Major risks and opportunities, and our responses

As of the end of March 2026

Classification	ESG material issues	Risk category		Likelihood	Impact	Description of risks	Description of opportunities	Risks/opportunities and initiatives
Manufacturing	Climate change and disaster prevention	Climate change and disaster prevention		Medium	High	• Business continuity risks due to large-scale disasters (typhoons, torrential rains, earthquakes, etc.)	• Expand profit opportunities by supplying climate change response-related (adaptation) products and disaster prevention products (fireproof and smokeproof)	• 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	• Crisis in terms of continuation of business activities due to spread of infectious diseases (pandemics) and outbreaks of clusters	• Expand profit opportunities by supplying antibacterial and antiviral products, contactless products, etc.	• 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	• Quality defects attributable to manufacturing	• Expand profit opportunities through product differentiation	• Update outdated facilities, pass on production technology, improve the work environment, and strengthen pre-shipment inspections • Determine the causes of post-shipment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	• Occurrence of quality defects, fire incidents, etc., attributable to installation	• Expand profit through differentiation of easy-to-install products	• 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	• Quality defects attributable to design	• Differentiate our products from the competition through enhanced design capabilities	• 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	• Complaints attributable to the content of proposals to customers and inadequacies in meetings, etc.	• Expand profit opportunities through solution proposal sales	• Provide sales personnel with training on new products, training by job level, training to improve sales skills, etc.
			Inspection quality	Medium	Medium	• Accidents caused by failure to conduct regular inspections • Loss of trust due to delay in full-time service (FTS) responses	• Expand maintenance and service business in response to increased inspection legislation	• 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	• Delays in responding to product development needs and insufficient safety measures	• Capture growth opportunities through the development of innovative technologies	• 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	• Soaring raw material prices and rising auxiliary material and logistics costs • Stagnation of shipping due to difficulties in procuring parts, materials, etc.	• Continue to provide products by achieving stable procurement	• 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	• Failure of product delivery systems •Compliance with caps on overtime work (e.g., difficulty in securing trucks and drivers)	• Improve production and logistics systems by leveraging our network	• 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	• Occurrence of accidents and occupational injuries at factories and installation sites		• 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
Environment	Initiatives toward a decarbonized society	Environmental and climate change risks		High	High	• 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	• Achieve growth through expansion of climate change response-related (mitigation) product	• 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	• Loss of trust due to failure to achieve water consumption reduction targets		• Set water consumption reduction targets and implement initiatives
	Waste reduction			Low	Medium	• Increase in energy costs and 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.		• Take appropriate measures, such as separating waste properly • Set industrial waste reduction targets and implement initiatives
People	Human resource development	Human resources risks		Medium	High	• Decrease in operational efficiency due to lack of appropriate personnel • Loss of competent human resources	• Increase competitiveness by securing talented human resources	• 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	• Negative impact on employment and loss of trust due to delays in diversity initiatives	• Enhance organizational capabilities by promoting diversity	• Proactively hire female employees, expand the variety of assigned occupations, and implement career advancement training
	Health and safety	Personnel and labor risks		High	High	• 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	• Improve productivity by creating a comfortable work environment	• 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 Climate change and disaster prevention risks section)		
			Geopolitical risks	Low	High	• Outbreak of terrorism, riots, wars, conflicts, etc., as well as legal regulations, etc., in overseas locations		• Monitor, research and collect information on geopolitical risks from officers resident overseas
			Economictrend- related risks	Medium	Medium	• 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.		• Take hedging measures such as currency swaps, forward exchange contracts, etc. • Diversify funding procurement sources
			Financial, accounting, investmentrelated and other risks	Medium	Medium	• Bankruptcy due to the business failure of partner companies, bad debt due to the discontinuation of business, and bad debt losses		• Thoroughly manage credit
		Corporate governancerelated risks		Medium	High	• Loss of trust due to inadequate governance structure	• Improve trust from society by strengthening governance	• Carry out a Board of Directors' effectiveness evaluation questionnaire • Establish the Nomination & Compensation Committee • Implement board diversity initiatives
	Respect for human rights	Human rights risks		Medium	Medium	• Deterioration of the work environment due to human rights violations and loss of trust due to disputes between labor and management, lawsuits, etc.	• Build a robust organizational structure through enhanced engagement	• 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
	Compliance	Compliance risks	Fraud, scandal, and legal violation risks	Medium	High	• 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.	• Improve trust from society	• 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	• Decrease in business operations and increase in damages awarded due to personal injuries from traffic accidents • Loss of trust due to drink driving incidents	• Improve trust in terms of consideration for safety	• Expand safety equipment in sales vehicles • Introduce alcohol checks • Conduct a campaign to eliminate drink driving
		Information security risks		Medium	High	• Loss of opportunities and trust due to cyberattacks, and increased restart costs • Loss of trust due to information leakage	• Improve trust in terms of consideration for safety	• 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)