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Stakeholder Questions and Our Responses (Q3 FY2025 Financial Results)

Following the announcement of the Q3 FY2025 financial results on February 10, 2026, we held multiple individual meetings with institutional investors and analysts (14 meetings held between February 12 and April 2). Below, we disclose representative questions received during those meetings along with our responses.

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. The profit level in Q3 appears low. How do you assess the factors, including one-off items?

A1. In Q3, profitability in the Americas segment slowed, partially offsetting the earnings accumulated in the first half. While net sales continued to increase from Q2 to Q3, operating income was impacted mainly by (i) a temporary cost burden arising from the time lag between tariff payments and subsequent recovery, and (ii) Mexico-specific costs related to import disruptions that occurred around last summer, which resulted in parts shortages and incremental expenses for logistics and other issue-resolution measures. We consider this to be primarily timing-driven and one-off, rather than a structural deterioration caused by weakening demand.

Q2. What is the impact of U.S. tariff measures and the import disruptions from Q4 onward?

A2. Regarding tariff policies, the cost burden increased from around last summer, and the temporary cost burden became more visible in Q3 due to the time lag between payment and recovery. In Q4, we expect some impact to remain for the same reason; however, compared with Q3, the amount of the temporary burden is expected to moderate. We have already established a recovery outlook for most customers, and we expect the net impact to move closer to neutral from next fiscal year onward.

As for the import disruptions, the situation has stabilized, and we do not expect any impact on Q4 results. The Americas have returned to normal operating levels and are entering a recovery phase.

Q3. Losses narrowed year on year in Europe segment, and losses in China segment have been narrowing quarter by quarter. Are structural reforms taking effect?

A3. In Europe, net sales have continued to decline, mainly due to sluggish vehicle sales by German customers. However, profitability is improving as we proceed with fixed-cost reductions, including the closure of certain plants. We expect Q3 to be the bottom. While we do not anticipate a significant profit level in the near term, we expect a gradual recovery toward returning to profitability over time.

In China, we continue to reduce fixed-cost while progressively exiting unprofitable businesses, which has contributed to the steady reduction of losses. Regarding the previously announced dissolution of our China subsidiary (disclosed last November), we plan to suspend operations from early spring and proceed with liquidation procedures. The fixed-cost reduction benefits are expected to materialize sequentially from Q2 of next fiscal year onward.

Q4. Based on progress through Q3, achieving the full-year earnings forecast seems challenging. Can you make up for it in Q4?

A4. In Q4, potential upside factors include a possible partial reversal of certain temporary costs recorded in Mexico, as well as the outcome of price pass-through negotiations—primarily in Japan—toward the fiscal year-end. Taking these variables into account, we expect to work toward delivering the best possible full-year landing.

Q5. With the worsening situation in the Middle East, do you expect any impact such as higher crude oil prices?

A5. At this time, we have not confirmed any tangible impact. However, if crude oil prices continue to rise, this could lead to higher electricity and transportation costs, as well as higher raw material prices for plastic products such as naphtha-based materials, which could become cost-increase factors. Our basic policy is to mitigate such cost increases through price pass-through. We will continue to monitor developments closely and as needed, take additional actions including reviewing procurement and logistics terms.

Q6. Please provide an update on the current sales pipeline for the data center business.

A6. Following the receipt of a mass-production order in September 2025, the number of inquiries has been steadily increasing. While we have not yet secured additional orders at this stage, we have received multiple business discussions of an unprecedented scale.

At present, we expect the business to begin scaling in earnest from FY2027 onward, and we intend to nurture it over the medium to long term so that it becomes a new source of earnings for the Company.

Q7. In the data center business, will capital expenditures be required as sales expand?

A7. In the near term, our data center business can be produced by leveraging existing equipment and manufacturing technologies already used in our automotive parts business, which is a key strength as it reduces the likelihood of requiring significant upfront capital expenditures during the initial ramp-up phase.

Looking ahead, if orders expand and we enter a phase where additional production capacity and dedicated production lines become necessary, we may consider investments—including dedicated equipment and potentially dedicated plants—based on requirements for quality, supply stability, and cost competitiveness. In such cases, we will make decisions comprehensively, taking into account investment returns, demand outlook, and customer contract terms.