

New Mid-term Strategy and Target

May 30, 2024

Sanoh Industrial Co., Ltd.

1. Global automobile production volume is projected to reach approximately 100 million vehicles in 2030, with India, Latin America and Asia driving growth

2. In the automotive tubing market, which is oligopolistic with few new entrants, Sanoh holds a leading global market share with its critical safety parts representing high barriers to entry

3. Aim to achieve the top global market share via Sanoh Last Man Standing Strategy* as part of the review of ICE vehicles

4. Leverage automotive tubing technology to expand into new businesses such as data centers, liquid-cooling tubing for home appliances, and external sale of equipment

5. Achieve sustainable growth in a VUCA environment through a highly diverse management team in terms of age, gender, and ratio of external hires

*For details, see p.15

Overview of Strategy

Focusing primarily on India, Latin America, and Asia, we will increase tube production capacity, particularly tubing for brake, for which demand is expected to continue after the shift to BEV, as well as strengthen QCD competitiveness through investment in automation/systemization. We will also accelerate efforts to expand business with the U.S. Big 3 automakers and to develop new businesses.

Trends in Automotive Manufacturing Market (Customer)

- **Global automobile production continues to grow** (approximately 100 million vehicles in 2030)
- Regional growth rates (in order): (1) **India** (2) **Latin America** (3) China (4) **Other Asia**
- However, Japanese OEMs withdrawing from/reducing production capacity in China
- Production costs in U.S. remain high, primarily due to high labor costs
- A growing **momentum among automakers reevaluating focus on BEVs to consider HEVs and/or PHEVs**
- In Asia, need to pay close attention to rapid growth in BEV sales in Thailand

Competitive Environment for Automotive Tubing (Competitor)

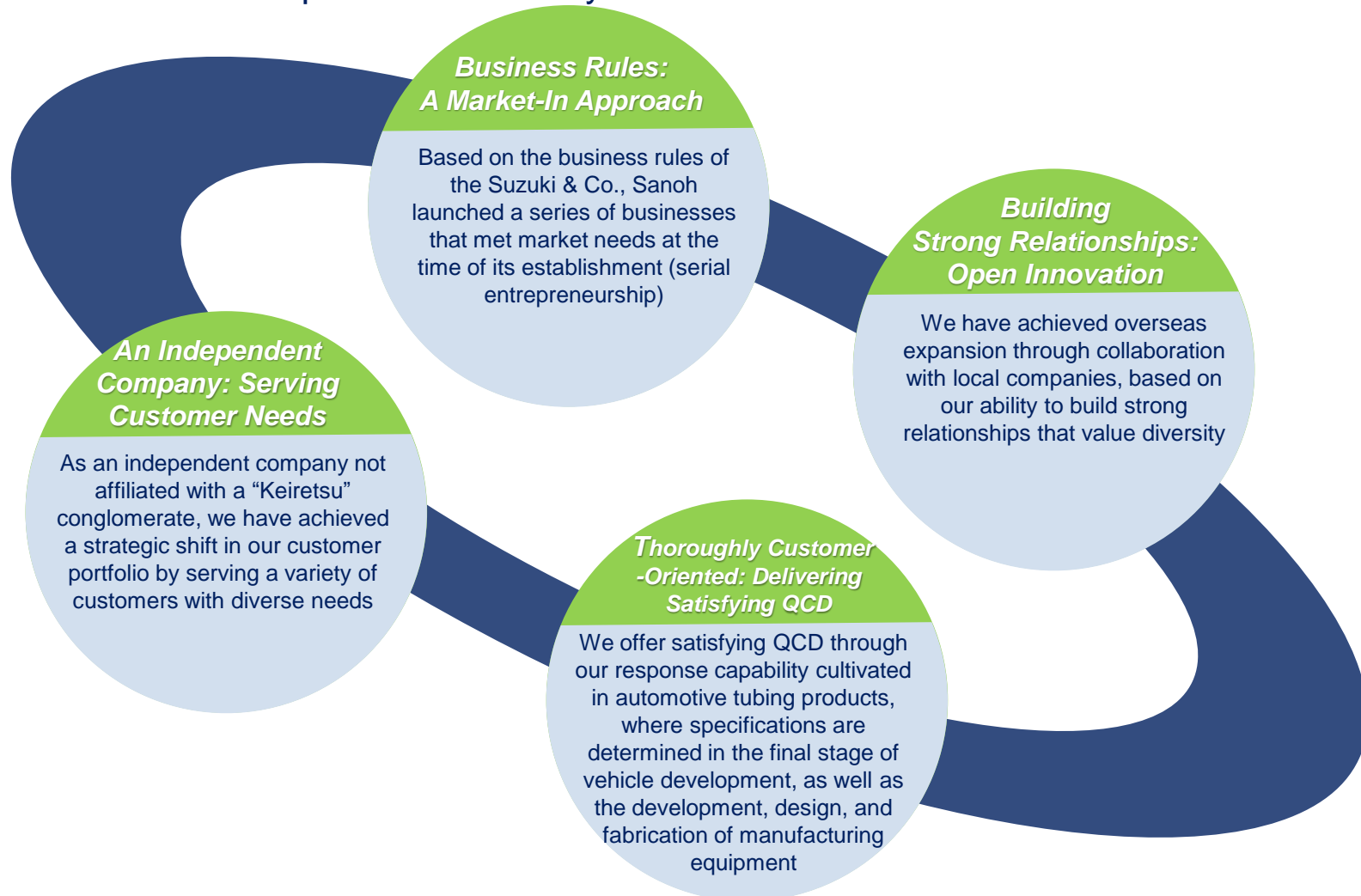
- **Global competitors focusing on winning orders for BEVs**
- Reasonable financial leverage, with **some competitors restructuring**
- **Limited competition with domestic competitors**
- **Few new entrants globally**
- **China has established its own economic zone**, primarily composed of local companies

Internal Challenges (Company)

- **Strengthen tube production capacity** (Delivery)
- **Automation/labor saving** (Quality & Cost)
- Develop **system infrastructure** (promote data-driven management)
- Room to expand business with **U.S. Big 3 automakers** (GM, Ford, Stellantis)
- Need to accelerate development of **new businesses** (businesses other than existing businesses)
- Long-standing **passive mindset** inherent in contract manufacturing industry
- Pursue **sustainability management**

Note: **Underlined portions** represent keywords

Sanoh Industrial is a unique corporate group that values the business rules and spirit established at the time of its foundation, adopts a “market-in” approach that sets it apart from others in the manufacturing industry, upholds a thoroughly customer-oriented philosophy, and proactively pursues open innovation with an emphasis on diversity.



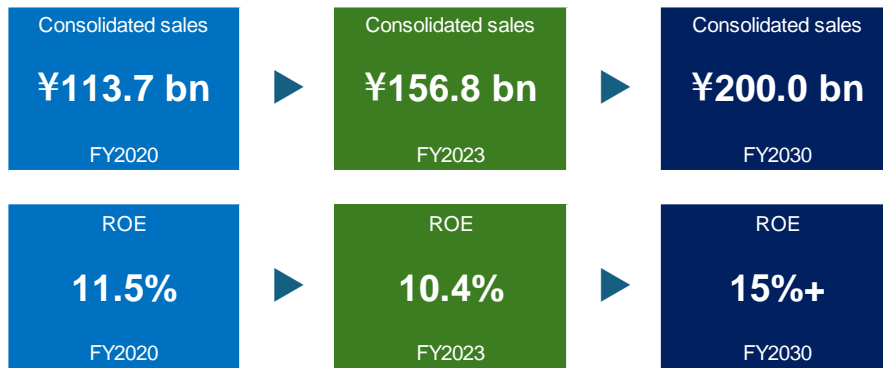
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1. Goals of New Mid-term Strategy and Target, Roadmap to FY2030, and Cash Allocation Policy

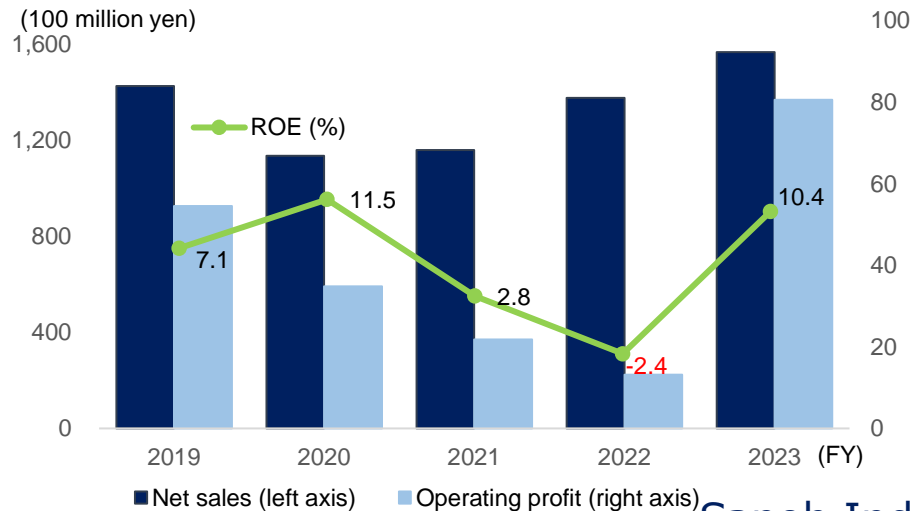
Review of Current Mid-term Strategy and Target

We have achieved a certain level of progress in our core Automotive Parts business (existing business) which constitutes the majority of our current sales, achieving record profits in fiscal 2023 as a result of passing on cost increases, a recovery in production levels, and foreign exchange rates, among others. Meanwhile, we are still in the early stages of developing new businesses such as thermal solutions and next-generation core businesses.

Consolidated quantitative targets (net sales, ROE)



Net sales, operating profit, ROE



Progress against quantitative targets in each business

Existing businesses

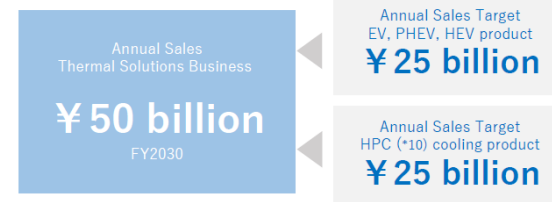
Sales: 156.8 billion yen; achieved target ahead of schedule

Operating profit margin: 5.1%; further progress required



Thermal Solutions business

Despite achievements in mass production for BEVs and development of liquid-cooling products for data centers, we have yet to fully meet growing market needs



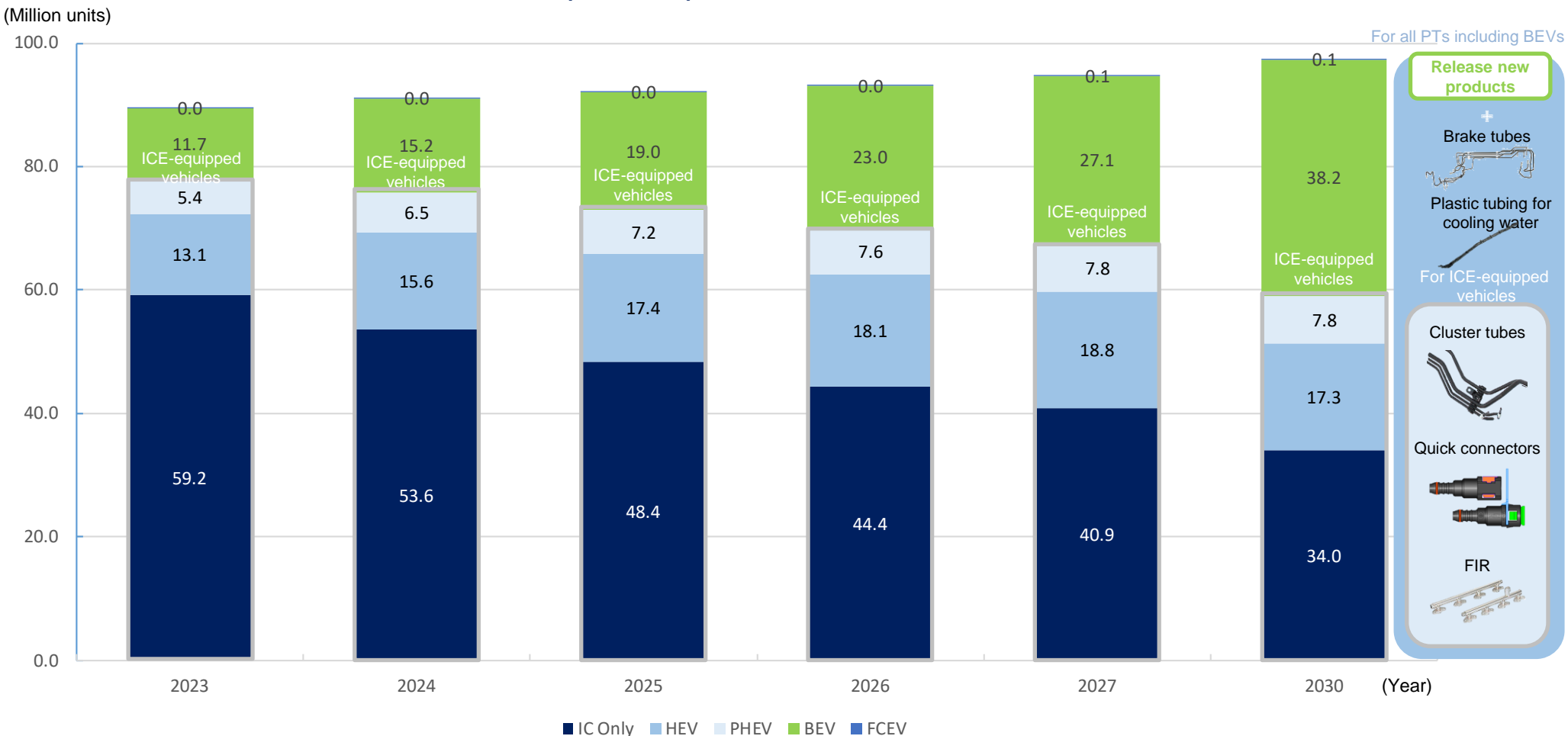
Next-generation core businesses

Minimal impact on consolidated financial results



Global Automobile Production Forecast (by Powertrain)

The BEV market is forecast to grow, with an increasing number of BEVs produced. At the same time, while the number of vehicles incorporating ICEs, including HEVs and PHEVs, is projected to gradually decline, automakers are increasingly re-evaluating their stance on ICE-equipped vehicles. Sanoh aims to establish a resilient product portfolio that can meet uncertain trends in market needs.



Source: Based on data from S&P Global Inc.

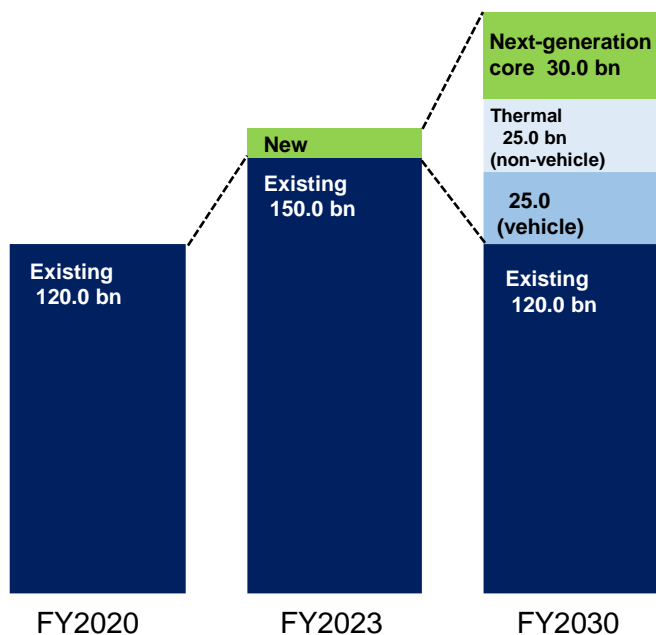
Goals of New Mid-term Strategy and Target:

Build a Resilient Multi-Product Portfolio

In the new Mid-term Strategy and Target, we aim to **build a resilient multi-product portfolio** through two transformations: (1) Automotive Parts Business → New Business, (2) ICE → Non-ICE. Through this shift, Sanoh Industrial will continue to grow sustainably beyond 2030.

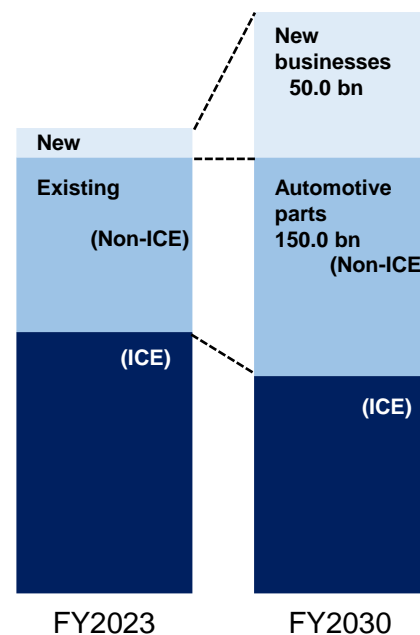
Mid-term Strategy and Target

Approx. ¥120.0 bn → Approx. ¥150.0 bn → Approx. ¥200.0 bn



New Mid-term Strategy and Target

Approx. ¥150.0 bn → Approx. ¥200.0 bn



Quantitative Targets for FY2030 (unchanged)

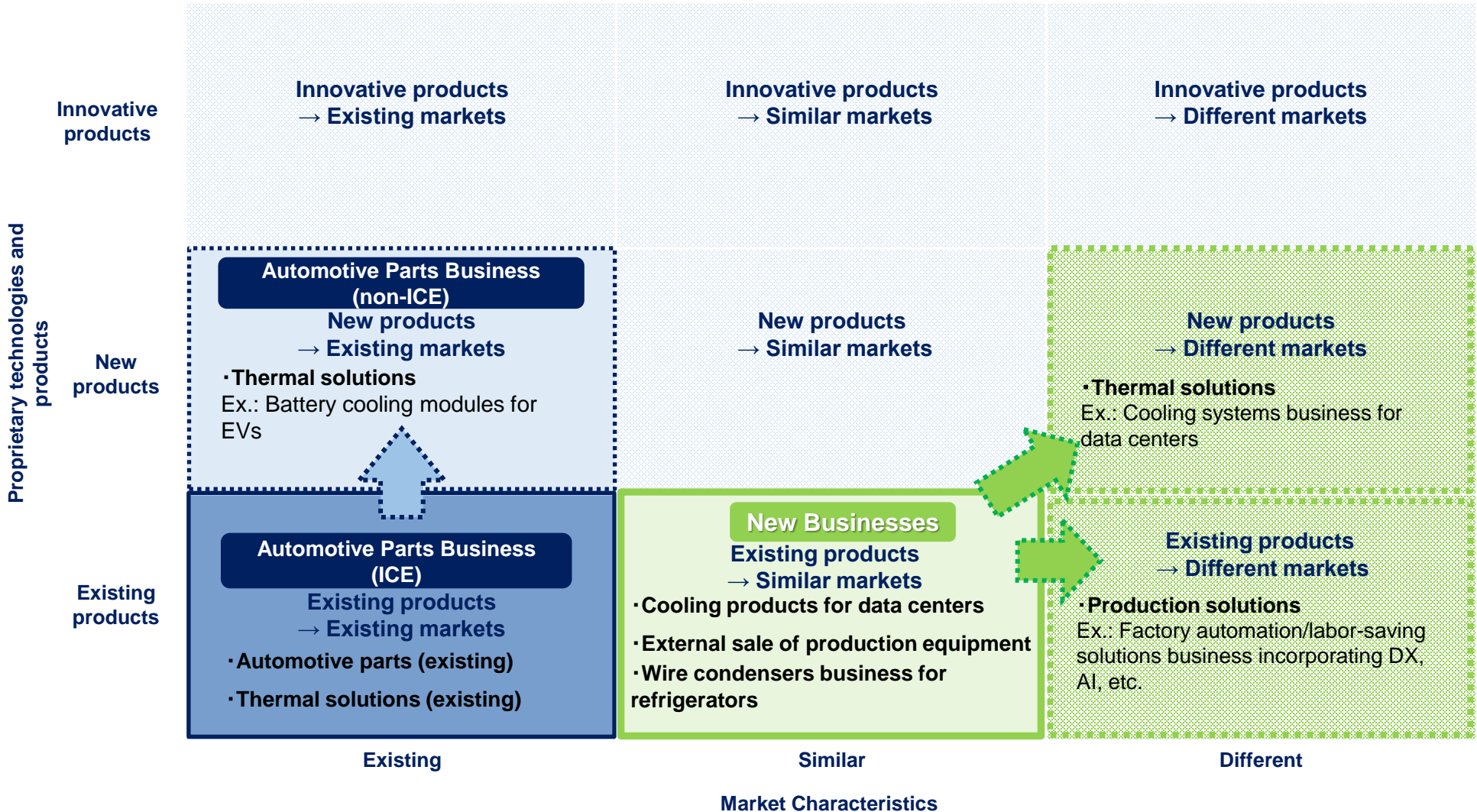
Consolidated sales
¥200.0 bn
FY2030

ROE
15%+
FY2030

[Reference]
Operating profit margin
for former/existing
businesses
(FY2023): 5.1%

Main Business Domains of Focus in New Mid-term Strategy and Target & Future Business Initiatives

New Mid-term Strategy and Target will focus on two transformations: (1) Automotive Parts Business → New Businesses (2) ICE → Non-ICE. Regarding new businesses, we envision developing systemization/solutions businesses going forward.



To build a resilient multi-product portfolio, we will establish a customer-oriented business policy separate from our corporate philosophy to awaken the DNA of self-reform and refine our "market-in" approach, thereby promoting a change in the mindset and actions of all employees.

Business Policy

To always be trusted by customers.

To always be chosen by customers.

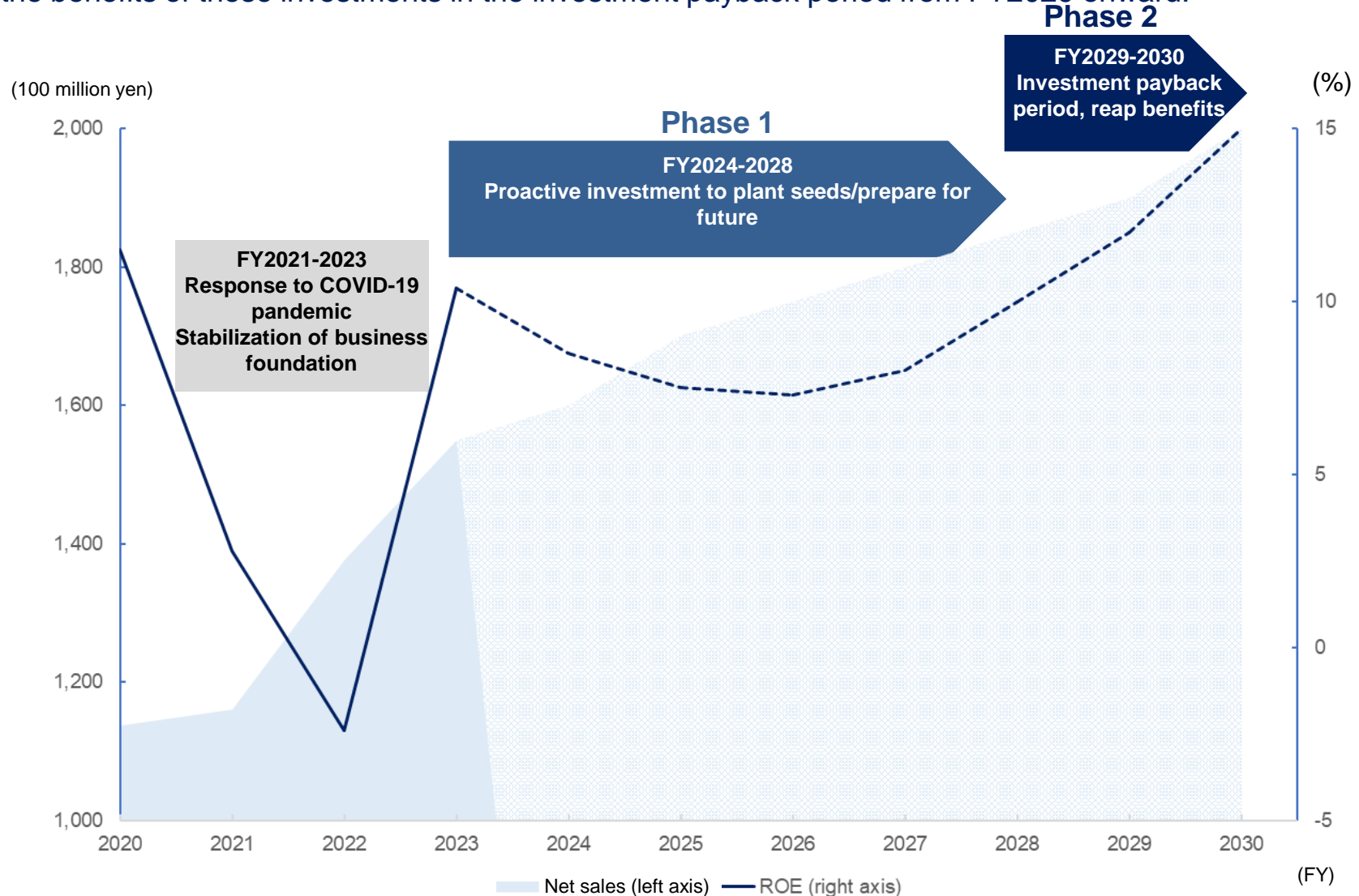
Become a company that continues to generate profit.

Guideline of Conduct

1. Become the world's No. 1 supplier in customer satisfaction
2. Achieve world-class QCD competitiveness
3. Investing in people and creating a rewarding workplace

Roadmap to FY2030 (image)

Through to FY2023 we focused on responding to the COVID-19 pandemic and stabilizing our business foundation. From FY2024-2028, we will focus on proactive investment to plant seeds and prepare for the future. We expect to reap the benefits of these investments in the investment payback period from FY2029 onward.



Sanoh's Cash Allocation Policy

Increase operating cashflow by generating stable cash flow from existing businesses to expand budget for new investments, and allocate funds to three key areas: productivity improvement, growth investments, and shareholder returns

Sanoh's Cash Allocation Policy



2. Main Strategies in Each Business

A. Automotive Parts Business

Aiming to achieve No.1 share of global automotive tubing market by FY2030



As the only “specialized” global supplier of automotive tubing, we are aiming to achieve the No.1 share of the global automotive tubing market through a “Sanoh Last Man Standing Strategy” aimed at gaining business advantages by continuing to operate in existing markets.

Global share of automotive tubing market (FY2023) and Sanoh's target global position (FY2030)



Note: Global share of automotive tubing market is based on estimates by Sanoh

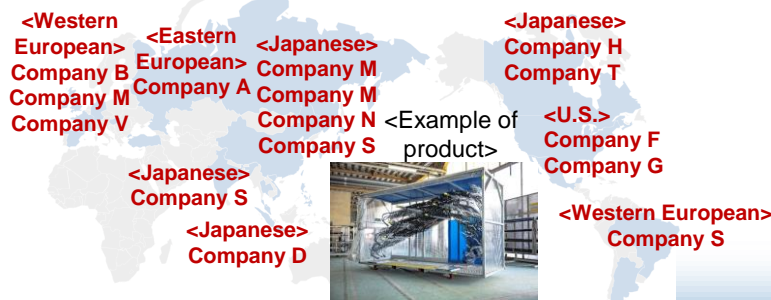
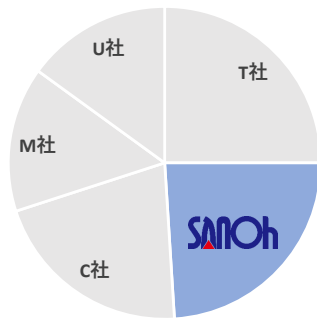
Strategy (1/2): Improve Profit Margins by Leveraging High Market Share/ Switching Cost

Improve profit margins by leveraging high market share and the existence of high switching costs for the supply of difficult-to-replace critical safety parts through customer production, including onsite supply.

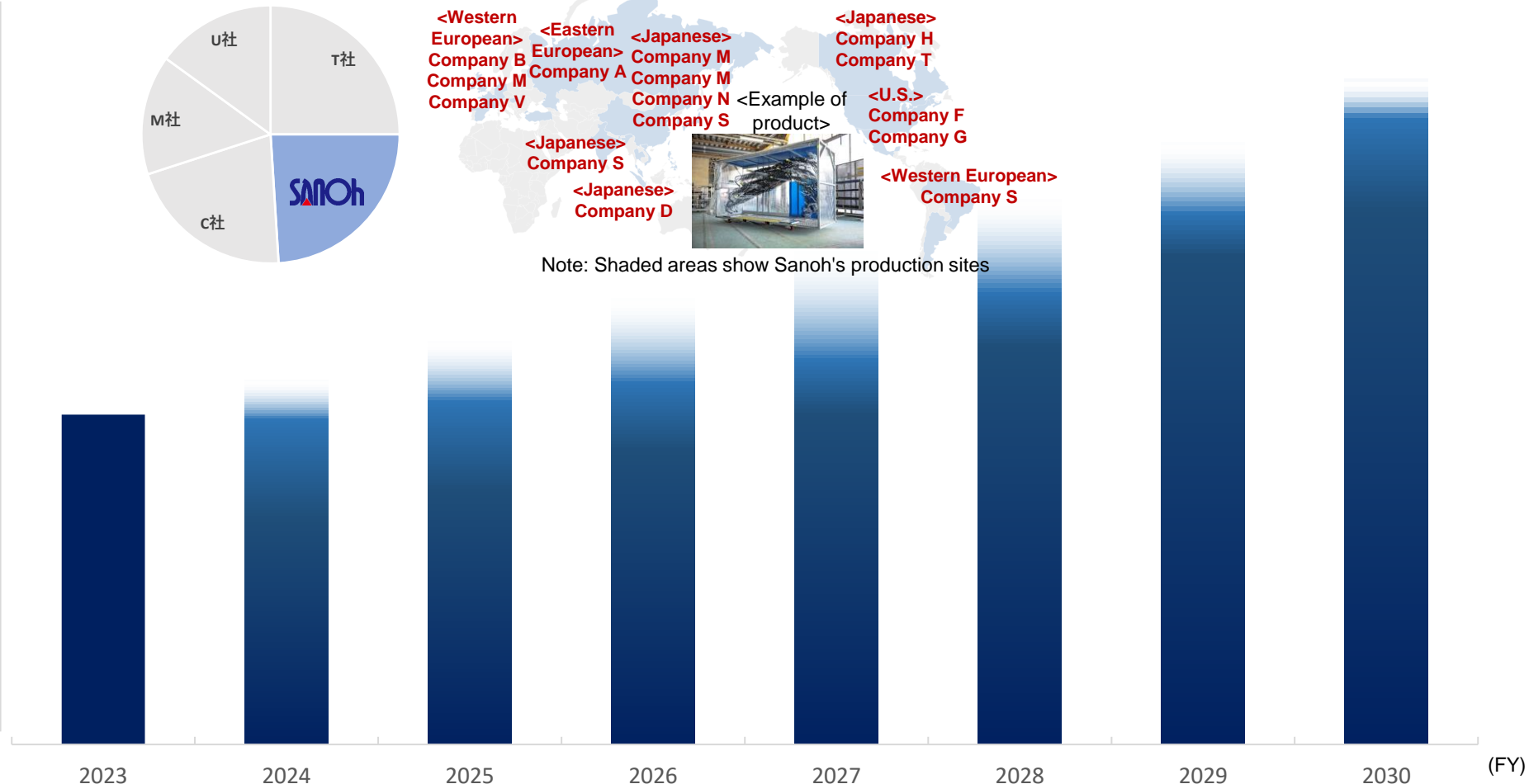
(1) Oligopolistic market and a leading global share

(2) Existence of switching costs for the continuous supply of critical safety parts through customer production

(Operating profit margin)



Note: Shaded areas show Sanoh's production sites

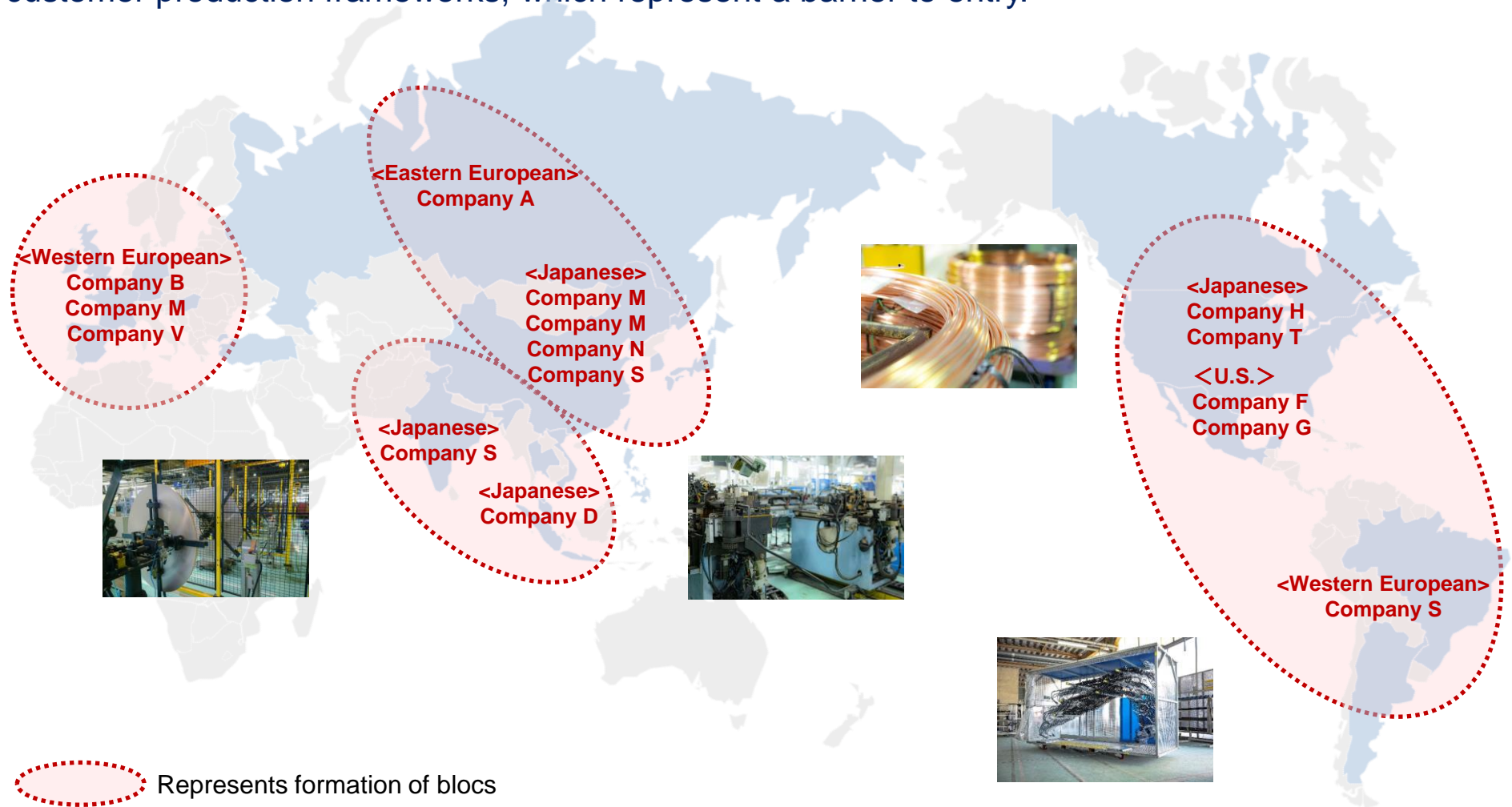


Note 1: Critical safety parts are components whose malfunction can cause a vehicle to fail to comply with safety standards. In particular, these include parts comprising devices whose failure interferes with basic vehicle functions, such as moving, turning, or stopping, as well as devices whose malfunction may lead to serious accidents, such as fires. This term is not defined by laws and regulations, but is used in vehicle quality control.

Note 2: Customer production includes supply of products via both in-site production, in which Sanoh's production lines are installed in the OEM's plant, and on-site production, in which Sanoh's own plant is built adjacent to the OEM's plant.

Strategy (2/2): Improve local production functions & productivity of global customer production framework

With the formation of bloc economies throughout the world, we will invest in our existing local production networks worldwide to improve the local production functions and productivity of our customer production frameworks, which represent a barrier to entry.



Major Investment Regions and Initiatives

We will focus our investments on increasing production capacity in Asia, including India, where growth potential is anticipated, and on enhancing productivity in Central America with a view to supplying the U.S. market, as well as in Japan as our main production center.



Japan - Main Initiatives

- ✓ Upgrade system infrastructure (cost/production management, procurement database, etc.)
- ✓ Increase productivity of tubing production
- ✓ Strengthen new business development efforts

Asia - Main Initiatives

- ✓ Strengthen production capacity for automotive tubing products in Thailand and India
- ✓ Consolidate functions for powertrain products in Thailand from Japan
- ✓ Strengthen home appliance business (water cooling for refrigerators) in India

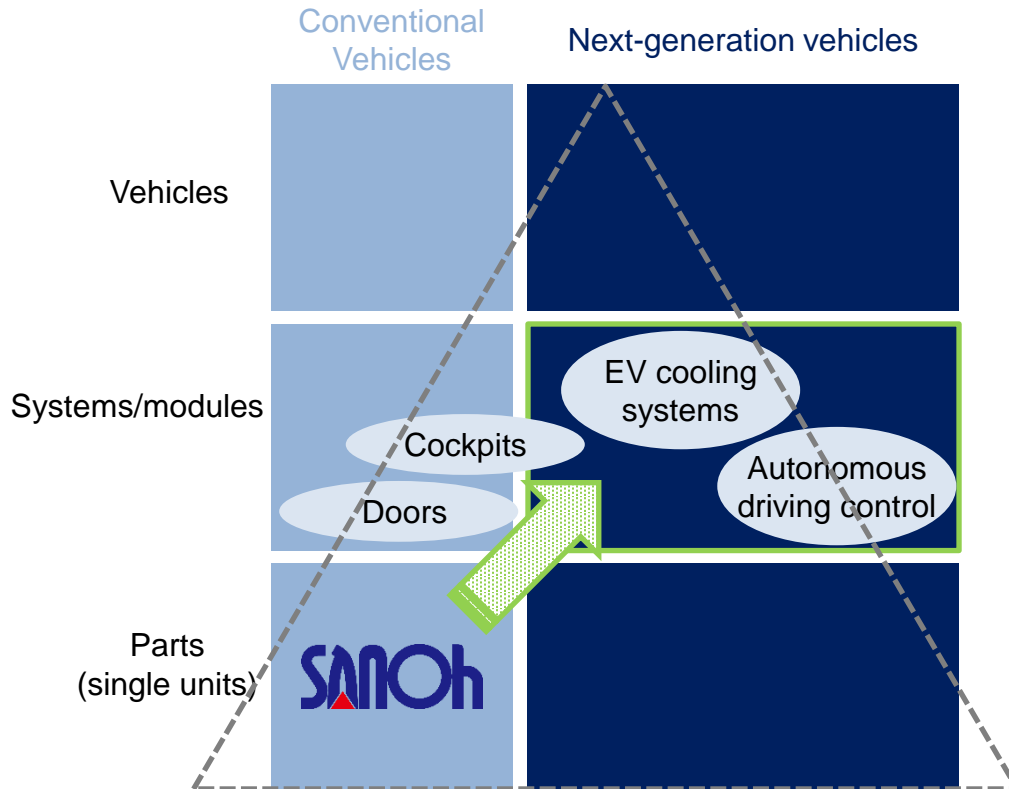
North/South America - Main Initiatives

- ✓ Enhance productivity at U.S. sites (increase capacity at Mexico sites)
- ✓ Focus on expanding business with U.S. Big 3 automakers and Tier 1 megasuppliers

“Tier 1.5 Strategy” for Thermal Automotive Components

We will pursue a “Tier 1.5 Strategy” aimed at supplying thermal automotive parts not only directly to OEMs, but also to system/module suppliers who are handling CASE functions and transforming into megasuppliers.

“Tier 1.5 Strategy” (Supply parts to megasuppliers)



Megasuppliers (Global top 20 by sales)

Adient plc	Lear Corporation
AISIN	LG Energy Solution Ltd.
Aptiv PLC	Magna International Inc.
BorgWarner Inc.	Robert Bosch GmbH
Continental AG	Sumitomo Electric Industries
DENSO	thyssenkrupp AG
Faurecia SE (FORVIA)	TOYOTA BOSHOKU
Hitachi Astemo	Valeo Group
HUAYU Automotive Systems Company Limited	Yazaki Corporation
Hyundai Mobis Co., Ltd.	ZF Friedrichshafen AG

*In alphabetical order

Note: CASE is an acronym representing key trends in the automotive industry, namely: “Connected,” which refers to the connection to communications networks; “Autonomous” or “Automated,” typified by autonomous driving and other forms of vehicle automation; “Shared,” which refers to trends away from vehicle ownership; and “Electric,” which refers to vehicle electrification.

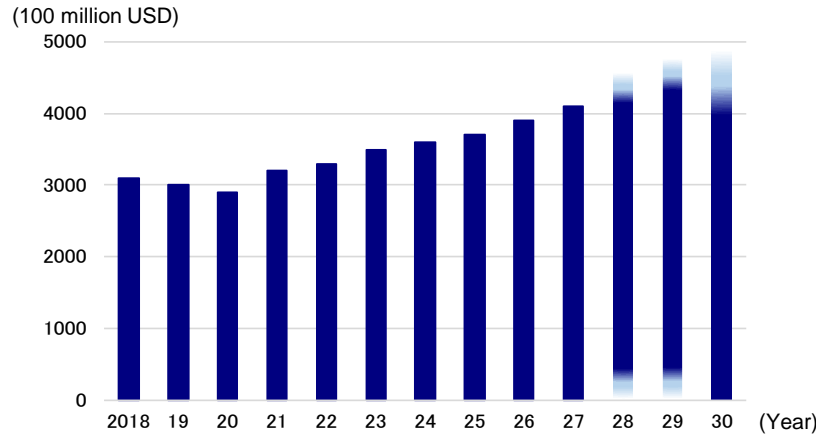
B. New Businesses

Market size for data centers (DC) and Sanoh's cooling products/strategies

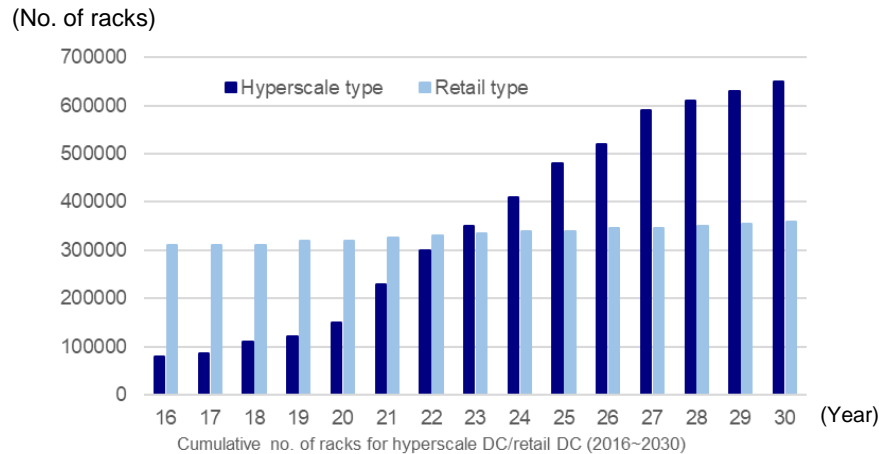


With the global DC market expected to expand in the future, we will expand our business domain through a combination of our proprietary products and inorganic growth efforts, for both air- and liquid-cooling systems - the primary cooling methods for servers

Size of global DC market (2030)

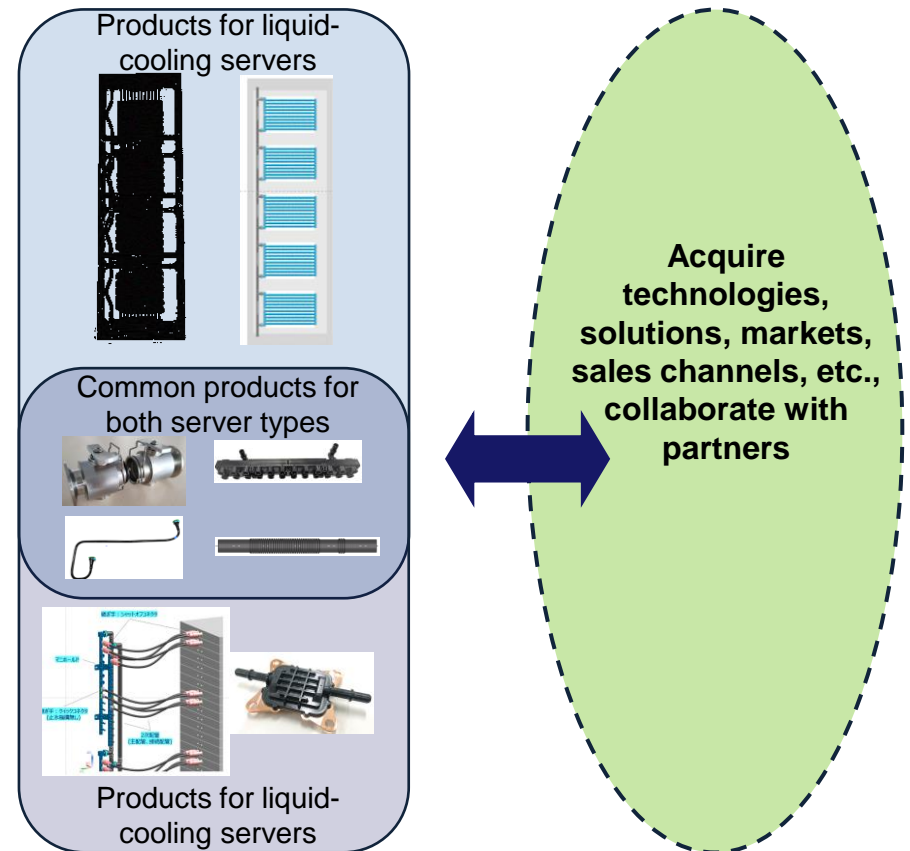


No. of server racks in DCs in Japan (2030)



Sanoh's cooling products/strategy

Proprietary product lines (organic) Inorganic growth initiatives



Source: Based on Data Center Research Report 2024 published by Impress Corporation

On February 14, 2024, Sanoh announced that the company had developed a new liquid-cooling device for data centers (the first device of its type developed in Japan). We have received multiple inquiries from customers and are accelerating further development and marketing efforts to secure orders.

Sanoh's new water-cooling device for DCs



Background of development and key features

Challenges faced by data center operators

Data centers must be able to process vast amounts of data in response to DX, generative AI, the metaverse, and autonomous driving, demand for which is expected to grow in future, and properly handling the heat generated by data processing has become a key challenge for data center operators seeking to ensure server integrity.

Rear door chilled water heat exchanger

This type of heat exchanger is installed on the back of server racks in data centers, absorbing (via heat exchange) the heat released from the servers through a mechanism in which water flows back through the pipe structure. Liquid-cooling is more efficient than air-cooling in terms of heat exchange rate, and as such this technology is increasingly being adopted in overseas data centers.

Japan-first development by Sanoh

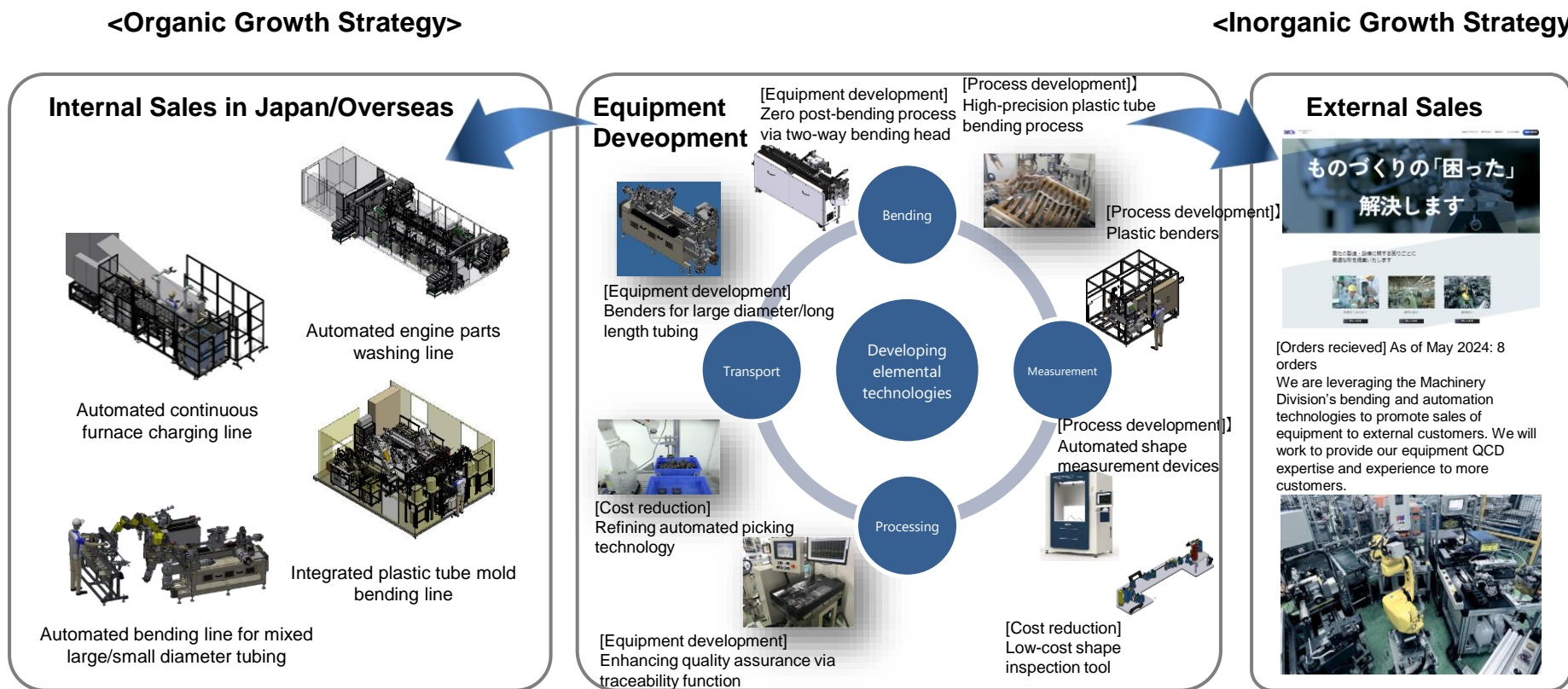
Although certain companies in the U.S., Europe, and China have already developed and commercialized this type of rear door chilled water heat exchanger, Sanoh is the first Japanese company to develop such a device (based on investigations by Sanoh).

Source: Sanoh Develops Liquid-cooling Device for Data Centers (Sanoh Industrial, February 14, 2024).

Developing a Business Model for Production Solutions

By leveraging our expertise in in-house production of equipment and devices, we will aim to commercialize our production solutions while helping improve the productivity of both the Sanoh Group and external customers through external sale of equipment, which is a market expected to grow in line with increasing demand for automation.

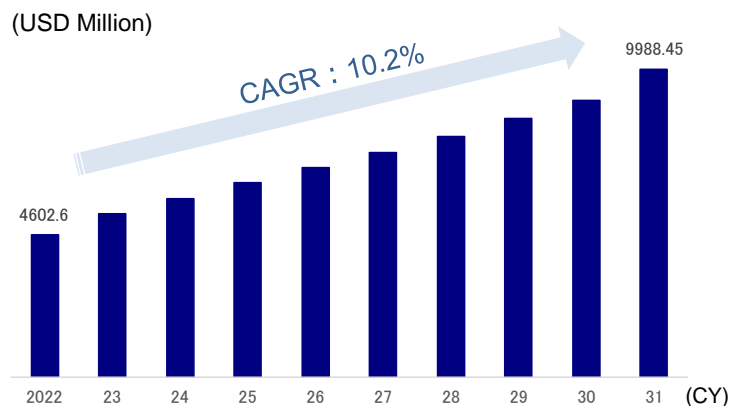
Developing a business model for Production Solutions (concept)



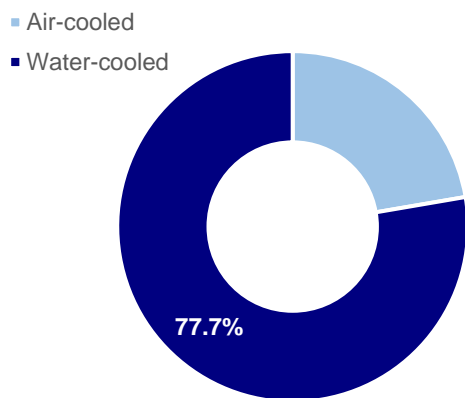
Cross-domain Wire Condenser Business for Refrigerators

We will work to expand the wire condenser business in the fast-growing refrigerator market in India. This former overseas business captures demand for both tubing products and equipment needs in the water-cooling market, Sanoh's core market.

Sustained growth expected in India's refrigerator market

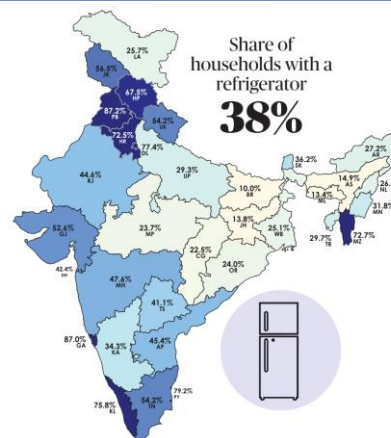


India's refrigerator market is dominated by liquid-cooling refrigerators, an area of strength for Sanoh



Source: Based on data from astuteanalytica

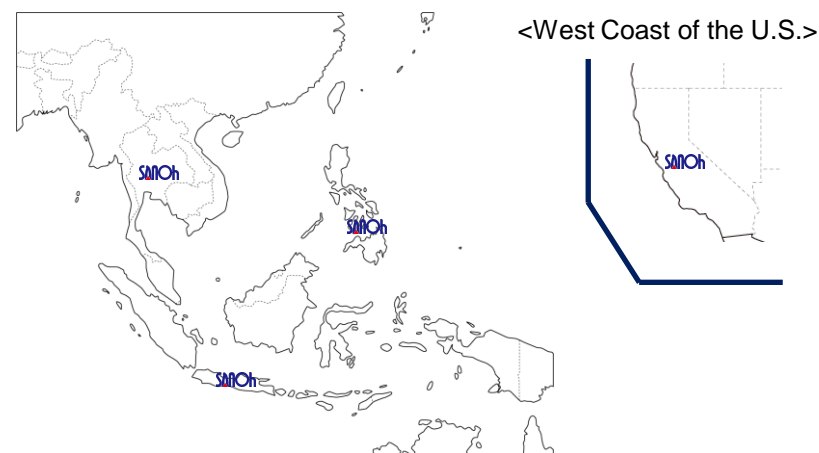
A growing market with low penetration rate and high growth potential



<Refrigerators are a high-growth market with further potential>

Product	Market penetration rate	CAGR (23~30)
Refrigerators	38%	10.2%
TVs	77%	8.7%
Washing machines	13%	9.5%
Air conditioners	8%	9.8%
Dishwashers	1%	2.3%

Learn anew through revisiting the past: Sanoh's first overseas sites were all in the wire condenser business



3. Sustainability Management

Identification of Materiality Issues

In view of drastic changes in the environment surrounding the automotive industry, we have identified four priority materiality issues in order to achieve sustainable growth.

		Materiality issues		
		Priority goals based on our mission	Relevant SDGs contribution	Vision
Social issues to be solved through business activities	Productivity improvement with innovative technologies		<p>As a company with a spirit for the handmade providing critical safety parts of automobiles that affect people's lives, we will deliver new value by further evolving technologies for the existing businesses and creating new businesses through the exploration of knowledge, which does not necessarily rely on our existing technologies, whereby ultimately contributing to the development of next-generation automobiles and other fields.</p>	
	Contribution to reducing environmental impact		<p>In manufacturing our products, we will select environmentally friendly materials, minimize losses, and reduce waste.</p>	
			<p>We will consider and promote the development of energy-saving technologies for reducing waste not only within the Company but also in the life cycle assessment (LCA) as one of the metrics.</p>	
	Co-creation and growth with local communities		<p>We will contribute to the economic development of each country/region and grow together with local communities through our global production activities. We will engage in co-creation with local people in various countries and regions across the globe, and create workplaces where we can work together with local human resources to achieve sustainable growth of our global businesses.</p>	
Management foundation underpinning our activities	Achievement of work-life fulfillment		<p>We will continue to develop human resources with a spirit for the handmade who will inherit Sanoh's DNA. To this end, we will create "opportunities for educating/fostering employees towards their self-reform" and "workplaces that help bring the capabilities and characters of diverse employees fully into play." The development of such a system will lead to establishing a governance foundation and ultimately encourage the sustainable growth of individuals, companies and communities, as well as the creation of new value.</p>	

Source: Integrated Report 2023 (December 5, 2023)

We are also committed to diversity, including endorsing and disclosing information in line with the TCFD framework and appointing female officers to enhance our human capital and ensure the diversity of our Board of Directors.

Endorsing and disclosing information in accordance with the TCFD framework

In September 2023 we endorsed the recommendations of the TCFD, and we disclose the impact of climate change-related risks and revenue opportunities in relation to our business activities, earnings and other items in line with the TCFD framework.



Promoting Diversity (1) (Project aimed at enhancing human capital)

To strengthen our human capital management, we have launched the Engagement Improvement Project with the aim of enabling diverse employees to work to their fullest potential.

We are using the results of our employee engagement survey to implement a variety of measures, including supporting improvements to the workplace environment, planning a variety of workshops, and creating opportunities for information exchange, including briefings on programs to support employees at each stage of their lives, such as nursing care and childcare for male employees.

Promoting Diversity (2) (Appointment of female officers)

In addition to one existing female officer (full-time auditor), one new female director (outside director) was appointed at the Annual General Meeting of Shareholders held on June 19, 2023.

Furthermore, one additional female outside auditor is scheduled to be appointed following approval at the Annual General Meeting of Shareholders scheduled to be held in June 2024.

A Diverse Management Team with Experience in a Wide Variety of Fields



Sanoh's diverse management team is comprised of experienced professionals from a variety of fields. Our management style, which is unbound by industry norms, enables us to achieve sustainable growth even in an uncertain business environment.

Directors



Yoizo Takeda
Chairman,
Representative Director and CEO

Number of years in office: 40 years
Number of the Company's shares owned: 529,180 shares

Career summary
Mar. 1979 Joined the Company
July 1981 Manager of Development Engineering Division, Production Headquarters
June 1983 Director
June 1987 Managing Director
June 1991 Sanoh Managing Director
June 1995 Director and President (Representative Director)
July 2000 CEO (current position)
July 2005 COO
May 2012 Director and Chairman (Representative Director) (current position)
June 2020 Outside Director of STANLEY ELECTRIC CO., LTD. (current position)



Genya Takeda
President,
Representative Director and COO

Number of years in office: 11 years
Number of the Company's shares owned: 430,000 shares

Career summary
Apr. 2008 Ph.D. from Northwestern University
Feb. 2009 Joined the Company
May 2012 Deputy General Manager of Global Development, Headquarters
May 2012 Manager of Research and Development Division, Director
Jan. 2014 Officer
Jan. 2014 General Manager of Global Development Headquarters
July 2014 Executive Officer
May 2015 Senior Executive Officer
June 2015 Senior Managing Director (Representative Director)
Apr. 2016 COO (current position)
June 2016 Director and Vice President (Representative Director)
June 2017 Director and President (Representative Director) (current position)



Munetoshi Sasaki
Director, Executive Officer and CFO,
General Manager of Finance Headquarters

Number of years in office: 8 years
Number of the Company's shares owned: 2,000 shares

Career summary
Apr. 2020 Joined the Company
Sept. 2004 M&A, University of Findlay
Apr. 2013 Manager of Global Marketing and Strategy Department, Global Marketing Headquarters
May 2015 Officer
May 2015 Manager of Corporate Planning Division
June 2015 Director (current position)
May 2016 Executive Officer (current position)
Apr. 2019 General Manager of Corporate Planning Headquarters
May 2020 CFO and General Manager of Finance Headquarters (current position)



Yoshiyuki Izawa
Director

Number of years in office: 1 year
Number of the Company's shares owned: 2,000 shares

Career summary
Apr. 1970 Joined MITSUBI & CO., LTD.
June 2000 Director
Apr. 2004 Executive Managing Officer
Apr. 2007 Senior Executive Managing Officer
June 2007 Representative Director, Senior Executive Managing Officer
Apr. 2008 Representative Director, Executive Vice President
Dec. 2009 Director and Representative Executive Officer, President & CEO of JAPAN POST BANK Co., Ltd.
May 2015 Representative Director, Chairman & CEO of BlackRock Japan Co., Ltd.
May 2022 Outside Director
May 2022 (Audit & Supervisory Committee Member) of Mitori Holdings Co., Ltd. (current position)
June 2022 Outside Director of Seven & I Holdings Co., Ltd. (current position)
June 2022 Outside Director of the Company (current position)



Sayaka Tomioka
Director

Number of years in office: -
Number of the Company's shares owned: 0 shares

Career summary
Apr. 2004 Joined McKinsey & Company
June 2009 Joined Industrial Growth Platform, Inc.
Aug. 2016 Joined TAIYO PHARM Co., Ltd.
Apr. 2019 Executive Officer and General Manager of Pharmaceutical Business Department of Taiyo Holdings Co., Ltd.
Apr. 2020 Executive Officer and General Manager of Corporate Planning Department (current position)
June 2023 Outside Director of the Company (current position)



Motohisa Kaneko
Director

Number of years in office: 4 years
Number of the Company's shares owned: 0 shares

Career summary
Apr. 2006 Joined Shinsei Bank Ltd.
Mar. 2011 Joined Industrial Growth Platform, Inc.
Oct. 2015 Outside Director of UNIFINITY Inc.
June 2016 Outside Director of SPOT Co., Ltd.
Jan. 2018 President and Representative Director of SPOT Co., Ltd.
Apr. 2019 Representative Director and COO of IMed Technologies Co., Ltd.
June 2019 Outside Director of the Company (current position)
Apr. 2020 Co-founder, Director and COO of IMed Technologies Co., Ltd. (current position)



Takafumi Morichi
Director

Number of years in office: 4 years
Number of the Company's shares owned: 0 shares

Career summary
Apr. 1991 Joined Kobe Steel, Ltd.
Apr. 2011 Officer
Apr. 2013 Executive Officer
Apr. 2015 Senior Executive Officer
June 2017 President and CEO of Shinsho Corporation (current position)
June 2019 Outside Director of the Company (current position)



Akie Iriyama
Director

Number of years in office: 3 years
Number of the Company's shares owned: 0 shares

Career summary
Apr. 1996 Joined Mitsubishi Research Institute, Inc.
Sept. 2008 Assistant Professor at Buftalo State, The State University of New York
Sept. 2013 Associate Professor at Graduate School of Commerce, Waseda University (currently Graduate School of Business and Finance) (current position)
Apr. 2019 Professor at Graduate School of Business and Finance, Waseda University (current position)
June 2019 External Director of RIKTO Pharmaceutical Co., Ltd. (current position)
June 2020 Outside Director of the Company (current position)
Dec. 2020 Outside Director of SEPTENI HOLDINGS CO., LTD. (current position)
June 2021 Outside Director (Audit & Supervisory Committee Member) of SORACOM, INC. (current position)

Officers

Hirohisa Nakamoto
Executive Vice President,
General Manager of Marketing Headquarters
and in charge of Business Unit Sales

Takashi Terauchi
Corporate Vice President,
General Manager of Production Management
Headquarters

Yuichi Chikaoka
Corporate Vice President,
General Manager of Corporate Planning
Headquarters

Anthony Enomoto
Officer,
Division Manager of Marketing Headquarters

Yasuo Matsumoto
Officer,
General Manager of Governance
Headquarters

The financial forecasts, plans, business operations, and other information about Sanoh Industrial Co., Ltd. in this presentation are based on information available at the time of this announcement.

This information is subject to a major change depending on factors such as macroeconomic trends, trends in the industries related to Sanoh Industrial, and the development of new technologies.

Therefore, please be aware that there are risks and uncertainties that could cause actual results and other information to differ from those in this presentation. We will provide further information when there is a major change.

SANOH

<https://www.sanoh.com>

Sanoh Industrial Co., Ltd.