we will focus on improving production efficiency and strengthening sales and management out of a sense of responsibility. Economic growth in China is also stalling, so rather than relying on market growth, I believe that we must chart and achieve a growth trajectory by our own efforts.

	FY2022 actual	FY2023 revised forecast	FY2023 actual	FY2024 forecast	FY2024 Mid-Term Management Plan targets
Net sales	¥588.2 billion	¥600.0 billion	¥611.1 billion	¥625.0 billion	¥580.0 billion
Operating profit	¥56.31 billion	¥60.00 billion	¥65.36 billion	¥62.50 billion	¥45.00 billion
Operating profit ratio	9.6%	10.0%	10.7%	10.0%	7.8%
SVA*1	¥26.9 billion	¥28.0 billion	¥32.2 billion	¥30.0 billion	¥19.0 billion
ROIC*2	20.9%	19.5%	22.6%	20.0%	17.5%
ROE*3	15.0%	15.5%	16.5%	15.0%	13.5%

*1 We have calculated the weighted average cost of capital (WACC) at 6% and the tax rate at 33%.
2 ROIC = Net operating profit after tax (NOPAT) ÷ invested capital × 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 We are aiming for a cost of shareholders' equity of 8%.

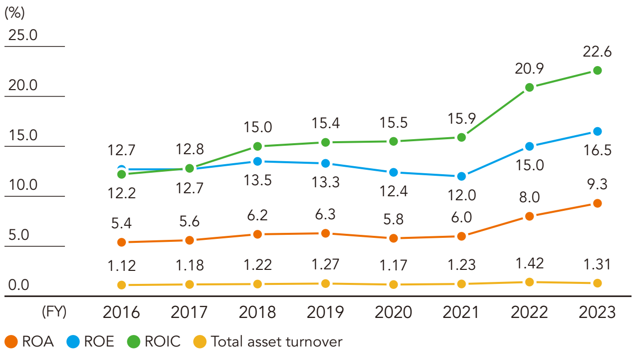
Progress and outlook for our financial strategy

Our financial strategy is based on achieving sustainable growth by improving capital efficiency and maintaining financial soundness, while striking a balance with our business strategy. Accordingly, our business strategy is the foundation of our management, and to this end we regard net sales and operating profit ratio as the financial indicators that we should focus on as a result of this. When we look back over the 15 years since our transition to a holding company structure after acquiring core businesses in Europe and the US, we see that consolidated net sales have increased 2.6 times from ¥232 billion in fiscal 2009 to ¥611.1 billion in fiscal 2023. Furthermore, the operating profit ratio has grown from 2.4% to over 10%. I believe that one of the reasons for our rapid growth over the past two years is the improvement in business efficiency brought about by the introduction of ERP.

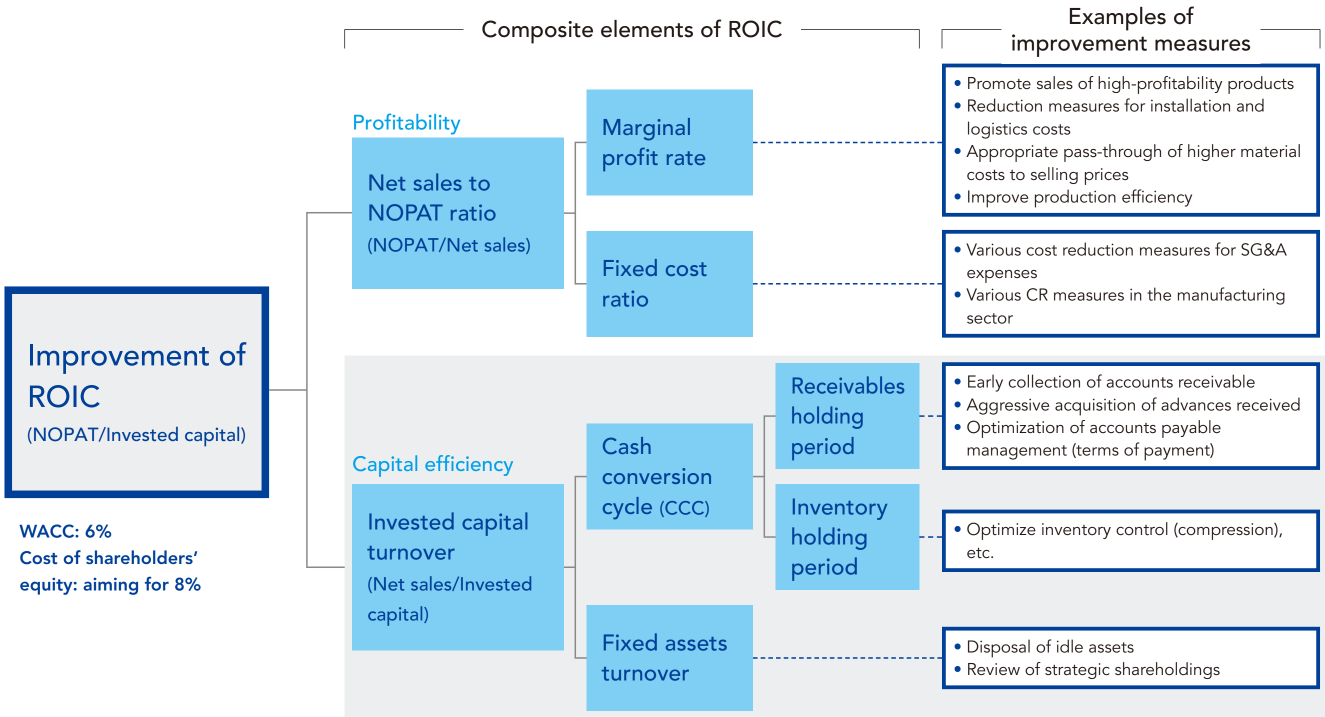
In terms of capital efficiency, total asset turnover has improved from 1 level to 1.4 levels. The reason for the recent decrease in the figure is a result of the weak yen, which has increased the yen value of foreign currency assets. Therefore, it does not indicate a deterioration in efficiency when measured in foreign currency terms. As a result of the improvement in capital efficiency, ROA, ROE and ROIC are all on a strong upward trend. In fiscal 2024, we will continue our efforts to maintain and improve ROE at 15% or more, and ROIC at 20% or more.

We introduced SVA (Sanwa Value Added) as our proprietary indicator of economic added value in fiscal 2001, and have since been working to continuously improve our capital efficiency. Looking at how SVA has changed over the past 15 years, we can see that it has improved significantly from ¥-3.4 billion in fiscal 2009 to ¥32.2 billion in fiscal 2023, although this partly reflects the fact that the figures are for the period immediately after the Lehman Shock. Even over the past three years, it has increased 2.4 times, from ¥13.6 billion in fiscal 2020 to ¥32.2 billion.

ROA ROE ROIC



Evaluation of and issues related to capital efficiency from an SVA perspective



SVA = ROIC x invested capital – invested capital x cost of capital (6%) = invested capital x (ROIC – cost of capital (6%))

Introduction
Our Value Creation Story
Strategies for Value Creation
Initiatives Aimed at ESG Material Issues
Financial Section and Corporate Data

Cash allocation and shareholder returns

During the MMP period, we plan to generate ¥120 billion in cash flow. To ensure that we do not overlook investment in growth, our basic policy is to make the necessary capital investments (planned at ¥46 billion) and M&A (planned at ¥20 billion) needed for the company to grow, and then to pay out stable dividends to shareholders (with a payout ratio of around 40%) and flexible share buybacks. However, although profits during the MMP period have exceeded the plan, capital investment and M&A have fallen short of the plan. In order to improve our competitiveness in the future, I believe that we need to strengthen our cash allocation to growth investments such as capital investment, especially human capital investment.

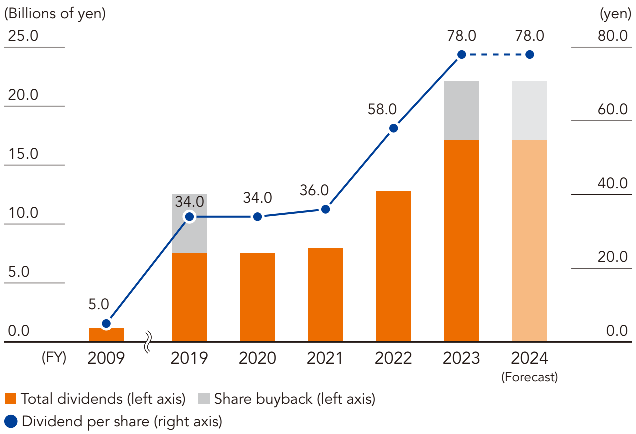
In terms of shareholder returns, while we have not yet made a final decision as to the amount, we expect to be able to exceed our initial plan. We have continued to maintain and increase dividends for the past 15 years. In recent years, progressive dividend policies have been attracting attention. As a result, we can say that we have been implementing progressive dividend policies for the past 15 years.

MMP (FY2022–2024)	FY2022–2023 Actual		FY2024 Forecast	
M&A ¥20.0 billion	¥1.7 billion	North America: Door Control Asia: AUB (HK)	¥18.3 billion	Difference from Actual
Capital investments ¥41.9 billion	¥23.4 billion	Capital investments: ¥19.2 billion IT investments: ¥4.2 billion	¥18.5 billion	Capital investments: ¥15.1 billion Capital investments: ¥3.4 billion
Shareholder returns ¥57.0 billion	¥34.9 billion	Total dividends: ¥29.9 billion Share buyback: ¥5.0 billion	¥22.1 billion	Total dividends: ¥17.1 billion Share buyback: ¥5.0 billion (Current forecasts)

Trends in share prices and improvements in capital efficiency and profitability

Our share price is decided based on the overall evaluation of shareholders concerning business growth, shareholder returns, and other factors. Our share price, PBR, and PER are all on the whole trending upwards. As of the end of fiscal 2023, the most recent year, our share price was ¥2,681, PBR was 2.2 times, and PER was 13.7 times. Over the past 15 years, our share price has risen from ¥312 at the end of fiscal 2009 to ¥2,681, an increase of 8.6 times (over the past three years, it has risen from ¥1,449 at the end of fiscal 2020 to ¥2,681, an increase of 1.85 times). Our PBR improved from 0.8 times to 2.2 times, an increase of 2.8 times (over the past three years, it has improved from 1.8 times to 2.2 times, an increase of 1.2 times). In addition, our SVA spread (ROIC - WACC of 6%), an indicator we use to improve capital efficiency and maintain financial soundness, is also steadily increasing. Although the share price, PBR and PER are steadily improving, I believe that the current values should not be the goal, as there are many companies that we should be aiming to emulate. We will therefore aim for higher evaluations by actively developing financial strategies that we have not done so far while controlling risk.

Total dividend and share buyback, dividend per share



Challenges for the future

At a time when interest rates have come to hold such a decisive sway over our world and the exchange environment is in a state of constant flux, companies are being called upon to find new ways to manage their funds. At our company, we have introduced a Cash Management System (CMS) for domestic funds, and are taking steps to consolidate and improve the efficiency of our fund management functions. Going forward, we will also be looking to enhance our management of overseas funds. Furthermore, we are keeping a close eye on the trend toward the introduction of repatriation tax breaks with a view to making better use of our cash holdings in the U.S.

I am convinced that, in terms of our financial strategy, we need to place more emphasis on striking a balance between shareholder returns and investment in growth. For comparison, if we look at our financial strategy 30 years ago, we can see that while our current dividend has increased tenfold, capital investment has only increased fourfold, from ¥3 billion to ¥13 billion. In order to deliver the kind of corporate growth that will lead to the level of share price improvement that our shareholders and investors expect, in the future we will be taking a more proactive approach to capital investment, human capital investment, and M&A. We will pay particular attention to expanding our human capital investment, in the sense that doing so will enhance the wellspring of our value creation.

With regard to shareholder returns, I of course understand that shareholders and investors all hold their own respective views on dividend payout ratios, DOE and other figures, and dividend methods such as progressive dividends. However, we are currently discussing a return policy that will be acceptable to the majority of people, with a view to including it in our next Mid-Term Management Plan. From now on, we would like to place even greater importance on our individual shareholders. In response to the introduction of NISA, we will work to provide easy-to-understand information so that as many individual shareholders as possible will choose to hold our company's shares.

Our financial strategy is now moving into a new stage as we see improvements to each indicator and work toward becoming a global leader of smart entrance solutions. We will continue to do our utmost to become a company that does not rest on its laurels, one that earns the support of its stakeholders from a medium- to long-term perspective.

Human Resources Strategy

Basic policy

The Sanwa Group views human resources as its most important management resource. We are focusing on the development of human resources, the driving force behind value creation, by enhancing systems and work environments so that employees can fully demonstrate their capabilities. We are also working to promote human-resources-related measures that take human rights and diversity into account, and to ensure that work environments are safe and comfortable. Through fair and sincere corporate activities based on the effective use of human capital, we seek to maximize the social value we provide to stakeholders.

Approach to securing human capital and ensuring diversity

One of the values set out in the Sanwa Group's Management Philosophy is "To bring together the creativity of each individual in a team environment for the enhancement of corporate value." Underpinning our business activities as we work toward achieving our Long-Term Vision and Mid-Term Management Plan are what we perceive to be two aspects: an unchanging aspect, which is to continue to protect the safety, security, and convenience of our customers through our products and services, and a changing aspect, which is to anticipate changes in the environment and create new value. We believe we can maximize our corporate value by having individuals who can think and act on their own initiative and organizations that offer a pleasant and rewarding work environment.

Types of talented people the Sanwa Group needs

In fiscal 2022, the Sanwa Group set forth its aim of becoming "a Global Leader of Smart Entrance Solutions" as the foundation for its Long-Term Vision, the Sanwa Global Vision 2030.

To achieve this Long-Term Vision, we will need a variety of talented people, including:

- **People who think outside the box, asking questions and seeking changes**
- **People with a global perspective**
- **People who can contribute to a sustainable society**
- **People with digital skills**
- **People who can express their own thoughts clearly**
- **People with a wealth of creativity**

In order to attract and bring this kind of talent into the Group, we will strive to create a flexible organization that can accommodate diversity.

Human resource development

To encourage individual growth, we have a range of systems and skill development programs in place that enable employees to make the most of their abilities. These include such things as practical training that is tailored to each workplace, training that fosters the ability to think from a managerial perspective, and support for personal development through skill maps, providing multifaceted opportunities for development and a framework for demonstrating self-directed action toward growth. In fiscal 2019, Sanwa Shutter Corporation introduced the Sanwa Professional Human Resources Training Plan for new employees hired through regular recruitment, and is implementing a job rotation program for them to gain practical experience in sales, manufacturing, design, and installation over a period of approximately two years. Our training system is structured by job level, including training to strengthen management skills for managers, career enhancement training for middle-level employees, next-generation leader training, and career development training for female employees.

Training system (Group companies in Japan)

	Level-specific training	Goal-specific training (open to all/select employees): Next-generation	Goal-specific training (open to all/select employees): Global	Goal-specific training (mandatory/elective): Career	Goal-specific training (mandatory/elective): Division-specific skills	Personal development
Senior management			Training for global assignments Practical global training TOEIC IP E-learning, etc.	IT literacy training Life planning seminars Career design seminars	Training based on skills mapping Digital skills training	Correspondence courses, recommended reading, etc.
Managers	Training to strengthen management skills Training for onboarding new employees New manager training	Sanwa Management Training School (Executive) (Advanced)				
Mid-level employees	Career enhancement training Next-generation leader training Career development training (for female employees) Mid-level employee training OJT leader training					
New employees	Follow-up training New employee training (Sanwa Professional Human Resources Training Plan)					

Training to strengthen management skills

(Number of participants in fiscal 2023: 28)

With the aim of reinforcing the Sanwa Group's combined strengths, and to give managers at the heart of the business enhanced management capabilities, since fiscal 2022 we have conducted training to strengthen management skills. The training is designed for personnel who already have some management experience and who are expected to play a more active role in the future. The training involves group discussions of a manager's roles and responsibilities, and of skills such as management, planning, and communication with subordinates (coaching, listening, etc.).

New

Career enhancement training

(Number of participants in fiscal 2023: 24)

This new training program was launched in fiscal 2023 with the aim of ensuring that experienced employees in their 40s and 50s continue to play an active role in the workplace. During training, participants identified what skills and strengths they have developed in the course of their careers, based on which they created a concrete action plan for how they would like to work in the future. In order to strengthen human resource development, increase productivity, and reinforce our installation, manufacturing, and supply capabilities, we will also work to create an environment (systems, organizational structure, etc.) that encourages a diverse range of people to play an active role in the Company over the long term.

Next-generation leader training

(Number of participants in fiscal 2023: 27)

Since fiscal 2022 we have carried out next-generation leader training, designed for mid-level employees as the core human resources in each Group division. Participants learn about the mindset and skills needed to demonstrate leadership, and the training aims to provide them with self-awareness as next-generation leaders, as well as to generate both the motivation to tackle various issues and a sense of ownership as potential management candidates. During the training, participants also learn about the skills required of them as future leaders, such as grasping issues and finding their causes, establishing the subject matter and drawing up concrete proposals, and communicating in a way that influences others.

Career development training for female employees

(Number of participants in fiscal 2023: 22)

One of the basic strategies for the Group in Japan is to strengthen human resource development, increase productivity, and reinforce our installation, manufacturing, and supply capabilities. Achieving all of those things will depend on female employees being able to fully demonstrate their abilities, and also on leadership that leverages the unique insights women hold. With this in mind, since fiscal 2022 we have held new career development training sessions designed for female employees who have worked for the Group for ten or more years. The training is part of our human resource development for future management candidates, and is also an opportunity for individual career development. Through the training, participants consider the unique characteristics women possess and the career challenges they face. With a renewed outlook on their current work and life, they see themselves in a more positive light, fostering their drive for career development.

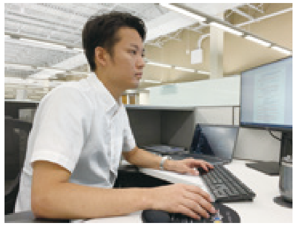

Career development training for female employees

Resumed

Practical global training

(Number of participants sent to ODC in the U.S. in fiscal 2023: 2; Number of participants sent to Shanghai, China: 1)

As part of our global human resource development, we have been conducting overseas training at ODC in the U.S. since 2010 and in Shanghai, China since 2017. Through an approximately year-long period of practical training at overseas Group companies, we develop global human resources for the Group who hold a strong international outlook. After the training period, participants go on to play active roles in various fields in Japan and overseas. Training at ODC in the U.S., which was put on hold during the COVID-19 pandemic, resumed in fiscal 2023. Two people were sent to ODC, where they are expanding their knowledge through practical work and energetically honing their skills.


Practical global training

Focus

Securing and training installers

We provide consistent support to our customers, covering everything from product development and sales to design, procurement, manufacturing, installation, and maintenance services. In Japan in particular, our superior installation and maintenance capabilities are a source of competitive advantage and value creation. In 2008, Sanwa Shutter Corporation opened a specialized training facility aimed at enhancing the training of installers. This facility continues to help us to improve installation quality and raise the skill level of our installers, establishing a high standard of installation and a nationwide base for training.

Our pool of installers is aging due to Japan's declining workforce. However, we are working to maintain a stable workforce and pass on skills by having experienced senior installers accompany younger installers during installation and repair work, and train and guide them.

Regional Operations

Japan

SANWA SHUTTER

Strengths

- Top share in Japan, including shutters, overhead doors, and steel doors
- Seamlessly integrated business model from development to sales, design, production, installation and after-sales service
- Nationwide sales network comprising around 500 locations (divisions) and more than 3,900 installers
- Social contribution through multi-product sales, including disaster prevention products

Risks

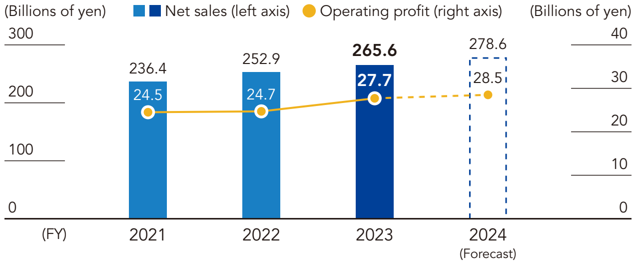
- Deterioration in earnings due to sudden price hikes for steel or other auxiliary materials, as well as rising energy and labor costs
- Decline in supply capacity with the aging of production facilities, a decrease in the number of manufacturing personnel, decline in manufacturing technology, etc.
- Insufficient supply capacity due to a decrease in the number of installers, installer aging, or a decline in installation abilities
- Decline in competitiveness due to delays in advanced technology development and its application to services, and insufficient product improvements
- Increased costs due to problems in the transport and construction industries in 2024, delays at work sites, etc.

We will expand our circulation-oriented business by creating new products and services that are ahead of the times in terms of environmental change.

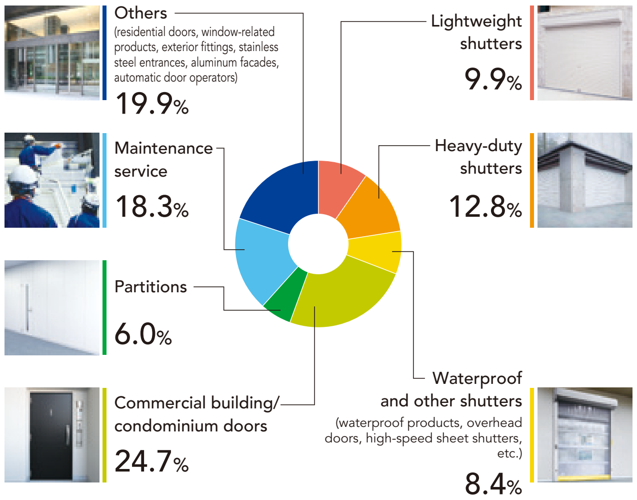
Meiji Takayama

Representative Director and President, Sanwa Shutter Corporation

Net Sales / Operating Profit



FY2023 Net Sales Composition by Product (Japan)



Overview of Fiscal 2023

Fiscal 2023 was the second year of the Mid-Term Management Plan 2024. Under the motto "Creation and circulation," we worked to solve customer issues and create even greater value by developing new products and services that uphold three principles: disaster prevention and mitigation, environmental contribution, and IoT and electrification. Based on that approach, we have released new products such as high-speed sheet-type shutter with heat insulation "Quick Saver TR" from the Re-carbo series, with improved thermal insulation performance in addition to increased convenience and compactness, "Sound Guard," an industry-leading highly sound-insulating door, and "S-tight Door (steel specification)" from the Water Guard series, which is capable of withstanding a flooding height of 3 m.

In terms of business performance, in addition to working to secure profitability by passing on costs to sales prices, our core products such as commercial building and condominium doors, centering on factory facilities and large-scale redevelopment projects, strategic products such as partitions, and the maintenance and service business performed particularly well. As a result, net sales increased by 5.0% from the previous year to ¥265.6 billion, and operating profit increased by 12.2% from the previous year to ¥27.7 billion.

Initiatives to Achieve the Mid-Term Management Plan Goals

Fiscal 2024 will be the final year of both the Sanwa Global Vision 2030 and the Mid-Term Management Plan 2024. We will move forward with the following initiatives, with the aim of achieving the management plan's goals.

As it is an in-between season for large-scale urban redevelopment projects, we expect the number of completed properties to decrease. In addition to working to increase orders for core products such as shutters and doors for use in factories and logistics warehouses, an area in which demand continues to be strong, for strategic products, we will also propose value-added solutions and strive to differentiate from our competitors, with the aim of increasing our market share. In the maintenance and service business, we will enhance statutory inspections and further strengthen our efforts to capture demand for post-inspection repairs and replacements.

As well as expanding our lineup of disaster prevention products and climate change products, which help to protect lives and property from natural disasters and other negative impacts of climate change, we will move forward with development of IoT- and electrification-related products that incorporate information technology. Furthermore, we will promote the digitalization of business processes and strive to improve productivity through system integrations. In addition, as part of manufacturing innovation, we will proactively make capital investments in the expansion of our production and supply capabilities and labor reductions. What is more, alongside moving forward with human resource development, work-style reforms, and securing personnel, we are working to train and develop the next generation of leaders. In particular, in fiscal 2024, we expect to see an increase in various costs, including those required to deal with issues related to the transport and construction industries. As such, we will respond by taking steps that include focusing on appropriate cost management and ensuring delivery deadlines, as well as by working to pass on cost increases to sales prices.

TOPICS

Soundproof Guard, the industry-leading highly sound-insulating door, wins the 17th Kids Design Awards

KIDS DESIGN AWARD 2023

In August 2023, Soundproof Guard won in the "design that contributes to the safety and security of children" category at the 17th Kids Design Awards. The Awards are organized by Kids Design Association, a specified non-profit corporation, and supported by Japan's Ministry of Economy, Trade and Industry, Cabinet Office, Consumer Affairs Agency, and Children and Families Agency.

Regional Operations

North America

The Genuine. The Original. OVERHEAD DOOR®

Strengths

- Brand power
- High market share
- Strong sales network (distributors, large retailers, online sales)
- A robust manufacturing network for acquiring market share
- Materials selection and manufacturing processes aimed at reducing environmental impact

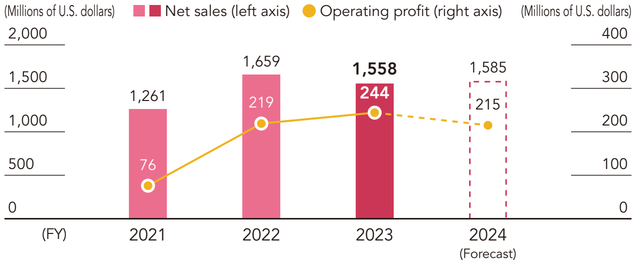
Risks

- Concerns that various costs will remain high due to inflation
- Stagnation in the residential market due to high interest rates

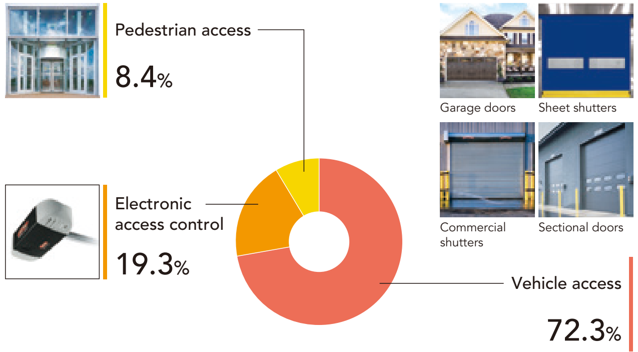
We will aim to further expand our product lineup and achieve sustainable growth.

Kelly Terry
President & CEO,
Overhead Door Corporation

Net Sales / Operating Profit



FY2023 Net Sales Composition by Product (North America)



Note: Vehicle access indicates the former doors category, electronic access control indicates the former door openers category, and pedestrian access indicates the former automatic doors category.

Overview of Fiscal 2023

In fiscal 2023, the market environment was characterized by continued high interest rates intended to curb inflation and a slowdown in the residential market. Meanwhile, in the technology sector, such as semiconductors and electric vehicles, capital investment was buoyed by the effect of U.S. government subsidies that encouraged domestic production. As a result, net sales in fiscal 2023 decreased by 6.1% from the previous year to USD 1,558 million, while operating profit increased by 11.1% from the previous year to USD 244 million, a record high for the second consecutive year.

Our main initiatives in fiscal 2023 focused on expanding our business domain by launching a dock leveler in the commercial sector.

In addition to these efforts, we worked to add partner distributors and further expand our product lineup, and continued to make progress with initiatives to achieve sustainable growth.

Initiatives to Achieve the Mid-Term Management Plan Goals

In terms of core business expansion, we will focus on increasing sales volume by creating demand in the non-residential market and strengthening our approach to distributors in the residential market, as well as further expanding into new business domains, including dock products and gate openers, and strengthening sales to retailers and sales of our parts and services. In addition, we will continue working to optimize prices and reduce manufacturing costs and transportation costs.

As part of our efforts to increase productivity, we are renewing our ERP system that incorporates customer support tools, and will reinforce our business processes and achieve integration.

From a sustainability management perspective, we are making thorough cost reductions throughout the value chain. In manufacturing, we will also take steps to improve production efficiency, such as by consolidating our automatic door factories, which were previously located in the U.S. and Mexico, into a single new factory in Matamoros, Mexico. At the same time, we will continue to invest in skill development and enhancing well-being for our employees through e-learning and other means.

TOPICS

Horton opens a new factory in Matamoros

In April 2024, Horton, a company providing pedestrian access solutions, opened a new factory in Matamoros, Mexico. This factory, equipped with state-of-the-art production facilities, will not only improve production efficiency by consolidating Horton's two production sites into one, but is also equipped with product testing facilities to further improve quality and expand the company's business.

Europe

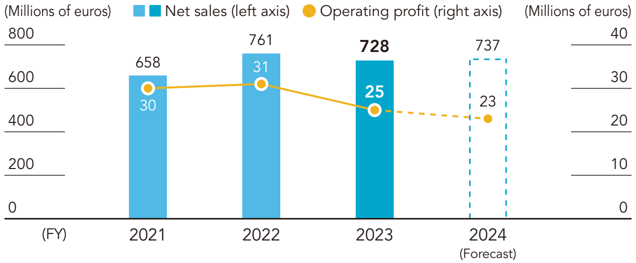
Strengths
- Wide range of innovative products tailored to customer needs
- Processes digitalized with a view to the customer experience, including orders and customer support
- Europe-wide service network
- Experienced and talented employees

Risks
- Increasing uncertainty in Europe due to the conflict in Ukraine
- Noticeable decline in construction activities caused by sharp rises in construction costs and interest rates
- Rises in energy costs in line with surging energy prices, and material cost increases
- Worries over the worsening situation in the Middle East

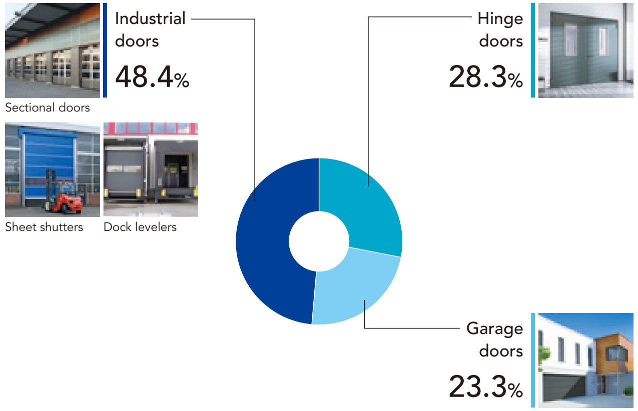
We will focus on continued promotion of digitalization, and on the area of sustainability.

Rainer Schackmann
CEO,
Novoferm Group

Net Sales / Operating Profit



FY2023 Net Sales Composition by Product (Europe)



Overview of Fiscal 2023

In fiscal 2023, Europe was facing a very difficult situation due to a range of factors, including the conflict in Ukraine, the massive influx of refugees, high inflation, rising interest rates, and the worsening situation in the Middle East. This difficult environment brought about a shift which saw people making an effort to spend less and save more, leading to a decline in purchasing power. In the construction industry, the residential market in particular saw a significant decline, while in the non-residential market, phenomena such as the suspension of many new projects also occurred.

In terms of business performance, in addition to the rise in various costs, the worsening market environment led to a decrease in sales volumes. As a result, net sales decreased by 4.4% from the previous year to 728 million euros, and operating profit decreased by 17.6% from the previous year to 25 million euros.

Initiatives to Achieve the Mid-Term Management Plan Goals

The European construction market continues to struggle. This significant downturn is not limited to the residential market, but is also affecting the non-residential market. While the sharp rise in construction costs and the hike in interest rates are also factors, uncertainty over economic growth across Europe is contributing to this situation, too.

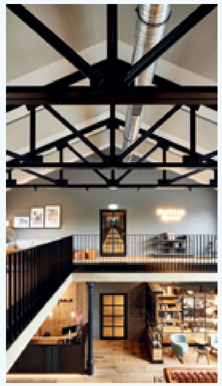
As the market environment remains stagnant, Novoferm is focusing on efforts to acquire a greater market share. In order to achieve this, we are consolidating the comprehensive strengths of our products, processes, and services, and are putting even more effort into supporting our customers in their day-to-day work to further expand the use of Novosale, a digital platform for communicating with customers.

In the area of sustainability, we will focus on installing solar panels at our factories, reducing the amount of standby power used by door openers, and increasing our use of recyclable materials.

TOPICS

Launch of NovoFire® Steel

In April 2023, Novoferm unveiled NovoFire® Steel (RS, T30), a new fire-resistant glass door for indoor use, at the BAU 2023 exhibition in Munich, Germany. This new steel type is the latest addition to the NovoFire® product lineup, which has previously been made mainly from aluminum. As well as being fire-resistant, it can be freely combined and designed in combination with doors, side panels, fixed glass, etc., ensuring that it blends in with the design of the building.



Regional Operations

Asia

Strengths
- Sales advantage to Japanese companies by using the Sanwa Shutter Corporation brand
- Sales advantage in Greater China and the ASEAN region by using European brands
- Corporate competitiveness through application of the PDCA cycle across the Group
- Low funding costs based on leveraging the Group's strong financial foundation

Risks
- Rising interest rates and energy costs
- Compliance with rapidly changing legal reforms, including environmental regulations in each country
- Geopolitical risks (U.S.-China relations, Myanmar)
- Further worsening of the Chinese economic environment

Through initiatives to strengthen our production and sales system and diversify our product range, we will move forward with business expansion.

Overview of Fiscal 2023

In fiscal 2023, the new Sanwa Novoferm Changshu plant in China commenced full-scale operations, and we worked to expand production capacity by shortening delivery times and improving productivity. In the East China business, shutters fared well for the factory market, and we also focused on strengthening sales of doors. In addition, we also made efforts to expand sales by capturing markets for fireproof and smokeproof products in each country in the Asia region.

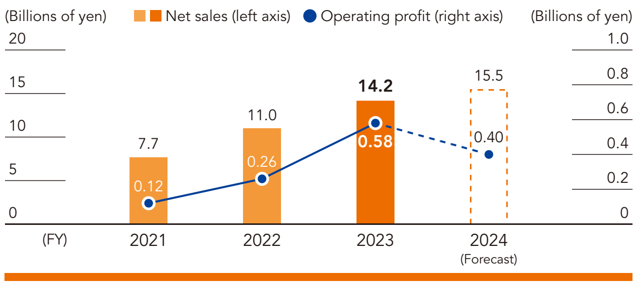
In terms of business performance, the contribution of Hong Kong-based AUB Limited, which Sanwa Shutter (HK) acquired last year, and the continued strong performance of our Hong Kong and Taiwan businesses resulted in net sales of ¥14.2 billion and operating profit of ¥580 million, up 28.7% and 122.9% from the previous year, respectively.

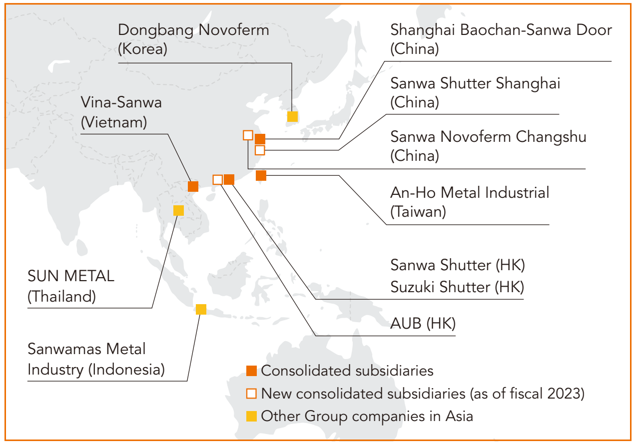
Initiatives to Achieve the Mid-Term Management Plan Goals

As part of the Sanwa Global Vision 2030, which started in fiscal 2022, we have set out to strengthen the basis for growth of the Asia business as a basic strategy, and we aim to take things to the next level. The Sanwa Novoferm Changshu door manufacturing plant is now fully operational, and we are working to further strengthen our production system and expand orders. Moreover, with the addition of AUB, a door access product provider with a strong track record in sales and distribution, and the establishment of a system that provides comprehensive solutions for shutter and door access products in the Hong Kong and Macau markets through the three companies Sanwa Shutter (HK), Suzuki Shutter (HK), and AUB, we aim to further expand our Group's services and customer base.

At An-Ho (Taiwan), we will pursue further product superiority by complying with new standards for fire prevention products. At Vina-Sanwa (Vietnam), we will work to boost orders by developing products for the local market. Sanwamas (Indonesia), we will move forward with business expansion by adding to our product lineup.

Net Sales / Operating Profit





TOPICS

Sanwa Novoferm Changshu's solar panels are now operational

Sanwa Novoferm Changshu's solar panels are now operational
Sanwa Novoferm Changshu installed solar panels at its new door manufacturing plant in Changshu City, Jiangsu Province, which began operating in June 2024. The panels cover a total area of 6,680 m² and are expected to provide approximately 84% of the plant's annual electricity needs, reducing annual CO_2 emissions by approximately 1,397 t. In order to respond appropriately to the risk of climate change, we will continue working to reduce CO_2 and other greenhouse gas emissions, and play our part in helping to build a sustainable and prosperous society.