

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

October 7, 2025

Company name: Sanoh Industrial Co., Ltd.
Representative: Genya Takeda, Director & President
(Code No: 6584)
Contact Person: Yasuo Matsumoto, Executive Officer,
General Manager of General Affairs Headquarters
(Tel: 03-6879-2622)

Stakeholder Questions and Our Responses (Q1 FY2025 Financial Results)

Following the announcement of the Q1 FY2025 financial results on August 8, 2025, we held multiple individual meetings with institutional investors and analysts. 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 FY2025 Q1 results appear to show a strong start. Could you explain the main factors behind this?

A1. The robust performance of the Japan, Americas, and Asia segments has offset the continued weakness in the Europe and China segments. In particular, sales of equipment and parts related to new project launches in Japan have made a significant contribution to earnings. It should be noted that these new project launches have been partially incorporated into our full-year forecast, and their earnings contribution is expected to last through FY2025 Q3.

Q2. In the Americas segment, have the impacts of U.S. tariff measures been reflected? Also, regarding the one-time expenses recorded in this segment in the previous fiscal year, is there a possibility that additional expenses will continue to be recorded going forward?

A2. Since the FY2025 Q1 accounting period for the Americas segment runs from January to March, there was some burden from the tariff applied in March of this year on steel (the primary material for our automotive piping business). However, the impact on Q1 results was minor. That said, beginning in Q2, the tariff impact will be more pronounced. We are negotiating with customers to pass on the tariff costs, and while we have generally received their understanding, approaches differ among companies, and therefore we expect a time lag before cost recovery. We will continue to minimize the impact by proposing price adjustments that reflect the tariff burden, as well as through optimization of procurement sources and production sites.
Regarding one-time expenses, although on a smaller scale than the one-time recognition in the previous fiscal year, we expect such expenses to continue through FY2025 Q3.

Q3. Are the Europe and China segments continuing to face difficult conditions?

A3. In Europe, amid an uncertain business environment in which customers remain unable to fully return to internal combustion engine vehicles due to environmental regulations, we have been steadily implementing streamlining measures, including consolidation of sites and workforce reductions, with the closure of certain plants completed in July 2025. We expect a gradual recovery trend to begin in the second half of FY2025.
In China, as no signs of recovery have been seen since the previous fiscal year, we are continuing negotiations with business partners, including the possibility of consolidating sites, while simultaneously pursuing ongoing reductions in fixed costs, with the aim of narrowing operating losses.

Q4. The acquisition of an automotive parts manufacturer in Mexico was completed in July 2025. What impact will this have on the results for the FY2025?

A4. As the closing of the acquisition took place in July, the deemed acquisition under consolidated accounting is scheduled for September 30, 2025. Accordingly, the target company will be included in the consolidated balance sheet from FY2025 Q2, and in the consolidated statement of income from Q4, with the results for October through December contributing to consolidated earnings in Q4.

The acquired company produces engine-related parts similar to those of our existing subsidiary in Mexico, meaning that we have effectively acquired a competitor. The acquisition decision was made after carefully confirming profitability based on conservative assumptions, and with new projects also scheduled to launch, we expect sales to increase under an almost monopolistic position in Mexico. By injecting our operational expertise and leveraging synergies with existing businesses, we aim to further enhance profitability.

Q5. Could you provide an update on the current status of negotiations in the data center business?

A5. As a result of continued sales and proposal activities, we have secured an order for sets of water-cooling modules. We have also made a disclosure^{*1}, including information on the customer. Furthermore, we have begun steadily building a track record, such as receiving multiple orders for Ball-Valve Fittings from several domestic companies, and are receiving broad-based demand that extends beyond data center applications. Together with the aforementioned mass-production orders, current sales volume is on the order of several million yen, and we will continue our sales expansion activities to secure further orders from customers.

In addition to products for water- and liquid-cooling products, we have developed the “Active Flap Door” as a product for air-cooling products, and have also disclosed this^{*2}. By expanding the product lineup of our data center business, we aim to meet diverse customer needs and further accelerate business growth.

*1 October 1 release: Notice Regarding Development and Order Received for Water-Cooling Module for Container-Type Data Centers in the Data Center Business

Link: <https://pdf.irpocket.com/C6584/K2Hn/Mj3g/Xtd5.pdf>

*2 September 24 release: Notice Regarding Development of New Air-Cooling Solution “Active Flap Door” for Data Centers - Contributing to Sustainable Data Center Operations through Improved Air Conditioning Efficiency and Reduced Power Costs

Link: <https://pdf.irpocket.com/C6584/K2Hn/t9UO/zYYs.pdf>

Q6. In the above orders, what aspects of your products were particularly valued?

A6. One of the components, Ball-Valve Fittings, was recognized for being lighter and more compact in design compared with conventional overseas products, while also enabling assembly from any angle across 360 degrees.

Furthermore, in addition to being valued as a fitting, our ability to deliver the product as a module—by combining it with manifolds and plastic piping, areas in which we possess expertise from our automotive parts business—was also recognized. This enables even greater ease of routing in water-cooling piping.

Q7. What is your outlook for the data center business going forward?

A7. Looking ahead, we plan to strengthen our approach not only domestically but also toward overseas manufacturers in North America, China, Taiwan, and other regions. At present, we expect the sales contribution in FY2025 to be on the order of several tens of millions yen, and aim for sales in the hundreds of millions of yen in FY2026. We will continue to focus on building a strong track record, with the aim of achieving 20 to 25 billion yen in annual sales from the data center business alone by FY2030.