Financial Year ending March 31, 2025 Second Quarter

# Explanatory Material

November 14, 2024

Sanoh Industrial Co., Ltd.

Tokyo Stock Exchange: 6584 (Prime)

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# FY24Q2 Consolidated Financial Performance

(All amounts are in million yen except percentages, and per share data)

| Particulars | Quarter ended September 30, 2023 | | Quarter ended September 30, 2024 | | | | Full Year Forecast for the Fiscal Year Ending March 31, 2025 | |
|---|---|---|---|---|---|---|---|---|
| | Amount | % | Amount | % | Variance | | Amount | Progress (%) |
| | | | | | Amount | % | | |
| Net sales | 74,555 | 100.0 | 81,094 | 100.0 | +6,539 | + 8.8 | 162,000 | 50.1 |
| Operating income | 3,187 | + 4.3 | 2,384 | + 2.9 | ▲803 | ▲25.2 | 8,000 | 29.8 |
| Ordinary income | 2,925 | + 3.9 | 2,156 | + 2.7 | ▲770 | ▲26.3 | 7,000 | 30.8 |
| Net income attributable to the shareholders of the parent company | 1,333 | +1.8 | 1,153 | + 1.4 | ▲179 | ▲13.5 | 4,200 | 27.5 |

## Summary of FY24Q2 Financial Performance (YoY)

- Sales: Despite sharp decline in market share of Japanese OEMs in China, consolidated sales increased, driven by high productions at Japanese OEMs in North America as well as favorable exchange rate impact of the depreciating yen.
- Operating Income: Despite the benefits from cost pass-on implemented in the previous fiscal period and stabilized operations, particularly in Americas segment, operating profit declined. This decrease was due to lower revenue in China, rising costs for raw materials, labor, and energy. Additionally, one-time expenses were incurred in the Americas segment, further impacting profit.
- Ordinary Income: Decreased by ▲770 million yen due to decreased operating income.
- Net Income: Decreased by ▲179 million yen due to decrease in ordinary income.

## Exchange Rate

| Currency (1 unit = JPY) | September 30, 2023 (Average Rate) | September 30, 2024 (Average Rate) | Variance |
|---|---|---|---|
| USD | 134.8 | 152.3 | +13% |
| EUR | 145.8 | 164.6 | +13% |
| MXN | 7.4 | 8.9 | +20% |
| RMB | 19.5 | 21.1 | +8% |
| INR | 1.7 | 1.8 | +6% |
| THB | 4.0 | 4.2 | +7% |
| RUB | 1.8 | 1.7 | ▲5% |
| BRL | 26.6 | 30.0 | +12% |

# FY24Q2 Segment Financial Performance

(All amounts are in million yen except percentages, and per share data)

| Particulars | Sales | | | Operating Income | | |
|---|---|---|---|---|---|---|
| | Quarter ended September 30, 2023 | Quarter ended September 30, 2024 | Variance | Quarter ended September 30, 2023 | Quarter ended September 30, 2024 | Variance |
| Japan | 23,919 | 24,306 | +388 | 879 | 577 | ▲303 |
| Americas | 27,821 | 35,069 | +7,248 | 535 | 800 | +265 |
| Europe | 11,058 | 11,758 | +699 | 582 | 156 | ▲427 |
| China | 8,531 | 6,798 | ▲1,733 | 91 | ▲486 | ▲578 |
| Asia | 13,692 | 14,656 | +964 | 1,061 | 1,371 | +309 |
| Adjs. | ▲10,465 | ▲11,492 | ▲1,027 | 37 | ▲33 | ▲70 |
| TOTAL | 74,555 | 81,094 | +6,539 | 3,187 | 2,384 | ▲803 |

## Highlights of the Quarter ended September 30, 2024 (YoY)

**Japan**
(Revenue Growth, Profit Decline)

Revenue remained stable year-over-year, supported by steady domestic and export sales.
Profits declined due to increased labor costs from wage hikes, and increased spending on new business investments.

**Americas**
(Revenue & Profit Growth)

Significant revenue growth, driven by strong production performance amongst Japanese OEMs in North America and the favorable currency translation effects from yen depreciation.
Profits increased, despite one-time expenses, due to stable production ensuring improved production efficiency as well as effective cost pass-on.

**Europe**
(Revenue Growth & Profit Decline)

Revenue grew, benefitting from favorable currency translation effects of yen depreciation despite sluggish regional sales.
Profit decreased due to delays in cost pass-on, increased raw material costs, inflationary pressures, labour shortages and higher system implementation expenses.

**China**
(Revenue Decline, Operating Loss)

Revenue decreased significantly due to sharp decline in the production by Japanese OEMs.
Operating loss was recorded as control measures, including workforce reductions, led to retirement costs, combined with declining revenue.

**Asia**
(Revenue & Profit Growth)

Revenue growth driven primarily by favorable currency translation effects of yen depreciation and higher production at Indian subsidiary which outweighed sluggish market conditions in Thailand and Indonesia.
Profit increased as effective cost management measures mitigated the effects of production fluctuations.

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# FY24Q2 Consolidated Non-operating and Extraordinary Items

(All amounts are in million yen except percentages, and per share data)

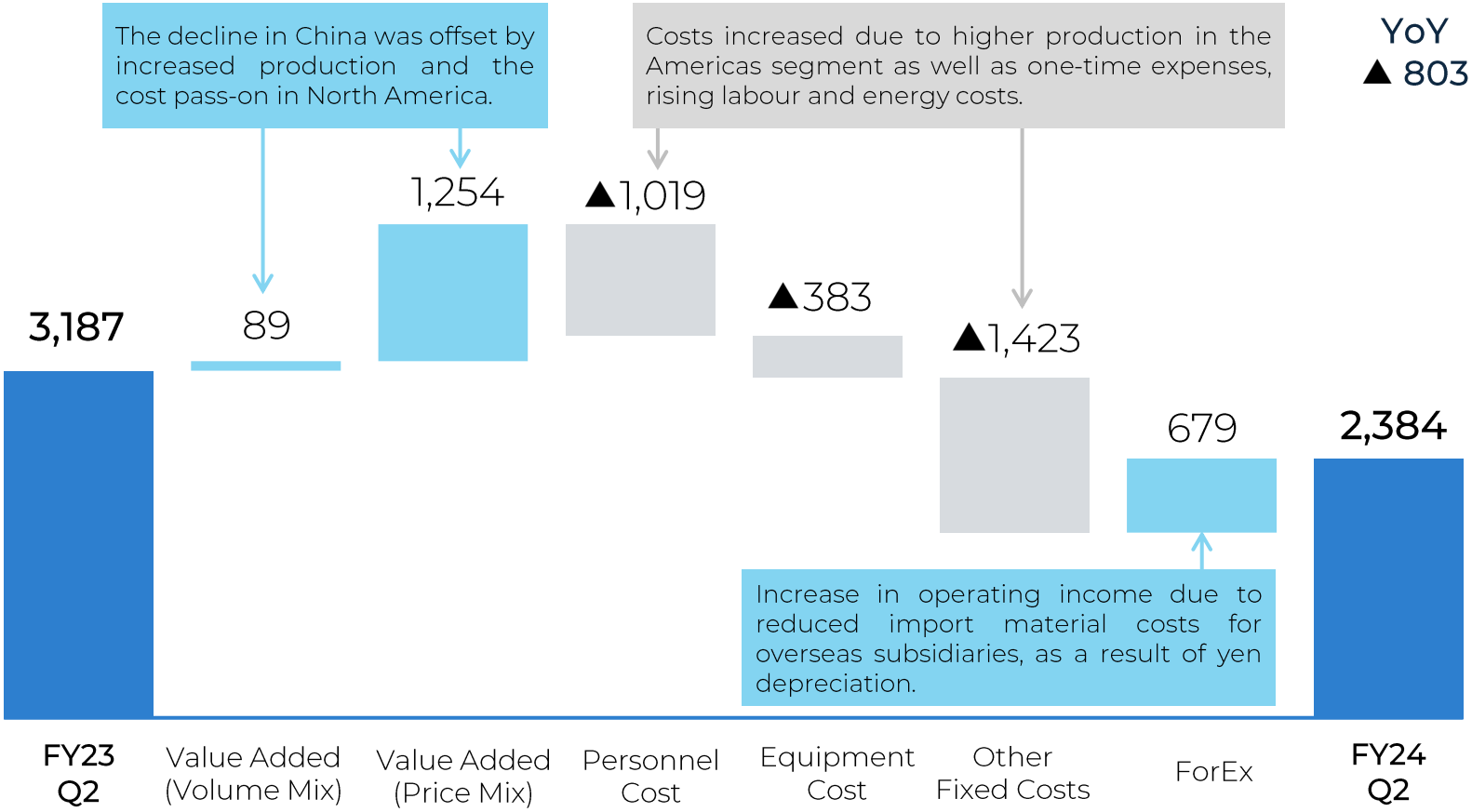
| Particulars | | Quarter ended September 30, 2023 | Quarter ended September 30, 2024 | | | Major Factors for Change |
|---|---|---|---|---|---|---|
| | | Amount | Amount | Variance | | |
| | | | | Amount | % | |
| Operating Income | | 3,187 | 2,384 | ▲803 | ▲25.2 | |
| Non-operating | Income | 341 | 478 | +137 | | Increase in interest income: +59<br>Increase in dividend income: +39 |
| | Expenses | 602 | 706 | ▲104 | | Increase in interest expenses: ▲68<br>Increase in commission fees: ▲19 |
| Ordinary Income | | 2,925 | 2,156 | ▲770 | ▲26.3 | |
| Extraordinary | Gains | 7 | 2 | ▲5 | | |
| | Losses | 506 | 245 | +261 | | Loss on Disposal of Fixed Assets: ▲86<br>(FY23Q2: ▲158 , FY24Q2: ▲244)<br><br>Provision for Litigation Claims: +345<br>(FY23Q2: ▲345, FY24Q2: Zero) |
| Profit before Income Taxes | | 2,426 | 1,913 | ▲513 | ▲21.2 | |
| Corporate Taxes, etc. | | 776 | 429 | +347 | | |
| Net Income attributable to Non-controlling shareholders | | 318 | 330 | ▲13 | | |
| Net Income attributable to Owners of the Parent Company | | 1,333 | 1,153 | ▲179 | ▲13.5 | |

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# FY24Q2 Analysis of Operating Income

(All amounts are in million yen except percentages, and per share data)

Despite the benefits from cost pass-on implemented in the previous fiscal period and stabilized operations, particularly in Americas segment, operating profit declined. This decrease was due to lower revenue in China, rising costs for raw materials, labor, and energy, as well as one-time expenses in the Americas segment.




Note: Value Added (Volume Mix) = Change in consolidated sales (after currency conversion) × YoY value added ratio (after currency conversion).

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# FY24Q2 Consolidated Financial Position

(All amounts are in million yen except percentages, and per share data)

| Particulars | Year ended March 31, 2024 | | Quarter ended September 30, 2024 | | | |
|---|---|---|---|---|---|---|
| | Amount | % | Amount | % | Variance | Major Factors of Change |
| Current Assets | 64,329 | 57.8 | 65,028 | 57.4 | +699 | Total assets: 2,066 (Increase)<br>① Cash and Deposits ▲1,236<br>② Trade Receivables ▲347<br>③ Inventory +848<br>④ Other Current Assets +1,438<br>⑤ Tangible Fixed Assets +2,127<br>⑥ Other Investment Securities ▲1,079 |
| Fixed Assets | 46,916 | 42.2 | 48,283 | 42.6 | +1,367 | |
| Total Assets | 111,245 | 100.0 | 113,311 | 100.0 | +2,066 | |
| Current Liabilities | 41,219 | 37.1 | 43,890 | 38.7 | +2,671 | Total liabilities: ▲246 (Decrease)<br>⑦ Trade Payables +546<br>⑧ Accounts Payable +631<br>⑨ Other Current Liabilities +982<br>⑩ Long-term Borrowings ▲2,497 |
| Fixed Liabilities | 21,738 | 19.5 | 18,821 | 16.6 | ▲ 2,917 | |
| Total Liabilities | 62,957 | 56.6 | 62,711 | 55.3 | ▲ 246 | |
| Total Net Assets | 48,288 | 43.4 | 50,600 | 44.7 | +2,311 | Net assets: +2,311 (Increase)<br>⑪ Retained Earnings +644<br>⑫ Unrealized Gains on Securities ▲820<br>⑬ Foreign Currency Translation Adjustment +2,739<br>⑭ Non-controlling interests ▲290 |
| Total Liabilities and Net Assets | 111,245 | 100.0 | 113,311 | 100.0 | +2,066 | |

| Note | FY23Q4 | | FY24Q2 |
|---|---|---|---|
| D/E Ratio | 0.74 | → | 0.65 |
| Equity Ratio | 40.2 | → | 41.7 |

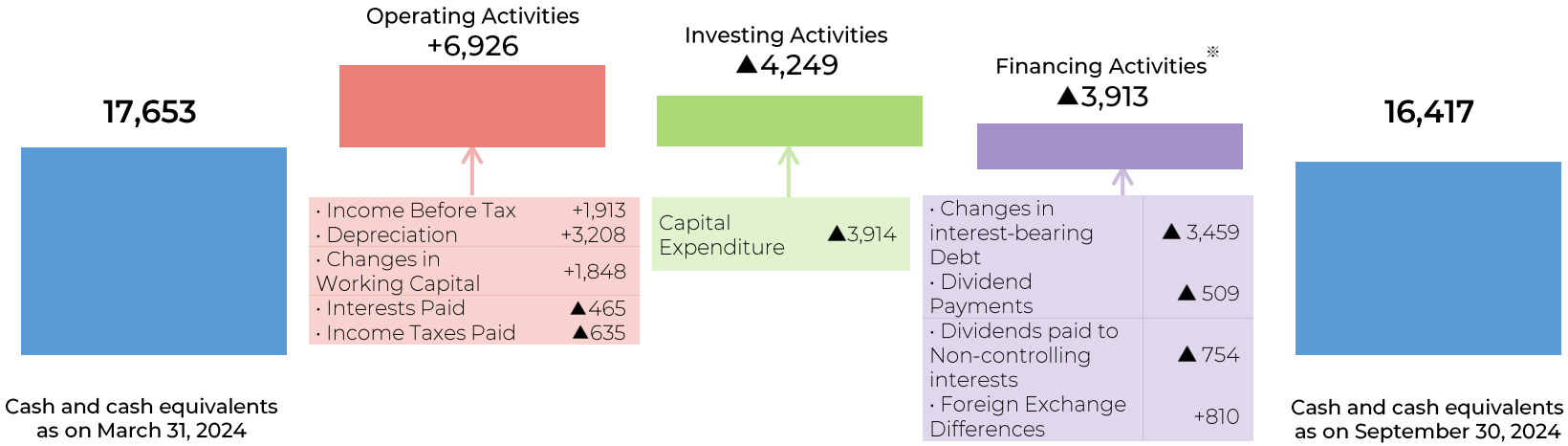
| | FY23Q4 | FY24Q2 |
|---|---|---|
| ① Interest Bearing Liabilities | 33,011 | 30,645 |
| ② Equity | 44,684 | 47,285 |
| ① ÷ ② | 0.74 | 0.65 |

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# FY24Q2 Consolidated Cash Flow & CapEx

(All amounts are in million yen except percentages, and per share data)

## Consolidated Cash Flow




※ Translation adjustments related to cash and cash equivalents (+810 million yen) have been included in financing activities.

## Capital Expenditure/Depreciation

| Particulars | Quarter ended September 30, 2023 | Quarter ended September 30, 2024 | |
|---|---|---|---|
| | | Amount | Variance |
| Capital Expenditure | 3,429 | 3,914 | +485 |
| Depreciation | 2,933 | 3,208 | +275 |

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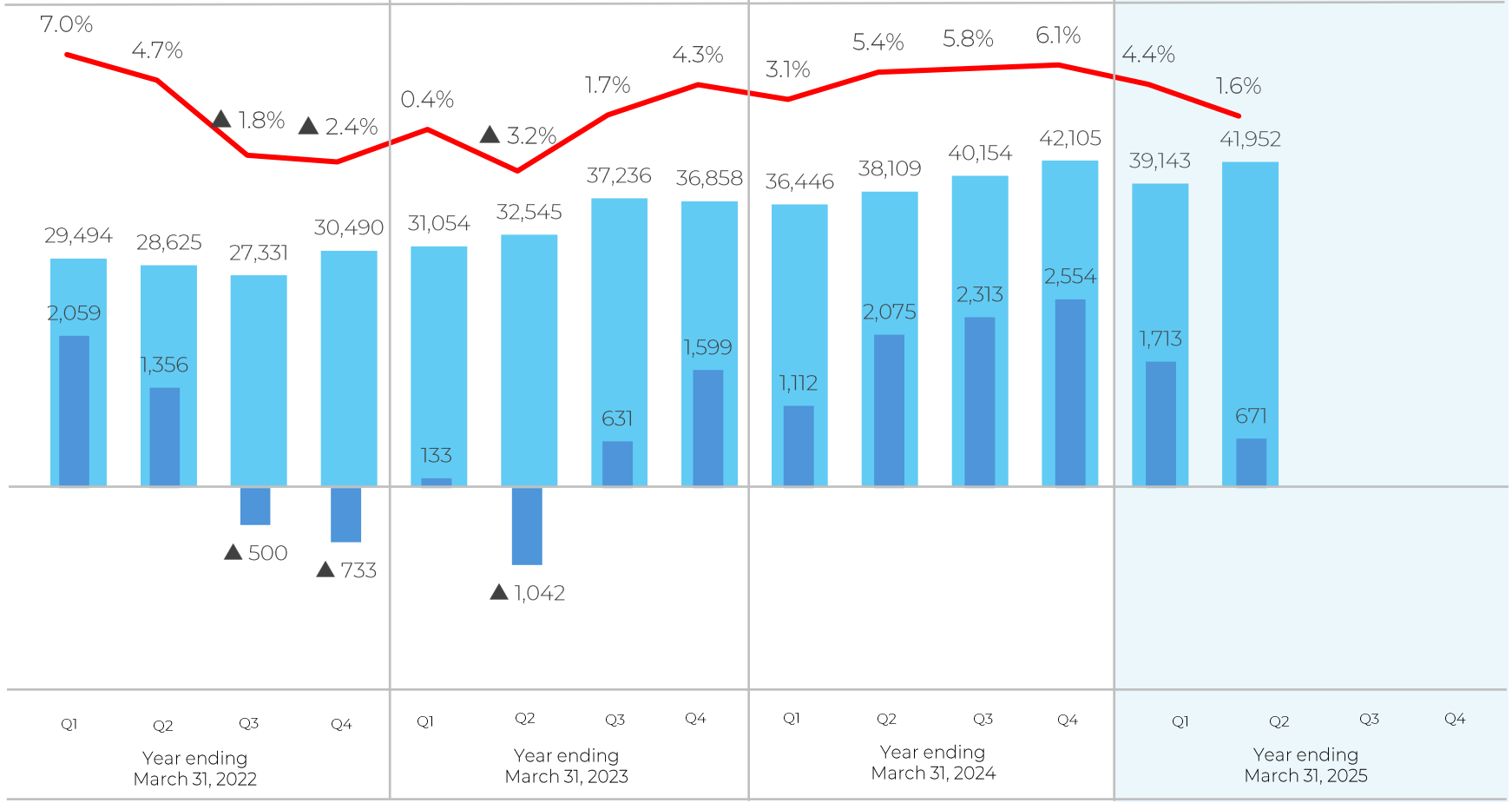
# Supplementary

## Infographic Quarterly Segment Results

# [Supplementary] Quarterly Segment Results: Consolidated

(All amounts are in million yen except percentages, and per share data)

| | Year ending March 31, 2022 | Year ending March 31, 2023 | Year ending March 31, 2024 | Year ending March 31, 2025 |
|---|---|---|---|---|
| Sales | 115,940 | 137,692 | 156,814 | 81,094 |
| Operating Income | 2,183 | 1,321 | 8,053 | 2,384 |
| Operating Income Margin | 1.9% | 1.0% | 5.1% | 2.9% |
| Exchange rate (Yen/USD) | 109.8 | 131.4 | 140.6 | 152.3 |

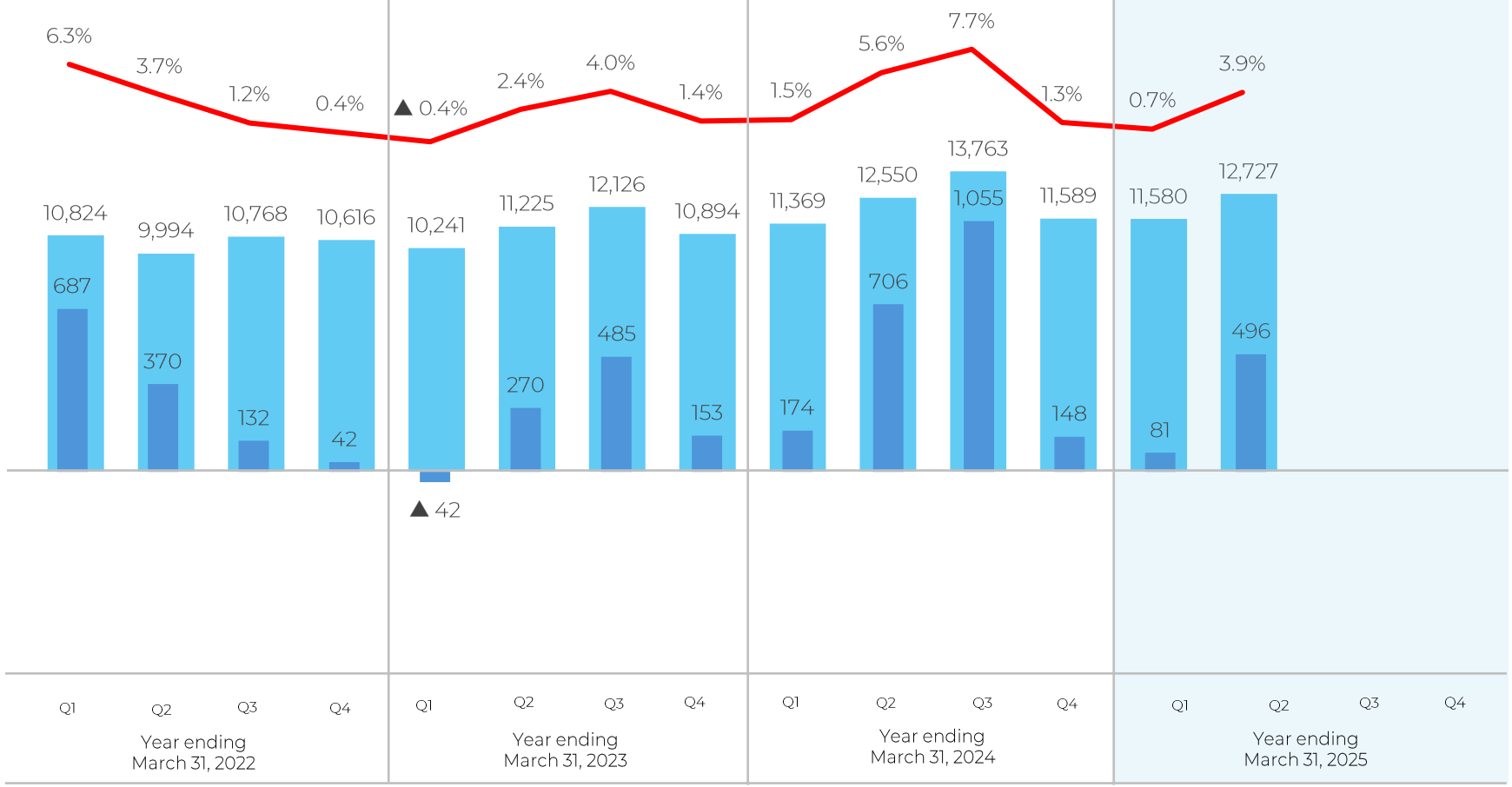



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# [Supplementary] Quarterly Segment Results: Japan

(All amounts are in million yen except percentages, and per share data)

| | Year ending March 31, 2022 | Year ending March 31, 2023 | Year ending March 31, 2024 | Year ending March 31, 2025 |
|---|---|---|---|---|
| Sales | 42,201 | 44,485 | 49,271 | 24,306 |
| Operating Income | 1,230 | 865 | 2,083 | 577 |
| Operating Income Margin | 2.9% | 1.9% | 4.2% | 2.4% |
| Exchange rate (Yen/USD) | 109.8 | 131.4 | 140.6 | 152.3 |

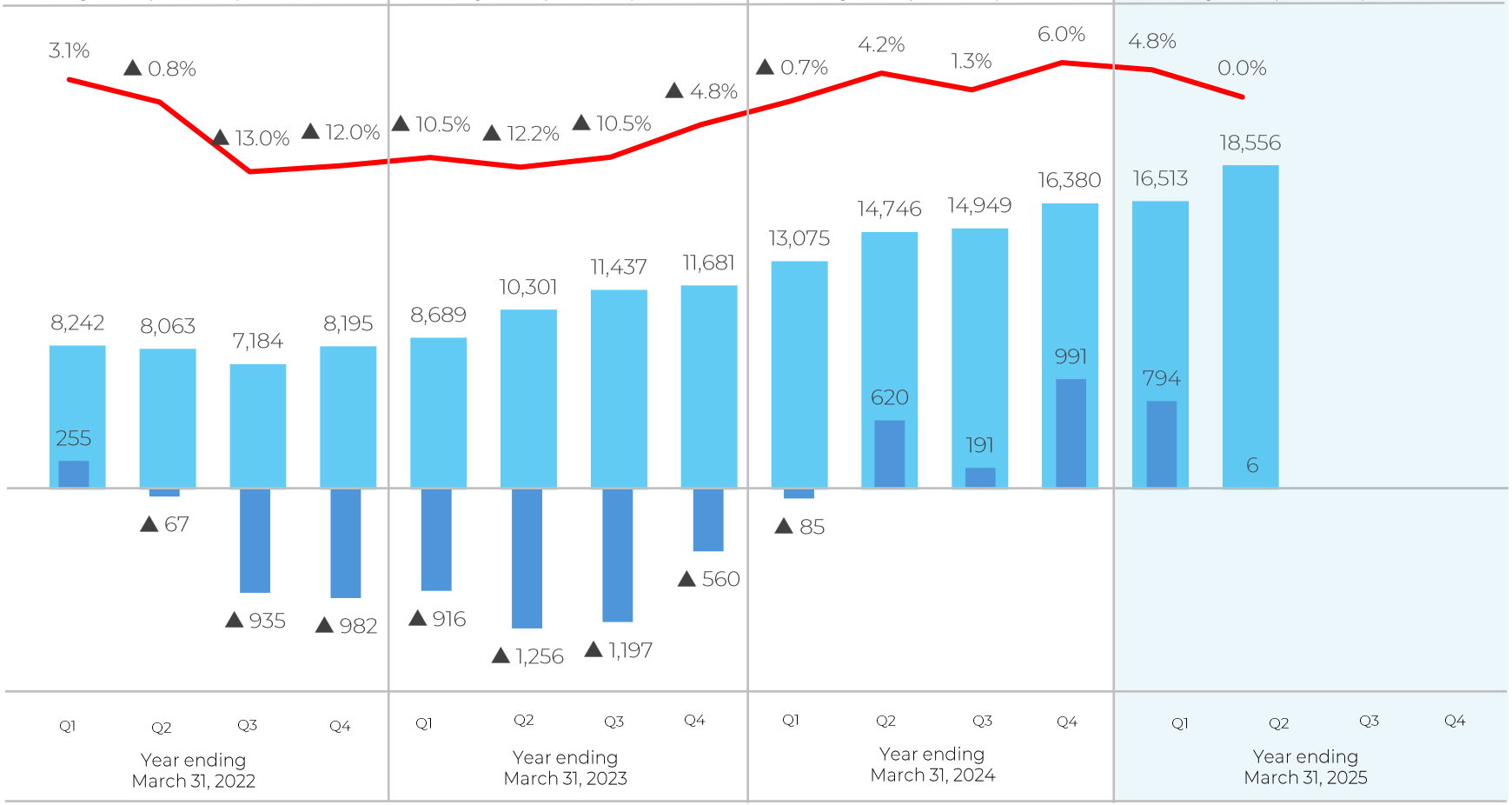



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# [Supplementary] Quarterly Segment Results: Americas

(All amounts are in million yen except percentages, and per share data)

| Year ending March 31, 2022 | | Year ending March 31, 2023 | | Year ending March 31, 2024 | | Year ending March 31, 2025 | |
|---|---|---|---|---|---|---|---|
| Sales | 31,683 | Sales | 42,107 | Sales | 59,150 | Sales | 35,069 |
| Operating Income | ▲1,729 | Operating Income | ▲3,928 | Operating Income | 1,717 | Operating Income | 800 |
| Operating Income Margin | ▲5.5% | Operating Income Margin | ▲9.3% | Operating Income Margin | 2.9% | Operating Income Margin | 2.3% |
| Exchange rate (Yen/USD) | 109.8 | Exchange rate (Yen/USD) | 131.4 | Exchange rate (Yen/USD) | 140.6 | Exchange rate (Yen/USD) | 152.3 |




※ From FY2023 onwards Geiger USA has been included in Americas segment and no longer included in Europe segment.

↗ Operating Income Margin　Sales　Operating Income

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# [Supplementary] Quarterly Segment Results: Europe

(All amounts are in million yen except percentages, and per share data)

| | Year ending March 31, 2022 | | | | Year ending March 31, 2023 | | | | Year ending March 31, 2024 | | | | Year ending March 31, 2025 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Sales | 5,899 | 5,435 | 4,681 | 4,959 | 5,616 | 5,741 | 6,139 | 6,857 | 5,648 | 5,410 | 5,475 | 6,086 | 5,736 | 6,021 | | |
| Operating Income | 384 | 142 | ▲ 284 | ▲ 217 | ▲ 2 | ▲ 139 | 81 | 519 | 221 | 362 | 88 | 240 | 266 | ▲ 111 | | |
| Operating Income Margin | 6.5% | 2.6% | ▲ 6.1% | ▲ 4.4% | ▲ 0.0% | ▲ 2.4% | 1.3% | 7.6% | 3.9% | 6.7% | 1.6% | 3.9% | 4.6% | ▲ 1.8% | | |
| Sales | 20,973 | | | | 24,353 | | | | 22,619 | | | | 11,758 | | | |
| Operating Income | 25 | | | | 460 | | | | 911 | | | | 156 | | | |
| Operating Income Margin | 0.1% | | | | 1.9% | | | | 4.0% | | | | 1.3% | | | |

※ From FY2023 onwards Geiger USA has been included in Americas segment and no longer included in Europe segment.

↗ Operating Income Margin　Sales　Operating Income

# [Supplementary] Quarterly Segment Results: China

(All amounts are in million yen except percentages, and per share data)

| | Year ending March 31, 2022 | Year ending March 31, 2023 | Year ending March 31, 2024 | Year ending March 31, 2025 |
|---|---|---|---|---|
| Sales | 20,146 | 20,572 | 18,888 | 6,798 |
| Operating Income | 1,499 | 1,240 | 824 | ▲486 |
| Operating Income Margin | 7.4% | 6.0% | 4.4% | ▲7.2% |

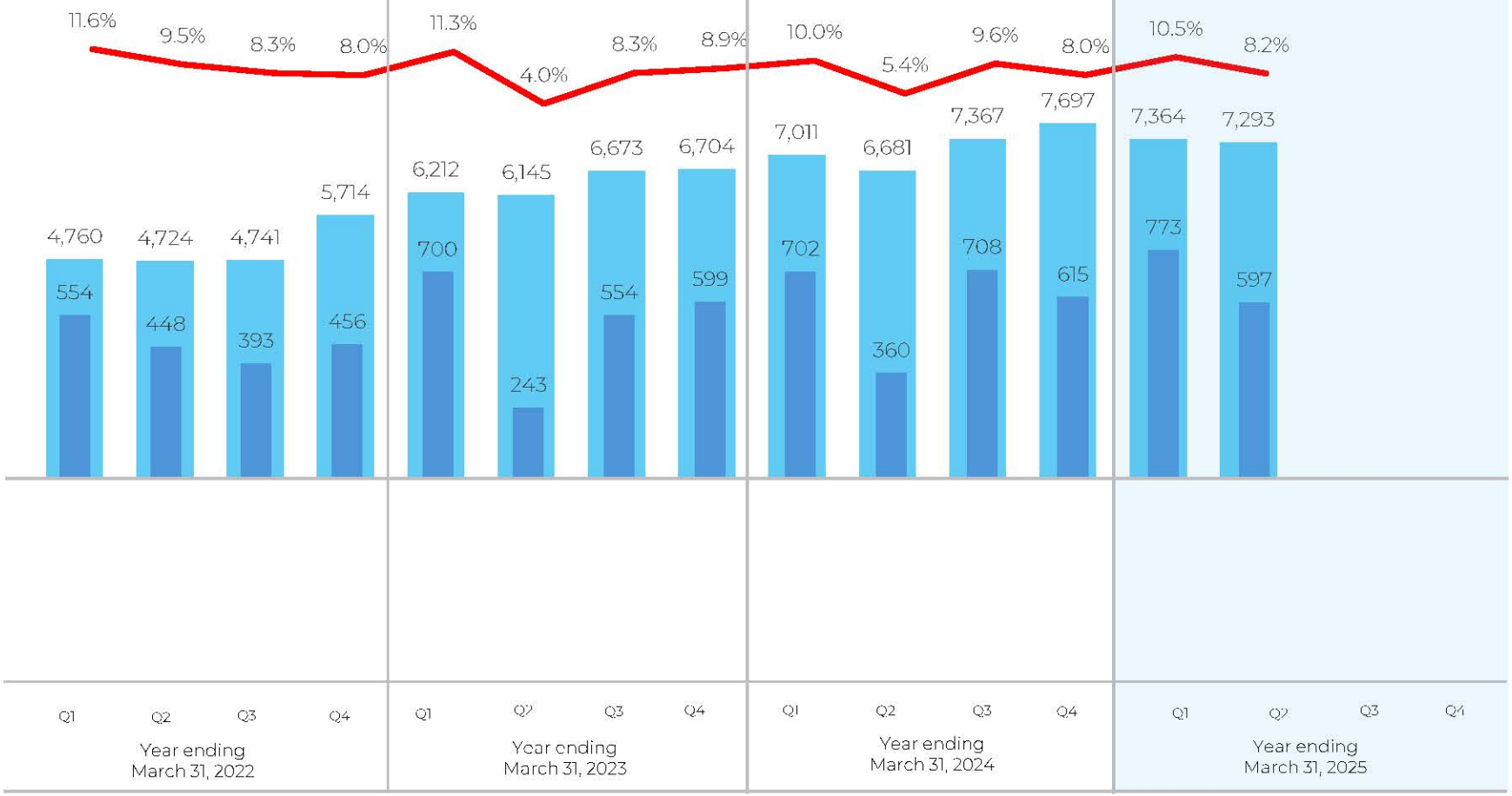



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# [Supplementary] Quarterly Segment Results: Asia

(All amounts are in million yen except percentages, and per share data)

| | Year ending March 31, 2022 | Year ending March 31, 2023 | Year ending March 31, 2024 | Year ending March 31, 2025 |
|---|---|---|---|---|
| Sales | 19,940 | 25,735 | 28,756 | 14,656 |
| Operating Income | 1,851 | 2,096 | 2,384 | 1,371 |
| Operating Income Margin | 9.3% | 8.1% | 8.3% | 9.4% |




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