

ESG Material Issues and KPIs

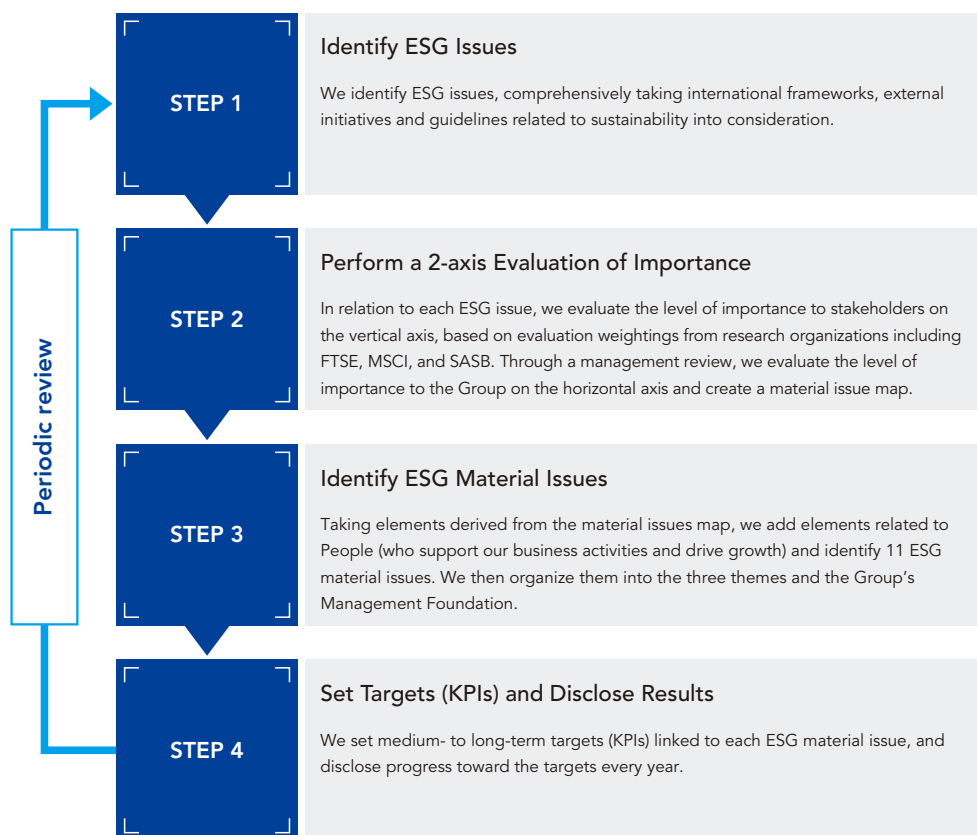
To promote sustainable management, the Group has identified 11 ESG material issues (consisting of the three themes of Manufacturing, Environment, and People, as well as the Management Foundation that supports these themes).

We will move forward with measures to achieve the KPIs we have set with the aim of realizing the Sanwa Global Vision 2030, and we will strive to improve corporate value through dialogue and collaboration with stakeholders.

Process of analyzing material issues

The Group has identified 11 ESG material issues (consisting of the three themes of Manufacturing, Environment, and People, as well as the Management Foundation that supports these themes) through the following process. The Sustainability Committee regularly discusses the progress of ESG material issues and new initiatives.

Identification Process



Sustainability Committee

















We aim to increase medium- to long-term value by implementing sustainability practices. In order to do so, the Sustainability Committee (chaired by the Representative Director and President of Sanwa Holdings) meets once per quarter in principle, to deliberate on and drive the Group's sustainability policies and other related issues.

Sustainability Promotion Structure



ESG material issues	Vision
Manufacturing <ul style="list-style-type: none"> Mitigate/adapt to climate change, prevent disaster loss through products and services Quality assurance and enhancement 	The Group has been contributing to the realization of safe, secure, and convenient societies around the world by providing entrance products designed to prevent, protect, and separate, such as shutters, doors, and partitions, protecting lives and properties from disasters and crimes. We help solve social issues with reliable technologies and quality to meet society's diversifying needs and ensure its sustainability.
Environment <ul style="list-style-type: none"> Initiatives toward a decarbonized society Water resource conservation Waste reduction 	As a Group that utilizes natural capital in the course of its business activities, we will work to reduce CO ₂ emissions and contribute to the realization of a carbon-neutral society. We will also take steps to reduce our water consumption and waste emissions by using water and raw materials more efficiently, thereby reducing our environmental footprint.
People <ul style="list-style-type: none"> Respect for human rights Human resource development Promotion of diversity Health and safety 	We respect the human rights of all people involved in the Group, who support our business activities and drive growth, and provide them with a safe work environment. We maximize corporate value by ensuring the growth of both individuals who can act independently from the perspective of overall optimization, and an organization that is both pleasant to work in and rewarding to work for.
Management Foundation <ul style="list-style-type: none"> Corporate governance Compliance 	As a Group that operates globally, with businesses in Japan, the U.S., Europe, and Asia, we are committed to corporate governance to build a fair management system, and internal controls to regulate our business activities through an appropriate and sound system. By doing so, we will seek to achieve sustainable growth and enhance our corporate value over the medium to long term.

ESG Material Issues and KPIs

	ESG material issues	Items	Targets (KPIs)	Scope	SDGs we can contribute to	Reference
 Manufacturing Solve Social Issues Through Our Business	Mitigate/adapt to climate change, prevent disaster loss through products and services	Net sales of climate change response-related products (mitigation)	¥96 billion (FY2024)	Consolidated	  	p.19-22
		Net sales of climate change response-related products (adaptation)	¥18 billion (FY2024)			
		Net sales of disaster prevention products	¥81 billion (FY2024)			
		Net sales in the maintenance and service business	¥76 billion (FY2024)			
	Quality assurance and enhancement	Achieve quality targets in line with each company's quality policy	—			p.41-42
 Environment Achieve Environmental Sustainability	Initiatives toward a decarbonized society	Reduction of CO ₂ emissions (Scope 1 + 2)	Reduce by 10% compared to FY2019 (FY2024) Reduce by 30% compared to FY2019 (FY2030)	Sanwa Shutter Corporation	  	p.38 p.43
	Water resource conservation	Reduction of water usage intensity (at factories and offices)	Reduce by 10% compared to FY2020 (FY2030)			p.43
	Waste reduction	Reduction of waste intensity (at factories and offices)	Reduce by 10% compared to FY2020 (FY2030)			p.43
 People Create a Pleasant and Rewarding Work Environment	Respect for human rights	Identification, elimination, and prevention of human rights risks	Implementation of human rights due diligence (FY2024)	Consolidated	  	p.44
	Human resource development	Number of e-learning participants (in English)	200 (FY2024)	Domestic Group companies		p.29-30 p.44
		Number of correspondence course participants	1,000 (FY2024)			
	Promotion of diversity	Ratio of female employees	20% (FY2030)	Consolidated		p.44
		Ratio of female managers	15% (FY2030)			
		Ratio of male employees taking childcare leave	50% (FY2030)	Sanwa Shutter Corporation		
	Health and safety	Obesity rate (BMI of 25 and above)	30% (FY2030)	Domestic Group companies		p.44
		Smoking rate	25% (FY2030)			
		Rate of high-risk persons undergoing screening*	100% (FY2030)	Sanwa Shutter Corporation		
		Rate of taking annual paid leave	55% (FY2030)			
 Management Foundation	Corporate governance	Improving the effectiveness of the Board of Directors	—	Sanwa Holdings Corporation	 	p.45-55
		Ensuring the diversity of the Board of Directors	Supporting board diversity (FY2024)			
		Number of times stakeholder dialogues held	200 (FY2024)			
	Compliance	Number of participants in compliance training	930 (FY2024)	Domestic Group companies		p.39-40 p.56-57
		Commencement and continuous improvement of IT-BCP	—			

* Rate of high-risk persons undergoing screening: persons who underwent testing and started treatment/persons with a higher risk of developing severe lifestyle-related diseases



Addressing Climate Change (Initiatives in Response to the TCFD Recommendations)

Recognizing that climate-related risks and opportunities are important management issues, the Group expressed its endorsement of the TCFD recommendations in December 2021 and is working on information disclosure based on the TCFD framework. As defined in our Long-Term Vision, we will strive to enhance our corporate value by expanding the lineup of climate change products, promoting our ESG material issues (“mitigate/adapt to climate change, prevent disaster loss through products and services” and “initiatives toward a decarbonized society”), and enhancing our information disclosure.

Governance and risk management

We have positioned our response to climate change-related risks as an important issue for the Sustainability Committee, which regularly deliberates on basic policies and other important policies. These policies are in turn reflected in our short- and long-term management plans. In addition, the Sustainability Committee regularly submits reports to the Board of Directors, creating a structure that ensures appropriate oversight by the Board.

Strategy (scenario analysis)

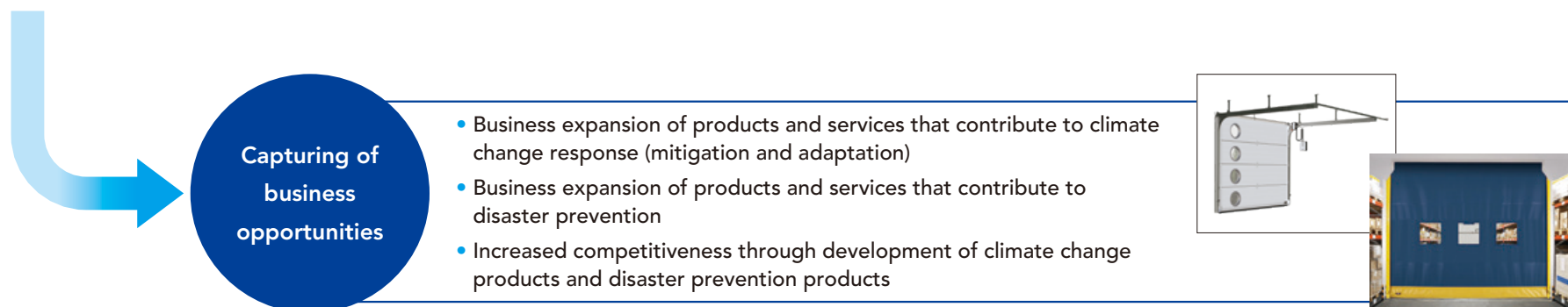
Sanwa Shutter Corporation, the core business company of the Group, was selected for analysis and analyzed using the IEA's 1.5°C scenario and the Intergovernmental Panel on Climate Change (IPCC)'s 4°C scenario, and risks and opportunities as of 2030 were summarized. As a result, we confirmed that in each case the diverse lineup of climate change response-related products demonstrates a high degree of resilience, enabling us to contribute to climate change mitigation and adaptation while capturing abundant business opportunities.

Board of Directors	Oversight of climate change response	Reports 4 times a year
Sustainability Committee	Formulation of basic policy on climate change response/progress reports and deliberations	Reports 4 times a year
Quality, Environment and CSR Promotion Council	Examination of environmental and other issues facing the Group in Japan	Twice a year
CSR Promotion Committee	Examination of environmental and other issues facing companies in Japan	Twice a year

Scenario analysis

Classification	Category	Impact	Risks	Impact on business	Our response
Transition risks Mainly assuming 1.5°C scenario	Policies and regulations	High	<ul style="list-style-type: none"> Introduction of carbon tax Tightening of emissions target regulations 	<ul style="list-style-type: none"> Increase in costs of fuel, electricity, etc. used in factories and offices due to introduction of carbon tax Transition costs incurred as part of emissions reductions in business activities 	<ul style="list-style-type: none"> Use of renewable energy Switch to energy-saving, high-efficiency equipment Switch to eco-friendly cars
		Medium	<ul style="list-style-type: none"> Tightening of regulations such as ZEB, ZEH, energy conservation standards, etc. 	<ul style="list-style-type: none"> Elimination of specific products due to tightening standards Mandatory use of alternative and recycled materials 	<ul style="list-style-type: none"> Strengthening of development, sales, and production of products for ZEB and ZEH
	Market changes	High	<ul style="list-style-type: none"> Rising raw material prices 	<ul style="list-style-type: none"> Increase in prices of key materials due to carbon tax and other regulations 	<ul style="list-style-type: none"> Securing of profit through high value-added products and services Cost reduction through self-help efforts and appropriate reflection in prices
	Reputation	Medium	<ul style="list-style-type: none"> Changes in investor and consumer behavior 	<ul style="list-style-type: none"> Deterioration of reputation due to delays in information disclosure and countermeasures Expansion of consumption behavior that takes environmental impact into consideration 	<ul style="list-style-type: none"> Enhancement of information disclosure Promotion of environmental measures Development of technologies and products that contribute to climate change mitigation

Classification	Category	Impact	Risks	Impact on business	Our response
Physical risks Assuming 4°C scenario	Acute/chronic	High	<ul style="list-style-type: none"> Frequent occurrence of extreme weather events (torrential rains, typhoons, floods, etc.) 	<ul style="list-style-type: none"> Suspension of sales activities and production due to damage to the Company Suspension of supply of materials and labor due to damage to suppliers 	<ul style="list-style-type: none"> Periodic checks using hazard maps, etc., and response to flooding risks Preparation of alternative procurement methods for materials and parts Strengthening BCP measures
	Chronic	High	<ul style="list-style-type: none"> Rising average temperatures 	<ul style="list-style-type: none"> Increased health risks at factories and installation sites Decline in labor productivity 	<ul style="list-style-type: none"> Labor-reducing installations through reviewing construction methods and utilizing robots



Metrics and targets

We have set targets for both reducing CO₂ emissions produced during our business activities and expanding our climate change response-related products business, and are moving forward with initiatives to mitigate the effects of climate change and maximize opportunities.

CO₂ emissions (produced during business activities) reduction target (Scope 1 + 2) (Scope: Sanwa Shutter Corporation)

FY2024	10% reduction from FY2019 level*
FY2030	30% reduction from FY2019 level
FY2050	Sanwa Group aims to achieve net zero CO ₂ emissions produced during business activities*

* Announced in the Sanwa Global Vision 2030 Mid-Term Management Plan 2024 in May 2022

Net sales targets for climate change response-related products (Scope: consolidated)

FY2024	Climate change response-related products (mitigation): 96 billion yen*
	Climate change response-related products (adaptation): 18 billion yen*

Risks and Opportunities

The Group ensures stable business operations by implementing a Groupwide risk management system and working to predict potential risks, as well as by responding appropriately through measures to counter risks as required for business continuity.

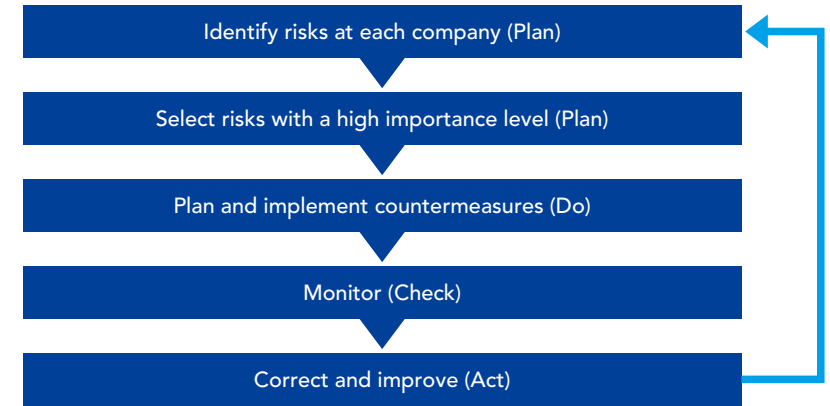
Process of analyzing risks

The Sustainability Committee, chaired by the Representative Director and President of Sanwa Holdings, reports and deliberates on the Sanwa Group's basic risk management policies, risk-management-related plans, and the progress of initiatives.

The major risks are classified into the categories of Manufacturing, Environment, People, and the Group's Management Foundation, and each risk and opportunity, as well as measures to handle them, are worked out.

More information on risks is provided as part of the Business Risks section of the Annual Securities Report.

 Annual Securities Report – Business Risks (Japanese only) — https://www.sanwa-hldgs.co.jp/ir/library/financial_report.html



This cycle is repeated annually to identify and reevaluate risks.

Major risks and opportunities, and our responses

Classification	ESG material issues	Risk category		Likelihood	Impact	Description of risks	Description of opportunities	Risks/opportunities and initiatives
Manufacturing	Climate change and disaster prevention	Major disasters		Medium	High	<ul style="list-style-type: none"> Business continuity risks due to large-scale disasters (typhoons, torrential rains, earthquakes, etc.) 	<ul style="list-style-type: none"> Expand profit opportunities by supplying climate change response-related (adaptation) products and disaster prevention products (fireproof and smokeproof) 	<ul style="list-style-type: none"> Introduce a safety confirmation system Formulate a business continuity plan (BCP) Develop and supply climate change response-related products and disaster prevention products
		Infectious-disease-related risks		Low	Medium	<ul style="list-style-type: none"> Risk of loss of business opportunities as a result of prolonged infectious disease outbreaks (impact on business performance such as delays in or suspension of operations) Crisis in terms of continuation of business activities due to spread of infectious diseases (pandemics) and outbreaks of clusters 	<ul style="list-style-type: none"> Expand profit opportunities by supplying antibacterial and antiviral products, contactless products, etc. 	<ul style="list-style-type: none"> Strengthen countermeasures against infectious diseases Develop and supply antibacterial and antiviral products, contactless products, etc.
	Quality assurance and enhancement	Quality risks	Manufacturing quality	High	High	<ul style="list-style-type: none"> Quality defects attributable to manufacturing 	<ul style="list-style-type: none"> Expand profit opportunities through product differentiation 	<ul style="list-style-type: none"> Update outdated facilities, pass on production technology, improve the work environment, and strengthen pre-shipment inspections Determine the causes of post-shipment product defects through a traceability system Automate production lines, achieve labor-saving through the introduction of robots, and improve production efficiency
			Installation quality	Medium	High	<ul style="list-style-type: none"> Occurrence of quality defects, fire incidents, etc., attributable to installation 	<ul style="list-style-type: none"> Expand profit through differentiation of easy-to-install products 	<ul style="list-style-type: none"> Undertake installation training and skill ranking for installation engineers, R&D of installation techniques, and regular health and safety meetings Improve operational efficiency through the introduction of process management systems and electronic data interchange (EDI) for installation work
			Design quality	Medium	Medium	<ul style="list-style-type: none"> Quality defects attributable to design 	<ul style="list-style-type: none"> Differentiate our products from the competition through enhanced design capabilities 	<ul style="list-style-type: none"> Improve design quality and operational efficiency by introducing the latest design system and a simplified system that creates drawings for sales personnel to use
			Sales quality	High	Medium	<ul style="list-style-type: none"> Complaints attributable to the content of proposals to customers and inadequacies in meetings, etc. 	<ul style="list-style-type: none"> Expand profit opportunities through solution proposal sales 	<ul style="list-style-type: none"> Provide sales personnel with training on new products, training by job level, training to improve sales skills, etc.
			Inspection quality	Medium	Medium	<ul style="list-style-type: none"> Accidents caused by failure to conduct regular inspections Loss of trust due to delay in full-time service (FTS) responses 	<ul style="list-style-type: none"> Expand maintenance and service business in response to increased inspection legislation 	<ul style="list-style-type: none"> Move forward with entering into maintenance and inspection contracts Create database of existing products Propose installing safety devices and the necessary repairs or replacements
		R&D risks		Medium	Medium	<ul style="list-style-type: none"> Delay in responding to product development needs 	<ul style="list-style-type: none"> Capture growth opportunities through the development of innovative technologies 	<ul style="list-style-type: none"> Undertake R&D and technological enhancements that always take safety into consideration, identify customer needs, and develop new products Develop climate change response-related products, IoT-related products, and disaster prevention and mitigation products
		Raw material prices and procurement risks		High	High	<ul style="list-style-type: none"> Soaring raw material prices and rising auxiliary material and logistics costs Stagnation of shipping due to difficulties in procuring parts, materials, etc. 	<ul style="list-style-type: none"> Continue to provide products by achieving stable procurement 	<ul style="list-style-type: none"> Scrutinize and reduce manufacturing costs, and reflect savings in product prices Identify and secure the necessary materials as early as possible and develop alternative procurement methods
		Production and logistics risks		High	High	<ul style="list-style-type: none"> Failure of product delivery systems Response to logistics issues of 2024 (e.g., difficulty in securing trucks and drivers) 	<ul style="list-style-type: none"> Improve production and logistics systems by leveraging our nationwide network 	<ul style="list-style-type: none"> Establish a production system that meets deadlines Introduce a delivery deadline management system, a warehouse management system for dispatching vehicles, and a truck management system to ensure proper delivery of goods
		Occupational accident risks		High	High	<ul style="list-style-type: none"> Occurrence of accidents and occupational injuries at factories and installation sites 		<ul style="list-style-type: none"> Prepare manufacturing operation manuals, etc., and implementation of safety education Improve the work environment by installing air circulators and air conditioners in factory work areas, improving rest areas, etc. Prepare installation operation manuals, etc., and ensure that all employees are familiar with safe work practices through safety education, health and safety meetings

Risks and Opportunities

Classification	Material issue	Risk Category		Likelihood	Impact	Description of risks	Description of opportunities	Risks/opportunities and initiatives
Environment	Initiatives toward a decarbonized society	Environmental and climate change risks		High	High	<ul style="list-style-type: none"> Increased costs due to the imposition of a carbon tax Loss of trust due to delay in complying with regulations on greenhouse gas emissions, etc. Increase in R&D expenses associated with eco-friendly products Impact of climate change on production activities and shipments Decrease in productivity at production and installation sites due to rising temperatures 	<ul style="list-style-type: none"> Achieve growth through expansion of climate change response-related (mitigation) product 	<ul style="list-style-type: none"> Implement environmental conservation activities in line with the Sanwa Group Environmental Policy Set CO₂ emissions reduction targets and implement initiatives to achieve them (install solar power generation facilities, switch to LED lighting at offices and factories, switch to eco-cars (hybrid vehicles, etc.) for sales vehicles, switch to electric forklifts, etc.) Express endorsement of the TCFD recommendations (December 2021) Develop, propose, and provide climate change response-related (mitigation) products
	Water resource conservation			Low	Medium	<ul style="list-style-type: none"> Loss of trust due to failure to achieve water consumption reduction targets 		<ul style="list-style-type: none"> Set water consumption reduction targets and implement initiatives
	Waste reduction			Low	Medium	<ul style="list-style-type: none"> Increase in waste disposal costs Loss of trust due to failure to achieve industrial waste reduction targets Loss of trust due to legal violations concerning waste and recycling-related disposal methods, etc. 		<ul style="list-style-type: none"> Take appropriate measures, such as separating waste properly Set industrial waste reduction targets and implement initiatives
People	Respect for human rights	Human rights risks		Medium	Medium	<ul style="list-style-type: none"> Deterioration of the work environment due to human rights violations and loss of trust due to disputes between labor and management, lawsuits, etc. 	<ul style="list-style-type: none"> Build a robust organizational structure through enhanced engagement 	<ul style="list-style-type: none"> Establish the Sanwa Group Human Rights Policy Conduct human rights due diligence Conduct a supply chain questionnaire Conduct compliance training Establish contact points for reporting human rights breaches
	Human resource development	Human resources risks		Medium	High	<ul style="list-style-type: none"> Decrease in operational efficiency due to lack of appropriate personnel Loss of competent human resources 	<ul style="list-style-type: none"> Increase competitiveness by securing talented human resources 	<ul style="list-style-type: none"> Accelerate hiring of new graduates and mid-career workers Reinforce structures for human resource development Appoint younger personnel through reviews of the job grade system and personnel evaluation system
	Promotion of diversity			Low	Medium	<ul style="list-style-type: none"> Negative impact on employment and loss of trust due to delays in diversity initiatives 	<ul style="list-style-type: none"> Enhance organizational capabilities by promoting diversity 	<ul style="list-style-type: none"> Proactively hire female employees, expand the variety of assigned occupations, and implement career advancement training
	Health and safety	Personnel and labor risks		High	High	<ul style="list-style-type: none"> Insufficient management of employee health and safety Losses from mistakes due to reduced concentration caused by overwork, decline in operational efficiency Loss of trust due to violations of overtime work agreement, etc. Damage to health due to mental health problems 	<ul style="list-style-type: none"> Improve productivity by creating a comfortable work environment 	<ul style="list-style-type: none"> Fully equip working environments Introduce a working hours management system Expand the annual paid leave Provide guidance to those who need to undergo a detailed medical examination during a health checkup Introduce a mental health system Move forward with improvements intended to make workplaces more comfortable by encouraging use of the childcare leave system, working from home, and taking annual paid leave
Management Foundation	Corporate governance	Management risks	Natural disaster and infectious-disease-related risks			(See the Major disaster risks section)		
			Geopolitical risks	Low	High	<ul style="list-style-type: none"> Outbreak of terrorism, riots, wars, conflicts, etc., as well as legal regulations, etc., in overseas locations 		<ul style="list-style-type: none"> Monitor, research and collect information on geopolitical risks from officers resident overseas
			Economic-trend-related risks	Medium	Medium	<ul style="list-style-type: none"> Deterioration in business performance due to decreased demand resulting from economic recessions, impact of foreign exchange rate and interest rate fluctuations, funding procurement risks, etc. 		<ul style="list-style-type: none"> Take hedging measures such as currency swaps, forward exchange contracts, etc. Diversify funding procurement sources
			Financial, accounting, investment-related and other risks	Medium	Medium	<ul style="list-style-type: none"> Financial, accounting, investment-related and other risks, such as bankruptcy due to the business failure of partner companies, bad debt due to the discontinuation of business, and bad debt losses 		<ul style="list-style-type: none"> Thoroughly manage credit
		Corporate governance-related risks		Medium	High	<ul style="list-style-type: none"> Loss of trust due to inadequate governance structure 	<ul style="list-style-type: none"> Improve trust from society by strengthening governance 	<ul style="list-style-type: none"> Carry out a Board of Directors' effectiveness evaluation questionnaire Establish the Nomination & Compensation Committee Implement board diversity initiatives
	Compliance	Compliance risks	Fraud, scandal, and legal violation risks	Medium	High	<ul style="list-style-type: none"> Loss of trust due to inadequate internal controls Loss of trust due to problems arising from fraud, scandals, legal violations, internal rule violations, etc., and other violations such as delays in responding to legal reforms and revisions, etc. 	<ul style="list-style-type: none"> Improve trust from society 	<ul style="list-style-type: none"> Foster a corporate climate based on our Compliance Code of Conduct Conduct compliance training Introduce a whistleblowing system Eradicate false accounting and fraudulent orders through thorough internal audits Reinforce the misconduct prevention structure through the Bribery Guidelines
			Traffic accident risks	Medium	Medium	<ul style="list-style-type: none"> Decrease in business operations and increase in damages awarded due to personal injuries from traffic accidents Loss of trust due to drink driving incidents 	<ul style="list-style-type: none"> Improve trust in terms of consideration for safety 	<ul style="list-style-type: none"> Expand safety equipment in sales vehicles Introduce alcohol checks Conduct a campaign to eliminate drink driving
		Information security risks		Medium	High	<ul style="list-style-type: none"> Loss of opportunities and trust due to cyberattacks, and increased restart costs Loss of trust due to information leakage 	<ul style="list-style-type: none"> Improve trust in terms of consideration for safety 	<ul style="list-style-type: none"> Address cybersecurity risks under the Sanwa Group Information Management System based on our Information Security Policy Formulate an IT-BCP Enforce system usage restrictions (privileged IDs)

Manufacturing

- Solve Social Issues Through Our Business -



Basic approach

The pursuit of quality and safety is the Sanwa Group's primary responsibility as a manufacturer. We work to improve quality and safety in all processes from development to sales, production, installation and maintenance. As we possess a diverse range of global products, the characteristics of each business and the products handled are not consistent throughout the Group. For this reason, while the quality indicators we use in Japan are the number of product accidents, number of complaints and the amount of related losses, the quality indicator we use overseas is the ratio of complaint cost to net sales. Based on these indicators, we are moving forward with specific measures and planning to make improvements.

For more than 70 years since its founding, we have supported urban areas and lifestyles by providing a wide range of metal fittings centering on entrance products, such as shutters, doors, partitions, toilet booths, and automatic doors. We believe that our products and services designed to prevent, protect, and separate can make contributions in a wide range of fields, and that we are called upon to tackle an ever-expanding range of issues. The Group believes that developing and providing products that address climate change issues from two approaches (mitigation and adaptation) will enable us to respond to changing needs and create new markets. We also believe that by using our products and services to solve issues including fires, earthquakes, and numerous other disasters, we can help communities become sustainable and resilient. In addition to stable quality assurance and enhancement, which is the most important aspect for us as a manufacturer, we aim to balance solving social issues and achieving sustainable growth through diligent research and development.

Governance and risk management

The Sanwa Group has established the following Sanwa Group Quality Objectives in pursuit of quality and safety, which is our primary responsibility as a manufacturer: 1) Improve product safety; 2) Improve the product quality and installation quality; 3) Improve the quality of service and business etiquette; and 4) Increase traceability.

Furthermore, in Japan, North America, Europe, and Asia, we have set quality targets that meet the needs of customers in each region, and are promoting initiatives on a global basis. Progress, measures, and initiatives for these regional targets are reported and discussed twice a

year by the Quality, Environment, and CSR Promotion Council for Group companies in Japan, and by the Overseas Risk Subcommittee for overseas Group companies, and are also reported to the Sustainability Committee.

Strategy (initiatives)

■ Quality assurance and enhancement

At the Sanwa Group Test Center, which was completed in March 2009, the Group's products and other products procured in Japan and overseas are tested to evaluate their quality, performance, safety, and manufacturing technology. The Test Center has acquired ISO/IEC 17025

certification, an international standard that sets out the requirements for test quality control and technical capabilities at testing laboratories, and we have frameworks in place to ensure the reliability of test results. In addition, the Group's products, including shutters, doors, and partitions, are semi-finished products at the factory production stage, and are considered finished products only when installation work is completed by installers. Improving the quality of installation and maintenance services is important for customers to be able to continue using our products with peace of mind, which is why we also focus on training and improving the skills of our installers.

Metrics and targets

ESG material issues	Targets (KPIs)	Achievements and progress in FY2023	Future challenges
Mitigate/adapt to climate change, prevent disaster loss through products and services	Net sales of climate change response-related products (mitigation): ¥96.0 billion (FY2024)	¥101.2 billion	<ul style="list-style-type: none"> Further development and sales expansion of products in response to diversifying needs Quantification of environmental contributions
	Net sales of climate change response-related products (adaptation): ¥18.0 billion (FY2024)	¥21.8 billion	
	Net sales of products that contribute to disaster prevention: ¥81.0 billion (FY2024)	¥71.8 billion	
	Net sales in the maintenance and service business: ¥76.0 billion (FY2024)	¥79.9 billion	
Quality assurance and enhancement	Achieve quality targets in line with each company's quality policy	<ul style="list-style-type: none"> Early detection of trends and complaints and investigation of causes through system monitoring Strengthening of product verification during shipment and on-site acceptance Improvement of workability through the use of connectors, etc. 	<ul style="list-style-type: none"> Continuous implementation of risk assessments during product development and specification changes Rapid investigation of causes and continuous implementation of essential measures

Manufacturing

- Solve Social Issues Through Our Business -

Strategy (initiatives)

- Mitigate/adapt to climate change, prevent disaster loss through products and services

Products that contribute to climate change mitigation and adaptation

Mitigation

Curb greenhouse gas emissions and halt the advance of global warming

We will contribute to mitigation, which aims to halt the advance of global warming. Our product lineups include high-speed sheet shutters that improve air conditioning efficiency at factories and warehouses with their fast opening and closing speeds, and overhead doors with high heat insulation.



High-speed sheet shutters



Overhead doors with high heat insulation

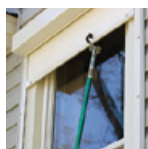
Adaptation

Take steps to reduce the risk of flood and wind damage caused by large-scale typhoons and torrential rains

We will contribute to adaptation, which involves reducing the impacts of climate change. Our product lineups include waterproof products that guard against flood damage, high-strength shutters that reduce the risk of wind damage, and wind-resistant window products from ODC that are designed to withstand hurricanes.



Waterproof shutters



Wind-resistant window products

Products that contribute to disaster prevention

Fires

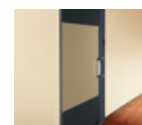
The Group's fire prevention equipment, such as fireproof shutters and fireproof doors, as well as fireproof glass partitions, help prevent fires from spreading and create safe spaces in office buildings, commercial facilities, schools, hospitals, and other buildings around the world.



Horizontal sliding fire door (ODC)

Earthquakes

We have an extensive lineup of earthquake-proof products designed to minimize damage from earthquakes, which can occur at any time and in any place.



Sliding entrance door for indoor hallway with earthquake-proof specifications

Power outages

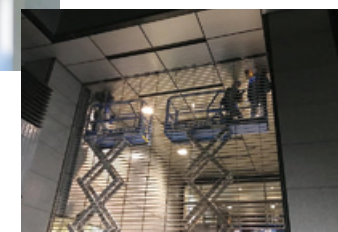
We offer a wide range of products for handling power outages that inevitably occur following many natural disasters, such as earthquakes, typhoons, and torrential rains. They can also be used as a BCP measure.



E Connect power supply system for operating shutters

Maintenance and servicing

Under Japanese laws, a periodic inspection report system for fire prevention equipment has been introduced to ensure that fire prevention equipment, such as fireproof shutters and fireproof doors, are properly maintained and preserved to ensure their reliable operation in the event of a fire. We are committed to helping communities maintain their disaster prevention function as social infrastructure and ensure resilience by encouraging people to acquire fire protection equipment inspector qualifications, training them, and improving their skills.



Focus

Products which can help couriers cope with the problem of redeliveries

The rapid proliferation of e-commerce along with diversifying lifestyles has led to an increase in the number of parcel deliveries by couriers. However, the increased volume of parcels that need to be redelivered has become a serious social issue, increasing CO₂ emissions and aggravating the shortage of drivers. Sanwa Shutter Corporation offers products which attempt to solve this problem, including Tredoor Rusu Raku an industry first that integrates a delivery locker with a condominium door, and Orusuban Box, a delivery box for detached houses. Meanwhile, Tajima Metal Work offers GMX-1, which integrates a delivery box with a mailbox. In addition, ODC is helping to solve this problem by providing Bench Sentry, a high-security smart delivery box. This product can be linked to a smartphone app to allow users to monitor the delivery status of packages.



GMX-1 home delivery mailbox



Bench Sentry smart delivery box

Environment

- Achieve Environmental Sustainability -



Basic approach

The Group, which operates in 27 countries and regions around the world, recognizes that concerns about the stable supply of energy, water and other natural resources pose a risk to its business foundation. At the same time, we see taking measures to reduce the global environmental impact of our business activities as an extremely important mission. We will move forward with initiatives to reduce our environmental impact by lowering our CO₂ emissions, water consumption and waste emissions, and to enhance our information disclosures. With these measures, we will increase our medium- to long-term corporate value.

Governance and risk management

The Sanwa Group has been working to promote environmental management and improve environmental performance through the acquisition of ISO 14001 and other environmental management system certifications at domestic and overseas Group companies, with the aim of developing environmental conservation activities systematically and continuously in line with its environmental policy. Initiatives in each region are reported and discussed twice a year by the Quality, Environment, and CSR Promotion Council for Group companies in Japan, and by the Overseas Risk Subcommittee for overseas Group companies, and are also reported to the Sustainability Committee.

Strategy (initiatives)

■ Initiatives toward a decarbonized society

In the Sanwa Global Vision 2030 Mid-Term Management Plan 2024 announced in May 2022, the Sanwa Group set forth its policy for achieving carbon neutrality, aiming for net zero CO₂ emissions from business activities by 2050. We are moving forward with a variety of initiatives based on this policy.

In terms of our efforts to reduce Scope 1 emissions, we are actively switching to eco-cars, in addition to working to upgrade to more energy-efficient equipment. In the Novoferm Group, the transition to electric vehicles for company-owned vehicles at Novoferm Germany and BGS (UK) is underway, and all company-owned vehicles at UK companies have been converted to electric vehicles or plug-in hybrids.

In terms of our efforts to reduce Scope 2 emissions, in addition to using Non-Fossil Certificate electricity and promoting the switch to LEDs, we have installed solar panels on the logistics building of Sanwa Shutter Corporation's Ota Door Plant and on the premises of its Kyushu Plant in Japan, at three plants in Europe, including at Novoferm Schievano (Italy), and on the roofs of the Shanghai Baochan-Sanwa Door and Sanwa Novoferm (Changshu) plants in Asia.

In addition, to improve energy efficiency, the Novoferm Group has installed systems for monitoring energy consumption at Riexinger in Germany and at two plants in France.

We began calculating Scope 3 emissions in fiscal 2023, based on the recognition that reducing not only our own CO₂ emissions but also those of our entire supply chain is a necessary step in realizing a carbon-neutral society. In fiscal 2024, we expanded the scope of calculation categories, among which we have obtained third-party verification from JMACC for emissions in categories 1, 3, and 11.



Systems for monitoring energy at Riexinger plant

■ Water resource conservation

Sanwa Shutter Corporation is carrying out various initiatives to achieve its water usage intensity reduction targets for fiscal 2030. These include making effective use of a water circulation system for painting equipment and chillers that circulate chilled tank water, and reducing water waste at painting booths by using an overspray treatment agent. In addition, the Sanwa Group Social Contribution Club, which organizes donations and other social contribution activities with volunteer employees, has been making donations to the general incorporated association JEAN (also known as the Japan Environmental Action Network), which is engaged in resolving the problem of marine litter, since fiscal 2012.



■ Waste reduction

Sanwa Shutter Corporation is working on initiatives to achieve its waste intensity reduction targets for fiscal 2030, including thorough sorting and recycling, reduction of paint waste and reuse of wooden pallets.

As part of our efforts to reduce the plastic waste that we generate, we have set unit reduction targets and are conducting thorough waste sorting and employee training.

The Conneaut Plant, which manufactures ODC's resin panels and parts, recycled approx. 100 L of liquid waste and 370 kg of solid waste in the second half of 2023.

Metrics and targets

ESG material issues	Targets (KPIs)	Achievements and progress in FY2023	Future challenges
Initiatives toward a decarbonized society	Reduction of CO ₂ emissions (Scope 1 + 2): Reduce by 10% compared to FY2019 (FY2024) Reduce by 30% compared to FY2019 (FY2030)	Reduced by 7.4% compared to FY2019	<ul style="list-style-type: none"> Further use of renewable energy Promotion of switch to eco-friendly cars
Water resource conservation	Reduction of water usage intensity (at factories and offices): Reduce by 10% compared to FY2020 (FY2030)	Reduced by 15.0% compared to FY2020	<ul style="list-style-type: none"> Promotion of water conservation Facility upgrades
Waste reduction	Reduction of waste intensity (at factories and offices): Reduce by 10% compared to FY2020 (FY2030)	Reduced by 42.0% compared to FY2020	<ul style="list-style-type: none"> Even more thorough sorting and recycling Facility upgrades

People

- Create a Pleasant and Rewarding Work Environment -



Basic approach

To demonstrate the functionality of the Group's products as building materials that support communities and everyday life, numerous resources, including stakeholders such as our employees, partner company employees and installers, are essential. With labor shortages becoming problematic in many economies around the world, we believe that People are the source of our competitiveness and our most important management resource. We strive to continuously increase corporate value by respecting human rights and diversity, with initiatives for health and safety as the foundations upon which companies depend for their survival, and by developing human resources to create new value.

Governance and risk management

As part of our commitment to People, our most important management resource, we promote such things as the development of human resources, respect for human rights and diversity, equal opportunities for growth and fair evaluations irrespective of gender or age, and a safe and comfortable work environment. To this end, the Sustainability Committee regularly meets to discuss the Group's policies, efforts to achieve KPIs, progress, and other matters.

Strategy (initiatives)

■ Respect for human rights

We believe that respecting the fundamental human rights of all people involved with our Group and ensuring their physical/mental health and safety is an important responsibility, and that they contribute to the stability of our business operations. As such, in November 2023, we established the Sanwa Group Human Rights Policy. Then, in January 2024, we conducted a human rights due diligence questionnaire targeting major suppliers and factory partners. Going forward, we will continue to address human rights risks through such means as employee education and the enhancement of relief mechanisms.

■ Promotion of diversity

We are taking various measures to ensure that each and every one of our diverse human resources can maximize their capabilities, based on the recognition that our employees, including women and our

global workforce, are the growth drivers of our Group. In Japan, we recognize that ensuring gender equality and diversity is a particular challenge. As such, since fiscal 2022, we have been conducting career development training for female employees to nurture future candidates for female management positions, and to foster their aspirations for their own career development. Sanwa Shutter Corporation is also striving to create a workplace that accommodates female employees through systems that support flexible work styles, including a shorter working hour system for childcare which exceeds legal requirements in Japan (until the sixth grade of elementary school) and teleworking, as well as diversity training for newly appointed managers, and promoting the use of childcare leave by male employees.

■ Health and safety

As a company involved in manufacturing, we are committed to eliminating occupational accidents by providing safety training and thoroughly enforcing rules, sharing case studies of near-misses, and improving the environment to reduce the workload. Also, among Group employees, the ratio of obese people and the ratio of habitual smokers are both higher than the national average. In light of this, we have taken steps to reduce these health issues. For instance, we actively encourage employees to undergo full medical examinations, have carried out a walking campaign, and have implemented a smoking cessation support program. In order to target those with a higher risk of developing severe lifestyle-related diseases and encourage them to make changes to their lifestyles, in March 2024, we set the ratio of those who underwent testing and started treatment to those with a higher risk of developing severe lifestyle-related diseases as a new KPI.

Metrics and targets

ESG material issues	Targets (KPIs)	Achievements and progress in FY2023	Future challenges
Respect for human rights	Conduct human rights due diligence (FY2024)	Conduct human rights due diligence (Establishment of Sanwa Group Human Rights Policy and carrying out of supply chain questionnaire)	<ul style="list-style-type: none"> Expansion of the scope of human rights due diligence
Human resource development	Number of e-learning participants (English): 200 (FY2024)	107	<ul style="list-style-type: none"> Implementation of training to address digitalization and diversity
	Number of correspondence course participants: 1,000 (FY2024)	713	
Promotion of diversity	Ratio of female employees: 20% (FY2030)	20.7%	<ul style="list-style-type: none"> Implementation of women's development planning and training Raising awareness of and promoting the use of childcare leave by male employees
	Ratio of female managers: 15% (FY2030)	15.5%	
	Ratio of male employees taking childcare leave: 50% (FY2030)	27.3%	
Health and safety	Obesity rate (BMI of 25 and above): 30% (FY2030)	34.2%	<ul style="list-style-type: none"> Strengthening health guidance and continuing support activities
	Smoking rate: 25% (FY2030)	28.5%	
	Rate of high-risk persons undergoing screening: 100% (FY2030)	75.3%	
	Rate of taking annual paid leave: 55% (FY2030)	54.2%	

The Group's Management Foundation Roundtable Discussion between Outside Directors

Masanaka Yokota

Independent Outside Director

Hiroko Ishimura

Independent Outside Director

Tsunekatsu Yonezawa

Independent Outside Director Audit &
Supervisory Committee Member

Akira Gokita

Independent Outside Director Audit &
Supervisory Committee Member

The Sanwa Group is working to address the core policies outlined in its Mid-Term Management Plan 2024 as part of a commitment to achieving its Long-Term Vision for 2030.

We believe that putting in place an effective governance system and ensuring that it functions as intended are prerequisites for achieving our Long-Term Vision.

In this roundtable discussion, four outside directors came together to talk about a range of issues affecting the Group. Subjects they touched on included the progress and evaluation of the Mid-Term Management Plan 2024; topics requiring discussion at Board meetings that are positioned as the core of corporate governance, and ensuring the Board's effectiveness; assessing ESG material themes and related issues; and the perspectives and management strategies needed for sustainable growth.

Progress and evaluation of the Mid-Term Management Plan 2024

Gokita Firstly, I would like to discuss the progress of the Mid-Term Management Plan 2024 (MMP). I am very pleased to see that the Group has achieved the numerical targets for net sales, operating profit, etc., in both fiscal 2022 and 2023. However, if it is to become the global leader in smart entrance solutions as envisaged in its Long-Term Vision, it will need to aim not only to expand in terms of quantity, but also to make qualitative improvements. In particular, I think it will be necessary to show a path for enhancing human capital. I hope that future management plans will include more qualitative elements, such as human resource development policies that respond to changes in the external environment and more ambitious diversity promotion targets.

Ishimura I, too, think that the fact that the Group achieved its numerical targets is extremely commendable. However, I still have concerns about whether it will be able to attain sustainable growth and make qualitative improvements to its management. On top of the issue of diversity you just mentioned, I get the feeling that the Group is not making much headway with its digital strategy. The use of digital technology is vital for creating new things, the lifeblood of the manufacturing industry, as well as for providing new value to stakeholders. With this in mind, I look forward to seeing the Group come up with more specific measures to bring about its digital transformation (DX).

Yokota With regard to the basic strategies of the current MMP, which include measures to strengthen core businesses in Japan, North America, and Europe, and to strengthen the basis for growth of the Asia business, it was sometimes difficult for us to grasp the progress being made

Roundtable Discussion between Outside Directors

based solely on the information we received at Board meetings and through other sources. We are now aware that we need to obtain more detailed information and deepen our understanding of the Group's global strategies by region.

Yonezawa I think we should also objectively analyze the factors that led to the recording of operating profits far exceeding forecasts. The biggest factor was the strong performance of ODC in North America, which was driven by the favorable exchange rate and market environment. As such, we must be careful not to attribute this solely to the Group's capabilities or the results of the measures it has taken. To this end, I have requested at Management Conference and elsewhere that, at the end of fiscal 2024, when analyzing and evaluating performance over the past three years and setting numerical targets in the next management plan, the Group should also conduct its analysis from the perspective of external factors, and then review these targets.

Topics requiring discussion at Board meetings and ensuring the Board's effectiveness

Gokita Next, I would like to make some suggestions concerning the topics and effectiveness of Board meetings. At the Board meetings I have attended to date, we outside directors have been given materials such as the MMP, which has already been completed, and discussions go no further than exchanging opinions on these materials. Board meetings are a place where we can discuss matters from an impartial standpoint. For this reason, I believe it would be great if we had the opportunity to engage in free discussions on the content of management strategies, incorporating our perspectives as outside directors. I think that the ideal role of Board meetings is to review the vision for the Sanwa Group and its business portfolio in the process of exchanging multifaceted opinions, and to reflect the results of these discussions in the Long-Term Vision and Mid-Term plans.

Yonezawa It may be difficult to have such discussions, given the current frequency and duration of the meetings. The Group should consider an approach whereby the chair of the Board of Directors issues a notice of convocation of meetings as needed, rather than being overly bound by the pre-determined annual schedule. This could be achieved, for example, by setting up agenda items such as "formulation of management strategy." In particular, as you just pointed out, Ms. Ishimura, there is plenty of room for discussion on the content of the digital strategy. Also, from my experience, I have always said that MMP should focus on qualitative aspects, such as strategy, and that quantitative aspects should be conceptual numerical targets.

Ishimura The Group needs to strengthen the organizational systems underpinning its digital and

human resources strategies, and to create forward-looking policies. For a company of the Sanwa Group's scale and high level of organizational maturity, digital transformation and human resources policies should be one of the pillars supporting management. For starters, I would like to see Sanwa Holdings secure human resources capable of playing the roles of CDXO and CHRO. In terms of the Group as a whole, the basic premise should be to raise the level of knowledge of digital transformation, rather than just focusing on traditional IT. And at the operational level, one option for supplementing the roles of specialists in digital transformation, data scientists and AI engineers, who are difficult to train in-house, is to outsource them.

Gokita Your suggestion to solidify the foundation for growth by reflecting approaches to digital transformation and human capital management that are gaining momentum in today's industry is very important. At the same time, the Group is also focusing on human resource development, with People as one of its ESG material themes, and one of the basic strategies in the current MMP is "improve productivity through digitalization and manufacturing innovation." For this reason, the Board of Directors should first discuss whether it would be better to continue with the current organizational structure, personnel system, and manufacturing policies, or whether the Group should consider incorporating more industry trends.

Yokota I would like to use this opportunity to share my thoughts on the effectiveness of the Board of Directors. First of all, as a prerequisite, we evaluate the progress of management strategies and measures at Board meetings. In addition to this, we also discuss the content of proposals from executive officers, and are responsible for monitoring and supervising their activities, as well as providing advice. Evaluating the effectiveness of the Board of Directors is a part of the PDCA cycle, a self-checking process to determine whether the roles we play are effectively functioning to enhance corporate value. This cycle is gradually taking hold, and combined with the annual questionnaire and analysis, I feel that it is helping to improve Board meetings. For each item on the agenda and proposal, we outside directors are free to voice our opinions and ask questions, and there is a system in place for us to receive responses from the executive side.

Gokita There is no doubt that we outside directors are able to have open and free discussions. However, as you say, I think we ought to be having more in-depth discussions on topics that



Roundtable Discussion between Outside Directors

cut across the entire Group in addition to individual items on the meeting agenda. By this, I mean such issues as digitalization and digital transformation strategies, human resources strategies including training systems, the Group's overall management structure consisting of Sanwa Holdings and business companies, and the Group's business portfolio.



Yokota Yes, it is certainly true that the PDCA cycle is functioning well for individual agenda items. However, when we look at Board meetings as a whole, among other things, it is clear that there are issues with the processes by which the content of Group strategy is discussed and formulated, and this is something that needs to be improved. To enhance the effectiveness of the Board, it is essential to ensure the diversity of its members.

Gokita I understand diversity to mean diversity of values. I consider expertise and business experience in a particular field, gender, nationality, etc., to be manifestations of the diversity of values. As such, I think it is extremely important to ensure diversity that is in line with the actual situation of the company. In terms of nationality, the main directors of ODC in North America and Novoferm in Europe are not Japanese nationals. Therefore, even though all the directors of Sanwa Holdings are Japanese nationals, if you look at the Group companies, there are many non-Japanese directors and executive officers who are playing an active role throughout the Group. As to the question of whether it is necessary to invite some of them to become directors of Sanwa Holdings, I feel that it is perhaps still too early to say at this stage.

Yokota Speaking purely in terms of the diversity of the current four outside directors, I personally believe that we are blessed with a very good balance of members. With the addition of Ms. Ishimura to the team in 2022, I feel that the atmosphere of the Board of Directors has become even better. Actually, I have always doubted whether it is appropriate to discuss diversity simply in terms of whether someone is male or female. In this case, the reason I say that Ms. Ishimura's appointment has brought more diversity to the Board and improved its balance is that she is a digital transformation professional with a wealth of knowledge of IT and digital technology. I am confident that she will continue to provide appropriate advice as the Group goes through the process of transforming its products, services, and business models.

Ishimura I think it's fantastic that the PDCA cycle, an approach that the Sanwa Group has long emphasized, is firmly entrenched here, and that the Group has a strong track record of

getting things done. However, we are now at a point where the entire Group needs to change. One way it can achieve this is by aiming to be an innovative organization while ensuring diversity. In order to bring about change successfully, the acquisition of new knowledge is an absolute must. For this reason, I think it is crucial that training is provided not only to employees, but also to management.

Assessing ESG material themes and related issues

Yokota The Sanwa Group is currently promoting ESG based on four pillars: the three material themes of Manufacturing, Environment, and People, and the Management Foundation that supports these. Manufacturing, the first theme, includes the material issue of "Mitigate/adapt to climate change, prevent disaster loss through products and services." When you add up net sales of products that fall under this theme for fiscal 2023, the total comes to around ¥200 billion. In other words, products under this category account for around 33% of the Group's net sales of ¥611.1 billion. This example just goes to show how manufacturing is one of the Sanwa Group's strengths, and that it is wielding this strength in a way that is making a significant contribution to addressing social issues. That said, there are still a number of issues that need to be addressed. For instance, with regard to Environment, the second theme, each business company is making progress in initiatives to reduce CO₂ emissions, water usage, and waste emissions. Although water usage and waste are calculated based on intensity, how to control those portions that increase in proportion to sales will be an issue. The Group will need to consider a variety of countermeasures, including the use of emissions trading, which will begin in earnest in fiscal 2026.

Ishimura Regarding People, the third material theme, it is good that the Group has created measures intended to create a pleasant and rewarding work environment, and is taking action based on KPIs. However, the time has come to also focus on strategic human resource management that will strengthen global competitiveness. If you consider your human resources portfolio in depth, you should be able to clearly distinguish between those areas that require membership-based human resources and those that require job-based human resources. Going forward, formulating and implementing human resources policies that



Roundtable Discussion between Outside Directors

- Gokita** take this into account will become even more necessary.
- Gokita** How the Sanwa Group goes about implementing its human resources policies in the future is a key part of its management strategy, which includes what you just mentioned. In this context, I think it would be a good idea to start by reviewing the Group's past human resource policies, affirming those that have led to good results while clarifying the elements that were lacking. The next step would be to try to combine elements, such as the development of global human resources and the partial introduction of job-based recruitment, with the aim of bringing the organization's shape and personnel deployment closer to the ideal state envisaged for 2030. Another important management strategy related to People is to rebuild the framework for the installation process in anticipation of the time when, in the near future, a large number of subcontractors, especially self-employed workers, many of whom are getting on in years, will be retiring. I feel that the Group cannot afford to shy away from having wide-ranging discussions on such issues.
- Yokota** One other thing I would like to mention is the ratio of female managers, which is one of the KPIs the Group has set with the aim of promoting diversity. The Group plans to increase the ratio of female managers on a consolidated basis to 15% by fiscal 2030. However, if achieving this ratio is its sole aim, such a target will not be very meaningful. With the true purpose of diversity in mind, it would be preferable to enhance the content of the career development training for female employees that started in fiscal 2022, and to create a training plan for new employees from the recruitment planning stage. In addition, I also think it is important to develop tools and training systems to help employees determine what kind of work they want to do and the positions they aspire to, and to help them map out their career paths. While the Group's strength lies in being able to get the job done properly, there are many employees who simply wait for their superiors to give them instructions. This, by the way, is a characteristic of the manufacturing industry as whole that applies to both males and females. So, I personally feel that it would be good to have training that encourages employees to take more responsibility for their own development.
- Yonezawa** I think it is very pertinent advice. I also think it is important to engage in deeper discussions on the essential question of why we must achieve the target of 15% by fiscal 2030, and then communicate this aim to employees within the Group.



Perspectives and management strategies needed for sustainable growth

- Yonezawa** If the Sanwa Group is to establish itself as the global leader in smart entrance solutions, it must continue to grow in the global market while enhancing its corporate governance. The key to achieving this is to overcome the various issues we have pointed out in this roundtable discussion one by one. By facing up to each issue with sincerity and finding a way to resolve it, the Group can strengthen the foundations for medium- to long-term growth and emerge even better than it is today.
- Gokita** The Group is currently performing well, so now is the time to resolve these issues. It is also an excellent opportunity to develop a management strategy that anticipates future risks. The key to improving corporate value is to formulate performance targets and business policies that are in line with the business environment in the near future, while resolving the various issues. Management strategies are not something that the management team can just decide on behind closed doors and then impose on employees. They should be put together after listening to the opinions of those on the front line and taking into account the actual situation. Management strategies that are out of touch with reality often end up being nothing more than pie in the sky. This is scenario that the Group should take care to avoid.
- Yonezawa** Recently, I have been seeing more and more references to an indicator known as Gross National Happiness (GNH). Unlike economic assessments, GNH is said to be an indicator that primarily evaluates the degree of spiritual well-being, and was originally proposed by the King of Bhutan in the 1970s. It is calculated by evaluating a number of indicators, including living standard, physical and mental health, education, the natural environment, and how people spend their time. Lately, GNH seems to be gaining attention in Europe and the US as a supplementary indicator to Gross Domestic Product (GDP), or what was called Gross National Product (GNP) in the past. I think GNH could also be used as a scale to assess the happiness of Sanwa Group employees. The various measures the Group has already put in place to ensure the safety and health of its employees are also excellent initiatives that will help to increase the overall happiness of employees while monitoring the degree to which the Group is achieving its goals using KPIs. However, I feel that this could be taken a step further, for example, by making use of the Group's strong liquidity on hand to undertake measures that will increase the overall happiness of our employees by improving the salary structure and other benefits. The importance of employees is increasing among the Group's stakeholders. While paying out profit allocation linked to consolidated business performance to shareholders, the Group should clearly demonstrate its desire for growth by increasing investment in core and new business areas and people. I hope to see the start of a Groupwide movement to define what a "good company" really is.

Management Team

Directors



Yasushi Takayama

Representative Director, President
Chief Executive Officer

Attendance at Board of Directors' meetings	100%
Number of company shares held	172,162 shares

Reasons for appointment

Since joining the Company in 2006, Mr. Yasushi Takayama has served in important positions, including General Manager of Total Cost Reduction (TCR) Dept. and General Manager of Structural Reform Dept., where he promoted a wide range of management reforms throughout the Company Group. After assuming office as President in 2017, he has promoted global group management both in Japan and overseas, laying the foundation for the Company to become a major global player. Based on his extensive experience and track record, the Company has determined that he remains qualified to be a Director.



Hiroyuki Yamazaki

Director, Senior Managing Executive Officer
Responsible for Corporate Planning Unit

Attendance at Board of Directors' meetings	100%
Number of company shares held	26,002 shares

Reasons for appointment

Mr. Hiroyuki Yamazaki held important positions at a trading company, a system development company, and other organizations before joining the Company in 2017. At the Company, he has contributed to the growth of the Company Group in terms of both attacking and defensive aspects, by utilizing his extensive experience and acumen to promote management strategy and global personnel strategy, as well as strengthen risk management and so forth. Based on his experience and acumen, the Company has determined that he remains qualified to be a Director.



Toshiaki Doba

Director, Senior Managing Executive Officer
Responsible for Global Business Unit

Attendance at Board of Directors' meetings	100%
Number of company shares held	16,008 shares

Reasons for appointment

After holding important positions at a trading company and a foreign-owned enterprise, Mr. Toshiaki Doba joined the Company in 2014. At the Company, he has been mainly involved with the Americas business, making a substantial contribution to expanding the sales of the US subsidiary and improving its profitability. From 2022, he was responsible for Global Business Unit, where he led the Company's business strategy in Europe and Asia, as well as the Americas, contributing to the growth of the Company's global business. Based on his experience and track record, the Company has determined that he remains qualified to be a Director.



Meiji Takayama

Director (Part-time)

Attendance at Board of Directors' meetings	100%
Number of company shares held	104,717 shares

Reasons for appointment

Mr. Meiji Takayama held important positions at Sanwa Shutter Corporation, the core business company of the Company Group, such as General Manager of Sales Promotion Dept. and Head of the Building Materials Div., before assuming office as Representative Director, President of that company in 2017. Drawing on his experience and knowledge of the field of construction and the construction materials industry, he has driven the domestic business and contributed to the development of the Company Group. Based on his experience and strong leadership, the Company has determined that he remains qualified to be a Director.



Masanaka Yokota

Independent Outside Director

Attendance at Board of Directors' meetings	100%
Attendance at Nomination & Compensation Committee meetings	100%
Number of company shares held	6,000 shares

Reasons for appointment

As a consultant for many years at JMA Consultants Inc., Mr. Masanaka Yokota provided advice and guidance for improvements and reforms in areas such as management strategy, production & manufacturing, and personnel development. Since he assumed office as an Outside Director in 2020, he has utilized his experience as a consultant and as the president of an overseas subsidiary, etc., to provide advice and suggestions on management as a whole, while also providing impartial opinions as a member of the Nomination & Compensation Committee. The Company expects him to utilize this extensive experience and knowledge to continue to provide supervision and advice in relation to the execution of duties by Directors of the Company.



Hiroko Ishimura

Independent Outside Director

Attendance at Board of Directors' meetings	100%
Number of company shares held	300 shares

Reasons for appointment

After first being employed by The Mitsubishi Bank, Ltd., Ms. Hiroko Ishimura joined Cincom Systems Japan Ltd. in 1991, where she held important positions, including those of Marketing Manager, Managing Director, and Representative Director. Since she assumed office as Outside Director of the Company in 2022, she has utilized her deep knowledge of solving business problems using IT and digital technologies, etc., and extensive experience as a corporate manager to provide advice and suggestions on management as a whole. The Company expects her to utilize this deep knowledge and extensive experience to continue to provide supervision and advice in relation to the execution of duties by Directors of the Company.



Teiko Zaima

Director
Audit & Supervisory Committee Member

Attendance at Board of Directors' meetings	100%
Attendance at Nomination & Compensation Committee meetings	100%
Number of company shares held	24,800 shares

Reasons for appointment

After serving in a range of important posts, such as General Manager of the Accounting Dept. of the Company, and General Manager of the Accounting Dept. and Senior Executive Officer of Sanwa Shutter Corporation, which is the core business company of the Company Group, Mr. Teiko Zaima assumed office as Corporate Auditor in 2015 and Director serving as Audit and Supervisory Committee member in 2016. He possesses many years of experience in accounting and financial operations, as well as a deep knowledge of risk and compliance. Based on this extensive experience and knowledge he has provided appropriate opinions and advice, and the Company has determined that he remains qualified to be a Director serving as Audit and Supervisory Committee member.



Tsunekatsu Yonezawa

Independent Outside Director
Audit & Supervisory Committee Member

Attendance at Board of Directors' meetings	100%
Attendance at Audit & Supervisory Committee meetings	100%
Attendance at Nomination & Compensation Committee meetings	100%
Number of company shares held	— shares

Reasons for appointment

Mr. Tsunekatsu Yonezawa served as General Manager of Thin Plate Department I, ITOCHU Corporation, and General Manager of Oceania, ITOCHU Corporation, before being appointed the member of the Board of Marubeni-Itochu Steel Inc. in the ITOCHU Group. Subsequently he assumed office as Outside Corporate Auditor of the Company in 2015, and Director serving as Audit and Supervisory Committee member in 2016. At the Company, based on his experience as a corporate manager both in Japan and overseas and his deep knowledge of economics and management, he has provided appropriate opinions and advice while also providing impartial opinions as a member of the Nomination & Compensation Committee. The Company expects him to utilize his experience and knowledge to continue to provide appropriate supervision of execution of business by the Company.



Akira Gokita

Independent Outside Director
Audit & Supervisory Committee Member

Attendance at Board of Directors' meetings	100%
Attendance at Audit & Supervisory Committee meetings	100%
Attendance at Nomination & Compensation Committee meetings	100%
Number of company shares held	— shares

Reasons for appointment

After serving as Public Prosecutor in the Special Investigation Divisions of the Tokyo District Public Prosecutors Office and the Osaka District Public Prosecutors Office, Mr. Akira Gokita registered as attorney at law in 1988, and since 1994 he has been active in a wide range of fields as an attorney at law for Gokita and Mitsuura Law Office. He assumed office as Director serving as Audit and Supervisory Committee member of the Company in 2016. At the Company, based on his deep knowledge as a legal specialist, he has provided appropriate opinions and advice in relation to the governance and risk management of the Company while also providing impartial opinions as a member of the Nomination & Compensation Committee. Other than as an Outside Director he has had no involvement in company management, but the Company expects him to utilize the above-mentioned experience and knowledge to continue to provide appropriate supervision of execution of business by the Company.

Executive Officers

Masayuki Atarashi

Executive Officer

Corporate Planning Unit
Head of Corporate Communication Department

Katsumi Fujii

Executive Officer

Corporate Planning Unit
Head of Corporate Planning Department

Corporate Governance

Skill Matrix of the Directors

Policy for Appointing Directors

The Company's criteria for appointing Directors are based on whether the individual in questions possesses the abilities, knowledge, and experience necessary to monitor and supervise the Company's management from a global perspective, and to make important decisions concerning the Company's business operations.

Ever since we created and disclosed a skill matrix for Directors in 2021, we have been reviewing it from time to time in light of the management issues we face.

In 2024, we selected the areas described in the table on the right after deliberations by the Board of Directors with a view to achieving Sanwa Global Vision 2030, our Long-Term Vision, and the Mid-Term Management Plan 2024.

Independent Outside Directors

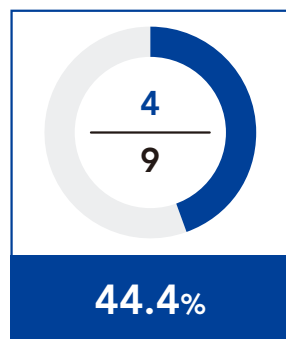
The four Outside Directors each provide management advice based on their extensive experience and expertise. In doing so, they audit and supervise the Directors in the execution of their duties from a neutral standpoint that is independent of the execution of business, thus fully enhancing oversight of the Board of Directors. Going forward, we will continue to consider increasing the ratio of Outside Directors as necessary with a view to ensuring the effectiveness of the Board of Directors and further improving governance.

Skill Matrix of the Board of Directors

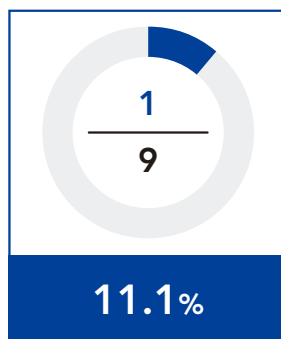
	Name	Corporate management	Industry knowledge, Industry experience	Global experience	Sales, Marketing	Manufacturing and engineering, Development and quality assurance	IT, Digital	Finance and accounting, Monetary	Personnel and labor, Personnel development	Legal affairs, Risk management, Compliance
Directors (excluding Directors serving as Audit & Supervisory Committee Members)	Yasushi Takayama	●	●				●	●	●	●
	Hiroyuki Yamazaki	●		●			●	●	●	●
	Toshiaki Doba	●	●	●	●			●		
	Meiji Takayama	●	●		●	●		●	●	
	Masanaka Yokota	Outside Independent	●	●		●			●	
	Hiroko Ishimura	Outside Independent	●	●	●		●			
Directors serving as Audit & Supervisory Committee Members	Teiko Zaima		●					●	●	●
	Tsunekatsu Yonezawa	Outside Independent	●	●	●					
	Akira Gokita	Outside Independent						●	●	●

Note: The above matrix does not indicate all skills, knowledge, experience, etc., possessed by the Directors.

Ratio of Independent Outside Directors



Ratio of Female Directors



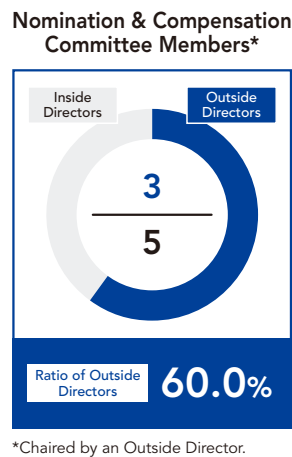
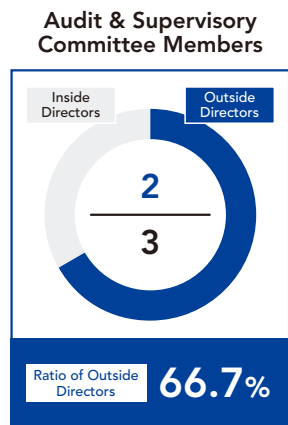
Expected Skills

Corporate management	Experience as a representative Director or an executive with a broad scope of managerial duties equivalent to those of a representative Director in a company
Industry knowledge, Industry experience	Management skills of a kind that will contribute to the growth of the Company by leveraging knowledge and experience of industry
Global experience	Experience of conducting business outside of Japan or managing a company with global operations
Sales, Marketing	Foresight to create business opportunities in a rapidly-changing business environment
Manufacturing and engineering, Development and quality assurance	Expertise in manufacturing (production, technology, and development) and quality assurance needed to earn the trust of customers

IT, Digital	Expertise in how to apply digital technology to transform and streamline businesses and operations
Finance and accounting, Monetary	Knowledge of finance and accounting required to build a management foundation that balances investment in growth, sound finances, and shareholder returns
Personnel and labor, Personnel development	Skills and experience to oversee the situation surrounding the implementation of human capital management, including human resource development linked to management strategy and other matters
Legal affairs, Risk management, Compliance	Expertise in how to respond promptly and appropriately from the standpoints of legal affairs, corporate governance, and risk management so as to secure the trust of stakeholders

Basic Approach to Corporate Governance

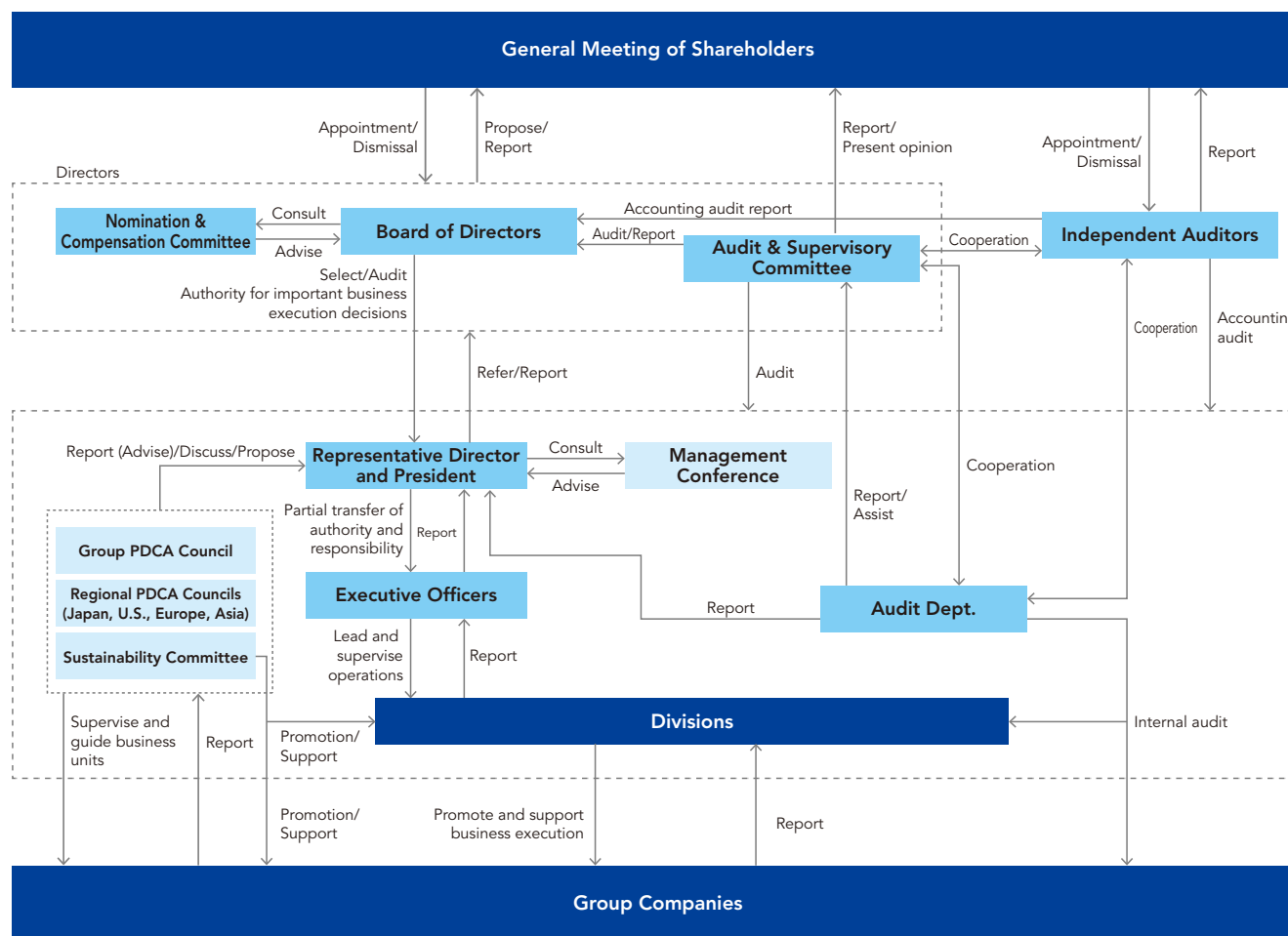
As a global access systems company that is developing business in 27 countries and regions in North America, Europe and Asia as well as in Japan, Sanwa Holdings Corporation achieves business growth through good faith and fair business activities on the basis of the Company's Mission, Our Values, Principles of Business and Compliance Code of Conduct while aiming to instill two kinds of reliability (reliable business performance and reliable management). Continuing to grow and improve corporate value, the Company will also contribute to the sustainable development of society while positioning corporate governance, which forms its foundation, as an important management issue.



Corporate Governance Structure

The details of specific measures to enhance our business execution and supervisory functions are set out below. By adopting this system, we believe that we can establish a system to ensure the appropriateness of operations and enhance corporate governance.

The Sanwa Group's Corporate Governance Structure



Enhancement Process of Corporate Governance

2000	Adopted Executive Officer system	
	Appointment of one outside Audit & Supervisory Board member	
2003	Established Group Strategy Committee	
	Established Domestic Business/Overseas Business PDCA Council (Regional PDCA Councils)	
2005	Established the Group CSR Promotion Council	
2006	Appointment of two outside Audit & Supervisory Board members	
2007	Adopted holding company system	
2008	Appointment of one Outside Director	Ratio of Outside Directors 10.0%
2016	Transition to a company with an Audit & Supervisory Committee	
	Established the Management Conference	
2021	Appointment of three Outside Directors	Ratio of Outside Directors 27.3%
	Established the Nomination & Compensation Committee	
2021	Established the Sustainability Committee	
	Resolution on policy for determining details of officer compensation, etc., for individual Directors (to change to restricted stock compensation)	
2022	Appointment of one female Director	Ratio of Outside Directors 40.0%
2023	Established shareholding guidelines	
2024	Nomination & Compensation Committee chaired by an Outside Director	Ratio of Outside Directors 44.4%

About the Board of Directors

The Board of Directors consists of nine Directors (including three Directors who are Audit & Supervisory Committee members), of whom four (44.4%) are designated as independent Outside Directors. In principle, the Board of Directors meets at least once every three months to make important managerial decisions in a timely manner, as well as to oversee the execution of duties by the Directors, thereby ensuring that the Company is managed in a legal and appropriate manner. In addition, we have adopted an Executive Officer system as a means to separate management decision-making by the Board of Directors and business execution by Executive Officers, thus streamlining management and enhancing the ability of Directors to oversee the execution of business by Executive Officers.

FY2023 Board of Directors meetings

Number of meetings held: 8
Items on the agenda: 31
Matters reported: 49
Duration (average): 2 hours 49 minutes

Specifically, the Board of Directors mainly deliberated and reported on the following matters.

- Matters concerning the General Meeting of Shareholders
- Matters concerning shares, capital, etc.
- Matters concerning corporate governance, management policies, and plans
- Matters concerning financial results
- Matters concerning the Board of Directors and Directors
- Matters concerning human resources
- Matters concerning the acquisition and disposal of assets and funding
- Matters concerning business restructuring and organization
- Matters concerning the establishment, revision, and abolition of important rules
- Other matters concerning the execution of business

Evaluations of Board of Directors' Effectiveness

The Company has been conducting an annual questionnaire on the effectiveness of the Board of Directors since the end of fiscal

2017. In fiscal 2023, we conducted the questionnaire after the Board of Directors' meeting held in March 2024 and obtained responses from all Directors. At the first Board meeting in fiscal 2024, they analyzed and evaluated effectiveness based on the response results. As a result, although there were issues raised, we evaluated that our Board of Directors continues to function effectively. Going forward, we will make ongoing improvements in terms of operations and structure to enhance the effectiveness of the Board of Directors.

Method for conducting the questionnaire

Anonymous questionnaire evaluated on a 5-point or 3-point scale, with space provided for respondents to give their comments

Items on the questionnaire

- Composition of the Board of Directors
- Functions and roles of the Board of Directors, etc.
- Status of operation of the Board of Directors
- Stimulation of deliberations at the Board of Directors meetings
- Support system for the Board of Directors
- Sustainability
- Matters concerning the initiatives of the Directors themselves
- Outside Directors
- Nomination & Compensation Committee

Results of the FY2023 Questionnaire

Content that could be evaluated

Knowledge, experience, and competence are well-balanced, and the Directors engage in lively discussions based on their respective skills.

Points to be improved

Further steps need to be taken for Directors to engage in even more constructive discussions, such as devising ways to give Outside Directors a deeper understanding of items on the agenda, and reviewing ways in which information is provided to the Board of Directors.

Other opinions expressed

Directors engage in active discussions in keeping with their respective skills, and the time allotted for deliberations is adequate. Having said this, continuous improvement is needed to further deepen the level of cooperation among Directors.

Specific Measures for Enhancing Business Execution and Supervisory Function

Management Conference

In accordance with the transition to a company with an Audit & Supervisory Committee structure in fiscal 2016, from the perspective of speeding up management decisions a Director (President) was entrusted to make “significant decisions concerning business execution,” excluding matters prescribed by law. Consequently, set up as an advisory body to the delegated Director, a Management Conference reports on important management issues, and assists that Director in making decisions and strengthening the flexibility of business execution. Discussing (1) matters concerning important business execution decisions delegated by the Board of Directors to the President, (2) matters deemed necessary by the President from among the Board of Directors’ meeting agenda items, and (3)

other important, management-related matters deemed necessary by the President, the Management Conference works in conjunction with the Board of Directors in making quick and efficient management decisions.

Audit & Supervisory Committee

The Audit & Supervisory Committee met a total of ten times in fiscal 2023. The Directors who are Audit & Supervisory Committee members monitor the status of business execution by Directors who are not Audit & Supervisory Committee members and other Executive Officers, and report and express their opinions. In this way, we work to ensure legal and appropriate corporate management. We believe the transition to a company with an Audit & Supervisory Committee has contributed to improving the

supervisory function and transparency of the Board of Directors, and thus demonstrates the effectiveness of the Board.

Nomination & Compensation Committee

The Nomination & Compensation Committee was established as an advisory body to the Board of Directors for the purpose of strengthening the fairness, transparency, and objectivity of procedures related to the nomination and compensation of Directors excluding Directors serving as Audit & Supervisory Committee members, and Executive Officers. The committee, which was established in January 2021, consists of three or more members selected by resolution of the Board of Directors, the majority of the members are independent Outside Directors, and the Chairperson is an Outside Director.

The committee, in response to consultation from the Board of Directors, advises the Board of Directors on matters concerning proposals for the election of candidates for Director, etc., the compensation of Directors, etc., and the calculation method for individual compensation.

Group and Regional PDCA Councils

Group and Regional PDCA Councils consist of Directors, Executive Officers and other senior management officers (independent Outside Directors excluded). At the councils, Directors oversee the progress of management plans and provide guidance on management issues, while the Directors who are Audit & Supervisory Committee members audit the status of business execution by Executive Officers.

Sustainability Committee

The Sustainability Committee is chaired by the Representative Director and President and consists of senior management such as Directors including Outside Directors and Executive Officers. The committee works to deliberate and promote Groupwide sustainability policies, etc., by focusing on the Group’s quality, risk management, compliance, and social contribution, as well as the increasingly important issue of global environment conservation, and sustainability issues (medium- to long-term sustainability on a global scale) including respect for human rights, work-style reforms, and gender equality.

Name of the meeting body	Frequency of meetings/ the number of meetings held/ attendance rate	Agenda items
Management Conference	Once a month, as a general rule (Fiscal 2023: 8 times) Attendance rate: 100%	<ul style="list-style-type: none"> • Deliberates on matters deemed necessary by the President from among matters concerning important business execution decisions delegated by the Board of Directors to the President • Deliberates on matters deemed necessary by the President from among the Board of Directors’ meeting agenda items • Deliberates on other important, management-related matters
Audit & Supervisory Committee	At least once every three months, as a general rule (Fiscal 2023: 10 times) Attendance rate: 100%	<ul style="list-style-type: none"> • Reports and expresses their opinions on the audit of the status of business execution by Directors who are not Audit & Supervisory Committee members and other Executive Officers
Nomination & Compensation Committee	Twice a year, as a general rule (Fiscal 2023: 2 times) Attendance rate: 100%	<ul style="list-style-type: none"> • Proposals for the election of Directors, excluding Directors serving as Audit & Supervisory Committee members and Executive Officers • Matters concerning the compensation for Directors, excluding Directors serving as Audit & Supervisory Committee members, etc., and the calculation method for individual compensation
Group PDCA Council	Once a month, as a general rule (Fiscal 2023: 8 times) Attendance rate: 100%	<ul style="list-style-type: none"> • Reports, confirms, and provides guidance on the progress of Groupwide plans (for each business unit) • Reports, confirms, and provides guidance on the progress of important projects of each business unit • Considers and coordinates new management issues across business units
Regional PDCA Councils (Japan, U.S., Europe, and Asia)	Once every three months, as a general rule (Fiscal 2023: 4 times each) Attendance rate: 100%	<ul style="list-style-type: none"> • Considers the plans and budgets of each business company • Reports, confirms, and provides guidance on the progress of the plans of each business company
Sustainability Committee	Once every three months, as a general rule (Fiscal 2023: 4 times) Attendance rate: 96%	<ul style="list-style-type: none"> • Deliberates on and promotes Groupwide sustainability policies, etc., including the Group’s quality, risk management, compliance, social contribution, global environment conservation, respect for human rights, work-style reforms, and gender equality

Compensation of Directors

	Base compensation	Short-term incentive Performance-linked compensation	Long-term incentive Restricted stock compensation
Directors (excluding directors serving as Audit & Supervisory Committee members) (excluding outside directors)	¥380 million or less per year	¥280 million or less per year	¥80 million or less per year
Outside Directors (excluding Audit & Supervisory Committee members)			
Directors serving as Audit & Supervisory Committee members	¥100 million or less per year		

Policies, etc., for Determining Details of Officer Compensation, etc.

At the Board of Directors' meeting held on June 22, 2021, the Company resolved a policy for determining the details of the individual compensation, etc., of Directors (excluding Directors serving as Audit & Supervisory Committee members; hereinafter referred to simply as "Directors"). Compensation of Directors, etc., is intended to contribute to continual improvement of the Company's business performance and corporate value. The Company designs its compensation system so that the level and structure of compensation are in accordance with the roles and responsibilities required of the Company's Directors, and enable the recruitment and retention of well-qualified people. The compensation of Directors consists of base compensation, performance-linked compensation, and restricted stock compensation. However, the compensation of Directors serving as Audit & Supervisory Committee members and independent Outside Directors consists only of base compensation. Furthermore, as a general rule, compensation is not paid to part-time Directors (who are paid compensation from consolidated subsidiaries). The total amount of base compensation and performance-linked compensation and the total amount of restricted stock compensation shall be within the total amount determined at General Meetings of Shareholders.

The details of the policy for determining the compensation, etc., for individual Directors are as follows.

a. Policy for base compensation

The base compensation for each Director is set for each position based on consolidated performance with reference to the compensation levels of other companies presented by a specialized outside organization and is paid monthly.

b. Policy for performance-linked compensation

For performance-linked compensation, as monetary compensation for business execution during the term (1 year) of Directors, a standard amount is set for each position based on the Company's consolidated performance with reference to the compensation levels of other companies presented by a specialized outside organization. The standard amount of this type of compensation is determined by taking into account standard amount indicators and the levels of contribution of each Director, evaluated quantitatively and qualitatively, and the compensation is paid during the fiscal year following the fiscal year under review.

As far as it serves as a reward that functions as a sound incentive for sustainable growth and reflects the Company's business performance, consolidated operating profit has been selected as the primary indicator for performance-linked compensation.

The amount of performance-linked compensation is determined as the amount calculated by multiplying the number of points specified for each position by the unit price of points, and then by individual evaluation that reflects the evaluation of each Director.

Individual evaluations are conducted by setting multiple priority targets for each Director individually and evaluating them quantitatively and qualitatively through the PDCA (Plan, Do, Check, Action) cycle. In addition to these individual priority targets, items that contribute to the sustainable growth of the Company, such as "revitalization of the organization, compliance, and creation of a comfortable working environment," are set as common priority targets for all Directors.

The unit price of points for the fiscal year under review is calculated by multiplying the unit price of points for the previous fiscal year by the percentage change in consolidated operating income from the previous fiscal year (percentage derived by dividing consolidated operating income for the fiscal year under review by consolidated operating income for the previous fiscal

year) by the amplification factor set to raise incentives, and is determined by approval of the Board of Directors.

In addition, the individual evaluation of each Director is made and determined by the Representative Director and President, who is delegated by the Board of Directors to evaluate the performance and contribution of each Director quantitatively and qualitatively, by $\pm 25\%$ for each evaluation item.

Performance-linked compensation for each individual Director (formula)	=	Number of points	×	Per-point price	×	Individual evaluation
Number of points	Determined for each position					
Unit price of point	Unit price of points for the previous fiscal year x percentage change from the previous fiscal year x amplification factor					
Individual evaluation	$\pm 25\%$					

c. Policy for non-monetary compensation (restricted stock compensation)

The restricted stock compensation plan is a stock compensation plan aimed at providing incentives to Directors for sustainable improvement of the corporate value of the Company as well as promoting further value sharing between Directors and shareholders.

Directors, excluding Outside Directors and Directors serving as Audit & Supervisory Committee members, are eligible, and the specific allocation to each eligible Director is decided based on a resolution by the Company's Board of Directors.

Each eligible Director shall pay all claims for monetary compensation to be paid for granting restricted stock in the form of properties contributed in kind each fiscal year and shall receive allotment of common stock of the Company. Furthermore, restricted stock compensation shall be granted as compensation for duties performed during the term (1 year) of Directors within one month after the conclusion of the Ordinary General Meeting of Shareholders in which the Directors were elected. The allotment will be made through the disposition of treasury stock.

The transfer restriction period shall be the period from the date of delivery of restricted stock to the time that Directors lose their positions as Director of the Company or any other positions determined by the Board of Directors of the Company.

d. Policy for proportion of amounts of compensation, etc.

The proportion of different types of compensation paid to Directors is based on compensation level benchmarks of companies with similar business scales as the Company and belonging to related industry and business categories and through consultation with the voluntary Nomination & Compensation Committee, and is determined by the Board of Directors based on the advice of the committee.

The model case for the proportion of base compensation, performance-linked compensation and nonmonetary compensation is 45% : 40% : 15%. However, the proportion of actually paid amount may vary with individuals.

Base compensation (45%)	■	Performance-linked compensation (40%)	■	Non-monetary compensation (15%)
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e. Policy for decisions on the details of compensation, etc., for individual Directors

Based on a resolution by the Board of Directors, the Representative

Director, President is delegated authority to decide the specific details of the amounts of individual compensation. The scope of that authority covers the amount of base compensation for each Director and the evaluation and allocation of performance-linked compensation based on the business performance of the business for which the individual Director is responsible. However, so that the Representative Director, President appropriately uses this authority, the Board of Directors will consult with the Nomination & Compensation Committee on items related to the calculation method, etc., of individual compensation and receive advice from the committee. The delegated Representative Director, President will then consider the details of this advice and decide.

The amount of compensation for individual Directors is reported to the Nomination & Compensation Committee and validated by the committee, thereby ensuring its fairness, transparency, and objectivity.

Internal Control System

In accordance with the provisions of the Companies Act, the Company passed a resolution on its “Basic Policy for Building a

System to Ensure the Appropriateness of Operations” at a Board of Directors’ meeting and has appropriately established an internal control system based on that basic policy. Also, every year, we check the execution status of the internal control system and report the results to the Board of Directors and, via business reports, to shareholders. We will continue to strengthen corporate governance by making improvements.

Group Governance

The Company strives to strengthen governance of the Group by transferring authority to each Group company as deemed appropriate, and verifying the implementation status of the PDCA cycle for measures designed to heighten the “two kinds of reliability” (reliable business performance and reliable management) through the Regional PDCA Councils presided over by the Director in charge of that region.

Each Group company autonomously manages itself as an independent enterprise and fulfills management responsibilities by complying with laws and internal regulations and rules. In addition, the Director in charge of each region oversees the business decisions and the status of business execution of each company, providing guidance and advice for improving the transparency of business management. This process ensures and promotes proper operations of the Group.

Shareholding Guidelines

On April 1, 2023, the Company established the following shareholding guidelines with the aim of having Directors share the merits and risks of stock price fluctuations with shareholders, and further increasing motivation of Directors to improve business performance by encouraging Directors of the Company (excluding outside Directors, part-time Directors and Directors serving as Audit & Supervisory Committee members) to hold the Company’s shares.

Shareholding Guidelines

Each Director shall endeavor to hold the Company’s shares in accordance with the basic amounts presented below.

Chairperson/President/Senior Advisor:

2 x base compensation (annual amount) within four years after assuming office of one of the said positions

Other Directors:

1 x base compensation (annual amount) within four years after assuming office as Director

Actual Compensation Amount for FY2023

Classification	Total Compensation (Millions of yen)	Total Compensation by Type (Millions of yen)			Non-Monetary Compensation, etc.
		Number of Officers Eligible	Base Compensation	Performance-Linked Compensation	
Directors (excluding Directors serving as Audit & Supervisory Committee members and Outside Directors)	388	142	193	52	4
Directors serving as Audit & Supervisory Committee members (excluding Outside Directors)	37	37	—	—	1
Outside Directors (excluding Audit & Supervisory Committee members)	22	22	—	—	2
Outside Directors (Audit & Supervisory Committee members)	47	47	—	—	2

Notes: 1. The total amount paid to Directors does not include the portion of employee’s salary for those Directors who concurrently serve as employees.

2. Performance-linked compensation is calculated by using operating profit as a performance indicator to clearly reflect the profitability of business activities in fiscal 2023, and by determining a base amount for each executive position based on the Company’s consolidated operating profit compared to the previous fiscal year, then adding or subtracting the contribution of each Director within a range of ±25% to the base amount.

3. Non-monetary compensation is the amount recorded in the current fiscal year, related to restricted stock compensation. For the restricted stock compensation, the common stock of the Company allocated under the restricted stock compensation agreement may not be disposed of in the form of transfer, attachment of security interest, or otherwise, from the date of delivery to the time that the Director loses their position as a Director of the Company or any other positions determined by the Board of Directors of the Company. If the eligible Director loses the position determined by the Board of Directors of the Company prior to the expiration of the period separately determined by the Board of Directors of the Company, the Company shall automatically acquire the restricted stock allocated to the eligible Director without consideration, except in cases where a reason exists that is deemed justifiable by the Board of Directors of the Company. Furthermore, if the eligible Director commits any act that constitutes a breach of legal compliance or internal regulations, etc., as stipulated in the restricted stock compensation agreement, the Company shall automatically acquire the restricted stock allocated to the eligible Director without consideration.



Please see the Company’s website for detailed information regarding corporate governance.

<https://www.sanwa-hldgs.co.jp/english/csr/effort/governance/>

Risk Management

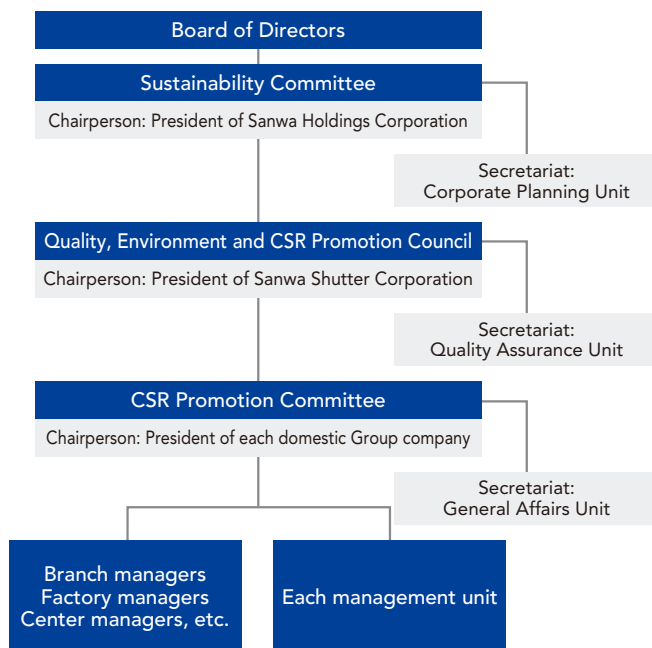
Implementing Risk Management

The Sanwa Group identifies, analyzes and evaluates business-execution-related risks, and undertakes measures required to avoid and/or mitigate risks. As an organization dedicated to promoting risk management, the Sustainability Committee reports and deliberates on the Sanwa Group's basic risk management policies, risk management related plans and the progress of initiatives. In addition, the subordinate Quality, Environment and CSR Promotion Council and each Group company's CSR Promotion Committee manages risks by appropriately and rapidly responding to risks that occur during the course of each company's business activities.

Fiscal 2023
Number of themes implemented
as risk countermeasures

29

Risk Management System



Information Security Countermeasures

In June 2019, we established the Information Security Countermeasures Council, chaired by the Officer in charge of the Corporate Planning Unit, for the purpose of strengthening and promoting security countermeasures in preparation for contingencies (occurrence of incidents). This council's purpose is to identify security risks for the entire Group, including overseas locations, and to study, plan, and implement various countermeasures to maintain and improve our level of security, as well as to develop security measures based on the latest data by obtaining information from external organizations, etc. In fiscal 2022, we formulated our IT-BCP, and commenced the plan with the aim of preventing business interruptions due to information security incidents (e.g., cyberattacks). In addition, we raised awareness of the appropriate management and handling of personal information by focusing on the theme of personal information protection.

Human Rights Due Diligence

In November 2023, we established the Sanwa Group Human Rights Policy. In January 2024, we administered a questionnaire on human rights among major suppliers of Sanwa Shutter Corporation, our core operating company, as well as internal partner companies of our plants. In April of the same year, we opened a contact point on our website where people can provide information (including requests for redress) directly to the Company on human rights issues.

Fiscal 2023
Number of supply chain
questionnaires conducted

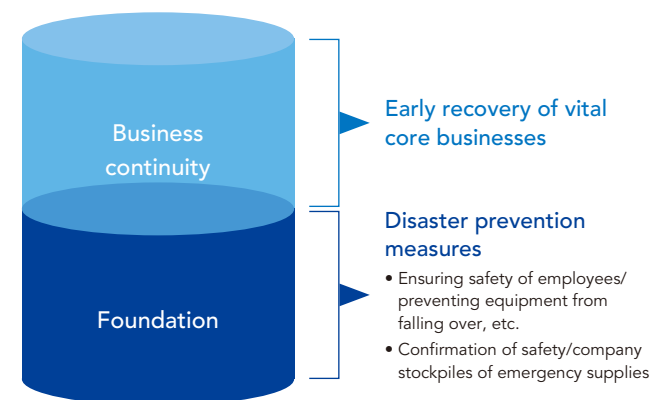
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Business Continuity Plan (BCP) Initiatives

The Sanwa Group's BCP is based on disaster prevention measures to protect employees' lives and the Company's assets, with the aims of business continuity and recovering as soon as possible.

We formulated our BCP with a focus on putting disaster prevention measures in place, based on the idea that continuing to do business is impossible without knowing that our employees are safe.

Assuming the scenario and risks of an earthquake happening in (directly below) the Tokyo metropolitan area, core business company Sanwa Shutter Corporation and each other Group company with headquarters in the area formulated a BCP.



Basic principles

[Aims]

- Ensure the safety of employees, installers, internal partner companies and their families
- Resume business operations as soon as possible to avoid losing business opportunities and continue providing products and services to existing customers
- Cooperate with local residents near business sites and contribute to society

[Core businesses targeted]

- Supply and repair of shutters and doors

Compliance

Fiscal 2023
Number of participants in
compliance training

1,503

Fiscal 2023
Number of reports made using
internal whistleblower system

87

(of which, 39 were
made in Japan)

Ensuring Thorough Compliance

In order to maintain the trust of society, in October 2005 the Sanwa Group formulated the Compliance Code of Conduct, which outlines specific conduct that must be adhered to based on Our Mission, Our Values, Principles of Business, and the philosophy of the Group. In December 2020, the Compliance Code of Conduct was revised to meet the changing demands of society, focusing on items such as respect for human rights, ethical behavior, and information security. The revised Compliance Code of Conduct and Case Study Booklet was distributed to all employees in April 2021.

Compliance Month

In order to spread awareness of compliance and ensure that all domestic Group companies act in accordance with this spirit, we have designated November of each year as Compliance Month. During this month, we hold study sessions using the Compliance Code of Conduct and Case Study Booklet, and thoroughly refamiliarize ourselves with the Antitrust Law Guidebook and the Guidelines on Regulations Concerning Contact with Associates from Industry Peers.



Compliance Code of
Conduct and Case
Study Booklet

Compliance Training

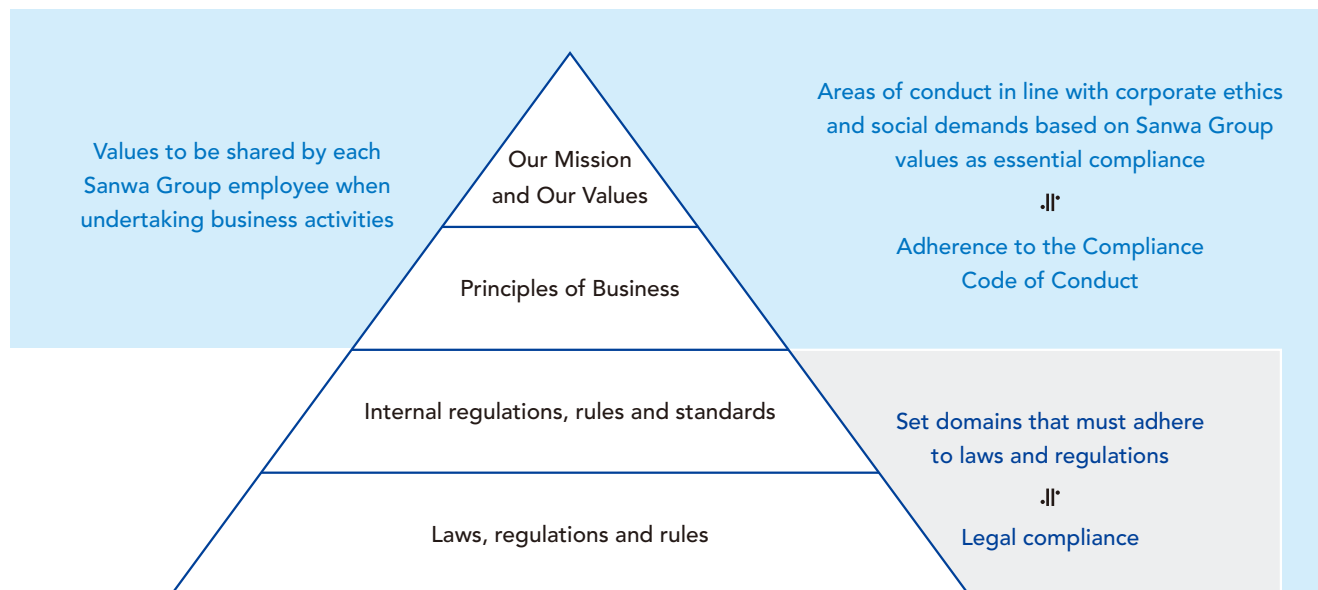
At domestic Group companies, training on a nationwide basis is provided to managers of each Group company to further improve awareness of the importance of compliance. This training features lectures on laws related to our business, such as the Antimonopoly Law, the Construction Business Act, and the Labor Standards Act. It also includes lectures concerning safety obligations, harassment, and risks relating to information security, respect for human rights, anti-bribery and corruption and other areas, and thereby fosters compliance awareness.

In addition, we also provide the same training for new employees and mid-career hires when they first join the Company, as well as for newly appointed managers when they are promoted to managerial positions. We also plan to conduct online compliance training for all employees starting in FY2024.



Compliance training (Kinki region)

Compliance Code of Conduct: Conceptual Diagram



Corporate Ethics Hotline (Internal Whistleblowing System)

The Sanwa Group (Japan and Asia) established a corporate ethics hotline in October 2006 to deter misconduct and legal violations, identify risks that could lead to misconduct and legal violations at an early stage, and detect misconduct and legal violations at an early stage. We have also established whistleblower systems in North America (ODC) and Europe (NF).