

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.

PDCA SAKURA

The employees of the Sanwa Group, not satisfied with the current situation, maintain a critical mindset in doing their jobs in order to continue to pursue their best work. We review results in terms of whether or not we did things as originally planned. If not, we think about the reason why we didn't get the intended results. Getting back to the basics such as increasing good aspects and improving bad ones is part of the Plan-Do-Check-Act (PDCA) cycle. PDCA SAKURA represents this concept as the Sanwa Group symbol. We even planted PDCA SAKURA cherry blossom trees on the grounds of main Group facilities.



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Editorial policy

To present the Sanwa Group's management and corporate activities, we have published this Integrated Report. The report is edited in a holistic manner to include non-financial information such as corporate social responsibility activities in addition to information on management direction and strategy and a review of operations. In editing this report, we have referred to the "International Integrated Reporting Framework" proposed by the International Integrated Reporting Council (IIRC).

Forward-looking statements

This Integrated Report includes forward-looking statements pertaining to expectations, plans, strategies, management goals, future performance, expenses, revenues, income and other forecasts formulated on past experiences. Forward-looking statements necessarily entail some degree of uncertainty, and the content conveyed in the results as well as underlying factors identified in the report may differ materially from actual results depending on changes in those factors.

Reporting period

Fiscal years are years ended March 31 of the following calendar year. For example, fiscal 2019 is the year ended March 31, 2020.

Message from the Chairman



In the 64 years since its establishment, the Sanwa Group has grown and is now doing business in 26 countries and regions worldwide with over 11,000 employees on a consolidated basis. The Group, which began as a shutter business in Amagasaki, Hyogo Prefecture, went on to promote a multi-product sales strategy, extending its product lineup to address diverse needs. We have also worked on globalization, developing our business on a global level, as an important business theme. We consider it our mission to provide people across the globe with safety, security and convenience and have achieved what we have through our mantra of taking PDCA to the next level. However, we believe that we are only halfway to reaching our ultimate goal of becoming a major global player.

The world has entered an era of rapid change and turmoil. The effects of the spread of the novel coronavirus (COVID-19) will not be short-lived. We must accept a new normal created by the crisis and rapidly develop new business approaches. In addition, all of humanity faces the issue of climate change caused by global warming. The Group must tackle these issues head-on through our business activities, contributing to the creation of a sustainable future by providing people with safe communities and lifestyles. This is our mission and my dream.

From April 2020, as Director and Chairman, I will pass on the spirit of our establishment to the next generation and be willing to continue to devote myself to the enduring development of the Group. I hope that our shareholders, investors and all of our stakeholders will continue to offer their support, helping our Group flourish.

Toshitaka Takayama
Director, Chairman

Message from the President



Even as times change, we will continue to provide unchanging levels of safety, security, and convenience.

As the representative of the Sanwa Group, I first wish to express my deepest sympathies and condolences to those who have lost their lives or been stricken with the novel coronavirus (COVID-19).

Yasushi Takayama

Representative Director, President

Things That Can and Cannot Be Changed

Our founder once said, "If we compare a building or a house to the human body, shutters are the *kabuto* and *yoroi* (helmet and armor, in English) that people wear." Shutters, which in Japanese are called *yoroi-do* (armored doors), protect us. This is in line with the basic view behind the Company's mission, which is to offer "products and services that provide safety, security and convenience to further contribute to the prosperity of society," so the social significance of our businesses comes first in corporate management. As Representative Director, President, I will be unwavering in keeping this view alive.

As long as we run a company, we need to turn a profit. However, since profits come as a result of our social significance, namely our efforts to provide safety, security and convenience, I believe that contribution to society will lead to sustainable growth for the Company. Our current chairman speaks of "two kinds of reliability" – reliable business performance, which arises from the growth of each business, and reliable management, which consists of safety, quality and corporate governance, among other aspects. Building up both types of reliability is critical. We will continue to manage our businesses based on these basic views.

Responding to Climate Change

Modern society is in the midst of a huge wave of change. I believe that we must also change to adapt to changes in society. For example, while shutters initially became popular as a means of protection from crime, the purposes for installing shutters have diversified over time, as demands for fireproof, smokeproof, and earthquake-proof functions grew, in order to use them as protection in the event of fires and earthquakes. Furthermore, as the impacts of natural disasters intensify due to larger typhoons and increasingly frequent localized torrential rains, we are now required to meet the needs for waterproof and windproof functions, in order to deal with this unprecedented environmental change. We are aware of these needs, and will work to create products that respond to both climate change and disaster prevention, and to deliver safety, security and convenience to people's lives.

Responding to the Current Market

To meet the needs of society, we must not only develop products that respond to climate change, but also to the changing social structure. The shopping arcades that supported our development in the early years following our foundation have gradually decreased in number with the passage of time, and have been replaced by giant shopping centers and convenience stores. Large-scale distribution centers have also emerged with the growth of e-commerce businesses. This is just one example of how people's lifestyles have changed. I believe that the Company has been able to achieve continuous growth by creating new products and services that are suited to new purposes. In this way, we have been able to respond flexibly to such changes in society. Going forward, we will continue to pursue our multi-product sales strategy, and work to stay one step ahead of changes in society.

Sustainable Growth through Globalization

One of our main business goals is to bring safety, security and convenience not only to people in Japan, but to people all over the world. In 1996, we entered the North American market ahead of the rest of the industry, and this was followed by a large-scale expansion of our business into Europe and Asia. As we have expanded our global operations, our corporate value has steadily increased, and I am proud to say that we have become a corporate group that is able to contribute all over the world.

Recently, there has been a move toward protectionism, and although there is a risk that the COVID-19 crisis will exacerbate this tendency, I do not believe that the globalization of the world economy that has occurred over the past few decades will be reversed. The same is true for us, and we are going to be bringing our ideas to the rest of the world, and will continue to pursue global operations. We have already established business bases in North America and Europe. In Asia, we also included four subsidiaries into the scope of consolidation in fiscal 2019, and are determined not to take any steps backward. We will continue to establish business foundations in Asia to complement our bases in Japan, the U.S. and Europe.

Value Created in Our Service Businesses

One of the key goals of the Third Mid-Term Management Plan is to “strengthen service segments and expand our business model” as society has been shifting towards an emphasis on “using services” in addition to “owning products.” Our access systems, which are used frequently in people’s daily lives, play an important role in supporting infrastructure, such as control functions including crime prevention, as well as fireproof, waterproof, and other disaster prevention functions. Accordingly, maintenance services are part of our responsibility to ensure that customers will be able to use our systems for a longer period of time. Going forward, we will contribute to maintaining and improving infrastructure by expanding our service businesses.

We must take our mission of providing safety, security and convenience to another level as we look ahead to the next era. This idea is also exemplified by the “Society 5.0” concept that the Japanese government is currently promoting. I believe we need to further promote a shift to digitalization, and we regard this one of our tasks. We will be able to develop new fields and technologies by combining our own capabilities with measures such as collaborative partnerships and M&A with external partners.

Aggressive Investment in Growth with Awareness of Capital Efficiency

In fiscal 2001 we adopted SVA* as a performance indicator, and have operated in each region with a particular awareness of capital cost and capital efficiency, not simply profit and loss. We are working to increase our corporate value by steadily improving SVA and ROIC through the effective use of free cash flow for strategic investments. As one aspect of our strategic investment plan, we actively engaged in M&A even under difficult conditions. For example, in 2009, in the wake of the financial crisis, we acquired Wayne Dalton Corporation in North America. Going forward, we will continue to compete on a global level and make wise strategic investments in order to achieve sustainable growth.

Improving productivity is another task that cannot be ignored. Since our response to the IoT and IT holds the key to the promotion of operational efficiency of every process from sales to installation, we will continue to invest in information systems in Japan, the U.S., Europe and Asia.

Regarding shareholder returns in fiscal 2019, we executed a share buyback worth ¥5 billion. The annual dividend has been raised to ¥34 in fiscal 2019, which marks the eighth consecutive years of increases, and we achieved our target payout ratio of 35%. In fiscal 2020, even though we are forecasting a sharp drop in revenue and profits, we are forecasting to keep our annual dividend at ¥34, in line with our policy of maintaining stable dividends.

*SVA (Sanwa Value Added): Our unique indicator of added value:
NOPAT (net operating profit after tax) – invested capital × WACC (weighted average cost of capital: 6%)

Human Resources as the Source of Value Creation

Our employees have a strong sense of responsibility, and this has been the case for many years in our corporate culture. This is one of the reasons that we have been able to establish a superior position compared to other companies in the industry. However, change is also happening in this area. The average age of our employees has gone down,



and the Company is undergoing a generational change. While I want our veteran employees, who possess expertise and skills, to fulfil their potential, we will not be able to adapt to changes in younger generations if things are done in the same way as they were in the past. We will need to undertake work-style reforms in our own way as the Sanwa Group.

The Company offers a variety of job types, such as sales, design, production and installation, and has introduced a training system called the “Sanwa Professional Human Resources Training Plan” to enable employees to learn all of these operations in a uniform manner. One of our strengths is that vertical communication takes place rapidly and accurately; however, going forward horizontal cooperation will become increasingly important for improving customer satisfaction. New ideas and innovations cannot emerge without the free thinking that comes from linking both vertical and horizontal communication. I believe an environment that is filled with diverse human resources, and a workplace that is comfortable for both men and women alike facilitates the generation of wide-ranging ideas. At present, the Sanwa Group operates in 26 countries and regions, and we will work to encourage the creation of synergies as “one Sanwa.”

Strengthening Governance

The Company has positioned corporate governance as an important management issue. We delegate authority to Group companies appropriately, while working to ensure effective governance as Sanwa Holdings in terms of important decisions. Furthermore, our Board of Directors will appropriately monitor management risks within the Group, and function as a communicative forum in which adequate deliberation time is given and more vigorous debate takes place in order to maintain and strengthen the effectiveness of the Board of Directors.

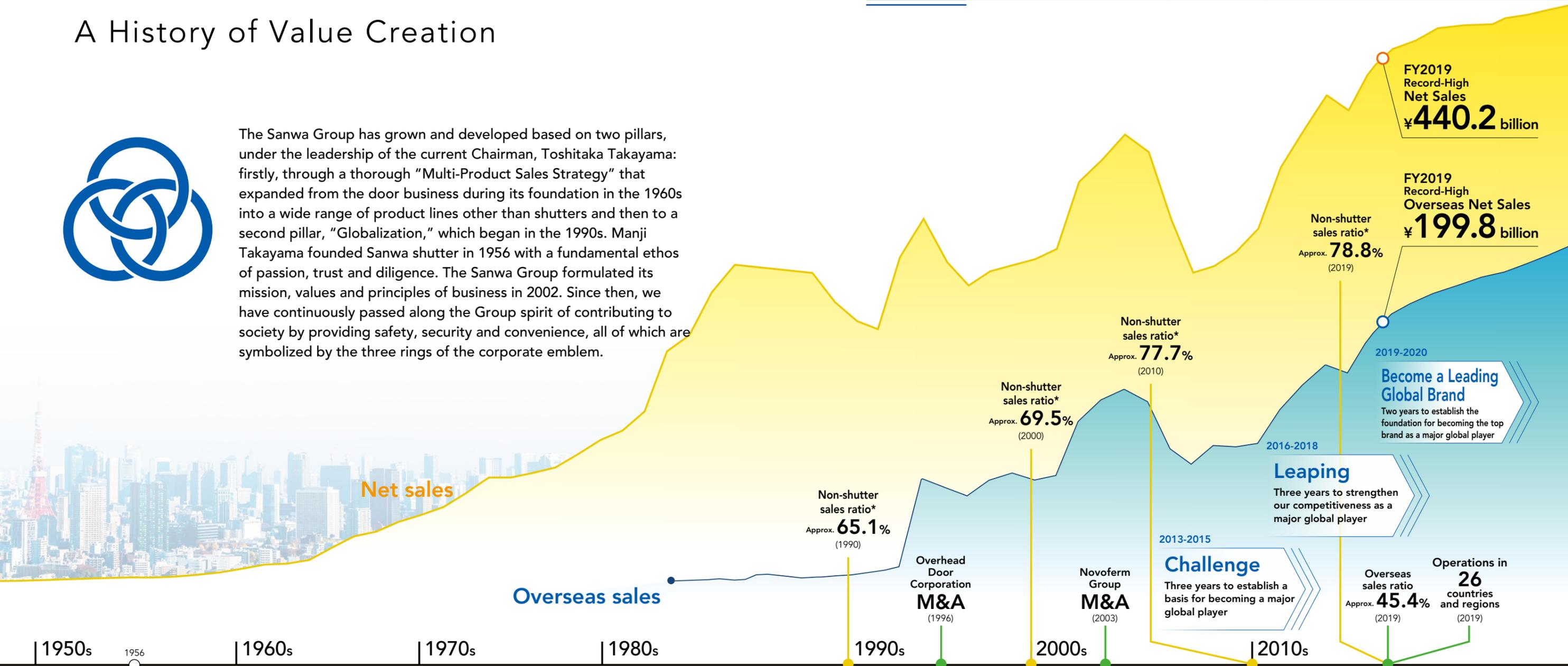
To Our Stakeholders

We have grown and will continue to grow thanks to the support of not only our employees, but also of our various stakeholders including clients, suppliers, installers, and partner companies that work with us in areas such as manufacturing, logistics, design, and installation. We will strive to become a corporate group that is capable of contributing to the creation of a sustainable society in the 21st century, so that our stakeholders can feel proud to be connected to the Sanwa Group. Please look forward to seeing what the future will bring.

A History of Value Creation



The Sanwa Group has grown and developed based on two pillars, under the leadership of the current Chairman, Toshitaka Takayama: firstly, through a thorough "Multi-Product Sales Strategy" that expanded from the door business during its foundation in the 1960s into a wide range of product lines other than shutters and then to a second pillar, "Globalization," which began in the 1990s. Manji Takayama founded Sanwa shutter in 1956 with a fundamental ethos of passion, trust and diligence. The Sanwa Group formulated its mission, values and principles of business in 2002. Since then, we have continuously passed along the Group spirit of contributing to society by providing safety, security and convenience, all of which are symbolized by the three rings of the corporate emblem.



* Non-shutter sales ratio: Domestic consolidated net sales excluding net sales of heavy-duty and lightweight shutters/Domestic consolidated net sales x 100

Entry into the shutter industry

Sanwa Shutter Manufacturing began manufacturing lightweight shutters in 1956 near the Sanwa Market in Amagasaki, Hyogo. Despite being a latecomer to the market, we established a leading position in the shutter industry in the 1960s. Our production capacity grew to a world-class level with the rapid construction of six factories.



Deliveries just after the foundation

Multi-Product Sales

First Step toward Multi-Product Sales

The Sanwa Group's multi-product sales strategy began with its entry into the door business in the late 1960s. Focusing on fields where we could apply the know-how we cultivated in the shutter business, existing production facilities and sales and installation networks, we began producing made-to-order steel doors. We rapidly rose to the top of the industry.

Expanding the Multi-Product Strategy

We have promoted the multi-product sales strategy through acquisitions to further broaden our value. The first company we acquired was Showa Front Sales (now Showa Front) in 1984. That was followed by the acquisitions of Showa Kensan, a manufacturer of automatic door operators; Venix a manufacturer of partitions; and Sanwa Tajima, which manufactures and sells stainless steel building products. By acquiring quality companies with established product brands, we accelerated our multi-product sales strategy.

PDCA Advances the Multi-Product Sales Strategy

To vigorously push forward with multi-product sales, in fiscal 2011 Sanwa Shutter Corporation revamped its organization, subdivided regional construction markets mainly by comprehensively reviewing the scope of its sales activities, and increased its flexibility in marketing. Our corporate culture of placing the highest priority on implementing the PDCA cycle is the backbone of our daily business activities.

Product Development in Harmony with Society

We have contributed to the building of a sustainable society by expanding our environmentally conscious products that address climate change, and a lineup of disaster prevention products with flood prevention, earthquake resistance, wind resistance and other functions, which help realize safety, security and convenience. We have been expanding maintenance services to comply with inspection legislation for fire prevention equipment in Japan.

Globalization

Gaining a Foothold Overseas

In 1974, we entered into a technical tie-up with Overhead Door Corporation (North America; ODC), and began manufacturing and selling overhead doors. In 1986, we established Sanwa Shutter (H.K.) in Hong Kong, making us the first in the industry in Japan to focus on overseas markets.

Business Expansion by Penetrating the North American Market

In 1996, we acquired tie-up partner ODC. Through the addition of new businesses boasting leading shares in North America into the Group, we proceeded with collaborative product development and sales, as well as expansion into new markets.

Establishment of Three-Pronged Platform: Japan, U.S.A., Europe

In 2003, we acquired Novoferm Group (NF), making the European market our third cornerstone. We started to grow into a leading global brand by pursuing business and regional diversification, in addition to expanding and growing our core businesses through the development of multiple product types.

Aspiring to be a Major Global Player

Formulating the Sanwa Global Vision 2020 in 2013, we set out to offer products and services that provide safety, security and convenience to customers worldwide as a major global player in the access systems industry. Looking towards 2020, we are implementing our Third Mid-Term Management Plan to establish a foundation in this field.

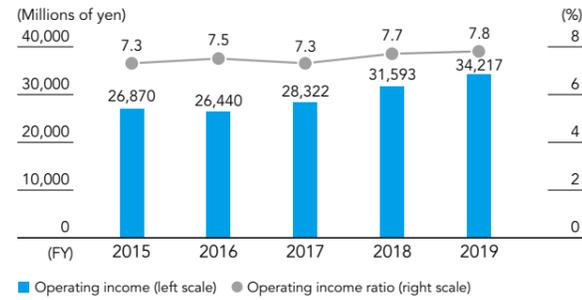
Sanwa Global Vision 2020

Under Sanwa Global Vision 2020, we set out to offer products and services that provide safety, security and convenience to customers worldwide as a major global player in the access systems industry. To this end, we aim to: (1) Become definite No. 1 brand in Japan, the U.S. and Europe; (2) Establish a business model for service business; (3) Expand shutter & door business in emerging markets, spotlighting Asia, and make them grow to be top brands; and (4) Promote realization of Group synergy in global markets.

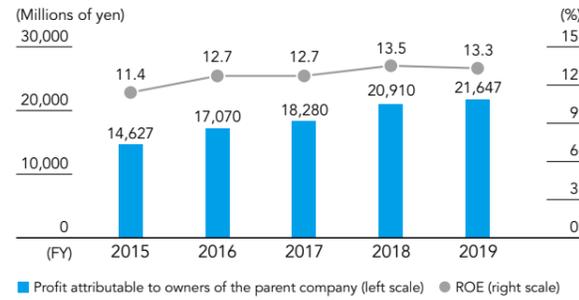
Financial & Non-Financial Highlights

Financial Indicators

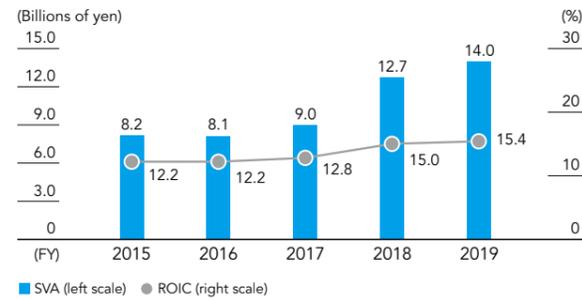
Operating Income / Operating Income Ratio



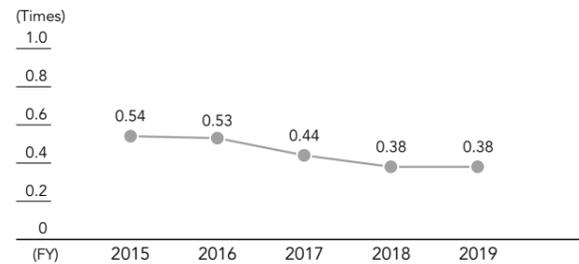
Profit Attributable to Owners of the Parent Company / ROE



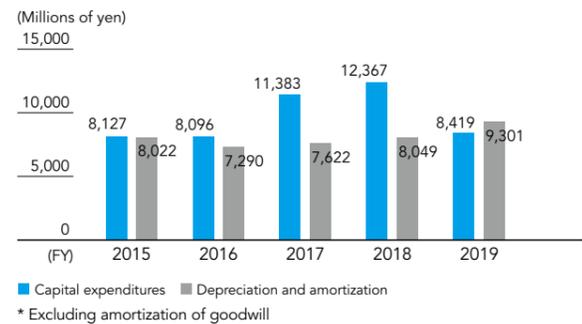
Sanwa Value Added (SVA) / Return on Invested Capital (ROIC)



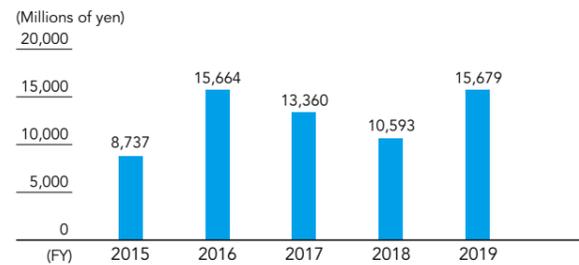
Debt/Equity Ratio



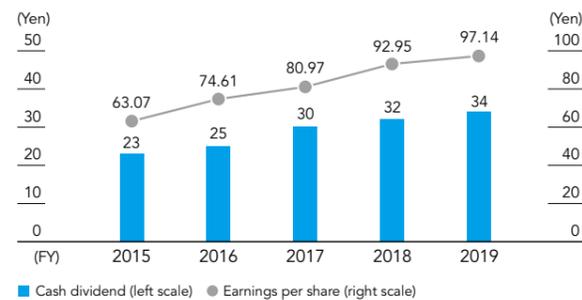
Capital Expenditures / Depreciation and Amortization*



Free Cash Flow



Cash Dividend per Share / Earnings per Share

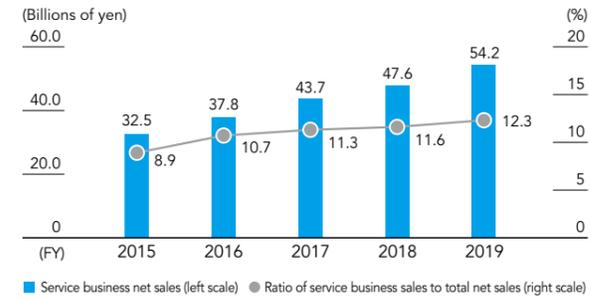


Total Assets / Shareholders' Equity Ratio

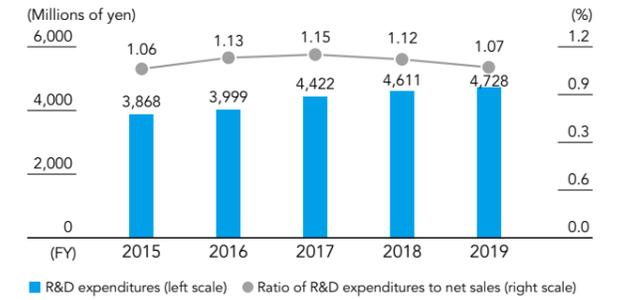


Non-Financial Highlights

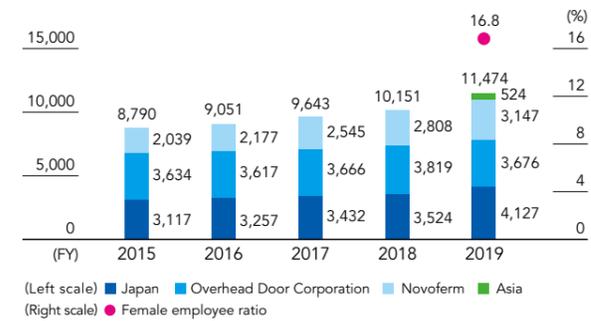
Service Business Net Sales / Ratio of Service Business Sales to Total Net Sales (Consolidated)



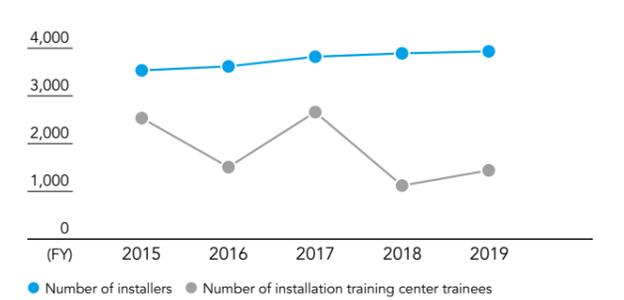
R&D Expenditures / Ratio of R&D Expenditures to Net Sales (Consolidated)



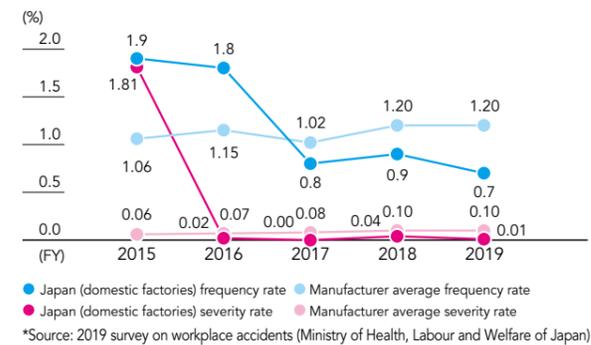
Number of Employees / Female Employee Ratio (Consolidated)



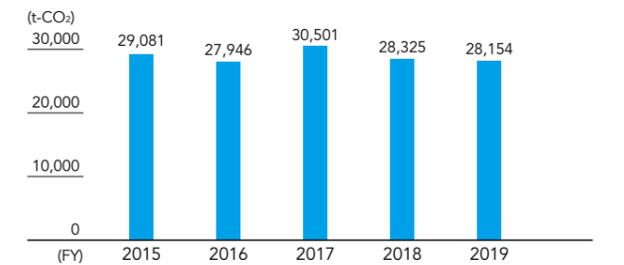
Number of Installers & Number of Installation Training Center Trainees (Sanwa Shutter)



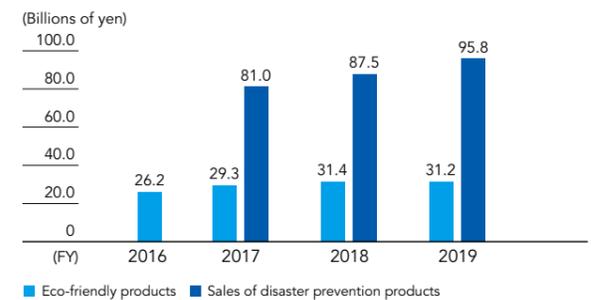
Lost-Time Injuries Frequency Rate / Severity Rate (Domestic Group Factories)



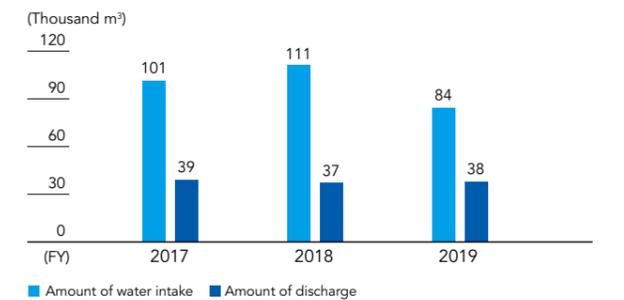
CO2 Emissions (Domestic Group Companies)



Sales of Eco-Friendly Products / Sales of Disaster Prevention Products (Consolidated)

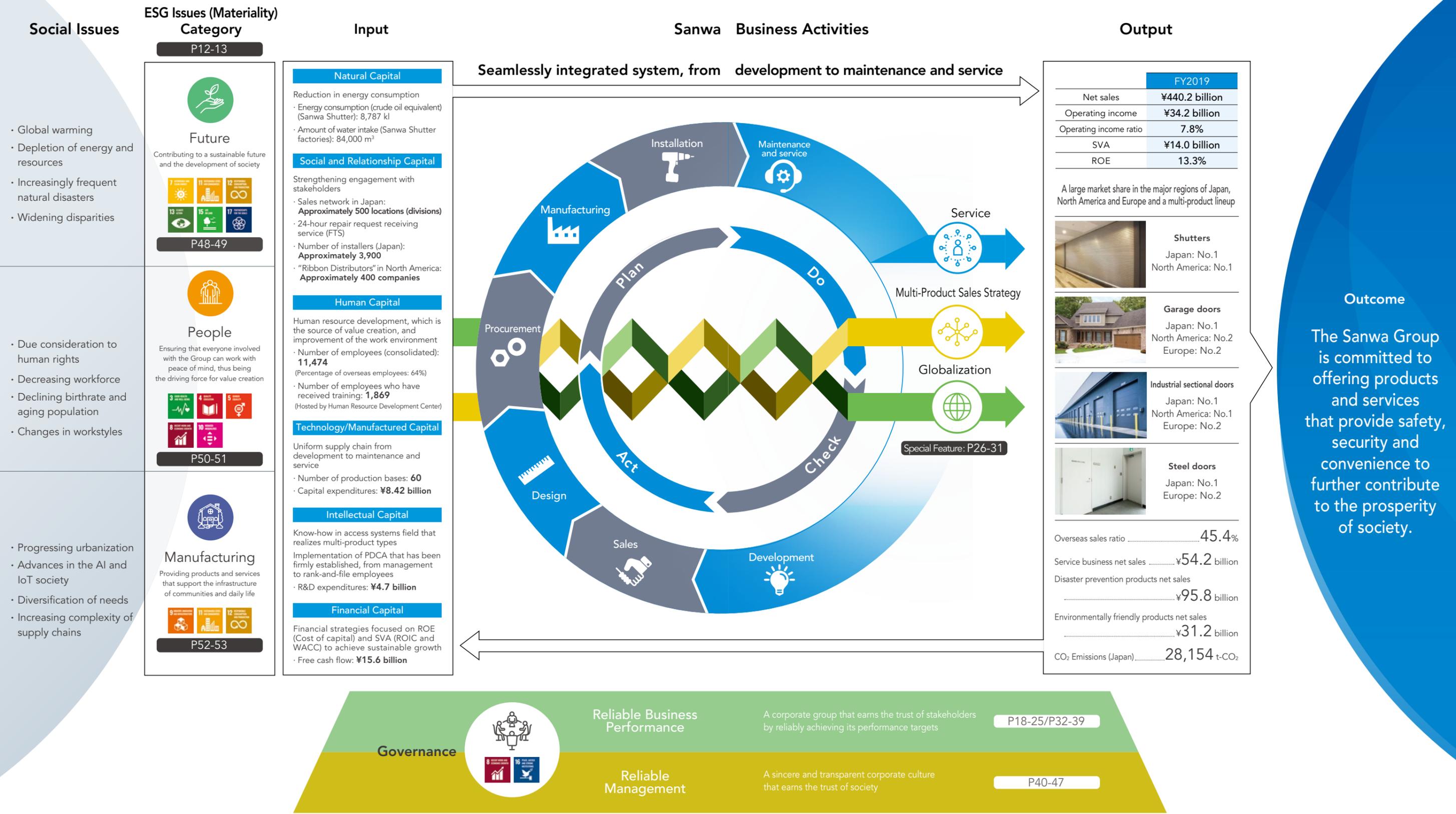


Amount of Water Intake / Discharge (Sanwa Shutter Factories)



Sanwa Value Creation Model

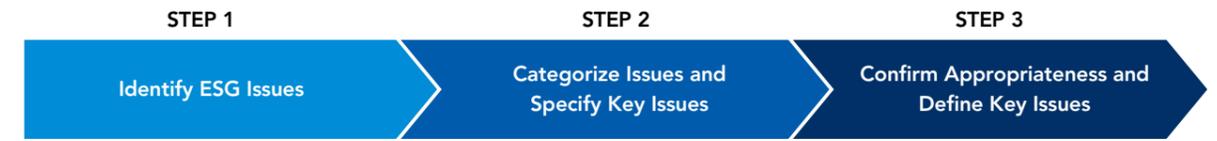
The Sanwa Group creates value by conducting business activities in line with its products and services, and ensuring sustained growth based on six types of capital, in order to address ESG issues (materiality). The value created by the Group resolves global social issues, such as changes in the economic situation and technology and climate change, and contributes to society by providing safety, security and convenience to communities and the daily lives of people around the world.



ESG (Materiality)

Decision-Making Process for Key ESG Issues (Materiality)

In recent years, companies are strongly required to take global action toward achieving a sustainable society, following significant societal changes, such as the establishment of the SDGs, the adoption of the Paris Agreement, and trends in ESG-related investment. In light of international trends and the business environment in which the Sanwa Group operates, the Group has used the process presented on the right to identify the priority ESG issues (materiality) toward which we should apply our energies.



Categories	Background	Key Issues	Actions Taken	Action in Progress and Future Tasks
Future Contributing to a sustainable future and the development of society 	In response to climate change, the Sanwa Group strives to reduce its emissions of greenhouse gases and waste, and we believe that it is our duty as a global comprehensive manufacturer of building materials to offer eco-friendly products that contribute to the realization of a low-carbon society. Furthermore, the Sanwa Group conducts business activities that are rooted in local communities in regions throughout the world, and we believe that contributing to local communities and society in general will lead to the sustainable development of both these communities and the Group, itself.	Response to climate change Reduction of greenhouse gas emissions	Reduced energy consumption through demand monitoring, switching to LEDs, introducing air-conditioning equipment, etc.	Gather overseas environmental impact data and set reduction targets
		Appropriate waste management	Reduced waste by stepping up recycling, increasing yields, etc.	Gather overseas waste emission data and set reduction targets
		Promotion of green purchasing	Promoted the 3Rs for packaging materials by reusing wooden pallets, using reusable shipping cartons, etc.	Engage in dialogue with supply chains to promote green purchasing
		Providing eco-friendly products	Expanded sales of high-speed sheet shutters and other products, which contribute to climate-change mitigation	Develop and expand sales of products and services that address climate change
		Regional contribution	Used locally produced materials, participated in local cleanup activities, and engaged in dialogue with local communities	Take action to develop local communities
		Social contribution	Made donations to NPOs and organized events for local communities, etc.	Further promote social contribution through our main business
People Ensuring that everyone involved with the Group can work with peace of mind, thus being the driving force for value creation 	To ensure that the Sanwa Group's products function properly as access systems, numerous resources are required, from development and production to installation and maintenance. Through efforts to respect human rights and diversity, and ensure health and safety, we are creating workplaces in which all of our stakeholders, including employees, affiliated companies, and suppliers can work with peace of mind, and developing human resources who are capable of driving the growth of the Group. We believe that these initiatives support the foundation of our business and constitute an investment in sustainable growth.	Respect for human rights	Implemented harassment training for top management, executives, and other management members	Define human rights risks
		Human resource development	Implemented the Sanwa Professional Human Resources Training Plan, and developed global personnel and installers	Secure manufacturing workers and installers, and pass on skills
		Work-life balance	Accurately managed working hours by deploying an attendance system and promoted telecommuting	Promote work-style reforms
		Diversity	Promoted telecommuting, introduced a partial paid leave scheme for childcare, and mobilized senior workers	Take steps to increase the number of female managers and encourage male employees to take childcare leave
		Health and safety	Expanded safety education by conducting DVD-based training and VR-based training, and held Sanwa Group Health & Safety Month	Promote actions to eradicate occupational accidents and step up efforts in the area of health management
Manufacturing Providing products and services that support the infrastructure of communities and daily life 	As an essential business to continue supporting people's lifestyles and commercial infrastructure, we believe that endeavoring to offer waterproof products that are resilient to flood damage and disasters caused by extreme weather and other products and services that contribute to safety, security, and convenience, while also pursuing quality assurance and customer satisfaction, serves as the engine for increasing our corporate value.	Offering products and services that contribute to safety, security and convenience As part of the disaster prevention business, launched products to protect people's lives from disasters, such as fire-prevention products, waterproof products, wind-load-resistant products, and aseismic products, as well as products that contribute to enhancing the infrastructure functions of factories and warehouses ▶ P14 – 15	Develop products and services that can adapt to the risks of increasingly severe natural disasters, develop products that prevent infection with the novel coronavirus and other infectious diseases, as well as products and services that are suited to the new lifestyles that have emerged due to the pandemic	
		Strengthening quality control	Expanded our quality management structure, audited supply chains, and organized a skills contest	Take further actions to ensure stable quality and improve quality
		Improvement of customer satisfaction	Provided business manners training for salespersons as well as installers	Further enhance customer satisfaction through customer surveys, gatherings with customers, etc.
Reliable Management A sincere and transparent corporate culture that earns the trust of society 	The Sanwa Group is a global enterprise operating in 26 countries and regions around the world. We believe that it is important to enhance organizational resilience by building highly transparent management systems, reinforcing compliance, and properly managing risks, and to build fair, equitable, and ethical relationships in order to facilitate growth and development together with our various stakeholders.	Corporate governance	Disclosed corporate governance guidelines and conducted a questionnaire survey of members of the Board of Directors	Improve governance at overseas subsidiaries
		Compliance	Provided training on a continuous basis and stepped up efforts to propagate the Compliance Code of Conduct at overseas subsidiaries	Make the internal whistleblowing system even more effective
		Risk management	Established the Information Security Countermeasures Council and analyzed the current status of IT-BCP	Construct a Company-wide risk management system and respond to the pandemic
		Stakeholder dialogue	Implemented proactive dialogue with customers, employees, business partners, shareholders/investors, installers, and local communities	Step up dialogue with stakeholders
		Fair competition	Implemented thorough compliance with the Guidelines on Regulations Concerning Contact with Associates from Industry Peers and provided Antitrust Law training on a continuous basis	Expand the scope and content of Antitrust Law training
Anti-corruption	Provided compliance training prior to transfer to Asia	Formulate guidelines for bribery prevention		

Stakeholder Engagement
 Customers, employees, business partners, shareholders/investors, installers, and local communities that support the Sanwa Group's business activities

Dialogue with Customers
 We respond to the diverse opinions and requests of our customers through our robust network, which encompasses more than 500 locations (divisions) in Japan, and 26 countries and regions worldwide.

Dialogue with Employees
 We improve our organizational culture by having senior executives inform employees about strategies or send them messages of encouragement via internal newsletters or the intranet, by exchanging opinions with them at policy briefings, etc., and through employee awareness surveys and the internal whistleblowing system.

Dialogue with Business Partners
 The "Sanwakai" group, which comprises suppliers, affiliated manufacturing companies, and other entities, serves as a forum for information sharing and mutual encouragement with the aim of taking quality, cost, delivery and environment (QCDE) to the next level. In North America, we endeavor to engage in regular dialogue with our 400 distributors located there.

Dialogue with Shareholders and Investors
 In addition to making timely and appropriate information disclosures via our website and other channels, we hold financial results briefings twice per year, conduct individual IR meetings more than 200 times a year, have the management hold an international road show, organize briefings for individual investors, and so on.

Dialogue with Installers
 We make concerted efforts to enhance engagement with the more than 3,900 installers who are the lifeline of the Company in the realm of access systems. In addition to holding regular occupational safety meetings with them, and providing all types of training and support for benefits packages, we publish a specialized magazine for installers twice per year.

Dialogue with Local Communities
 The Sanwa Group conducts activities that are deeply rooted in local communities, such as factory tours, events for local residents, and local cleanups on Sanwa Environmental Day, in which more than 1,500 people participate each year.

Value through Business

The Sanwa Group aims to protect people's treasured lives, and create a society that is more prosperous and easier to live in by offering products and services that provide safety, security, and convenience to customers worldwide.

Safe living with protection from disaster

Secure living with protection from crimes against people and property

Comfortable living through easy-to-use access systems

Protection from fire, floods and other disasters

Scale of sales
Approx. **¥95.8 Billion**
(Fiscal 2019 Consolidated)



In the case of fires in places where large numbers of people gather, such as office buildings, department stores, schools, and hospitals, fire prevention equipment such as fireproof shutters and doors can stop a fire from spreading for certain period of time, by sealing off areas in response to signals from smoke and heat detectors. Waterproof shutters and doors provide flood prevention functions at the time of typhoons and localized torrential rains, and keep buildings from being inundated. These products protect people and property from disasters, and provide safe spaces.

▶ See page 15 for details regarding disaster prevention products.

Contributing to improving the functions of infrastructure such as factories and warehouses

Scale of sales
Approx. **¥114.5 Billion**
(Fiscal 2019 Consolidated)

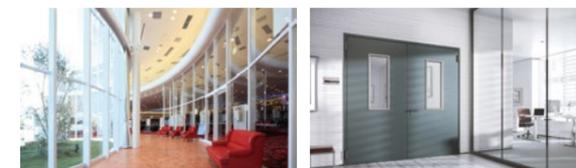


Products such as heavy duty shutters, sheet shutters, and overhead sliders are required to be effective in improving productivity at factories and warehouses by ensuring that workers follow appropriate routes and making the frontlines of production and logistics friendly to both the environment and people.

In addition to fireproofing functions, shutters that open and close rapidly improve work efficiency, and a thermal insulation function that allows temperatures to be managed provides comfortable spaces, contributing to energy saving as environmental products. These products are indispensable for the development of areas such as e-commerce, which have seen significant growth in recent years.

Enhancing the convenience of public spaces

Scale of sales
Approx. **¥137.8 Billion**
(Fiscal 2019 Consolidated)



In the case of products such as lightweight shutters, steel doors, partitions, and automatic doors in public spaces where a large number of unspecified persons come and go, such as commercial facilities, schools, hospitals, hotels, and stations, it is important for the products to be capable of providing a pleasant space for the visiting customers.

In addition, these products offers functions to solve numerous societal problems, such as crime prevention, fireproofing, and thermal insulation.

Ensuring safe living and comfort for everyone

Scale of sales
Approx. **¥115.2 Billion**
(Fiscal 2019 Consolidated)



As lifestyles become more diverse and the trend toward a society with a low birthrate and an aging population accelerates, the environment surrounding housing is changing drastically, as it strongly reflects changes in society. Products such as garage doors, window shutters, condominium doors, and exteriors are required to offer security functions that enhance crime prevention, as well as convenient day-to-day home living, in addition to a high level of safety. Furthermore, in cold regions such as Europe, it is important for garage doors to also provide thermal insulation performance as environmental products.

Products that protect people from disasters



Floods

In recent years, there have been a growing number of cases of inundation and flooding damage caused by large-scale typhoons and localized torrential rains. Due to increasing amounts of rainfall, and the large number of cases of flooding damage both above and below floor level, it is necessary to take more measures to prevent damage from typhoons and heavy rains.

Minimizing flood damage

Flooding damage caused by large-scale typhoons and localized torrential rains is increasing due to climate change. As a new Japanese Industrial Standard (JIS) that evaluates inundation prevention functions under a unified method has been established, it is now possible to install inundation prevention equipment in accordance with the purpose of use, based on the expected depth of flooding shown on hazard maps. Sanwa Shutter Corporation and SUZUKI SHUTTER CORPORATION offer waterproof shutters and doors, as well as waterproof panels, to help minimize flooding damage to underground shopping malls and buildings.



Wind Damage

There is an increasing number of cases of damage to window glass caused by flying objects that have become airborne and crashed into windows, due to strong winds from typhoons. As there are also cases in which winds entering a house have blown out the roof, there is a growing need for further measures to provide protection from strong winds.

Preparing for strong winds caused by large-scale typhoons and hurricanes

There have been a growing number of cases in which shutters have been blown from their guide rails by strong winds from typhoons, which are becoming increasingly larger. Sanwa Shutter Corporation's Taifu (wind-resistant) Guard offers heavy-duty shutters, as the industry's first products that use wind-resistant guide rails, and window shutters that can be installed at medium-rise condominiums. ODC's garage doors are designed to withstand the wind load from a hurricane without sacrificing their stylish designs.



Earthquakes

Although large-scale earthquakes such as a Nankai Trough Earthquake are expected to cause even more serious damage than that caused by the Great East Japan Earthquake, it is impossible to predict when and where such major earthquakes will occur.

Preventing people from being trapped in a facility when an earthquake occurs

After an earthquake, people may find doors being unable to open or close, due to deformation of the frames by external forces. Sanwa's earthquake proof doors display strong seismic performance, enabling sufficient clearance to be maintained between the door and frame to allow it to open, and feature earthquake-proof metal fittings as standard equipment, to ensure that people will be able to safely open the door to evacuate a facility after an earthquake, without fear of being trapped inside.



Sliding entrance door for indoor hallway, Smood Yuraku | Common-area earthquake-proof steel door, AKUZO



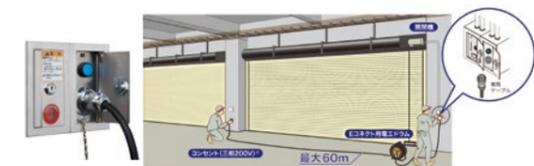
Power Outages

Power outages can occur when electric cables are damaged by flying objects due to strong winds from a typhoon, when power poles collapse due to a landslide caused by heavy rain, or when electric cables have been struck and damaged by lightning. Power outages can also be caused by earthquakes.

External power source enabling automatic rolling even during a power outage

Previously, shutters had to be rolled up while securing a safe foothold, after having been closed through manual operation or by rolling down under their own weight after receiving a disaster signal.

With the introduction of a power supply system, a connection is provided to a battery or power generator, enabling users to open the electric shutters even in the event of a power outage. This system can be utilized as a business continuity plan (BCP) measure.



Shutter power supply system for opening shutter, E Connect

Risks and Opportunities

Categories	Main Risks/Opportunities	Responses
External Environment	<ul style="list-style-type: none"> Impact on business due to declining housing starts and construction investment as a result of changes in economic trends Impact on business due to fluctuations in financial markets such as exchange rates and interest rates Impact on the Group's business due to global political, societal, and economic trends Impact on business due to terrorism or riots at the Group's overseas facilities 	<ul style="list-style-type: none"> Increase productivity and reduce costs through the promotion of multi-product sales initiatives Hedge against exchange rate risk, interest-rate risk, etc. Continuously gauge global political, societal, and economic conditions, analyze the impact on business, and respond appropriately
Supply Chain/Procurement	<ul style="list-style-type: none"> Impact on business due to sudden price hikes for steel or other auxiliary materials Impact on business due to overreliance on specific suppliers or supplier bankruptcies 	<ul style="list-style-type: none"> Build close relationships with multiple suppliers and establish/expand alternative procurement methods for major components
R&D/New Products	<ul style="list-style-type: none"> Loss of competitiveness due to delays in developing advanced technologies or application to products/services, or insufficient product improvement <p>Opportunity: Capture growth opportunities through revolutionary technologies</p>	<ul style="list-style-type: none"> Perform information gathering regarding customer needs and strengthen capabilities in advanced technologies and development
Production/Quality/Installation/Inspection	<ul style="list-style-type: none"> Impact on business due to a decline in supply capability caused by the aging of production facilities, a decrease in the number of manufacturing personnel, or a decline in manufacturing technology level Impact on business due to late deliveries Loss of reliability due to recalls, product defects, etc. Loss of reliability due to accidents involving products or their installation Impact on business due to a decrease in the number of installers, installer aging, or a decline in installation abilities Impact on business due to inadequate maintenance inspections of fire prevention equipment <p>Opportunity: Expand service business in response to inspection legislation</p>	<ul style="list-style-type: none"> Continuously upgrade production facilities Prompt delivery through integration of production and logistics systems Thorough product quality control Expand recruitment of installers and enhance installation training Increase the number of fire prevention equipment inspectors and provide education to improve their abilities Expand the range of easy to install products/processes
Regulatory Risks	<ul style="list-style-type: none"> Risks from the establishment/revision of legal requirements Risk of infringement of patents or other intellectual property rights Risk of litigation, investigations by regulatory authorities, or imposition of penalties 	<ul style="list-style-type: none"> Keep everyone informed by sending alerts on legal revisions to relevant departments, and organizing study meetings, training sessions, etc. Establish a structure by working closely with law offices
Compliance	<ul style="list-style-type: none"> Loss of trust as a result of fraud, scandals, legal violations, etc. Loss of trust as a result of false financial statements or window-dressing Loss of trust due to personnel- or labor-related problems Risk of inappropriate accounting estimates (setting of various provisions and allowances) 	<ul style="list-style-type: none"> Foster a corporate climate based on our Compliance Code of Conduct Conduct compliance trainings Eradicate false accounting and false order booking through thorough internal audits Compliance with Article 36 (Overtime Work and Work on Days Off) of the Labor Standards Act through deployment of a working-hours management system Expand the paid vacation acquisition program Ensure the proper calculation of accounting estimates and conduct thorough internal audits
Information Security	<ul style="list-style-type: none"> Impact of information leaks, system failures due to infections with computer viruses, cyberattacks, etc., or data loss 	<ul style="list-style-type: none"> Address cybersecurity risks under the Sanwa Group Information Management System based on our Information Security Policy
Human Resources	<ul style="list-style-type: none"> Risk of being unable to steadily secure or retain high added-value talent Risk of being unable to steadily secure installers or address problems associated with aging <p>Opportunity: Capture long-term growth opportunities by expanding the Professional Human Resources Training Plan</p>	<ul style="list-style-type: none"> Continuously generate innovation through the hiring of high-value-added talent and improve our ability to respond to diversifying customer needs Expand the Professional Human Resources Training Plan Expand systems for developing and training installers
M&A/Investments	<ul style="list-style-type: none"> Unanticipated risks associated with acquisitions and investments <p>Opportunity: Achieve growth by venturing into unserved areas and expanding business domains</p>	<ul style="list-style-type: none"> Perform proper analyses of market trends, acquisition prices, strategies, etc.
Climate Change/Major Disasters	<ul style="list-style-type: none"> Climate-change risks such as carbon-tax burden, regulations on greenhouse gas emissions, and increases in compliance costs Risk of deterioration in quality at installation sites, lower work efficiency, and increase in occupational accidents resulting from global warming. Impact on our supply systems and our suppliers' business due to damage caused by major disasters such as large-scale typhoons, localized torrential rains, and major earthquakes Risk of tightening of environment-related laws and regulations <p>Opportunity: Achieve growth by expanding sales of eco-friendly products</p> <p>Opportunity: Expand profit opportunities by supplying disaster prevention-related products (products that are fireproof, smokeproof, waterproof, wind resistant, etc.)</p>	<ul style="list-style-type: none"> Have individual factories and offices work to ensure environmental protection in line with the Sanwa Group Environmental Policy Consider and implement countermeasures for climate-change risk at the CSR Promotion Council Set CO₂-reduction targets and implement initiatives for their achievement Develop and supply waterproof or wind resistant-related products Ensure business continuity by formulating a BCP
Infectious-Disease (Pandemic) Risk	<ul style="list-style-type: none"> Impact on our supply systems and our suppliers' business due to damage caused by the global spread of infectious diseases (pandemics) Impact on business due to lost sales opportunities, and delays in or suspension of operations as a result of protracted pandemics Lost opportunities due to delays in responding to customer needs <p>Opportunity: Expand profit opportunities by supplying antibacterial products, contactless products, etc.</p>	<ul style="list-style-type: none"> Develop a crisis management manual and strengthen infection prevention measures Implement initiatives to respond to customer needs

Impact of the Novel Coronavirus (COVID-19)

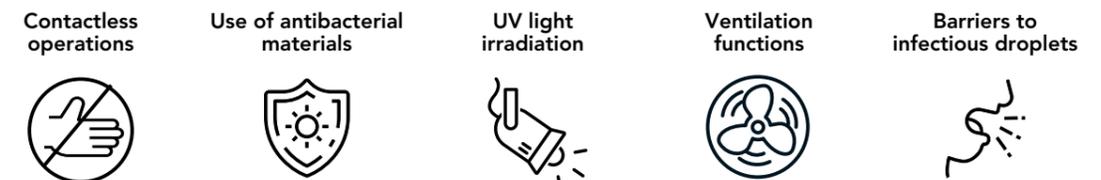
In 2020, the novel coronavirus has spread throughout the world, and it is inevitable that the Sanwa Group's business performance will be affected. Therefore, we anticipate a significant drop in revenues and profits compared with the previous year. Although there are no problems regarding our supply systems in Japan, the United States, or Europe, the economic impact of lockdowns and other measures that have been implemented by each country has been substantial. While we expect a gradual economic recovery to occur, we believe that the negative impact will continue throughout fiscal 2020.

External Environment and Status of the Company's Production, Sales, and Installation (as of July 2020)

Japan	North America	Europe	Asia
<p>External Environment</p> <ul style="list-style-type: none"> Declaration of a Nationwide State of Emergency (April and May) Disruptions at some construction sites 	<p>External Environment</p> <ul style="list-style-type: none"> Construction sites in some states suspended work (March and April) From the end of April, states and counties began lifting lockdowns, and resumed economic activities 	<p>External Environment</p> <ul style="list-style-type: none"> From the end of March, economic activities halted completely in Italy, France, Spain, the U.K., etc. From mid-April, countries began lifting lockdowns and gradually resumed economic activities 	<p>External Environment</p> <ul style="list-style-type: none"> Economic activity in China slowed down after the Chinese New Year Currently, generally normal economic activities are maintained in China, Vietnam, etc.
<p>Status of Business</p> <ul style="list-style-type: none"> Sales and administrative departments, etc. have staggered working hours and introduced remote working to the greatest extent possible, and are focused on preventing infection None of the factories were significantly affected, and they are maintaining normal operations Installations may see slow progress at some sites, and there may be delays in finalizing incoming orders and other work disruptions 	<p>Status of Business</p> <ul style="list-style-type: none"> ODC's operations have been designated as an essential business by the U.S. government Sales and administrative departments are generally working remotely Although some factories suspended their operations temporarily, there was no major impact, and all factories are currently maintaining normal operations 	<p>Status of Business</p> <ul style="list-style-type: none"> Sales and administrative departments are generally working remotely Factories in Germany and the Netherlands are maintaining normal operations Although operations at factories in Italy, France, Spain, and the U.K. were suspended (until the end of April), all factories are currently maintaining normal operations 	<p>Status of Business</p> <ul style="list-style-type: none"> Suspension periods for production and sales activities have ended in China, Hong Kong, and Taiwan (February and March), and normal operations are being maintained In Vietnam, production and sales activities are being maintained at normal levels

Issues for the Sanwa Group after the Novel Coronavirus

Products that contribute to the prevention of COVID-19 and other infectious diseases



After the COVID-19 pandemic has settled, the adoption of new lifestyles (the "new normal") will be required, and as people are greatly concerned about infection prevention and working environments are changing drastically, it is necessary for us to identify the risks and opportunities for the Sanwa Group.

The Sanwa Group has been engaged in the development and sales of products that use antibacterial materials, as well as products that allow contactless operation. In addition, we will be taking initiatives to develop and manufacture products that provide safety measures for preventing infection, such as easy-to-install partitions to serve as barriers to infectious droplets, products that emit UV light as an antibacterial measure, and products that emphasize ventilation functions for avoidance of the three C's (closed spaces, crowded places, close-contact settings). Furthermore, we are now engaged in the development of an electrically-operated toilet booth. In line with the Sanwa Group's mission of "providing safety, security, and convenience," we will continue working to create a society in which people around the world will be able to live with peace of mind.