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June 6, 2025

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Stakeholder Questions and Our Responses (FY2024 Financial Results Briefing)

We disclose below the representative questions received and our responses at the FY2024 Financial Results Briefing for institutional investors and analysts held on Tuesday, May 27, 2025.

This disclosure aims to enhance information sharing with stakeholders and uphold fair disclosure practices by presenting the questions and answers addressed during IR meetings and other briefings. Please note that certain content has been supplemented or revised for clarity and better understanding.

Q1. What types of costs have increased due to upfront investments in new businesses, and what are the objectives and expected outcomes of these investments?

A1. The increase in upfront investments for new businesses primarily comprises personnel expenses, research and development costs, and specialized outsourcing fees. Guided by the DNA of self-reform and refine, we are committed to becoming a company that continues to generate profits through two transformations: from Automotive Parts Business to New Business and from Internal Combustion Engines to Non-Internal Combustion Technologies. These transformations aim to build a Resilient Multi-Product Portfolio. Since FY2024, we have established dedicated teams for new business initiatives, separate from our existing automotive parts business, focusing resources on areas such as data center business, BEV-related product development, production solutions business, and research in emerging fields.

Q2. How has the price pass-through impact reflected in your financial performance? Please provide specific examples.

A2. In FY2024, unlike the previous year, inflation remained elevated. Consequently, we proactively negotiated with customers to pass on uncontrollable cost increases to product prices. At the same time, for newly incurred costs, we adopted a flexible approach, discussing pass-through arrangements with customers on a case-by-case basis. In FY2024, price pass-throughs reflecting wage increases in Japan and other cost increases in Europe were only partially realized, resulting in a gap between our initial expectations and actual results. We intend to continue negotiations for price pass-throughs in FY2025.

Q3. What are the key points to watch or be aware of regarding your business outlook for FY2025?

A3. Our full-year financial forecast for FY2025 is as follows:

Net sales: ¥147 billion
Operating income: ¥5.5 billion
Ordinary income: ¥4.0 billion
Net Income: ¥1.8 billion

We have set exchange rate assumptions at ¥140 to the U.S. dollar and ¥155 to the euro. Given that approximately ¥100 billion of our sales are denominated in foreign currencies, the anticipated revenue decline compared to the previous year is primarily due to exchange rate fluctuations. Additionally, in response to U.S. tariff policies, we have outlined our stance and underlying assumptions in the Financial Explanatory Materials.