


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) 			