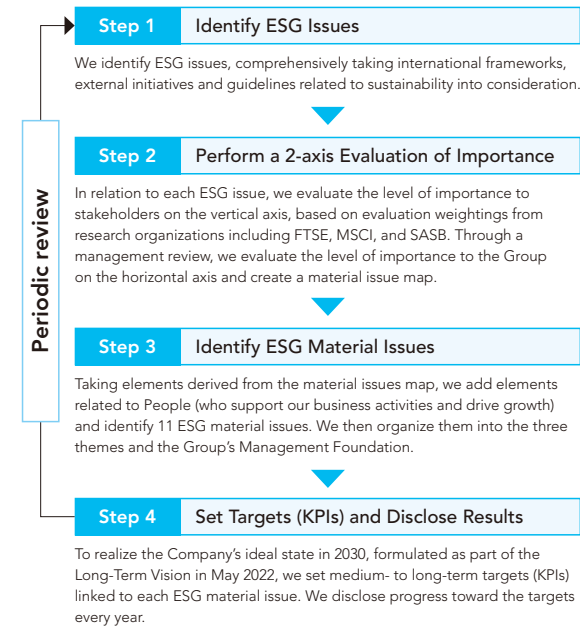


ESG Material Issues

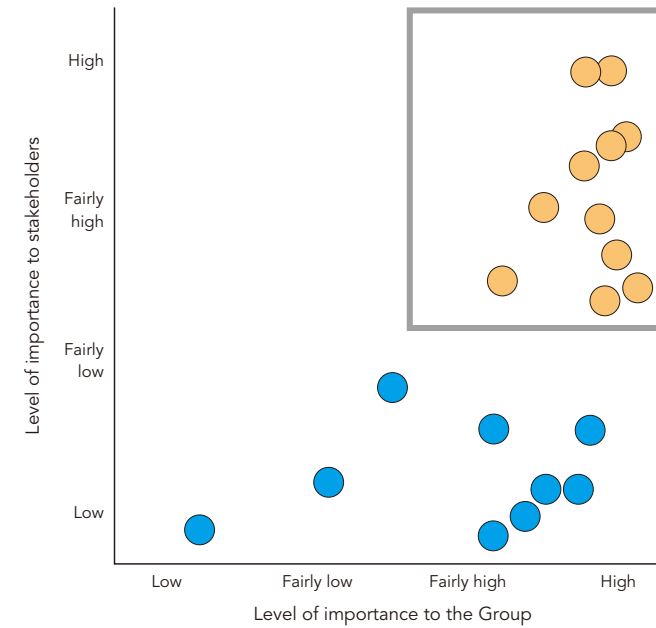
To promote sustainable management, the Group has identified 11 ESG material issues (consisting of the three themes of Manufacturing, Environment, and People, as well as the Management Foundation that supports these themes). We will move forward with measures to achieve the KPIs we have set with the aim of realizing the Sanwa Global Vision 2030, and we will strive to improve corporate value through dialogue and collaboration with stakeholders.

Identifying ESG material issues

Identification Process



Material Issue Map

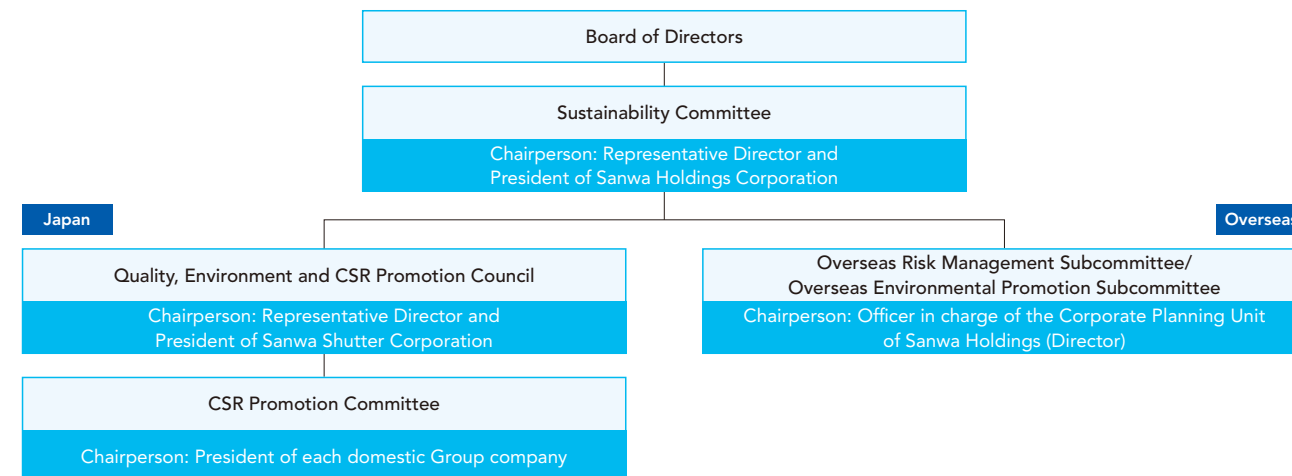


Sustainability Committee

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

advice on the Group's sustainability approach from a long-term, multi-stakeholder perspective. The committee is working to build a Groupwide sustainability management system, as well as submitting reports to the Board of Directors and collaborating with various committees and conference bodies in Japan and overseas.

Sustainability Promotion Structure



ESG material issues and KPIs

Manufacturing - Solve Social Issues Through Our Business -

We believe it is necessary to use our products and services to solve the global issue of climate change, as well as issues such as fires, earthquakes, and other disasters that could prevent the realization of a "safe, secure, and convenient" society. With this in mind, we have set net sales targets for climate change response-related products and disaster prevention products as KPIs.

ESG material issues	Items	Targets (KPIs)	Scope	SDGs we can contribute to	Reference
Mitigate/adapt to climate change, prevent disaster loss through products and services	Net sales of climate change response-related products (mitigation)	¥96 billion (FY2024)	Consolidated	 	Pages 36-37
	Net sales of climate change response-related products (adaptation)	¥18 billion (FY2024)			
	Net sales of disaster prevention products	¥81 billion (FY2024)			
	Net sales in the maintenance and service business	¥76 billion (FY2024)			
Quality assurance and enhancement	Achieve quality targets in line with each company's quality policy	—			Page 37

Environment - Achieve Environmental Sustainability -

We recognize that taking measures to reduce the impact of our business activities on the global environment is a vitally important mission and a responsibility we must naturally hold. As such, we have set KPIs for reducing our CO₂ emissions, water usage and waste.

ESG material issues	Items	Targets (KPIs)	Scope	SDGs we can contribute to	Reference
Initiatives toward a decarbonized society	Reduction of CO ₂ emissions (Scope 1 + 2)	Reduce by 10% compared to FY2019 (FY2024)	Sanwa Shutter Corporation	 	Page 32 Page 38
		Reduce by 30% compared to FY2019 (FY2030)			
Water resource conservation	Reduction of water usage intensity (at factories and offices)	Reduce by 10% compared to FY2020 (FY2030)		 	Page 38
Waste reduction	Reduction of waste intensity (at factories and offices)	Reduce by 10% compared to FY2020 (FY2030)			Page 38

People - Create a Pleasant and Rewarding Work Environment -

In terms of our initiatives for People, the source of our competitiveness and our most important management resource, we believe that it is essential to respect human rights and diversity and to provide a healthy, safe work environment. We have therefore set targets related to employee education, ensuring diversity, health and more as KPIs.

ESG material issues	Items	Targets (KPIs)	Scope	SDGs we can contribute to	Reference
Respect for human rights	Identification, elimination, and prevention of human rights risks	Implementation of human rights due diligence (FY2024)	Consolidated		Page 39
Human resource development	Number of e-learning participants (in English) Number of correspondence course participants	200 (FY2024)	Domestic Group companies	 	Pages 16-17 Page 39
		1,000 (FY2024)			
Promotion of diversity	Ratio of female employees Ratio of female managers	20% (FY2030)	Consolidated	 	Page 39
		15% (FY2030)			
Health and safety	Obesity rate (BMI of 25 and above)	30% (FY2030)	Domestic Group companies		Page 39
	Smoking rate	25% (FY2030)			
	Full medical examination rate (incl. re-examinations)	60% (FY2030)	Sanwa Shutter Corporation		
	Rate of taking annual paid leave	55% (FY2030)			

Management Foundation

To compete and win on the global stage requires enhancing the transparency and fairness of our management and strengthening our corporate governance. As well as moving forward with initiatives to ensure and enhance the effectiveness of the Board of Directors, we have set KPIs that include active dialogue with various stakeholders.

ESG material issues	Items	Targets (KPIs)	Scope	SDGs we can contribute to	Reference
Corporate governance	Improving the effectiveness of the Board of Directors	—	Sanwa Holdings Corporation	 	Pages 40-50
	Ensuring the diversity of the Board of Directors	Supporting board diversity (FY2024)			
Compliance	Number of times stakeholder dialogues held	200 (FY2024)	Domestic Group companies		Page 51
	Number of participants in compliance training	930 (FY2024)			
	Commencement and continuous improvement of IT-BCP	—			


Risks and Opportunities

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


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




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

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

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

Major risks and opportunities, and our responses

ESG themes	ESG material issues	Risk category	Major risks and opportunities	Measures	
Manufacturing 	Mitigate/adapt to climate change, prevent disaster loss through products and services	Major disaster risks	<ul style="list-style-type: none"> Business continuity risks due to large-scale disasters (typhoons, torrential rains, earthquakes, etc.) Opportunities Expand profit opportunities by supplying climate change response-related (adaptation) products and disaster prevention products (fireproof, smokeproof, high wind-load resistant, waterproof, etc.) → See page 36 	<ul style="list-style-type: none"> Introduction of safety confirmation system Formulation of business continuity plan (BCP) Development and supply of climate change response-related products and disaster prevention products 	
		Infectious disease-related risks	<ul style="list-style-type: none"> Risk of loss of business opportunities as a result of prolonged infectious disease outbreaks (impact on business performance such as delays in or suspension of operations) Crisis in terms of continuation of business activities due to spread of infectious diseases (pandemics) and outbreaks of clusters Opportunities Expand profit opportunities by supplying antibacterial and antiviral products, contactless products, etc. 	<ul style="list-style-type: none"> Strengthen countermeasures against infectious diseases Develop and supply antibacterial and antiviral products, contactless products, etc. 	
	Quality assurance and enhancement	Quality risks	Manufacturing quality	<ul style="list-style-type: none"> Decreased trust and increased costs due to complaints arising from shipments of defective products Deterioration in quality and accuracy due to aging production facilities Shortage of manufacturing personnel (including at partner companies) Deterioration in quality due to decline in production efficiency Loss of trust due to delays in responding to complaints Opportunities Expand profit opportunities through product differentiation 	<ul style="list-style-type: none"> Implement quality checks and strengthen pre-shipment inspections Update facilities and pass on production technology Make labor reductions and enhance production capacity through product line automation and introduction of robots Reinforce the traceability structure
			Installation quality	<ul style="list-style-type: none"> Loss of trust and increased costs due to product liability accidents, complaints, and delivery delays caused by insufficient installation work capabilities and reduced effectiveness of installation techniques Increased costs due to decreased competitiveness caused by delays in improvement of installation techniques Opportunities Expand profit opportunities through differentiation of easy-to-install products 	<ul style="list-style-type: none"> Expand recruitment of installers Strengthen installation training Research safe and labor-reducing installation techniques
			Design quality	<ul style="list-style-type: none"> Delivery delays due to lack of design personnel Decline in responsiveness and quality due to inexperienced design personnel 	<ul style="list-style-type: none"> Promote operational efficiency by introducing the latest design system Strengthen cooperation with the development division
			Sales quality	<ul style="list-style-type: none"> Increased costs due to loss of trust caused by miscommunication and complaints (failure to fulfill promises) resulting from sales personnel's lack of product knowledge and weakened on-site response capabilities Opportunities Expand profit opportunities through solution proposal sales 	<ul style="list-style-type: none"> Strengthen new employee training Implement sales skill improvement training
		Inspection quality	<ul style="list-style-type: none"> Accidents caused by failure to conduct regular inspections Loss of trust due to delay in full-time service (FTS) responses Opportunities Expand maintenance and service business in response to increased inspection legislation 	<ul style="list-style-type: none"> Move forward with entering into maintenance and inspection contracts Propose repairs and replacements, etc., after inspections Create database of existing products Strengthen the FTS structure 	
		R&D risks	<ul style="list-style-type: none"> Delay in product development using advanced technologies (including materials) Decreased competitiveness due to delay in differentiation from other companies (streamlining installations, product and service applications, insufficient product improvements, etc.) Opportunities Capturing growth opportunities through development of groundbreaking technologies 	<ul style="list-style-type: none"> Gather information on customer needs and strengthen advanced technology and development capabilities Develop climate change response-related products, IoT-related products, and disaster prevention and mitigation products 	
		Raw material prices and procurement risks	<ul style="list-style-type: none"> Deterioration in business performance due to soaring raw material prices, shortages, and procurement price hikes Difficulties in procurement of key parts and materials due to raw material shortages at suppliers Excess inventory caused by sudden changes in demand, or stagnation of shipping due to procurement difficulties 	<ul style="list-style-type: none"> Adjust manufacturing costs and reduce procurement costs Negotiate prices with distributors Diversify supplier risk through multiple purchases 	
		Production and logistics risks	<ul style="list-style-type: none"> Delays due to concentrated delivery schedules Driver shortage due to aging of personnel Deterioration of productivity due to insufficiently equipped work environment 	<ul style="list-style-type: none"> Utilize delivery deadline management systems Utilize vehicle dispatch management systems 	
Occupational accident risks	<ul style="list-style-type: none"> Occupational accidents (manufacturing) due to incidents at manufacturing sites Occupational accidents (installation) due to incidents at installation sites 	<ul style="list-style-type: none"> Improve the work environment through the preparation of manufacturing operation manuals, etc., implementation of safety education and use of safety equipment Prepare installation operation manuals, etc., and ensure that all employees are familiar with safe work practices through safety education, regular health and safety meetings, etc. 			

ESG themes	ESG material issues	Risk category	Major risks and opportunities	Measures		
Environment 	Initiatives for a decarbonized society	Environmental and climate change risks	<ul style="list-style-type: none"> Loss of corporate image and trust due to delayed compliance with environment-related laws and regulations Loss of trust due to lack of compliance with regulations on greenhouse gas emissions, etc., and increases in compliance costs (material costs, carbon taxes, etc.) Opportunities Growth through expansion of climate change response-related (mitigation) products → See page 36 Loss of trust due to lower quality, deteriorations in efficiency, and accidents at manufacturing and installation sites as a result of rising temperatures 	<ul style="list-style-type: none"> Implement environmental protection activities in line with the Sanwa Group Environmental Policy Consider and implement countermeasures for climate change-related risks at the Sustainability Committee Set CO₂ reduction targets and implement initiatives for their achievement (eco-friendly cars, conversion to LED lighting, introduction of solar power generation, etc.) Express endorsement of the TCFD recommendations (see page 32) Develop and supply climate change response-related products (mitigation) Implement environmental improvements at factories 		
			Water resource conservation	<ul style="list-style-type: none"> Loss of trust due to failure to achieve water consumption reduction targets 	<ul style="list-style-type: none"> Set reduction targets and implement initiatives 	
			Waste reduction	<ul style="list-style-type: none"> Loss of trust due to failure to achieve industrial waste reduction targets Loss of trust due to legal violations concerning waste and recycling-related disposal methods, etc. 	<ul style="list-style-type: none"> Set reduction targets and implement initiatives Thoroughly enforce disposal methods and strictly comply with laws and regulations 	
People 	Respect for human rights	Human rights risks	<ul style="list-style-type: none"> Decrease in trust due to reputational lawsuits resulting from work-related human rights violations, etc. Decrease in morale due to deterioration of the work environment caused by harassment 	<ul style="list-style-type: none"> Conduct human rights due diligence Conduct compliance training 		
			Human resource development	Human resources risks	<ul style="list-style-type: none"> Decrease in operational efficiency due to lack of appropriate personnel (delays in hiring) in each business division Risks such as loss of competent human resources 	<ul style="list-style-type: none"> Accelerate hiring of new graduates and mid-career workers Reinforce structures for human resource development (skill improvement, hiring, retention) Proactively hire female employees, expand the variety of assigned occupations and implement career advancement training Appoint younger personnel through reviews of the job grade system and personnel evaluation 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
					Promotion of diversity	<ul style="list-style-type: none"> Negative impact on employment and decrease in stakeholder trust due to delays in diversity initiatives
			Health and safety	Personnel and labor risks	<ul style="list-style-type: none"> Insufficient management of employee health and safety Losses from mistakes due to reduced concentration caused by overwork, decline in business efficiency (productivity) Loss of trust due to violations of overtime work agreement, etc. Damage to health, including mental health problems 	<ul style="list-style-type: none"> Thorough credit management
Management Foundation 	Corporate governance	Management risks	Natural disaster and infectious disease-related risks	(See the Major disaster risks section)		
			Geopolitical risks	<ul style="list-style-type: none"> Outbreak of terrorism, riots, wars, conflicts, etc., as well as legal regulations, etc., in overseas locations 	<ul style="list-style-type: none"> Geopolitical risk monitoring, research and information collection from officers resident overseas 	
			Economic trend-related risks	<ul style="list-style-type: none"> Deterioration in business performance due to decreased demand resulting from economic recessions, impact of foreign exchange rate and interest rate fluctuations, funding procurement risks, etc. 	<ul style="list-style-type: none"> Hedging measures such as currency swaps and forward exchange contracts Diversification of funding procurement sources 	
			Financial, accounting, investment-related and other risks	<ul style="list-style-type: none"> Financial, accounting, investment-related and other risks, such as bankruptcy due to the business failure of partner companies, bad debt due to the discontinuation of business, and bad debt losses 	<ul style="list-style-type: none"> Thorough credit management 	
		Corporate governance-related risks	<ul style="list-style-type: none"> Loss of trust due to inadequate governance structure 	<ul style="list-style-type: none"> Board of Directors' effectiveness evaluation questionnaire Establishment of Nomination & Compensation Committee Board diversity initiatives 		
		Compliance	Compliance risks	Fraud, scandal, and legal violation risks	<ul style="list-style-type: none"> Loss of trust due to inadequate internal controls Loss of trust due to problems arising from fraud, scandals, legal violations, internal rule violations, etc., and other violations such as delays in responding to legal reforms and revisions, etc. 	<ul style="list-style-type: none"> Foster a corporate climate based on our Compliance Code of Conduct Conduct compliance training Introduction of a whistleblowing system Eradication of false accounting and fraudulent orders through thorough internal audits Reinforcement of the misconduct prevention structure through the Bribery Guidelines
Traffic accident risks	<ul style="list-style-type: none"> Decrease in business operations and increase in damages awarded due to personal injuries from traffic accidents Loss of trust due to drink driving incidents 			<ul style="list-style-type: none"> Expansion of safety equipment in sales vehicles Introduction of alcohol checks Conduct a campaign to eliminate drink driving 		
Information security risks	Information security risks	<ul style="list-style-type: none"> Loss of opportunities and trust due to cyberattacks, and increased restart costs Loss of trust due to information leakage 	<ul style="list-style-type: none"> Address cybersecurity risks under the Sanwa Group Information Management System based on our Information Security Policy IT-BCP formulation Enforce system usage restrictions (privileged IDs) 			

TCFD



Recognizing that addressing climate change is an important management issue, the Group expressed its endorsement of the TCFD recommendations in December 2021 and is working on information disclosure based on the TCFD framework.

We will strive to enhance our corporate value by expanding the lineup of environmentally friendly products, promoting our ESG material issues (“mitigate/adapt to climate change, prevent disaster loss through products and services” and “initiatives for a decarbonized society,”) strengthening measures to achieve our CO₂ emissions reduction targets and other climate change-related measures as defined in our Long-Term Vision, and further enhancing our information disclosure.

Governance and risk management

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

Board of Directors	Oversight of climate change response	Reports 4 times a year
Sustainability Committee	Formulation of basic policy on climate change response Formulation of key issues related to climate change Chairperson: Representative Director and President of Sanwa Holdings Corporation Secretariat: Corporate Communication Department	4 times a year

Strategy

Sanwa Shutter Corporation was selected for analysis and analyzed using the International Energy Agency (IEA)'s 2°C scenario and the Intergovernmental Panel on Climate Change (IPCC)'s 4°C scenario, and risks and opportunities as of 2030 were summarized.

As a result, we confirmed that in each case the diverse lineup of climate change response-related products demonstrates a high degree of resilience, enabling us to contribute to climate change mitigation and adaptation while capturing abundant business opportunities.

Classification	Risks	Impact on business	Degree of impact	Countermeasures	Opportunities
Transition risks Assuming 2°C scenario	Introduction of carbon tax, tighter emissions target regulations	<ul style="list-style-type: none"> Increase in costs of fuel, electricity, etc. used in factories and offices due to introduction of carbon tax Transition costs incurred as part of emissions reductions in business activities 	High	<ul style="list-style-type: none"> Use of renewable energy Switch to energy-saving, high-efficiency equipment Switch to eco-friendly cars 	
	Tightening of regulations such as ZEB, ZEH, energy conservation standards, etc.	<ul style="list-style-type: none"> Elimination of specific products due to tightening standards Mandatory use of alternative and recycled materials 	Medium	<ul style="list-style-type: none"> Strengthening development, sales, and production of products for ZEB and ZEH 	<ul style="list-style-type: none"> Business expansion of products and services that contribute to climate change response (mitigation and adaptation)
	Rising raw material prices	<ul style="list-style-type: none"> Increase in prices of key materials due to carbon tax and other regulations 	High	<ul style="list-style-type: none"> Securing profit through high value-added products and services Cost reduction through self-help efforts and appropriate reflection in prices 	<ul style="list-style-type: none"> Business expansion of products and services that contribute to disaster prevention
Physical risks Assuming 4°C scenario	Changes in investor and consumer behavior	<ul style="list-style-type: none"> Deterioration of reputation due to delays in information disclosure and countermeasures Expansion of consumption behavior that takes environmental impact into consideration 	Medium	<ul style="list-style-type: none"> Enhancement of information disclosure Promotion of environmental measures Development of technologies and products that contribute to climate change mitigation 	<ul style="list-style-type: none"> Increased competitiveness through development of environmentally friendly products and disaster prevention products
	Frequent occurrence of extreme weather events (torrential rains, typhoons, floods, etc.)	<ul style="list-style-type: none"> Suspension of sales activities and production due to damage to the Company Suspension of supply of materials and labor due to damage to suppliers 	High	<ul style="list-style-type: none"> Periodic checks using hazard maps, etc., and response to flooding risks Preparation of alternative procurement methods for materials and parts Strengthening BCP measures 	
	Rising average temperatures	<ul style="list-style-type: none"> Increased health risks at factories and installation sites Decline in labor productivity 	High	<ul style="list-style-type: none"> Labor-reducing installations through reviewing construction methods and utilizing robots 	

Metrics and targets

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

We will continue to consider scenario analysis, including improving the accuracy of business impact assessments, and appropriately respond to various possible risks to enhance our corporate value over the medium to long term.

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

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

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

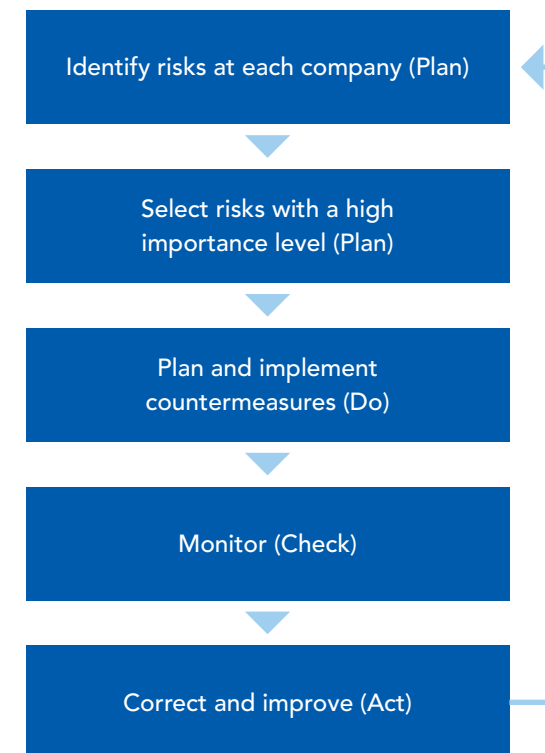
Net sales targets for climate change response-related products (Scope: consolidated)

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

Risk Management

Implementing risk management

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



This cycle is repeated annually to identify and reevaluate risks.

In fiscal 2019, the Information Security Countermeasures Council was established to build an information security system from a global perspective. Furthermore, each Group company has been monitoring risks throughout the supply chain and providing guidance on improvements to business partners. In fiscal 2022, we formulated our IT-BCP, and commenced the plan with the aim of preventing business interruptions due to information security incidents (e.g., cyberattacks).

In response to the COVID-19 pandemic, a Crisis Management Headquarters was established to gather information from each Group company, provide the necessary support, and give instructions on Companywide policies, including working arrangements.

In response to the parts procurement problem caused by the shortage of semiconductors in fiscal 2021, each Group company organized a meeting body to prepare for procurement risks in fiscal 2022.

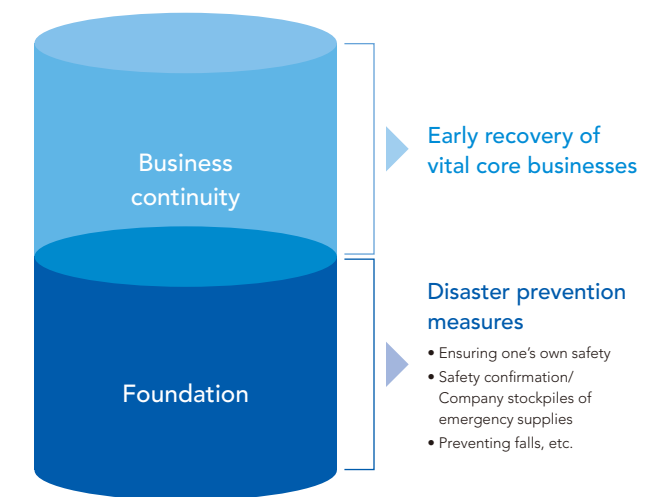
Business Continuity Plan (BCP) initiatives

Basic approach

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

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

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



Main BCP initiatives

- Preparing regulations and manuals with the aim of resuming business as soon as possible after a disaster
- Stockpiling water and food, etc., taking measures to prevent equipment from falling over, introducing a system to promptly confirm the safety of employees
- Conducting annual drills led by the emergency headquarters, based on the scenario of an earthquake happening in the Tokyo metropolitan area
- Arranging alternative procurement methods for materials and parts, such as a dual sourcing system
- Relocating servers for core internal systems to a data center designed to withstand earthquakes that register as 6+ (also known as 6 Upper or 6 Strong) on the Japan Meteorological Agency (JMA) seismic intensity scale (the highest level being 7)

Basic principles and spirit

[Aims]

- Ensure the safety of employees, installers, internal contractors and their families
- Consider resuming business operations as soon as possible, to avoid losing business opportunities and to maintain existing customers
- Cooperate with local residents near business sites and contribute to society

[Core businesses targeted]

- Supply and repair of shutters and doors

A Framework for Achieving our Mission

—The relationships between our ESG material themes—

For a company to grow sustainably in the face of a rapidly changing environment, it must be able to move its business forward at the same time as contributing to solving social issues, and to respond and transform to keep one step ahead of changing trends. In this era of uncertainty, to receive the support of stakeholders and continue creating value that is useful to society, the Group is advancing a variety of initiatives toward achieving its ideal state in 2030. To guide these efforts, we have established 11 ESG material issues (consisting of the three ESG material themes of Manufacturing, Environment, and People, as well as the Management Foundation that supports these themes).

We believe that the three ESG material themes (Manufacturing, Environment, and People) have mutual effects and are organically linked, as shown in the figure to the right.

- 1 We are developing products that reduce CO₂ emissions around the world. By increasing the airtightness of building entranceways and the efficiency of air conditioning, our products contribute to energy savings, which in turn help to reduce environmental impact.
- 2 By matching our technological capabilities (seeds) to global environmental conservation issues (needs), we aim to contribute to climate change response and improve profitability.
- 3 By providing society with products and services that contribute to the safety and security of communities and of everyday life, our employees can feel a sense of pride and accomplishment in their work.
- 4 The expertise, technological and development capabilities each employee possesses are the driving forces behind our business advancement and the source of our value creation.

As these three ESG themes have mutual effects and drive the growth of the Group, our sustainable corporate value will increase. At the same time, we will fulfill our responsibilities as a company by carrying out our mission of safety, security, and convenience.



Manufacturing

- Solve Social Issues Through Our Business -



ESG material issues	Targets (KPIs)	Achievements and progress in FY2022	Future challenges
Mitigate/adapt to climate change, prevent disaster loss through products and services	Net sales of climate change response-related products (mitigation): ¥96.0 billion (FY2024)	¥86.9 billion	<ul style="list-style-type: none"> * Further development and sales expansion of products in response to diversifying needs * Quantification of environmental contributions
	Net sales of climate change response-related products (adaptation): ¥18.0 billion (FY2024)	¥16.6 billion	
	Net sales of products that contribute to disaster prevention: ¥81.0 billion (FY2024) Net sales in the maintenance and service business: ¥76.0 billion (FY2024)	¥67.5 billion ¥74.2 billion	
Quality assurance and enhancement	Achieve quality targets in line with each company's quality policy	<ul style="list-style-type: none"> * Early detection of trends and complaints and investigation of causes through system monitoring * Strengthening of product verification during shipment and on-site acceptance * Improvement of workability through the use of connectors, etc. 	<ul style="list-style-type: none"> * Continuous implementation of risk assessments during product development and specification changes * Rapid investigation of causes and continuous implementation of essential measures

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

Basic approach

We can contribute to building a sustainable, resilient society through manufacturing in a wide range of areas, using our shutters, doors, partitions and other products and services designed to prevent, protect, and separate. We also believe that the issues that need to be addressed are growing.

The Group believes that developing and providing products that address climate change issues from two approaches (mitigation and

adaptation) will enable us to respond to changing needs and create new markets. We also believe that by using our products and services to solve issues including fires, earthquakes, and numerous other disasters, we can help communities become sustainable and resilient. In addition to quality assurance and enhancement, which is the most important aspect for us as a manufacturer, we aim to balance solving social issues and achieving sustainable growth through diligent research and development.

Products that contribute to climate change mitigation and adaptation

Rising energy prices worldwide

Response to regulations on greenhouse gas emissions reductions

High-speed sheet shutters Dock levelers

We will contribute to **mitigation**, which aims to halt the advance of global warming. Our product lineups include high-speed sheet shutters that improve air conditioning efficiency at factories and warehouses with their fast opening and closing speeds, and dock levelers that match the height of truck beds at receiving docks to control the outflow and inflow of air.

NEW

The Evolution premium sectional garage door, launched by the Novoferm Group in September 2022, utilizes a thermal break design to provide excellent heat insulation.

Highly heat-insulating sectional door

Risks of wind damage due to the advance of climate change

Flood damage due to large-scale typhoons or torrential rains, etc.

Waterproof shutters Wind-resistant window products

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

NEW

The Taifu (wind-resistant) Guard LS, launched by Sanwa Shutter Corporation in May 2023, is a wind-resistant lightweight shutter that ensures wind pressure resistance of 800 Pa.

Wind-resistant lightweight shutter

Products that contribute to disaster prevention

- Fires**
- Earthquakes**
- Power outages**

Through the products we provide, we contribute to the safety and security of communities and of everyday life. Our product lineups include fireproof shutters and fireproof doors that create safe spaces and help prevent fires from spreading, earthquake-proof products that lessen earthquake damage and products for handling the power outages that inevitably occur following many natural disasters.

Horizontal sliding fire door (ODC)

Sliding entrance door for indoor hallway with earthquake-proof specifications

E Connect power supply system for operating shutters

Through maintenance, inspections, repairs and other services, we help to maintain disaster prevention functions as social infrastructure and to realize resilient communities.

Periodic inspection report system for fire prevention equipment

Quality assurance and enhancement

Basic approach

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

At the Sanwa Group Test Center, which was completed in March 2009, the Group's products and other products procured in Japan and overseas are tested to evaluate their quality, performance, safety and manufacturing technology. The Test Center has acquired ISO/IEC 17025 certification, an international standard that sets out the requirements for test quality control and technical capabilities at testing laboratories, and we have frameworks in place to ensure the reliability of test results.



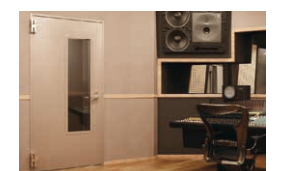
The Sanwa Group Test Center

Major initiatives

In response to the diverse needs of our customers, in October 2022 we established a new sound insulation testing lab. It is equipped with an acoustic laboratory capable of measuring the equivalent of T-7 grade sound insulation (55 dB), exceeding the highest performance level (T-4 grade, 40 dB) specified in the Japan Industrial Standards (JIS). The facility has also been thoroughly soundproofed, including with highly sound-insulating exterior wall materials and by using our own soundproof shutters at entranceways. These measures have enabled us to create a quiet environment where extremely precise measurements can be recorded. The Soundproof Guard highly sound-insulating door, launched in April 2023, was developed by conducting sound insulation tests in the laboratory at this site. In August 2023, Soundproof Guard won in the "design that contributes to the safety and security of children" category at the 17th Kids Design Awards. The Awards are organized by Kids Design Association, a specified non-profit corporation, and supported by Japan's Ministry of Economy, Trade and Industry, Cabinet Office, Consumer Affairs Agency, and Children and Families Agency.



The sound insulation testing lab



Soundproof Guard

Initiatives Aimed at ESG Material Issues

Environment

- Achieve Environmental Sustainability -



Initiatives Aimed at ESG Material Issues

People

- Create a Pleasant and Rewarding Work Environment -



ESG material issues	Targets (KPIs)	Achievements and progress in FY2022	Future challenges
Initiatives toward a decarbonized society	Reduction of CO₂ emissions (Scope 1 + 2): Reduce by 10% compared to FY2019 (FY2024) Reduce by 30% compared to FY2019 (FY2030)	Reduced by 6.6% compared to FY2019	<ul style="list-style-type: none"> Further use of renewable energy Promotion of switch to eco-friendly cars
Water resource conservation	Reduction of water usage intensity (at factories and offices): Reduce by 10% compared to FY2020 (FY2030)	Reduced by 6.3% compared to FY2020	<ul style="list-style-type: none"> Promotion of water conservation Facility upgrades
Waste reduction	Reduction of waste intensity (at factories and offices): Reduce by 10% compared to FY2020 (FY2030)	Reduced by 26.1% compared to FY2020	<ul style="list-style-type: none"> Even more thorough sorting and recycling Facility upgrades

ESG material issues	Targets (KPIs)	Achievements and progress in FY2022	Future challenges
Respect for human rights	Implementation of human rights due diligence (FY2024)	Under consideration	<ul style="list-style-type: none"> Investigate human rights risks in businesses and supply chains
Human resource development	Number of e-learning participants (English): 200 (FY2024) Number of correspondence course participants: 1,000 (FY2024)	169 693	<ul style="list-style-type: none"> Implementation of training to address digitalization and diversity
Promotion of diversity	Ratio of female employees: 20% (FY2030) Ratio of female managers: 15% (FY2030) Ratio of male employees taking childcare leave: 50% (FY2030)	19.8% 13.9% 17.3%	<ul style="list-style-type: none"> Implementation of women's development planning and training Raising awareness of and promoting the use of childcare leave by male employees
Health and safety	Obesity rate (BMI of 25 and above): 30% (FY2030) Smoking rate: 25% (FY2030) Full medical examination rate (incl. re-examinations): 60% (FY2030) Rate of taking annual paid leave: 55% (FY2030)	34.1% 29.8% 26.7% 50.6%	<ul style="list-style-type: none"> Strengthening health guidance and continuing support activities

Basic approach

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

twice the size of the panels we installed on the roof of the Ota Door Plant logistics building in December 2021.

In Europe, we installed solar power generation equipment on plant roofs at Novoferm UK (England) and Novoferm Schievano (Italy) in April 2023, and at Novoferm Alsal (Spain) in May 2023. In Asia, we installed solar power generation equipment on the plant roof at Shanghai Baosteel-Sanwa Door (China) in June 2023.



Solar power generation equipment at Shanghai Baosteel-Sanwa Door (China)

Major initiatives

Initiatives toward a decarbonized society

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

To reduce CO₂ emissions associated with electricity consumption, which accounts for the majority of our energy consumption, we are upgrading our factory facilities, promoting conversion to LED lighting and installing solar power generation equipment.

In Japan, we installed solar panels within the grounds of Sanwa Shutter Corporation's Kyushu Plant. They have been running since July 2023. The total surface area of the panels is 7,016 m², approximately



Solar power generation equipment at the Sanwa Shutter Corporation Kyushu Plant



Solar power generation equipment at Novoferm Schievano (Italy)

Water resource conservation

Sanwa Shutter Corporation is carrying out various initiatives to achieve its water usage intensity reduction targets for fiscal 2030. These include making effective use of a water circulation system for painting equipment and chillers that circulate chilled tank water, and reducing water waste at painting booths by using an overspray treatment agent.

In addition, the Sanwa Group Social Contribution Club, which organizes donations and other social contribution activities with volunteer employees, has been making donations to the general incorporated association JEAN (also known as the Japan Environmental Action Network), which is engaged in resolving the problem of marine litter, since fiscal 2012.



Waste reduction

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

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

Basic approach

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

Major initiatives

Respect for human rights

We are considering the implementation of human rights due diligence. Going forward, we plan to formulate a human rights policy, investigate human rights risks specific to the industries and regions the Group operates in and take appropriate action to address any issues identified.

Health and safety

Among Group employees, the ratio of obese people with a body mass index (BMI) of 25.0 or higher and the ratio of habitual smokers, both of which are higher than the national average, are notable health issues. As high obesity and smoking ratios are associated with the risk of lifestyle-related diseases, in May 2022 we set targets to reduce both ratios as KPIs for fiscal 2030 and are moving forward with various initiatives.

As part of our efforts to reduce the obesity ratio, we actively encourage employees to receive specific health instruction and undergo full medical examinations, with the aim of increasing participation rates for both. We have also carried out other health-related activities, including a walking campaign sponsored by our health insurance association.

As part of our efforts to reduce the smoking ratio, we have implemented a smoking cessation support program that offers nicotine patches to smokers who wish to quit. We also use internal communication channels to share success stories from employees who have stopped smoking.

In addition, since fiscal 2019 we have designated July of every year as Sanwa Group Health & Safety Month, during which we implement various initiatives to improve each employee's physical and mental health.

Human resource development

We strive to secure human resources who will drive the Group's growth, and to use education and training to draw out each individual employee's value in order to maximize the performance of our organization. As such, we conduct various initiatives including goal-specific training (e.g., using skill maps to train sales personnel) and level-specific education for the strategic development of organizational human resources. In fiscal 2022, in addition to new training to strengthen management skills, next-generation leader training and career development training for female employees, we carried out e-learning and group-based IT literacy training.

▶ See pages 16-17 for a special feature on the Sanwa Group's Human Resources Strategy.

Promotion of diversity

To respond to diversifying needs and enhance our competitiveness in the market, we are promoting the active participation of female employees, both in terms of systems such as shorter working hours for childcare (up to the sixth grade of elementary school), which exceed legal requirements, and telework, and in terms of corporate culture such as an open and comfortable work environment. In addition, at training held for new employees in April 2023, we arranged a guest lecture by an accredited non-profit organization dedicated to raising awareness of LGBTQ and providing career support for members of the LGBTQ community. The lecture gave participants the opportunity to gain a basic awareness of LGBTQ-related issues and the importance of addressing those issues through workplace initiatives.



A lecture as part of new employee training

Dialogue with an Outside Director



Yasushi Takayama
Representative Director, President

Hiroko Ishimura
Independent Outside Director

Sanwa Holdings views the establishment and proper operation of an effective governance structure as a prerequisite for its corporate development. President Yasushi Takayama and Outside Director Hiroko Ishimura discussed a variety of topics, including the status of deliberations at Board of Directors' meetings, which are at the core of corporate governance, diversity initiatives and issues that need to be addressed in the future.

Reflecting on one year as an Outside Director

Takayama Ms. Ishimura, I am always deeply grateful for your valuable advice on decision-making and business execution at Sanwa Holdings. Today, I would like to ask for your candid opinions on the Company's governance and management strategies. Thank you for joining me today.

Ishimura Thank you for inviting me. It has been roughly a year since I became a Director of Sanwa Holdings. Prior to my appointment, my image of Sanwa Holdings was only that it is a leading company in the shutter industry. However, after meeting with many executives and employees as an Outside Director, I have a renewed sense that both the company and organization possess a high level of maturity. The fundamental ethos of passion, trust, and diligence has become firmly

rooted within the organization, and each and every employee works earnestly and with sincerity. I believe that this is part of the Company's appeal, and at the same time acts as a driving force behind our growth.

Takayama I feel that there has been an even more positive atmosphere at Board of Directors' meetings since we invited you to become an Outside Director. While many of our Board members have always been proactive in speaking up, and Board meetings have involved lively discussions, I feel that the tone of meetings has changed since you joined. Honestly, I believe that we make even smoother progress now. I think the sense of unity among Board members has increased, and that we have more effective discussions.

Ishimura I am also very grateful to you, President Takayama, for providing me with numerous opportunities to gain an even deeper understanding of the Sanwa Group, such as factory tours and training programs. You have also provided and shared up-to-date information regarding the Company's management status, strategies and measures in various other situations outside of Board of Directors' meetings. I think it can be said that the close relationships between the Outside Directors and the Inside Directors and Executive Officers make for more effective governance by the Company.

The role and mission of Outside Directors

Takayama You joined Cincom Systems Japan in 1991, and led that company's management as Representative Director from 2008. The wealth of knowledge and insights related to IT and corporate management you cultivated through that experience has become a substantial asset to our company. Our appointment of a female Director has generated positive interest and high expectations, both inside and outside the Company, and I am grateful that we can make use of your extensive experience in managing the Company, as well as your advice from a female perspective.

Ishimura Having served as a senior management executive and representative director at a Japanese subsidiary of a foreign company, I have come to fully realize that, when a company focuses solely on putting management structures in place and driving business forward, there is a potential risk of losing touch with what is going on in the outside world, such as structural changes to the economy and society. For a company to achieve sustainable growth, it is essential to accurately grasp and rapidly respond to changes in the external environment and medium- to long-term social trends. I believe that our mission as Outside Directors is to supervise management decisions and the execution of business from a bird's eye perspective, and to give appropriate advice.

Takayama Generally speaking, the most important role of an Outside Director is to appropriately monitor management. However, in addition to monitoring, I expect you and all other Outside Directors to give advice in relation to decision-making and business execution from an external perspective. If checks and balances and monitoring are seen as "defensive governance," then it can be said that advice on management is a foundational requirement of "offensive governance." Both defensive and offensive measures are necessary for the Company's healthy development, and I have high expectations in terms of the role our Outside Directors play as an advisory board.

The important of diversity in corporate management

Ishimura In Japan, the concept of "diversity" is mainly focused on promoting the advancement of women in the workplace. However, it is actually a much broader concept that encompasses nationality, gender, age, disabilities, religion, personal beliefs and more. At the U.S.-based company where I spent 31 years of my career, conversations based on those differences were forbidden. Communication is based on experience, knowledge and skills. What a person has learned and what they can accomplish is more important than how they look. In this respect, it can be said that many

Japanese companies, not just ours, are falling behind in terms of diversity.

Takayama There is strong demand for fair treatment in terms of the evaluation and treatment of employees, regardless of their nationality, gender, age or anything else about them. I have also seen some companies moving forward with "job-based" recruitment and assignment, as a way of treating employees based on their individual abilities and interests. While I believe that this type of specialized human resource development is important, I also believe that "membership-based" employment, through which employees are given experience in a variety of departments and jobs so that they can develop their skills as managers, is also important. Engaging in a variety of tasks and interacting with many people should further deepen employee awareness of diversity.

Ishimura I certainly feel that it is essential for employees who did not have the opportunity to learn about the concepts of diversity and inclusion while they were still at school to encounter diverse personalities and deepen their personal relationships beyond the boundaries of their departments and occupations, so that they grow into the well-rounded adults that modern society needs. On the other hand, new working styles that did not previously exist, such as remote working and job sharing, are also becoming more prevalent in Japan's corporate society. In order to support and encourage diverse working styles as a company, we may need to formulate a job description that serves as action guidelines for business execution and make it common knowledge among all employees, including new graduates.

Takayama As you pointed out, I believe that taking an interest in the work and roles of other departments, beyond the scope of one's own duties, not only promotes individual employee growth but also contributes to strengthening cooperation between departments. I think that kind of healthy curiosity is helping to create a fair and open corporate culture that is not bound by outward appearance or physical attributes such as nationality, gender or age.

Ishimura I believe that the fair and open corporate culture you just mentioned is the Sanwa Group's greatest strength. For example, the PDCA cycle is a method for continuous improvement of quality control and business management. However, numerous conditions must be met for this cycle to function properly, including the establishment of precise quantitative targets and close personal cooperation that is not limited by departmental boundaries. In this regard, the Sanwa Group has an open-minded corporate culture that works to combine the wisdom of its employees to solve problems, and I hope that this corporate culture and climate are enhancing the effectiveness of the PDCA cycle.

Takayama In terms of support for the advancement of women in the workplace, the talk you gave about your personal experiences and perspectives as part of career development training for female employees of the Group in November 2022 was also a good opportunity for us to further accelerate our efforts toward diversity. I recognize that a male-centric value system is still widespread within the Sanwa Group, and I hope that your presence will serve as a catalyst for change in this aspect of our corporate character.

Ishimura Japan's corporate society is still based on using a rigid hierarchy as the fundamental concept for organizational design and management. However, as each company is becoming more aware that a rigid chain of command is sometimes the obstacle preventing quick decision-making and business execution, Japanese companies will likely make the gradual shift to a "network-based" structure in the future. Doing work means cooperating with many other people—in other words, building a network around yourself. In this respect, I also think there is plenty of space for women who are skilled at building close personal relationships within their local communities and friendship circles to advance. In the talk you mentioned, I expressed these thoughts and my expectations for female employees.

Aiming to create a sustainable corporate group

Takayama It is natural that the concept of "sustainability" refers to the sustainability of the global environment, the economy and society. However, from a corporate management perspective, if we look at corporate continuity there are over 70,000 companies in the world that have a history spanning more than 100 years, around half of which are Japanese companies. In other words, many Japanese companies have been actively moving forward with initiatives that contribute to their own sustainability through their core businesses for many years. I



feel that we should have more confidence in ourselves, and pursue a more natural state of being as a company.

Ishimura Many Japanese companies have been practicing management that takes various stakeholders, including customers, business partners and employees, into account, rather than Western-style shareholder-oriented management, for a long time now. This is probably why so many century-old companies exist in Japan. For a company to survive, building and strengthening close, trusting relationships with its stakeholders is essential. From a sustainability perspective, it will become increasingly important for the Outside Directors to fully exercise their management supervision and advisory capabilities, and to make full use of websites, various print media, social media and other methods to disseminate timely and accurate information, so that we gain the understanding and sympathy of all of our stakeholders.

Takayama How do we ensure corporate continuity? It is important for us to backcast from our Long-Term Vision, clarify the issues and strategies that need to be addressed now and steadily implement those initiatives; to plan the expansion of our human capital, which will serve as the driving force for long-term growth; and to work to preserve the natural environment, which is the foundation of management and business, by reducing the environmental impact of our production processes and contributing to the environment through our products and services. Of course, for a company to continuously develop, it must differentiate itself from its competitors and increase its presence in the market. It is vital that every individual employee, not just management, rediscovers the importance of sustainability and increases their efforts to achieve it.

Ishimura As for DX, which is my area of expertise, without making use of IT and digital technology Japanese companies cannot overcome fierce competition in global markets. I believe that continuously creating innovation, the lifeblood of the manufacturing industry, through the power of human resources and DX is the core of corporate sustainability.

The superiority of our governance structure, and our medium- to long-term growth strategy

Takayama Sanwa Holdings' Board of Directors is comprised of six Inside Directors and four Outside Directors. All of the Inside Directors also have experience at other companies, and I see the ability to reflect objective outside perspectives in our decision-making as an advantage we hold in terms of governance. However, in order to make accurate decisions, we must reflect feedback from frontline employees, who have a fine understanding of the current status of our businesses and related issues, in our strategies and measures. I feel that making management decisions based on the frontline perspective will become increasingly important from now on.

Ishimura Our Board of Directors' meetings are attended by a diverse group of individuals with experience in the legal and business worlds. I believe that one of the major strengths of our corporate governance is the fact that we can make the best use of their diverse viewpoints, that take into account structural changes and various trends in the economy and society, in our decision-making. However, as you pointed out, to ensure the validity of our strategies and measures, it is essential that we make practical management decisions in line with the Company's actual situation. In that sense, I would like to reiterate that it is vital for us as Outside Directors to thoroughly fulfill our advisory capabilities—just as much as our management control capabilities, if not even more—so that external opinions can be incorporated into our decision-making.

Takayama In recent years, the number of Japanese companies actively appointing Outside Directors has been increasing. However, in some cases, the control and advisory capabilities of the Outside Directors are not effective enough, and Board of Directors' meetings become a forum for ratifying management decisions by the Executive Officers. It is necessary to create valuable opportunities for dialogue where a wide range of opinions can be exchanged, not only on items listed on the meeting agenda, but also on the state of management and the future of the industry.

Ishimura In order for the Sanwa Group to win in the face of fierce global competition amid a drastically changing business environment, it is crucial that we make unprecedented leaps forward through innovative management and business initiatives, rather than drawing up growth scenarios as just extensions of our past progress. Alongside optimizing the efficiency of our operations and production activities by making full use of the latest digital technologies, I feel that focusing on producing talented personnel to lead the Company in the future and using Smart Factories as the foundation to pursue the next generation of manufacturing are the most important themes for the Group. I would also like to continue offering my advice at Board of Directors' meetings, with a view toward improving our corporate value over the medium to long term.

Takayama The business environment surrounding the Sanwa Group, both domestically and internationally, is shifting to a generally firm position. For us to achieve further growth in this environment, it is essential that we formulate and steadily implement effective strategies, such as securing and training human resources, building a stable supply structure to meet increasing demand and upgrading various systems. With the concentrated efforts of our employees, we will aim to embody the corporate vision set forth in the Sanwa Global Vision 2030.



Aiming to further develop the Sanwa Group

Ishimura Over its 67-year history, the Sanwa Group has cultivated strengths that cannot be expressed in figures such as sales or market share, including its wealth of technological assets and insights, and its human resources who possess both skills and humanity. I feel that these invisible strengths are fundamental advantages that support our sustainability. The President and other Executive Officers, as well as all Group employees, hold a sense of duty to deliver safety, security and convenience to our customers, and are committed to the development, manufacture, sale and maintenance of our products and services that are a breath of fresh air in the market. As an Outside Director, I am just as determined to appropriately advise the management team, and to contribute to the enhancement of governance and the Group's sustainable growth.

Takayama Management of a corporate group with numerous subsidiaries and affiliate companies requires both dispersed and concentrated force. As Representative Director and President, I accept that it is my responsibility to oversee these two contradictory themes: dispersed force to ensure that each Group company is implementing its growth strategy autonomously in response to its own business environment, and concentrated force to ensure that the holding company comprehensively manages the strategies and measures of each company from the optimum overall perspective and enhances the corporate value of the Group as a whole. With you participating, our Board of Directors' meetings have become more active, and our deliberations and decision-making on agenda items have become more productive. I hope that you will continue to contribute to the further development of the Sanwa Group as a female Director, as an IT specialist and as an entrepreneur with a wealth of insights. Thank you very much for your time today.

Management Team

Directors



Yasushi Takayama
Representative Director, President
Chief Executive Officer

Attendance at Board of Directors' meetings	100%
Number of Company Shares Held	157,317 shares

Reasons for appointment
Following experience at a life insurance company and a securities company, Mr. Yasushi Takayama joined the Company in 2006. He has served in positions including General Manager of the Structural Reform Dept., where he promoted a wide range of management reforms throughout the Group. After assuming office as President in 2017, he has promoted global group management both in Japan and overseas, laying the foundation for the Company to become a major global player. Based on his extensive experience and track record, the Company has determined that he remains qualified to be a Director.



Toshitaka Takayama
Director, Senior Advisor

Attendance at Board of Directors' meetings	100%
Number of Company Shares Held	1,846,290 shares

Reasons for appointment
Since assuming office as a Director in 1972, Mr. Toshitaka Takayama has promoted the diversification of the door, maintenance and service, and other businesses, and has made a substantial contribution to enhancing the Company's presence in Japan. By driving the overseas expansion of the business ahead of the Company's peers, he has also greatly assisted in the globalization of the Group. Based on his extensive experience, acumen, and track record in the construction material business, the Company has determined that he remains qualified to be a Director.



Hiroyuki Yamazaki
Director, Senior Executive Officer,
Responsible for Corporate Planning Unit

Attendance at Board of Directors' meetings	100%
Number of Company Shares Held	20,035 shares

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



Hiroko Ishimura
Independent Outside Director

Attendance at Board of Directors' meetings	100%
Number of Company Shares Held	-

Reasons for appointment
After first being employed by The Mitsubishi Bank, Ltd., Ms. Hiroko Ishimura joined Cincom Systems Japan Ltd. in 1991, where she held important positions, including those of Marketing Manager, Managing Director, and Representative Director. In addition to deep knowledge of solving business issues using IT and digital technologies, etc., which was accumulated through the execution of business at Cincom Systems Japan Ltd., she also has extensive experience as a company manager. The Company expects her to utilize this deep knowledge and extensive experience to provide supervision and advice in relation to the execution of business by Directors of the Company.
Note: Ms. Ishimura has attended all Board of Directors' meetings held since her appointment as an Outside Director on June 23, 2022.



Teiko Zaima
Director
Audit & Supervisory Committee Member

Attendance at Board of Directors' meetings	100%
Attendance at Audit & Supervisory Committee meetings	100%
Number of Company Shares Held	24,600 shares

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



Tsunekatsu Yonezawa
Independent Outside Director
Audit & Supervisory Committee Member

Attendance at Board of Directors' meetings	100%
Attendance at Audit & Supervisory Committee meetings	100%
Attendance at Nomination & Compensation Committee meetings	100%
Number of Company Shares Held	-

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



Toshiaki Doba
Director, Senior Executive Officer
Responsible for Global Business Unit

Attendance at Board of Directors' meetings	100%
Number of Company Shares Held	11,341 shares

Reasons for appointment
After holding important positions at a trading company and a foreign-owned enterprise, Mr. Toshiaki Doba joined the Company in 2014. At the Company, he has been mainly involved with the North American business, making a substantial contribution to expanding the sales of U.S. subsidiaries and improving their profitability. From fiscal 2022, he has served as a representative of the Global Business Unit, where he has led the Company's business strategy in Europe and Asia, as well as the Americas, contributing to the growth of the Company's global business. Based on his experience and track record, the Company has determined that he is qualified to be a Director.
Note: Mr. Doba has attended all Board of Directors' meetings held since his appointment as a Director on June 23, 2022.



Meiji Takayama
Director (Part-time)

Attendance at Board of Directors' meetings	100%
Number of Company Shares Held	96,438 shares

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



Masanaka Yokota
Independent Outside Director

Attendance at Board of Directors' meetings	100%
Attendance at Nomination & Compensation Committee meetings	100%
Number of Company Shares Held	5,400 shares

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



Akira Gokita
Independent Outside Director
Audit & Supervisory Committee Member

Attendance at Board of Directors' meetings	100%
Attendance at Audit & Supervisory Committee meetings	100%
Attendance at Nomination & Compensation Committee meetings	100%
Number of Company Shares Held	-

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

Executive Officers

Executive Officer **Masayuki Atarashi**
Corporate Planning Unit
Head of Corporate Communication Department

Executive Officer **Katsumi Fujii**
Corporate Planning Unit
Head of Corporate Planning Unit

Skill Matrix of the Board of Directors

	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
Directors (excluding Directors serving as Audit & Supervisory Committee Members)	Yasushi Takayama	○	○				○	○	○	○
	Toshitaka Takayama	○	○	○	○	○			○	
	Hiroyuki Yamazaki	○		○	○		○	○	○	○
	Toshiaki Doba	○	○	○	○			○		
	Meiji Takayama	○	○		○	○		○	○	
	Masanaka Yokota	○		○		○			○	
Directors serving as Audit & Supervisory Committee Members	Hiroko Ishimura	○		○	○		○			
	Teiko Zaima	○	○					○	○	○
	Tsunekatsu Yonezawa	○	○	○	○					
	Akira Gokita	○						○		○

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

Management Foundation of the Group

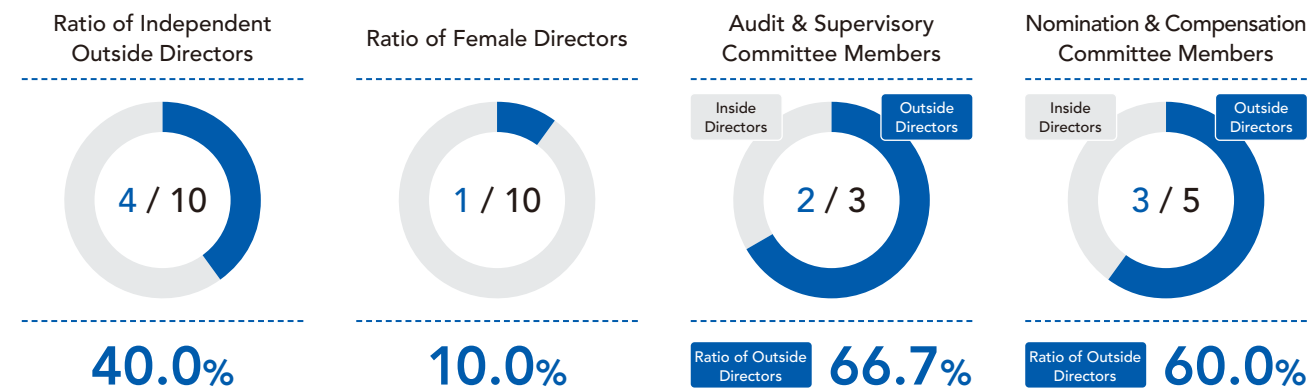
Corporate Governance

Basic Approach to Corporate Governance

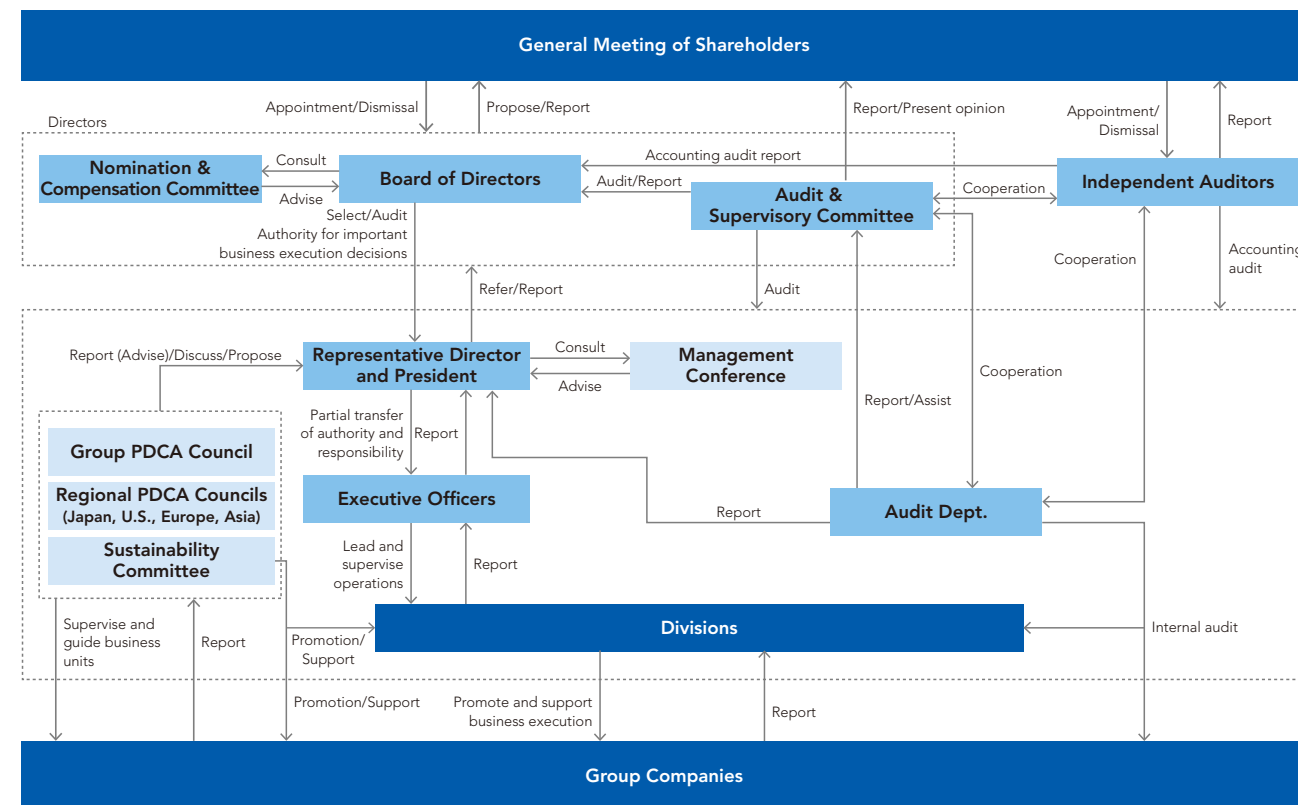
As a global access systems company that is developing business in 27 countries and regions in North America, Europe and Asia as well as in Japan, Sanwa Holdings Corporation achieves business growth through good faith and fair business activities on the basis of the Company's "Mission," "Our Values,"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

Corporate Governance Structure

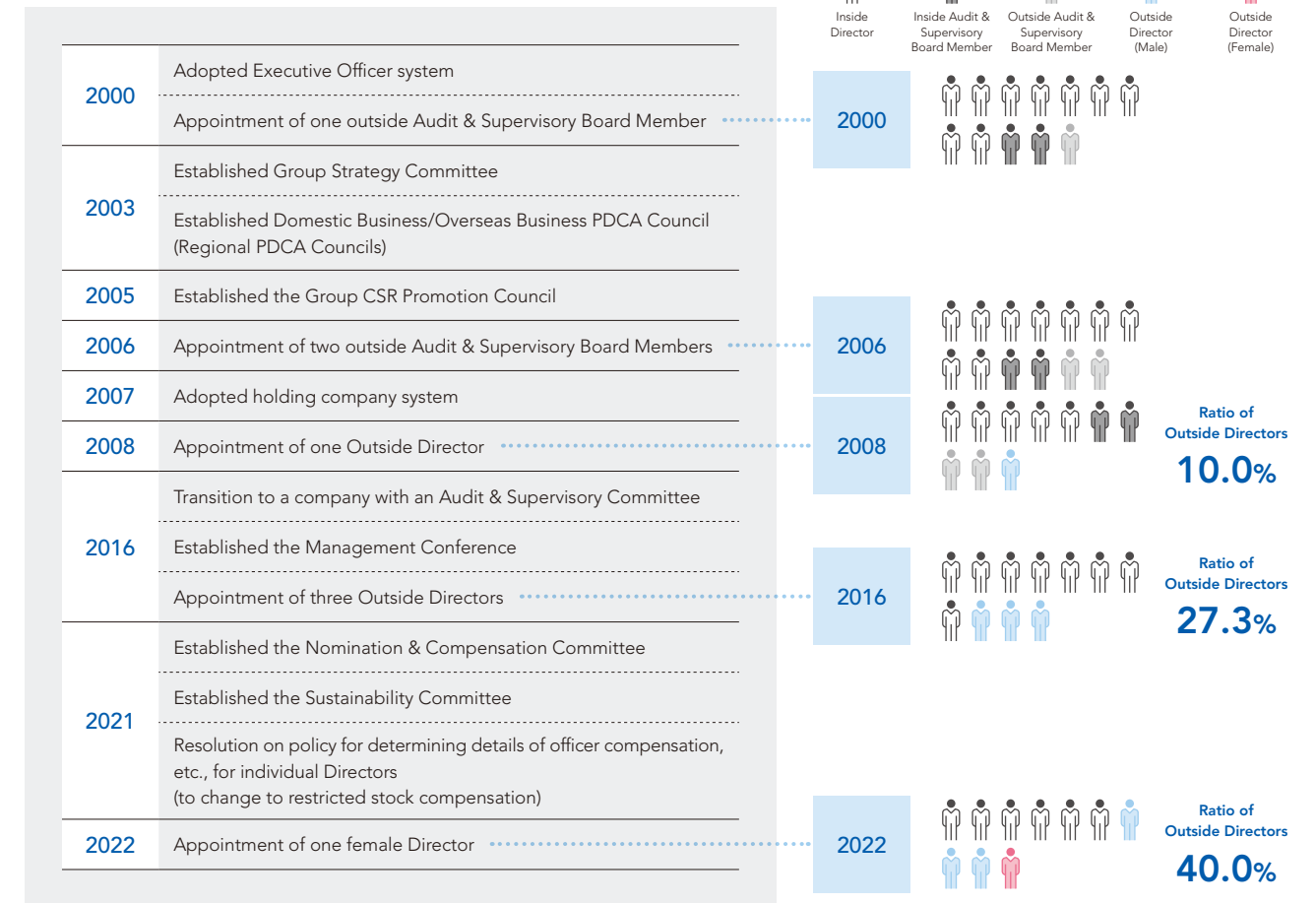
The details of specific measures to enhance our business execution and supervisory functions are set out below. By adopting this system, we believe that we can establish a system to ensure the appropriateness of operations and enhance corporate governance.



The Sanwa Group's Corporate Governance Structure



Enhancement Process of Corporate Governance



Evaluations of Board of Directors' Effectiveness

The Company has been conducting an annual questionnaire on the effectiveness of the Board of Directors since the end of fiscal 2017. In fiscal 2022, we conducted the questionnaire after the Board of Directors' meeting held in March 2023 and obtained responses from all Directors. At the first Board meeting in fiscal 2023, they analyzed and evaluated effectiveness based on the response results. As a result, although there were issues raised, we evaluated that our Board of Directors is functioning effectively. Going forward, we will continue to make improvements to enhance the effectiveness of the Board of Directors.

Content that could be evaluated
Knowledge, experience, and competence are well-balanced, and the Directors engage in lively discussions based on their respective skills.
Points to be improved
Increased information provision, to help Outside Directors have a greater understanding of the agenda and topics of discussion at Board of Directors' meetings.
Other opinions expressed
Although information is being shared with Directors and Executive Officers, there were opinions regarding the need for increased collaboration.

Shareholding Guidelines

As of April 1, 2023, to promote the ownership of Company shares by Directors (excluding Outside Directors, Part-time Directors and Directors who are also Audit & Supervisory Committee Members), we have established shareholding guidelines as shown below. The aims of the guidelines are for Directors to share both the benefits and risks with shareholders in line with share price fluctuations, and for Directors to be further motivated to improve business performance.

Guidelines:
Each Director shall endeavor to hold Company shares in accordance with the following thresholds. Chairperson/President/Advisor: Double the amount of basic compensation (annual amount) within four years of assuming the relevant position All other Directors: Equal to the amount of basic compensation (annual amount) within four years of assuming the position of Director

Specific Measures for Enhancing Business Execution and Supervisory Function

Management Conference

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

Audit & Supervisory Committee

The Audit & Supervisory Committee met a total of nine times in fiscal 2022. The Directors who are Audit & Supervisory Committee members monitor the status of business execution by Directors who are not Audit & Supervisory Committee members and other Executive Officers, and report and express their opinions. In this way, we work to ensure legal and appropriate corporate management. We believe the transition to a company with an Audit & Supervisory Committee has contributed to improving the supervisory function and transparency of the Board of Directors, and thus demonstrates the effectiveness of the Board.

Nomination & Compensation Committee

The Nomination & Compensation Committee was established as an advisory body to the Board of Directors for the purpose of strengthening

the fairness, transparency, and objectivity of procedures related to the nomination and compensation of Directors excluding Directors serving as Audit & Supervisory Committee members, and Executive Officers.

The committee, which was established in January 2021, consists of three or more members selected by resolution of the Board of Directors, and the majority of the members are independent outside directors.

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

Group and Regional PDCA Councils

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

Sustainability Committee

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

Name of the meeting body	Frequency of meetings/the number of meetings held/attendance rate	Agenda items
Management Conference	Once a month, as a general rule (Fiscal 2022: 9 times) Attendance rate: 100%	<ul style="list-style-type: none"> Deliberates on matters deemed necessary by the President from among matters concerning important business execution decisions delegated by the Board of Directors to the President Deliberates on matters deemed necessary by the President from among the Board of Directors' meeting agenda items Deliberates on other important, management-related matters
Audit & Supervisory Committee	At least once every three months, as a general rule (Fiscal 2022: 9 times) Attendance rate: 100%	<ul style="list-style-type: none"> Reports and expresses their opinions on the audit of the status of business execution by Directors who are not Audit & Supervisory Committee members and other Executive Officers
Nomination & Compensation Committee	Twice a year, as a general rule (Fiscal 2022: 2 times) Attendance rate: 100%	<ul style="list-style-type: none"> Proposals for the election of Directors, excluding Directors serving as Audit & Supervisory Committee members and Executive Officers Matters concerning the compensation for Directors, excluding Directors serving as Audit & Supervisory Committee members, etc., and the calculation method for individual compensation
Group PDCA Council	Once a month, as a general rule (Fiscal 2022: 8 times) Attendance rate: 100%	<ul style="list-style-type: none"> Reports, confirms, and provides guidance on the progress of Groupwide plans (for each business unit) Reports, confirms, and provides guidance on the progress of important projects of each business unit Considers and coordinates new management issues across business units
Regional PDCA Councils (Japan, U.S., Europe, and Asia)	Once every three months, as a general rule (Fiscal 2022: 4 times each) Attendance rate: 100%	<ul style="list-style-type: none"> Considers the plans and budgets of each business company Reports, confirms, and provides guidance on the progress of the plans of each business company
Sustainability Committee	Once every three months, as a general rule (Fiscal 2022: 4 times) Attendance rate: 100%	<ul style="list-style-type: none"> Deliberates on and promotes Groupwide sustainability policies, etc., including the Group's quality, risk management, compliance, social contribution, global environment conservation, respect for human rights, work-style reforms, and gender equality

Compensation of Directors

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

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

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

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

a. Policy for base compensation

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

b. Policy for performance-linked compensation

Performance-linked compensation is monetary compensation for business execution during the term of office (one year) of Directors. A standard amount is set for each executive 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 a standard amount indicator and the levels of contribution of each Director, evaluated quantitatively and qualitatively, and the compensation is paid during the fiscal year following the current fiscal year.

In order to serve as a reward that functions as a sound incentive for sustainable growth and reflects the Company's business performance, consolidated operating profit has been selected as the primary indicator for performance-linked compensation.

The amount of performance-linked compensation is determined by multiplying the number of points determined for each executive position by the per-point price and the individual evaluation that reflects each Director's evaluation.

The per-point price for the current fiscal year is calculated by multiplying the previous fiscal year's per-point price by the year-on-year

rate of consolidated operating profit (consolidated operating profit for the current fiscal year divided by consolidated operating profit for the previous fiscal year) and by an amplification factor set to increase incentives, and is determined with the approval of the Board of Directors.

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

Performance-linked compensation for each individual Director (formula)	=	Number of points	×	Per-point price	×	Individual evaluation
Number of points		Set by executive position				
Per-point price		Per-point price for the previous fiscal year × year-on-year rate × amplification factor				
Individual evaluation		±25%				

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

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

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

Each eligible Director shall, by making a contribution in kind of all monetary compensation claims to be provided for granting restricted stock each fiscal year, receive an allotment of common stock of the Company. Furthermore, restricted stock compensation shall be granted as compensation for duties performed during the term of office (one year) of Directors within one month after the conclusion of the Ordinary General Meeting of Shareholders that elects the Directors. The allotment will be made through the disposition of treasury stock.

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

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

The Board of Directors determines the proportions of the different types of compensation paid to Directors, based on the compensation level benchmarks of companies with similar business scales as that of the Company, and those belonging to related industries and business categories, as well as on reports obtained through consultations with the voluntary Nomination & Compensation Committee.

The proportions of base compensation, performance-linked compensation and non-monetary compensation are 50%:35%:15%, as a model case. However, the proportions for actual payment may vary by individual.

Base compensation (50%)	■	Performance-linked compensation (35%)	■	Non-monetary compensation (15%)
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e. Policy for decisions on the details of compensation, etc., for individual Directors

Based on a resolution by the Board of Directors, the Representative Director and 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 and President appropriately uses this authority, the Board of Directors will consult the Nomination & Compensation Committee on matters concerning the calculation method, etc. for individual compensation and receive advice from the Committee. The delegated Representative Director and President will then consider the details of this advice and decide.

The amount of compensation for individual Directors is reported to, and subject to verification by, the Nomination & Compensation Committee, in order to ensure its fairness, transparency, and objectivity.

Matters concerning delegation of authority to determine compensation, etc., for individual Directors

The Board of Directors of the Company delegates the decision regarding compensation for individual Directors, etc., to Mr. Yasushi Takayama, the Representative Director and President, in order to accurately evaluate the duties of each Director based on the overall performance of the Group. The delegated authority of the Representative Director and President is the allocation of base compensation for individual Directors, and the allocation of performance-linked compensation, which is evaluated based on the performance of the business for which each Director is responsible.

Actual Compensation Amount for FY2022

Classification	Total Compensation (Millions of yen)	Total Compensation by Type (Millions of yen)			Number of Officers Eligible
		Base Compensation	Performance-Linked Compensation	Non-Monetary Compensation, etc.	
Directors (excluding Directors serving as Audit & Supervisory Committee members and Outside Directors)	352	146	157	49	5
Directors serving as Audit & Supervisory Committee members (excluding Outside Directors)	36	36	—	—	1
Outside Directors (excluding Audit & Supervisory Committee members)	19	19	—	—	2
Outside Directors (Audit & Supervisory Committee members)	46	46	—	—	2

Notes: 1. The figures above include one Director who retired as of the 87th Ordinary General Annual Meeting of Shareholders held on June 23, 2022.
 2. The amount paid to Directors does not include the portion of employee's salary for those Directors who concurrently serve as employees.
 3. Performance-linked compensation is calculated by using operating profit as a performance indicator to clearly reflect the profitability of business activities in fiscal 2022, and by determining a base amount for each executive position based on the Company's consolidated operating profit compared to the previous fiscal year, then adding or subtracting the contribution of each Director within a range of ±25% to the base amount.
 4. Non-monetary compensation is the amount recorded in the current fiscal year, related to restricted stock compensation. For the restricted stock compensation, the common stock of the Company allocated under the restricted stock compensation agreement may not be disposed of in the form of transfer, attachment of security interest, or otherwise, from the date of delivery to the time that the Director loses their position as a Director of the Company or any other positions determined by the Board of Directors of the Company. If the eligible Director loses the position determined by the Board of Directors of the Company prior to the expiration of the period separately determined by the Board of Directors of the Company, the Company shall automatically acquire the restricted stock allocated to the eligible Director without consideration, except in cases where a reason exists that is deemed justifiable by the Board of Directors of the Company.

Internal Control System

In accordance with the provisions of the Companies Act, the Company passed a resolution on its "Basic Policy for Building a System to Ensure the Appropriateness of Operations" at a Board of Directors' meeting and has appropriately established an internal control system based on that basic policy. Also, every year, we check the execution status of the internal control system and report the results to the Board of Directors and, via business reports, to shareholders. We will continue to strengthen corporate governance by making improvements.

Group Governance

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

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

Functions as Corporate Pension Asset Owner

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 corporate pension funds, such as the assigning of employees familiar with the practical side of the business to the full-time Director, the Board of Trustees requiring that each investment institution entrusted with assets fulfills its stewardship responsibilities, and the receiving of reports on the results.

Dialogue with Shareholders and Investors

To increase the transparency of its corporate activities, the Group will endeavor to achieve sustainable growth and increase corporate value by disclosing information in a timely and appropriate manner and reflecting dialogue with shareholders and investors in management.

Please see the Company's website for detailed information regarding corporate governance. <https://www.sanwa-hldgs.co.jp/english/csr/effort/governance/>

Compliance



Ensuring Thorough Compliance

In order to maintain the trust of society, in October 2005 the Sanwa Group formulated the Compliance Code of Conduct, which outlines specific conduct that must be adhered to based on Our Mission, Our Values, Principles of Business, and the philosophy of the Group.

In December 2020, the Compliance Code of Conduct was revised to meet the changing demands of society, focusing on items such as respect for human rights, ethical behavior, and information security. The revised Compliance Code of Conduct and Case Study Booklet was distributed to all employees in April 2021.

At domestic Group companies, training on a nationwide basis is provided to managers of each Group company to further instill awareness of the importance of compliance. This training features lectures on laws related to our business, such as the Antimonopoly Law, the Construction Business Act, the Waste Management and Public Cleansing Act, and the Labor Standards Act. It also includes lectures concerning safety



Compliance Code of Conduct and Case Study Booklet

obligations, harassment, and risks relating to information security, respect for human rights, anti-bribery and corruption and other areas, and thereby fosters compliance awareness.

In fiscal 2019, the Group Companies in Asia distributed the Sanwa Group Compliance Code of Conduct translated into local languages and also adopted an internal whistleblowing system (corporate ethics hotline).

Also in North America (ODC) and Europe (NF Group), whistleblowing systems have been established and compliance training is conducted for all employees.



Annual oath-taking ceremony to comply with the Code of Conduct in Korea (Dongbang Novoferm)

Compliance Code of Conduct: Conceptual Diagram

