

## Corporate Governance Report

Last Updated: December 22, 2023

**Sanwa Holdings Corporation**

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Securities Code: 5929

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

The corporate governance of Sanwa Holdings Corporation (the “Company”) is described below.

### **I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information**

#### **1. Basic Views**

As a global access systems company that is developing business in regions in the U.S., Europe and Asia as well as in Japan, the Company aims to continue growing and improving corporate value, and also to contribute to the sustainable development of society 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.” To forms its foundation, the Company makes efforts to build highly transparent Group management while positioning corporate governance as an important management issue.

##### **<Our Mission>**

The Sanwa Group is committed to offering products and services that provide safety, security and convenience to further contribute to the prosperity of society.

##### **<Our Values>**

To deliver products and services to satisfy all customers.

To become a true global player and be highly valued in each market in the world.

To bring together the creativity of each individual in a team environment for the enhancement of corporate value.

##### **<Principles of Business>**

- We implement business activities with appreciation and sincerity to increase our customers’ trust.
- We produce products with good quality and reasonable cost meeting domestic and overseas needs and establish the leading brand.
- We forecast our customers’ future needs and always try to improve the technical level and productivity in every division.
- We comply with the rules and make our workplace friendly, open, challenging, and rewarding.
- We are driven by inspiration, strive to achieve our high level goals, recognize our roles and responsibilities, and contribute to the creation of corporate value.

##### **<Compliance Code of Conduct>**

- The Sanwa Group must conduct company activities with top priority placed on the safety of the products and services that we provide.
- The Sanwa Group will not seek profit through actions that violate the Compliance Code of Conduct.
- All management personnel and supervisors of the Sanwa Group will take the lead in observing the Compliance Code of Conduct, and will act in such a way as to be a good example for the staff under them.

## **[Reasons for Non-compliance with the Principles of Japan's Corporate Governance Code]**

The Company has implemented each principle of Japan's Corporate Governance Code. In addition, this report is based on the revised code (including the content for the Prime Market).

## **[Disclosure Based on the Principles of Japan's Corporate Governance Code] [\[Updated\]](#)**

### **Principle 1.3 Basic Strategy for Capital Policy**

#### **<Basic approach to capital policy>**

In our capital policy, we place importance on improving capital efficiency after having secured financial stability. Our basic approach is to maintain a balance between these two elements while increasing corporate value in the medium to long term by making optimal investments and providing returns to shareholders.

#### **<Capital policy and financial policy>**

To realize Sanwa Global Vision 2030, which is the Company's Long-Term Vision, and Mid-Term Management Plan 2024, we will pursue our capital policy, etc. while placing top priority on strategic growth investments.

#### **1. Composition of capital and liabilities**

- (1) Our policy is to maintain the shareholders' equity ratio at 40% or higher.
- (2) We will strive to maintain a debt structure that does not harm the Company's financial soundness.

#### **2. Investments**

##### **(1) Capital investments**

In principle, we make capital investments necessary for maintaining and continuing existing businesses within the range of depreciation.

##### **(2) M&A, business tie-ups and other investments**

We preferentially consider investments in core businesses and in related fields that can be expected to grow into core businesses in the future.

#### **3. Shareholder returns**

- (1) We aim to maintain stable dividend payments with a target payment ratio of 40% of consolidated profit (profit attributable to owners of the parent company).
- (2) We give preference to the type of investments listed above, but will consider repurchasing the Company's own shares if there are no substantial cash outflows related to such investments.
- (3) Under Mid-Term Management Plan 2024, we aim for total shareholder returns (total of dividends and repurchase of the Company's own shares) of ¥54.0 billion.

### **Principle 1.4 Shares Held as Cross-Shareholdings**

In certain cases, we purchase and hold shares of business partners when it is judged to contribute to increase of the Company's corporate value, comprehensively considering business alliances and the maintenance and strengthening of various business relationships. For these cross-shareholdings, the Board of Directors regularly and specifically examines whether the holding benefits (dividends received and business transaction benefits) and risks are commensurate with the capital cost (WACC is set at 6%) with respect to the acquisition price of each share, and whether they contribute to increase of the Company's corporate value. The Board of Directors will sell as appropriate those that are deemed unreasonable, thereby reducing the Company's number of cross-shareholdings.

The Company exercises its voting rights related to cross-shareholdings in accordance with the following standard:

<Standard for the exercise of the Company's voting rights>

The Company shall exercise its voting rights based on a comprehensive judgment regarding whether the proposal will contribute to the sustainable growth of the issuer of shares, and whether it will contribute to the maintenance and enhancement of the corporate value of the Company, among other matters.

### **Principle 1.7 Related Party Transactions**

If the Company conducts significant transactions with officers of the Company, it shall obtain the approval of the Board of Directors in advance and report on the results.

When the Company conducts large transactions, it must obtain the approval of the Board of Directors based on internal decision-making regulations. Transactions with major shareholders or other related parties are examined for their appropriateness as part of the approval procedures.

### **Supplementary Principle 2.4.1 Ensuring Diversity in the Promotion of Core Human Resources, etc.**

<Basic approach regarding ensuring diversity>

The Company hires and promotes human resources, placing importance on individual characteristics and abilities regardless of gender, nationality and employment type. We believe that creating a free and open workplace environment that respects diverse values is essential in order to realize sustainable growth and increase corporate value.

<Voluntary measurable targets and the status of achievement>

The Sanwa Global Vision 2030 calls for "Enhance sustainability management" as the basic strategy and sets KPIs from each of "Manufacturing," "Environment" and "People" perspectives. Of them, in terms of "People," we have identified "Promotion of diversity" as one of key ESG materiality, and as KPIs linked to it, we set the female managerial employees rate (consolidated) at 15% (fiscal 2022: 10.9%) and the female employee rate (consolidated) at 20% (fiscal 2022: 19.8%) by fiscal 2030.

Furthermore, the Sanwa Group has been expanding its businesses globally into countries in the Americas, Europe and Asia as well as in Japan. In these areas, we have no notion of mid-career hires and non-Japanese employees, and hence no differences have been made in promotion in rank and promotion to management. Therefore, the Sanwa Group has not set any special target as for mid-career hires and non-Japanese employees. For your reference, for Sanwa Shutter Corporation, a core operating company of the Sanwa Group, approximately half of the employees were mid-career hires, and approximately half of employees in managerial positions were mid-career hires as of March 31, 2023. Thus, there is no impact to promotion to management due to discrepancies in employment type.

<Policies on human resource development and creating an internal environment aimed at securing diversity>

To achieve the above, in accordance with the action plan based on the Act on the Promotion of Female Participation and Career Advancement in the Workplace, the Company is developing an environment and system that allow employees to manage both work and family life and creating a workplace in which female employees can comfortably work. The Company established a specialized organization for the development of human resources and structured various types of training according to position and purpose to establish a system for the development of diverse human resources.

### **Principle 2.6 Functioning as Asset Owner of Corporate Pension Funds**

With regard to the pension management system, we established the Sanwa Shutter Corporate Pension Fund. In addition to a full-time managing director, management is undertaken by directors and representatives selected from each Group company.

The management of the reserve fund is based on management guidelines established by the corporate pension fund, and important matters, such as decisions on asset allocation policy and recipients entrusted with assets, are resolved by a board of representatives using external consultants as needed. The fund is managed and controlled in an appropriate manner to prevent conflicts of interest between pension beneficiaries and the Company. We carry out stewardship activities that can be implemented as a corporate pension fund. These include assigning

employees familiar with the practical side of the business to the full-time managing director, the Board of Trustees requiring that each investment institution entrusted with assets fulfills its stewardship responsibilities, and receiving of reports on the results.

### **Principle 3.1 Enhancement of Information Disclosure**

1. We formulated the Sanwa Group's "Mission, Values and Principles of Business" in 2002 to respond to changes in the operating environment while continuing the policies that have defined the Company since its establishment. The specifics are disclosed on the Company's website.  
(<https://www.sanwa-hldgs.co.jp/english/corporate/philosophy.html>)

The Sanwa Group's management policy and the Mid-Term Management Plan are also disclosed on the Company's website.

- \* Management Policy, Long-term Vision and Medium-term Management Plan  
(<https://www.sanwa-hldgs.co.jp/english/ir/management/>)

2. Our basic approach to corporate governance is available on the Company's website and annual securities reports (in Japanese only).  
(<https://www.sanwa-hldgs.co.jp/english/csr/effort/governance>)

3. Our policy for determining compensation amounts for Directors is provided in the Director Compensation section of this report, in the convocation notice of the General Meeting of Shareholders, and in annual securities reports (in Japanese only).

Furthermore, the Company's Audit and Supervisory Committee has authority to verify the compensation proposal, etc. and form an opinion in order to ensure objectivity and transparency.

4. The Board of Directors of the Company selects executives who will set and promote business directions and strategies with competitiveness on a global scale in mind.

Candidates for directors are selected based on individual abilities, insight, and experience as well as in consideration of the balance of the overall Board of Directors and the Audit and Supervisory Committee and diversity. (At least one person who is an expert in finance and accounting is appointed as a director serving as an Audit and Supervisory Committee member.) A decision will be made on the candidates following verification by the Audit and Supervisory Committee and an ensuing discussion by the Board of Directors.

Furthermore, candidates for directors are selected based on advice from the Nomination and Compensation Committee after consultation by the Board of Directors.

The reasons for the selection of individual candidates for directors are provided in the convocation notice of the General Meeting of Shareholders.

The selection of executives (excluding directors) and the dismissal of executives use the same procedure, with a proposal made after deliberation by the Board of Directors.

5. The backgrounds of individual executives (those above directors) and the reasons for selecting them as candidates are disclosed in the convocation notice of the General Meeting of Shareholders for the period when each individual director was elected.

Furthermore, directors who have resigned or been dismissed are listed in the business report (in Japanese only) for the following fiscal year as before.

(The convocation notice of the General Meeting of Shareholders is available on the Company's website.  
[https://www.sanwa-hldgs.co.jp/english/ir/stock\\_info/meeting.html](https://www.sanwa-hldgs.co.jp/english/ir/stock_info/meeting.html))

### **Supplementary Principle 3.1.3 Initiatives, etc. on Sustainability**

- i The Company's sustainability initiatives are described in "Implementation of Environmental Activities, CSR Activities, etc." of "3. Measures to Ensure Due Respect for Stakeholders" in this report.
- ii The Company classifies key ESG issues (materiality) under the categories of "Manufacturing," "Environment," "People" and "Management Foundation," and the six types of capital (natural capital, social and relationship capital, human capital, technology/manufactured capital, intellectual capital and financial capital) corresponding to each category are described in the Integrated Report.
- iii Information regarding disclosures based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), etc. related to risks and opportunities arising from climate change is available on the Company's website.  
([https://www.sanwa-hldgs.co.jp/english/csr/effort/environment/contributive/climate\\_risk.html](https://www.sanwa-hldgs.co.jp/english/csr/effort/environment/contributive/climate_risk.html))

### **Supplementary Principle 4.1.1 Roles and Responsibilities of the Board of Directors (1)**

The Board of Directors, which makes important management decisions and supervises directors' execution of business, also makes decisions on important business execution matters that are deemed within the purview of the Board of Directors by law or the Company's Articles of Incorporation. The substance of those decisions is made clear according to the "Board of Directors Regulations" in the Company's internal regulations.

### **Principle 4.8 Effective Use of Independent Outside Directors**

Four of the Company's ten directors (40%) are outside directors. We judge that all four outside directors fulfill the Company's independence criteria and we have submitted the list to the Tokyo Stock Exchange that they have been designated as independent officers.

Based on their respective abundant experience and specialist knowledge, the four outside directors provide advice on management and audit and supervise business execution by the directors from a neutral standpoint, independent from business execution, adequately enhancing the supervision function of the Board of Directors.

The Company has worked to increase the ratio of outside directors in response to changes in the management environment thus far, while making effective use of independent outside directors. Going forward, the Company aims to ensure the effectiveness of the Board of Directors and further enhance governance, such as by considering enhancing the ratio of outside directors as necessary.

### **Principle 4.9 Independence Standards and Qualification for Independent Outside Directors**

Regarding independence of outside directors, please refer to "Independence Criteria for Outside Officers" on our website.

([https://www.sanwa-hldgs.co.jp/english/csr/effort/governance/pdf/Independence\\_Criteria\\_for\\_Outside\\_Officers.pdf](https://www.sanwa-hldgs.co.jp/english/csr/effort/governance/pdf/Independence_Criteria_for_Outside_Officers.pdf))

### **Supplementary Principle 4.10.1 Mandates, Roles, etc. of the Nomination Committee and Compensation Committee**

The Company established a Nomination and Compensation Committee in January 2021 as an advisory body (voluntary) to the Board of Directors to enhance the fairness, transparency, and objectivity of procedures related to the nomination and compensation of directors (excluding directors serving as Audit and Supervisory Committee members) and executive officers. The Committee, a majority of whose members are outside directors, deliberates in response to consultations from the Board of Directors on matters such as nomination proposals for candidates for directors, etc., as well as calculation methods, etc. for compensation for directors, etc. and for individual compensation, and advises on the results of its deliberations to the Board of Directors.

#### **Supplementary Principle 4.11.1 Preconditions for Board of Directors and Audit & Supervisory Board Effectiveness (1)**

The Company's Articles of Incorporation specifies that the appropriate number of directors shall be no more than 17 in order to facilitate quick and decisive decision-making to adjust to changes in the global operating environment and to ensure diversity of views.

The standard we use in appointing directors is whether they possess the necessary abilities, knowledge, experience and other attributes to monitor and supervise the Company's management from a global perspective and to make important decisions concerning business operations. The knowledge, experience and abilities of each director are indicated in the "Skill Matrix" in this report. In addition, importance is placed on management experience at other companies when selecting candidates for independent outside directors.

#### **Supplementary Principle 4.11.2 Preconditions for Board of Directors and Audit & Supervisory Board Effectiveness (2)**

If a director is serving concurrently as a director or auditor at other companies, we confirm that the number of concurrent positions is reasonable so that the director can devote sufficient time and effort to fulfilling his or her role and responsibilities as a director of the Company.

Important positions directors hold at other organizations are disclosed each year in annual securities reports (in Japanese only) and in the convocation notice of the General Meeting of Shareholders.

#### **Supplementary Principle 4.11.3 Preconditions for Board of Directors and Audit & Supervisory Board Effectiveness (3)**

In fiscal 2022, meetings of the Board of Directors were held a total of eight times (seven regular meetings, one extraordinary meeting) to make decisions swiftly on matters related to management and important matters related to business execution, and the results have been reported.

After the end of the meeting of the Board of Directors held in March 2023, a questionnaire on the effectiveness of the Board of Directors was implemented and responses were received from all directors. In addition, at the meeting of the Board of Directors held in May 2023, all directors including outside directors performed an analysis and evaluation of the effectiveness of the Board of Directors based on the results of those responses.

As a result, the composition of the Board of Directors of the Company is well-balanced in terms of knowledge, experience and abilities and directors engage in productive discussion according to their respective skills. Therefore, the evaluation showed that the Board of Directors is generally functioning effectively.

We will continue to devise ways to provide information to outside directors so that they understand the purpose, background, and history of agenda items for Board of Directors meetings.

#### **Supplementary Principle 4.14.2 Director and Audit & Supervisory Board Member Training**

For inside directors, we provide and research seminars suited to individual directors and opportunities for networking events, and subsidize the associated costs, so that the directors can acquire the necessary knowledge on management issues facing the Company, finance, compliance and other matters as appropriate.

For outside directors, explanations of the Group's business and operations are provided by each department to deepen their understanding of the Sanwa Group. We also set up opportunities to observe our major business sites and factories.

## **Principle 5.1 Policy for Constructive Dialogue with Shareholders**

### **1. Basic Approach**

We formulated disclosure policies in 2006 consisting of a “Basic Policy,” “Information Disclosure Standards,” “Disclosure Methods,” “Quiet Periods” and other related policies. These policies are posted on the Company’s website.

(<https://www.sanwa-hldgs.co.jp/english/ir/management/disclosure.html>)

We recognize that the understanding and support of shareholders and investors is essential for realizing sustainable growth and medium- to long-term increases in corporate value. Therefore, we impartially provide accurate information and engage in constructive dialogue in an effort to build long-term relationships of trust.

### **2. IR Framework**

Officer responsible for the Corporate Planning Unit has overall responsibility for dialogue with shareholders and investors, assisted by the general manager of the Corporate Communication Department. The Corporate Communication Department requests information from other relevant units on various topics, and those units cooperate with the Corporate Communication Department, to enhance dialogue.

### **3. Methods of Communication**

A financial results briefing by representative director is held twice a year for media organizations, analysts and institutional investors. In addition, small meetings and individual meetings are conducted by responsible departments as appropriate. For individual investors, we provide a specific section (in Japanese only) on the Company’s website. We also post easy-to-understand information such as business results, descriptions of business operations, and management policies, as well English versions of the same materials for overseas investors. In addition, we issue an Integrated Report and provide video financial results briefings.

### **4. Feedback to Internal Operations**

Director responsible for the Corporate Planning Unit periodically provides feedback on the substance of dialogue with shareholders and investors to the Board of Directors and others.

### **5. Disclosure Policies and Information Control**

When engaging in dialogue with shareholders and investors, we control insider information appropriately in accordance with internal regulations (insider trading prevention regulations) and disclosure policies.

Status of dialogue with shareholders:

Please refer to the following URL for details.

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

“Stakeholder Dialogue (The Company’s website)”

<https://www.sanwa-hldgs.co.jp/ir/library/annual.html>

“Our Value Creation Story : Outcomes for Stakeholders (Integrated Report 2023)”

## **Principle 5.2 Establishing and Announcing Management Strategies and Business Plans**

The Company periodically examines its capital cost (current WACC is set at 6%), and recognizes Sanwa Value Added (SVA, the Company's unique EVA) based on the capital cost as an important pillar of management.

In proposing earnings plans and capital policies, our basic policy is to have SVA trending positively (corporate value expansion), and also setting corresponding targets for ROE, shareholders' equity ratio, and so forth.

By revising the business portfolio and examining each kind of investment (such as M&A investment, capital investment, R&D investment, human resource investment, etc.), by giving overall consideration to the environment, etc., and using quantitative indicators such as operating income, SVA, and ROE, we strive to contribute to increase of the corporate value.

On the other hand, as part of the distribution of capital (shareholder returns), we have adopted a basic policy of targeting a guideline dividend payout ratio of 40% of profit attributable to owners of the parent company.

Actions to ensure management that is conscious of capital cost and stock price:

Please refer to the following URL for details.

<https://www.sanwa-hldgs.co.jp/english/ir/management/plan.html>

”Sanwa Global Vision 2030 Mid-Term Management Plan 2024(2022-2024) (The Company's website)”

<https://www.sanwa-hldgs.co.jp/english/ir/library/>

“First Half FY2023 Business Results (The Company's website)”

<https://www.sanwa-hldgs.co.jp/english/ir/library/annual.html>

“Strategies for Value Creation : Financial Strategies (Integrated Report 2023)”



[Translation]

## 2. Capital Structure

Foreign Shareholding Ratio	30% or more
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### [Status of Principal Shareholders] [\[Updated\]](#)

Name	Number of Shares Owned (Shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	31,653,400	14.31
Custody Bank of Japan, Ltd. (Trust Account)	16,336,400	7.38
Sumitomo Mitsui Banking Corporation	11,037,718	4.99
The Dai-ichi Life Insurance Company, Limited	8,100,000	3.66
CGML PB CLIENT ACCOUNT/COLLATERAL	6,456,300	2.92
Aioi Nissay Dowa Insurance Co., Ltd.	5,140,364	2.32
BNYM AS AGT/CLTS 10 PERCENT	4,802,136	2.17
Mitsubishi UFJ Trust and Banking Corporation	3,877,000	1.75
Sumitomo Realty & Development Co., Ltd.	3,810,900	1.72
Nippon Life Insurance Company	3,348,816	1.51

Controlling Shareholder (except for Parent company)	-
Parent company	N/A

### Supplementary Explanation [\[Updated\]](#)

Information regarding “Status of Principal Shareholders”

1. The Company holds 9,914,818 shares of treasury stock, and is excluded from the principal shareholders list above.
2. The shareholding ratio is calculated excluding treasury stock.

## 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange Prime Market
Fiscal Year-End	March
Type of Business	Metal Products
Number of Employees (Consolidated) at End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) for the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries at End of the Previous Fiscal Year	From 10 to less than 50

[Translation]

**4. Policy for Measures to Protect Minority Shareholders in Conducting Transactions, etc. with Controlling Shareholder**

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**5. Special Circumstances Which May Have Material Impact on Corporate Governance**

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**II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Supervision in Management**

**1. Matters Related to Organizational Composition and Operation**

Organization Form	Company with audit and supervisory committee
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**[Directors]**

Maximum Number of Directors Stipulated in Articles of Incorporation	17
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	10
Appointment of Outside Directors	Appointed
Number of Outside Directors	4
Number of Independent Officers Designated from among Outside Directors	4

**Outside Directors' Relationship with the Company (1)**

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Masanaka Yokota	From another company								△			
Hiroko Ishimura	From another company											
Tsunekatsu Yonezawa	From another company								△			
Akira Gokita	Attorney at law											

\* Categories for "Relationship with the Company"

“○” when the director presently falls or has recently fallen under the category;

“△” when the director fell under the category in the past;

“●” when a close relative of the director presently falls or has recently fallen under the category; and

“▲” when a close relative of the director fell under the category in the past

a. Executive (a person who executes business; hereinafter, the same) of the Company or its subsidiary

b. Non-executive director or executive of the parent company of the Company

c. Executive of a fellow subsidiary of the Company

d. Party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the Company or an executive thereof

[Translation]

- f. Consultant, accounting professional or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director
- g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)
- h. Executive of a client or supplier of the Company (which does not correspond to any of d., e., or f.) (the director himself/herself only)
- i. Executive of a corporation to which outside officers are mutually appointed (the director himself/herself only)
- j. Executive of a corporation that receives a donation from the Company (the director himself/herself only)
- k. Other

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Outside Directors' Relationship with the Company (2)

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Name	Membership of Audit and Supervisory Committee	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Masanaka Yokota		○	Mr. Masanaka Yokota has been working for JMA Consultants Inc. The Sanwa Group has no business relationship with the company, but it receives education and training services (dispatch of lecturers, etc.) from JMA Group companies. However, concerning transactions between the Sanwa Group and the JMA Group, the average transaction amount for the past three fiscal years was less than 1% of the annual consolidated net sales of each of the Sanwa Group and the JMA Group. and the Company has determined that he has no conflict of interest with ordinary shareholders.	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 and 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.

[Translation]

Name	Membership of Audit and Supervisory Committee	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Hiroko Ishimura		○	Ms. Hiroko Ishimura fulfills the Independence Criteria for the Company's outside officers and the requirements for an independent officer as provided for by the Tokyo Stock Exchange, and the Company has determined that she has no conflict of interest with ordinary shareholders.	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 issues 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 business by directors of the Company.

Name	Membership of Audit and Supervisory Committee	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Tsunekatsu Yonezawa	○	○	<p>Mr. Tsunekatsu Yonezawa is a former employee of Marubeni-Itochu Steel Inc. (MISI), which has a business relationship with the Sanwa Group. The Sanwa Group and the MISI Group have transactions involving the Sanwa Group's purchase of raw materials and the sale of Sanwa Group products. However, the amount of transactions between the Sanwa Group and the MISI Group accounted for less than 1% of the annual consolidated net sales of each of the Sanwa Group and the MISI Group in each of the past three fiscal years. Therefore, the Company determined that he satisfies the independence criteria for the Company's outside officers and has no conflict of interest with ordinary shareholders.</p>	<p>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 and 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.</p>

[Translation]

Name	Membership of Audit and Supervisory Committee	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Akira Gokita	○	○	<p>The Company had a legal consultation agreement with Mr. Gokita, but the contract has been terminated in December 2015.</p> <p>For the duration of the agreement, the monthly legal fees paid to Mr. Gokita were ¥100,000 (there was no payment for compensation outside of the advisory agreement). Therefore, the Company determined that he meets the independence criteria for the Company's outside officers and has no conflict of interest with ordinary shareholders.</p>	<p>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 a director serving as an 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 and 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.</p>

#### [Audit and Supervisory Committee]

##### Committee's Composition and Chairperson's Attributes

	Total Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Audit and Supervisory Committee	3	2	1	2	Inside Director

##### Appointment of Directors and/or Employees to Support Duties of the Audit and Supervisory Committee

Appointed

### Matters Related to the Independence of Such Directors and/or Employees from Executive Directors

The Audit Department, which is an internal audit unit, is responsible for supporting the duties of the Audit and Supervisory Committee and directors serving as Audit and Supervisory Committee members.

The evaluation of the Audit Department and personnel changes of Audit Department members must be approved by the Audit and Supervisory Committee, thereby ensuring independence from the business execution divisions.

### Cooperation among Audit and Supervisory Committee, Accounting Auditor and Internal Audit Department

Directors serving as Audit and Supervisory Committee members, the Audit Department which is an internal audit unit, and accounting auditor hold a meeting as needed to report audit results by the Audit Department, in addition to regular meetings held twice a year, to exchange audit opinions, information on their respective audit policies, and problems identified during the fiscal year.

The Audit Department supports the duties of the Audit and Supervisory Committee. The Department hold a meeting as needed for sharing information related to audits, in addition to regular monthly reporting meetings. In addition, designated Audit and Supervisory Committee members of Audit and Supervisory Committee and the Audit Department have a cooperative relationship in which they can mutually request investigations of specific matters. They strengthen collaboration in ways such as performing detailed audits of target departments and reporting on the results each other.

### [Voluntary Committees]

Voluntary Establishment of Committee(s) Equivalent to Nomination Committee or Compensation Committee	Established
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### Voluntary Committee's Name, Composition, and Chairperson's Attributes

	Voluntary Committee Equivalent to Nomination Committee	Voluntary Committee Equivalent to Compensation Committee
Committee's Name	Nomination and Compensation Committee	Nomination and Compensation Committee
Total Committee Members	5	5
Full-time Members	0	0
Inside Directors	2	2
Outside Directors	3	3
Outside Experts	0	0
Other	0	0
Chairperson	Inside Director	Inside Director

### Supplementary Explanation

#### ● Outline of Nomination and Compensation Committee

##### <Purpose>

The Company has established a Nomination and Compensation Committee as an advisory body under the Board of Directors to enhance the fairness, transparency, and objectivity of procedures related to the nomination and compensation, etc. of directors (excluding directors serving as Audit and Supervisory Committee members) and executive officers.

[Translation]

<Duty>

In response to consultations from the Board of Directors, the Committee advises on matters such as nomination proposals for candidates for directors, etc., as well as calculation methods for compensation for directors, etc., and individual compensation to the Board of Directors.

<Activity condition of Nomination and Compensation Committee>

In fiscal 2022, the Nomination and Compensation Committee held a total of two meetings, and the attendance ratio of committee members at that meeting was 100%. The main matters for deliberation were “nomination and compensation of directors and executive officers.”

**[Independent Officers]**

Number of Independent Officers	4
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Matters relating to Independent Officers

- The Company has designated all outside directors who fulfill the independent officer qualifications as independent officers.
- Mr. Masanaka Yokota has attended all eight meetings of the Board of Directors in fiscal 2022 and has made comments based on his experience and knowledge as a management consultant.
- Ms. Hiroko Ishimura has attended all seven meetings of the Board of Directors held after her appointment on June 23, 2022, and has made comments based on her deep knowledge of solving business issues using IT and digital technologies, etc.
- Mr. Tsunekatsu Yonezawa has attended all eight meetings of the Board of Directors and all nine meetings of the Audit and Supervisory Committee in fiscal 2022 and has made comments based on his experience and knowledge as a deeply experienced manager at global companies.
- Mr. Akira Gokita has attended all eight meetings of the Board of Directors and all nine meetings of the Audit and Supervisory Committee in fiscal 2022 and has made comments based on his expertise as a lawyer.

**[Incentives]**

Implementation of Measures to Provide Incentives to Directors	Introduction of performance-linked compensation and others
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Supplementary Explanation

In fiscal 2008, we began granting stock options to directors (excluding outside directors and directors serving as Audit and Supervisory Committee members). In place of these stock options, to provide directors (excluding outside directors, directors serving as Audit and Supervisory Committee members, and part-time directors) with an incentive for the sustainable improvement of the Company's corporate value, and to promote further value sharing between directors and shareholders, we pay restricted stock compensation of ¥80 million or less and 120,000 shares or less per annum from fiscal 2021 (as approved at the 86th Ordinary General Meeting of Shareholders held on June 22, 2021).

**[Director Compensation]**

Disclosure of Individual Directors' Compensation	Selected Directors
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Supplementary Explanation

<2022 Results>

Total amount of compensation, etc. by each position, total amount of compensation, etc. by compensation category, and number of eligible officers



- Directors (excluding directors serving as Audit and Supervisory Committee members and outside directors): 5; ¥352 million (Base compensation of ¥146 million, performance-linked compensation of ¥157 million and non-monetary compensation of ¥49 million)
- Directors serving as Audit and Supervisory Committee members (excluding outside directors): 1; ¥36 million
- Outside directors: 4; ¥66 million

Notes: 1. Directors include one director who retired after the conclusion of the 87th Ordinary General Meeting of Shareholders held on June 23, 2022.

2. The compensation for directors serving as Audit and Supervisory Committee members and outside directors is only base compensation.

3. Individuals receiving a total of ¥100 million or more in consolidated compensation, etc. are disclosed individually in the annual securities reports.

Policy for Determining Compensation Amounts or Calculation Methods Thereof	Established
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#### Disclosure of Policy for Determining Compensation Amounts or Calculation Methods Thereof

#### ● Policies for Determining Compensation Amounts of Directors and Audit and Supervisory Committee Members

##### 1. Basic concept

Compensation, etc. of directors and Audit and Supervisory Committee members 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 Audit and Supervisory Committee members, 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, directors serving as Audit and Supervisory Committee members and outside directors are only paid base compensation.

Furthermore, in principle, compensation is not paid to part-time directors (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.

##### 2. Base compensation

The base compensation for each director (excluding directors serving as Audit and Supervisory Committee members) 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 paid monthly.

##### 3. 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 serving as a reward that functions as a sound incentive for sustainable growth that reflects the Company's business performance is concerned, consolidated operating income has been selected as the primary indicator of 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. 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, individual evaluation of each director is made and determined by the Representative Director, President, delegated by the Board of Directors through quantitative and qualitative measurement of his or her job performance and degree of contribution by  $\pm 25\%$  for each evaluation item.

Performance-linked compensation of individual directors (formula) = number of points x unit price of points x individual evaluation

Number of points: determined for each position

Unit price of points: unit price of points for the previous fiscal year x percentage change from the previous fiscal year x amplification factor

Individual evaluation:  $\pm 25\%$

4. Non-monetary compensation (Restricted stock compensation)

The restricted stock compensation plan is 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 and Supervisory Committee members, are eligible, and the specific allocation paid 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.

5. Policies on proportion 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 and belonging to the related industry and business category as the Company and through consultation with the voluntary Nomination and 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 non-monetary compensation is 50% : 35% : 15%. However, the proportion of actually paid amount may vary with individuals.

Base compensation (50%)

Performance-linked compensation (35%)

Non-monetary compensation (15%)

6. Policies related to 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 and 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.

Through having the amount of compensation for individual directors reported to the Nomination and Compensation Committee and validated by the committee, its fairness, transparency, and objectivity is ensured.

7. 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 and Supervisory Committee members) to hold the Company's shares.

<Guidelines>

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

Chairman/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

8. Other important items related to decisions on the details of individual compensation, etc.

N/A

**[Supporting System for Outside Directors]**

A department has been provided for assisting the duties of the Audit and Supervisory Committee. The department supports the duties of the directors serving as Audit and Supervisory Committee members, including outside directors, and the Audit and Supervisory Committee.

**2. Matters on Functions of Business Execution, Audit and Supervision, Nomination and Compensation Decisions (Overview of Current Corporate Governance System)**

**(1) Overview of the Current System Related to Governance Mechanisms such as the Board of Directors, Including Business Execution and Methods of Audit and Supervision**

The Company transitioned from a company with an Audit & Supervisory Board structure to a company with an Audit and Supervisory Committee structure by resolution of the 81st Ordinary General Meeting of Shareholders, held on June 28, 2016, and has a Board of Directors and an Audit and Supervisory Committee. After the conclusion of the 87th Ordinary General Meeting of Shareholders held on June 23, 2022, the Board of Directors comprises ten directors (including three directors serving as Audit and Supervisory Committee members), with four directors (40%) being designated as independent outside directors.

The Board of Directors and Audit and Supervisory Committee meet at least once every three months, in principle. In order to strive to ensure legal and appropriate corporate management, the Board of Directors makes important management decisions as needed and supervises business execution by directors, and in the Audit and Supervisory Committee, the directors serving as Audit and Supervisory Committee members monitor, report and express opinions on the status of business execution by directors serving as not Audit and Supervisory Committee members and executive officers, etc.

Furthermore, the Company has introduced the executive officer system to increase management efficiency and strengthen the directors' function of supervising executive officers' business execution by separating management decision-making in the Board of Directors and business execution by executive officers.

For information regarding the status of cooperation between the directors serving as Audit and Supervisory Committee members, the Audit Department, which is an internal audit unit, and the accounting auditor, please refer to the items under [Audit and Supervisory Committee] in "II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Supervision in Management" in this report.

## (2) Specific Measures for Enhancing Business Execution and Supervisory Function

- In accordance with the transition to a company with an Audit and Supervisory Committee structure, from the perspective of speeding up management decisions, a director (executive officer, president) was entrusted to make “important decisions concerning business execution,” excluding matters prescribed by law. Consequently, set up as an advisory body to the delegated director (executive officer, president), a Management Conference deliberates and advises on important management issues, and assists the executive officer, president 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 executive officer, president, (2) matters deemed necessary by the executive officer, president from among the Board of Directors’ meeting agenda items, and (3) other important, management-related matters deemed necessary by the executive officer, president, the Management Conference works in conjunction with the Board of Directors in the making of quick and efficient management decisions.
- Regarding detailed supervision and audits of business execution, there is Group and Regional PDCA Councils that consist of directors not serving as Audit and Supervisory Committee members, directors serving as full-time Audit and Supervisory Committee members and senior management such as executive officers. At the councils, which convene on a quarterly basis, directors oversee the progress of management plans and provide guidance on management issues, while the directors serving as Audit and Supervisory Committee members audit the status of business execution by executive officers.
- The Group works to conduct unified sustainability activities by holding, in principle, quarterly meetings of the Sustainability Committee, whose secretariat is the Company’s Corporate Communication Department. The Committee deliberates and works to promote Group-wide sustainability policies, etc. by focusing on the Group’s quality, risk management, compliance, social contribution, etc., 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. The Committee deliberates on the status of progress on measures under the Group-wide CSR policy and quality assurance systems, etc. Furthermore, each Group company has a CSR Promotion Committee in place that plans and promotes activities that are integrated with the workplace and works to promote CSR activities.
- The accounting audit is performed by Kyoritsu Shinmei Audit Corporation that is an accounting audit firm. In fiscal 2022, the audit was carried out by two certified public accountants: Kiyoshi Asada (seven consecutive years of audits) and Tomokazu Tanaka (two consecutive years of audits), with assistance from a further 17 certified public accountants.
- To establish, maintain, and operate corporate governance systems that will keep the Company sound and uphold the trust of society, designated Audit and Supervisory Committee members are dispatched directly to subsidiaries and so forth to conduct surveys and the Company also requests reports.

## 3. Reasons for Adoption of Current Corporate Governance System

The Company transitioned to a company with Audit and Supervisory Committee in 2016, in order to strengthen the supervisory functions for the Board of Directors and further reinforce corporate governance as well as speed up the decision process for management by entrusting the Board of Directors’ decision-making authority of the execution of business to directors. Looking ahead, we will strive to improve our structure for ensuring the soundness of operations and to enhance our corporate governance.

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Energize General Meeting of Shareholders and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Meeting of Shareholders	The Company sends out the convocation notice at least three weeks (21 days) prior to the date of the General Meeting of Shareholders. (We strive to send out the notice earlier than the statutory deadline (two weeks prior to the General Meeting of Shareholders))
Scheduling Ordinary General Meeting of Shareholders Avoiding the Peak Day	The Company sets its General Meeting of Shareholders to avoid the peak day.
Allowing Electronic or Magnetic Exercise of Voting Rights	Since 2012, the Company has adopted the exercise of voting rights via the Internet using a computer or a mobile phone.
Participation in Electronic Voting Platform and Other Efforts to Enhance the Voting Environment for Institutional Investors	Since 2012, the Company has been participating in Electronic Voting Platform operated by ICJ, Inc.
Providing Convocation Notice in English (Translated Partially)	The Company posts the translation of convocation notice on its website. ( <a href="https://www.sanwa-hldgs.co.jp/english/ir/stock_info/meeting.html">https://www.sanwa-hldgs.co.jp/english/ir/stock_info/meeting.html</a> )
Other	The convocation notice (reference materials and business report (in Japanese only)) is provided on the Company's website and so forth prior to being mailed out to ensure early disclosure to shareholders.

## 2. IR Activities

	Supplementary Explanations	Explanation by Representative
Preparation and Publication of Disclosure Policy	The Company formulated its disclosure policy in April 2006, and has posted the policy on its website. * Please visit: the Company's website > Investor Relations > Management Policy and Strategy > Disclosure Policy ( <a href="https://www.sanwa-hldgs.co.jp/english/ir/management/disclosure.html">https://www.sanwa-hldgs.co.jp/english/ir/management/disclosure.html</a> )	
Holding Regular Investor Briefings for Individual Investors	Briefings for individual investors are held in the form of investment seminars run by securities companies. In fiscal 2022, we held two online briefings, which were viewed by many investors. In fiscal 2023, we plan to hold two briefings.	No
Holding Regular Investor Briefings for Analysts and Institutional Investors	A financial results briefing is held through online livestreaming by the representative director after the announcements of fiscal year-end and second-quarter financial results. Furthermore, after the announcement of quarterly results, the representative director, officer responsible for the Corporate Planning Unit, and the Corporate Communication Department hold individual meetings. In fiscal 2022, we also held one briefing for institutional investors on the Company's ESG initiatives. These briefings were held in principle online.	Yes
Holding Regular Investor Briefings for Overseas Investors	The representative director, the officer responsible for the Corporate Planning Unit and the general manager of the Corporate Communication Department attend conferences held by securities companies for investors of the United States, Europe, and Asia and conduct individual online meetings.	Yes
Posting IR Materials on Website	The Company's website contains various materials such as annual securities reports (in Japanese only), news releases, financial results briefings, and integrated reports. ( <a href="https://www.sanwa-hldgs.co.jp/english/">https://www.sanwa-hldgs.co.jp/english/</a> )	
Establishment of Department and/or Manager in Charge of IR	The Company has established a Corporate Communication Department.	

## 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Provisions to Ensure Due Respect for Stakeholders in Internal Rules, etc.	The Group's mission is stated as follows: "The Sanwa Group is committed to offering products and services that provide safety, security and convenience to further contribute to the prosperity of society." In addition, this is also expressed in the "Compliance Code of Conduct" that is posted on the Company's website. <a href="https://www.sanwa-hldgs.co.jp/english/csr/effort/governance/compliance.html">https://www.sanwa-hldgs.co.jp/english/csr/effort/governance/compliance.html</a>

<p>Implementation of Environmental Activities, CSR Activities, etc.</p>	<ol style="list-style-type: none"> <li>1. Sustainability Committee The Company has established a Sustainability Committee, chaired by the Representative Director, President. The Committee deliberates and works to promote Group-wide sustainability policies, etc. by focusing on the Group-wide initiatives on social contribution, etc., 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.</li> <li>2. Identification of ESG Materiality In light of the social issues that affect the Sanwa Group, requests from stakeholders and other considerations, the Company identifies and promotes the key issues that need to be addressed regarding ESG activities.</li> <li>3. CSR Activities In 2005, the Sanwa Group established its CSR Vision: “We will contribute to the prosperity of society and raise our corporate value by offering products that provide safety, security and convenience.” Through our CSR Vision, we have identified themes and priority issues from the perspective of stakeholder satisfaction and work continuously to enhance corporate value at each Sanwa Group company and business division (details can be found on the “Sustainability” section of our website).</li> <li>4. Environmental Activities The Sanwa Group has formulated the following “Sanwa Group Environmental Policy” and is implementing various policies based on this approach.   <p>&lt;Basic Philosophy&gt;</p> <p>The Sanwa Group aims for harmony between the global environment and the everyday life of people. We will contribute to the realization of a sustainable society by addressing pertinently to environmental issues beginning with climate change, and by conducting business and offering products and services with consideration for the environment, all while taking a global point of view.</p> <p>&lt;Basic Policies&gt;</p> <ol style="list-style-type: none"> <li>(1) We will adhere to environmental laws and regulations and other requirements and maintain communication with stakeholders in the countries and regions where we do business.</li> <li>(2) We will appropriately assess impacts on the environment, set objectives and goals, and continuously work for the preservation and improvement of the environment.</li> <li>(3) We will contribute to prevention of global warming and realization of a circular economy through energy and resource conservation, waste reduction and recycling, as well as effective use of water resources.</li> <li>(4) We will strive to prevent pollution through reduction of our environmental impact in all business processes, including development, sales, design, procurement, production, logistics, installation and maintenance services.</li> <li>(5) We will promote development of products that help to mitigate and adapt to climate change and solve environmental problems, and will strive to raise the level of our technologies.</li> <li>(6) We will inform everyone who works for the Sanwa Group about the environmental policy, and will conduct educational and information</li> </ol> </li> </ol>
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	<p>dissemination activities to increase awareness of environmental preservation.</p> <p>(7) We will cooperate and collaborate with business partners and suppliers to reduce the environmental impact of the supply chain as a whole.</p> <p>In order to promote the above policies, the Sanwa Group will implement, maintain and continuously improve our environmental management system.</p> <p>5. ISO 14001 Certification</p> <p>In May 2007, Sanwa Shutter Corporation, a core operating company in the Sanwa Group, acquired ISO 14001 certification for its operating divisions including development, materials procurement, manufacturing, and distribution, and for its headquarters-related divisions. Venix Co., Ltd., also acquired ISO 14001 certification in May 2000.</p> <p>Going forward, we will consider expanding the scope of ISO 14001 certification to the entire Group (some Group companies in Europe and Asia have also acquired certification).</p> <p>6. Integrated Report</p> <p>In 2016, the Company began issuing an annual “Integrated Report” combining financial information and non-financial information which lists the Company’s process to enhance value.</p> <p>The report is posted in the “IR Library” section of the “Investor Relations” page of the Company’s website.</p>
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## **IV. Matters Related to Internal Control System**

### **1. Basic Views on Internal Control System and Progress of System Development**

- (1) System for ensuring the execution of duties by directors and employees of the Company and its subsidiaries (the “Sanwa Group”) complies with laws and regulations and the Articles of Incorporation
  - (a) The Sanwa Group shall set our mission as “The Sanwa Group is committed to offering products and services that provide safety, security and convenience to further contribute to the prosperity of society” and establish our values and principles of business to realize our mission. The Compliance Code of Conduct shall be formulated to ensure these concepts are reflected in actual behavior.
  - (b) The Compliance Code of Conduct booklet shall be distributed to all officers and employees of the Sanwa Group to ensure that they are fully aware of and comply with the code. A document promising observance to the Compliance Code of Conduct during operations shall be obtained from each person to promote sincere corporate activities that comply with laws, internal rules and regulations and social demands.
  - (c) In order to ensure that the execution of duties of the Sanwa Group’s officers and employees conforms to laws and regulations and the Articles of Incorporation, the Company has established a Sustainability Committee, chaired by the Representative Director, President, and its subordinate organization the Quality, Environment and CSR Promotion Council, which sets policy for Group companies in Japan and manages progress. CSR Promotion Committees have also been established in each Group company. Using this framework, the Company oversees the establishment and promotion of compliance activities, strives to enhance compliance awareness and provide related education and training, and regularly reports on conditions to the Board of Directors.
  - (d) The Company’s representative director strives to enhance awareness of compliance through such means as disseminating a message to all Group employees explaining the importance of compliance at the start of each fiscal year. The Sanwa Group holds Compliance Month in November every year to check and confirm that departmental and individual behavior is in line with laws, internal rules and regulations and social ethics, while study sessions are also held during the month as part of efforts to increase awareness of compliance and ensure action based on the Compliance Code of Conduct.
  - (e) A Corporate Ethics Hotline has been set up as an internal whistleblower system, in which the Corporate Communication Department and a third-party organization serve as contacts. The Company has informed all Group officers and employees, as well as affiliated companies, of the existence of the hotline to enable reporting and consultation on matters related to compliance and so that any breaches or potential breaches are detected swiftly. In such cases, the matters are dealt with appropriately and reported to the Board of Directors in a timely manner. Whistleblowers are guaranteed confidentiality in terms of the reporting and the content of the report based on the Corporate Ethics Hotline Operating Regulations. The Company also guarantees that whistleblowers will not be treated disadvantageously.
  - (f) The Sanwa Group shall take an uncompromising stance toward anti-social forces and organizations that threaten the order and security of civil society and shall sever any and all relations with such individuals and groups. We shall maintain close relationships with law enforcement authorities, attorneys and others and take a firm stance in rejecting any improper or unreasonable demands from anti-social forces or organizations. The General Affairs Department is in charge of dealing with these matters.
- (2) System concerning storage and management of information in regard to the execution of duties by directors
  - (a) The Sanwa Group shall store information relating to the execution of duties by directors, including minutes of important meetings concerning decisions made by the Board of Directors, etc. and documents that have been approved based on Regulations on Authorities and Responsibilities, for the period specified pursuant to laws, regulations and internal rules such as Board of Directors Regulations and Document Handling Regulations.
  - (b) Information in the aforementioned documents, etc. shall be made available for viewing by directors at all times and managed appropriately based on Information Security Regulations.

(3) Rules and other systems regarding the management of the Sanwa Group's risk of losses

- (a) The Sanwa Group identifies, analyzes and evaluates business risk in the execution of duties based on Risk Management Regulations, and takes steps to avoid or reduce this risk as necessary. The Group also creates, establishes and operates a risk management system that covers from reporting when a risk emerges to recovery measures in order to minimize losses in case of an emergency and to ensure the Company does not suffer damage to its credibility.
- (b) 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 manage risks by appropriately and rapidly responding to risks that occur during the course of each company's business activities.
- (c) The Audit Department conducts audits on the status of risk management and risk management operations in the Sanwa Group. The findings are reported to the representative director and the Audit and Supervisory Committee. The Corporate Communication Department then sets about making improvements following approval from the Board of Directors based on the instruction of the representative director.
- (d) The purchasing, production and engineering divisions at Sanwa Group companies evaluate business partners in the fields of procurement, production, logistics and installment in terms of quality, cost, delivery time and environmental approach. They also provide guidance on such areas as improvements in areas of potential risk throughout the supply chain from the perspectives of quality, supply and safety.

(4) System for ensuring the duties of directors are executed efficiently

- (a) The Sanwa Group shall separate the management decision-making and oversight function from the business execution function to invigorate the Board of Directors, and has introduced an executive officer system to strengthen the Group's management capability through faster decision-making and the delegation of authority.
- (b) The Sanwa Group shall adopt a framework that ensures the appropriate and efficient execution of duties by exercising the following: Formulate Board of Directors Regulations, Regulations concerning Duties by Directors and Executive Officers, Regulations concerning Duties and Authority, Regulations concerning Internal Approval System, and other rules and regulations; and clarify matters to be resolved and matters to be reported at meetings of the Board of Directors, as well as responsibilities, authority and decision-making rules based on rank-based decision-making criteria for the internal approval system, etc.
- (c) The Company has established a Nomination and Compensation Committee as an advisory body under the Board of Directors to enhance the fairness, transparency, and objectivity of procedures related to the nomination and compensation, etc. of directors (excluding directors serving as Audit and Supervisory Committee members) and executive officers. The Committee is composed of three or more members selected by resolution of the Board of Directors, with a majority being independent outside directors. The Nomination and Compensation Committee advises the Board of Directors in response to each item for consultation from the Board of Directors in accordance with the Nomination and Compensation Committee Regulations.
- (d) The Management Conference shall be established as an advisory body for important matters regarding corporate management. The conference shall strive to ensure the smooth execution of corporate management by deliberating on essential matters requiring approval from a director who has been entrusted with making decisions on important business execution. The conference shall also work to accelerate decision-making and enhance efficiency in the Board of Directors through advance deliberation contributing to decisions on important matters relating to the Board of Directors' meeting agenda items.
- (e) The Board of Directors formulates management vision, medium- and long-term management policy, management targets and yearly business plans. Regional PDCA Council meetings led by the director responsible for the Group company are held monthly or quarterly to verify the implementation status of PDCA (Plan, Do, Check, Action) measures aimed at achieving Group company goals as well as the status of safety, quality and compliance. The meetings serve as the basis for providing guidance, giving recommendations and making evaluations, with progress reports made to the Board of Directors.

(5) Other systems for ensuring the appropriateness of Sanwa Group operations

- (a) The Sanwa Group shall ensure that each Group company is fully aware of our mission, our values, our principles of business and our Compliance Code of Conduct to enable the appropriateness of operations in light of optimal benefit for the Sanwa Group while respecting the autonomous and independent management and responsibilities of each entity. The Group shall promote wholesome and efficient corporate group activities through a Group-wide compliance system, quality assurance system and risk management system, etc. In addition, various rules and regulations shall be established and a suitable internal control system created to ensure the appropriateness of operations, including operations at Group companies.
  - (b) The Sanwa Group companies are managed autonomously as independent companies and fulfill their management responsibilities in compliance with laws and internal regulations and rules. To ensure and promote the appropriateness of operations at each company of the Sanwa Group, the director responsible for each Group company monitors the operational decisions and status of business execution at each company, provides guidance, issues recommendations and regularly reports to the Board of Directors to improve business management transparency.
  - (c) Regional PDCA Council meetings and other meetings are held to formulate management policy, management targets and yearly business plans based on pertinent two-way discussions with each group company.
  - (d) An officer or employee of the Company or an officer or employee appointed by the Company takes on a position as director or auditor at each company of the Sanwa Group to ensure the legality and effectiveness of management.
  - (e) The Sanwa Group requires Group companies to seek preliminary consultation or approval on certain matters concerning business execution, as well as to submit follow-up reports, in accordance with the Group Company Management Regulations and the standards of respective regulating authorities for companies in Europe, the United States and Asia. Matters that fall under certain standards shall be deemed matters to be resolved or matters to be reported at meetings of the Company's Board of Directors. The division presiding over a Group company shall provide support when needed based on reports received on such matters as the status of business execution, from the company.
  - (f) The Audit Department conducts internal audits related to the status of business execution, compliance and risk management at the Sanwa Group companies that do not have their own internal auditing function. The Department monitors the implementation status of audits and confirms the quality of the audits at companies with their own internal audit division. The results of the audits and the monitoring are reported to the representative director and the Audit and Supervisory Committee. Feedback is then given to the audited division and efforts are made to improve the appropriateness and effectiveness of business execution. In addition, the status of business execution is reported at meetings of the Company's Board of Directors.
- (6) Matters concerning directors and employees assisting with the duties of the Audit and Supervisory Committee, matters concerning the independence of said directors and employees from other directors (excluding directors serving as Audit and Supervisory Committee members) and matters concerning efforts to ensure the effectiveness of directives given by the Audit and Supervisory Committee to said directors and employees
- (a) The Audit Department shall assist with the duties of the Audit and Supervisory Committee.
  - (b) The Audit Department is required to obtain the approval of the Audit and Supervisory Committee for evaluations, personnel changes and other activities to ensure its independence from business execution divisions.
  - (c) Employees of the Audit Department shall follow the directives of the Audit and Supervisory Committee when providing assistance to the duties of the committee to ensure the effectiveness of said directives.

- (7) System for ensuring directors and employees, etc. of the Sanwa Group and persons who received reports from such persons report to the Audit and Supervisory Committee, other system concerning reports to the Audit and Supervisory Committee, and system for ensuring persons who have reported shall not be treated unfavorably on the grounds of such reporting
  - (a) Directors serving as Audit and Supervisory Committee members shall participate in important meetings of the Management Conference, Regional PDCA Councils, and Sustainability Committee, etc., express their opinion and request reports. Said directors can also view important documents concerning business execution such as the minutes of meetings and documents seeking internal approval as necessary, and request reports from the officers and employees of the Sanwa Group as required.
  - (b) The officers and employees of the Sanwa Group shall report swiftly to the Audit and Supervisory Committee on matters that may have a material impact on the operations or results of the Sanwa Group or that may be in violation of laws and regulations or the Articles of Incorporation.
  - (c) The Audit Department shall regularly report to the representative director and the Audit and Supervisory Committee on the results of internal audits, progress in improvements and the status of evaluations of internal controls pertaining to financial reporting. The Corporate Communication Department shall regularly report to the representative director and the Audit and Supervisory Committee on the status of internal whistleblowing.
  - (d) The Sanwa Group shall prohibit the disadvantageous treatment of persons who report to the Audit and Supervisory Committee on the grounds of such reporting and shall make this point abundantly clear throughout the Group.
- (8) Procedures concerning the advance payment or reimbursement of expenses arising in regards to the execution of duties by directors serving as Audit and Supervisory Committee members (limited to the execution of duties of the Audit and Supervisory Committee) and policy concerning the processing of other expenses and debts arising with the execution of said duties
  - (a) The Sanwa Group shall promptly process requests for advance payment, etc. related to the execution of duties from directors serving as Audit and Supervisory Committee members, except in cases in which the expenses are clearly not necessary for the execution of these duties.
  - (b) A budget shall be assigned each year for expenses and other costs recognized as necessary for the execution of duties by directors serving as Audit and Supervisory Committee members.
- (9) Other systems for ensuring the effective implementation of audits by the Audit and Supervisory Committee
  - (a) The Audit and Supervisory Committee shall exchange opinions regularly and as required with the representative director and consult regularly and maintain close relations with the accounting auditor and Audit Department in order to enhance the effectiveness of audits.
  - (b) Directors serving as Audit and Supervisory Committee members can request an explanation or report in regards to matters concerning business execution from officers and employees of the Sanwa Group, as well as investigate the status of operations and finances. In such cases, said officers and employees shall respond promptly and accurately.
  - (c) The Audit and Supervisory Committee can employ the services of experts such as attorneys, certified public accountants and consultants as required when undertaking audits.
- (10) System for ensuring the reliability of the Sanwa Group's financial reporting
  - (a) The Sanwa Group companies shall create, establish and implement an internal control system that can ensure appropriate accounting processes and financial reporting based on the Financial Instruments and Exchange Act and other related laws and regulations.
  - (b) The Audit Department regularly evaluates the development and operation of internal controls relating to financial reporting at each company of the Sanwa Group as well as the effectiveness of these controls and reports to the representative director. The findings are reported to the Board of Directors and the Audit and

[Translation]

Supervisory Committee following assessment by an independent accounting auditor and steps are taken to ensure ongoing improvement and guarantee the appropriateness and reliability of financial reporting.

## **2. Basic Views on Eliminating Anti-Social Forces and Progress of Related Efforts**

- The representative director takes an uncompromising stance toward pressure from anti-social forces in the Compliance Code of Conduct. The Sanwa Group has a firm policy of rejecting improper or unreasonable requests from anti-social forces or groups that are a threat to the order and security of civil society, and will sever any relations with such individuals and groups.
- The General Affairs Department has been designated as the unit in charge of dealing with these matters. The Company also maintains close relationships with law enforcement authorities, attorneys and others to prevent interference from anti-social forces or groups.

## V. Other

### 1. Adoption of Anti-Takeover Measures

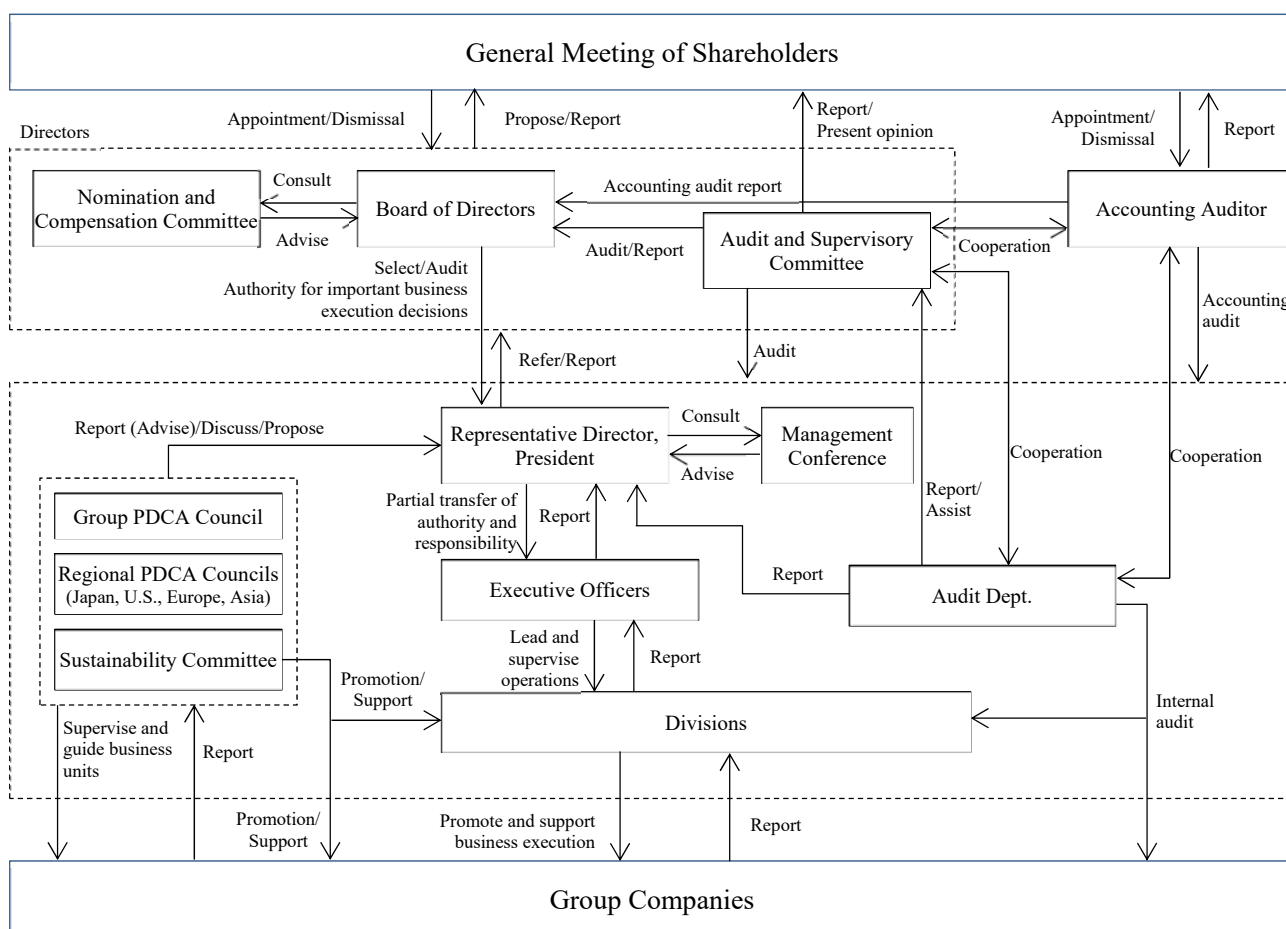
Adoption of Anti-Takeover Measures	Not adopted
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#### Supplementary Explanation

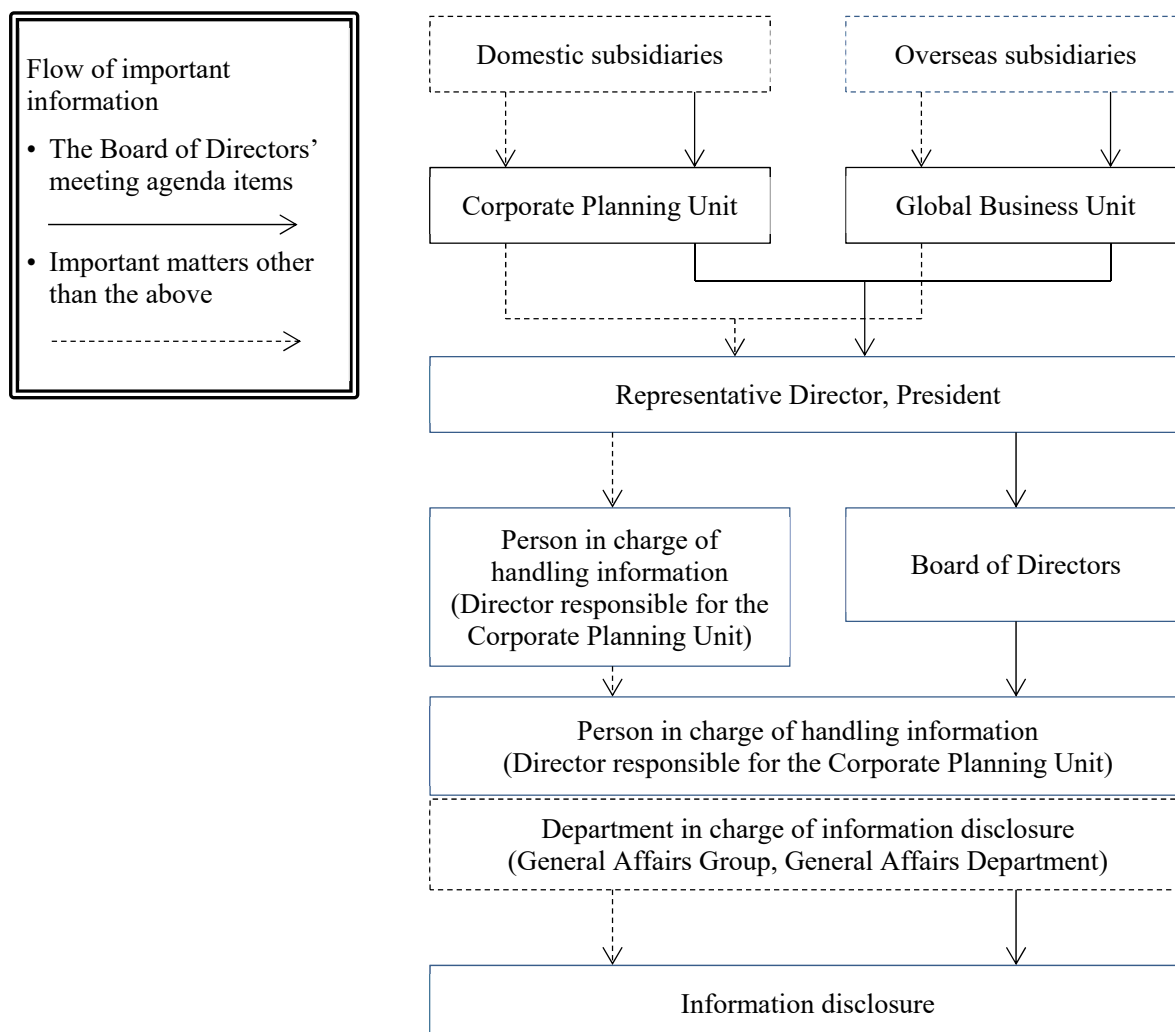
The Company abolished anti-takeover measures at the end of the 82nd Ordinary General Meeting of Shareholders, held in June 2017.

### 2. Other Matters Concerning Corporate Governance System

#### Corporate Governance System



# Internal System for the Timely Disclosure of Corporate Information



[Translation]

### Skill Matrix

Name	Corporate management, Governance	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
Yasushi Takayama	○	○				○	○	○	○
Toshitaka Takayama	○	○	○	○	○			○	
Hiroyuki Yamazaki	○		○	○		○	○	○	○
Toshiaki Doba	○	○	○	○			○		
Meiji Takayama	○	○		○	○		○	○	
Masanaka Yokota <div>Outside Independent</div>	○		○		○			○	
Hiroko Ishimura <div>Outside Independent</div>	○		○	○		○			
Teiko Zaima	○	○					○	○	○
Tsunekatsu Yonezawa <div>Outside Independent</div>	○	○	○	○					
Akira Gokita <div>Outside Independent</div>	○						○		○

Outside

Outside director

Independent

Independent officer as provided for by the stock exchange