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May 26, 2026

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(Code No: 6584)
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General Manager of General Affairs Headquarters
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Measures to Achieve Cost of Capital and Share Price Conscious Management

We hereby announce that, at a meeting of the Board of Directors held on May 26, 2026, the Company analyzed and evaluated its current status and resolved its future policy initiatives regarding "Measures to Achieve Cost of Capital and Share Price Conscious Management."

For details, please refer to the attached materials.

Measures to Achieve Cost of Capital and Share Price Conscious Management

PHASE 1 : Evaluation by the Capital Markets and Roadmap for Transformation

Sanoh Industrial Co., Ltd.
[TSE Prime: 6584]

May 26, 2026



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00

Background of This Disclosure

Importance of Management with an Awareness of Cost of Capital and Share Price

- Amid corporate governance reforms and changes in the market environment, there are increasing demands for management that emphasizes capital efficiency (e.g., ROE, ROIC) and PBR.
- For listed companies, enhancing corporate value and share price is an inherent management priority, and it has become important to clarify the underlying approach and direction for achieving this goal.

Our Business Environment & Mid-term Strategy and Target

- In an environment of high uncertainty, including structural transformation in the automotive industry, strengthening earnings structure and improving the overall quality of the business portfolio have become important management issues.
- To realize the “sustainable growth” and “improvement of capital efficiency” outlined in the mid-term strategy and target, we will further clarify our commitment to circulating generated capital into growth areas.

Objectives of This Disclosure

- As a listed company, we will present our approach to management with a strong awareness of share price and capital efficiency, beginning with Phase 1 by clarifying policies to improve profitability and capital efficiency of existing businesses.
- We will continuously disclose key initiatives and progress related to structural reforms, and through dialogue with the capital markets, enhance corporate value and lead the company into its next phase of growth.

01

Mid-term Strategy and Target: Progress and Summary

- **Automotive market is in an adjustment phase, and competition is intensifying**
 - ⇒ Maintain and strengthen our niche-top positions through Sanoh Last Man Standing Strategy.
- **The pace of electrification is diverging by region, with BEV, HEV, and ICE coexisting**
 - ⇒ Maintain a product portfolio capable of addressing all powertrains in response to changes in demand
- **The cost environment is becoming increasingly unstable due to global inflation**
 - ⇒ Enhance productivity through BPR and automation, and strengthen profitability through appropriate pricing and value-based proposals
- **Fragmentation and restructuring of global supply chains are progressing**
 - ⇒ Streamline the balance sheet and establish a flexible and resilient supply structure by leveraging the global production network
- **Amid increasing demands for capital efficiency, the shift toward value-oriented management is accelerating**
 - ⇒ Optimize and streamline assets to enhance cash generation and improve ROIC
- **Technological innovation, including agentic AI and physical AI, is accelerating**
 - ⇒ Promote the integration of digital and manufacturing to create new value and enhance competitiveness

Roadmap to FY2030 (Conceptual)

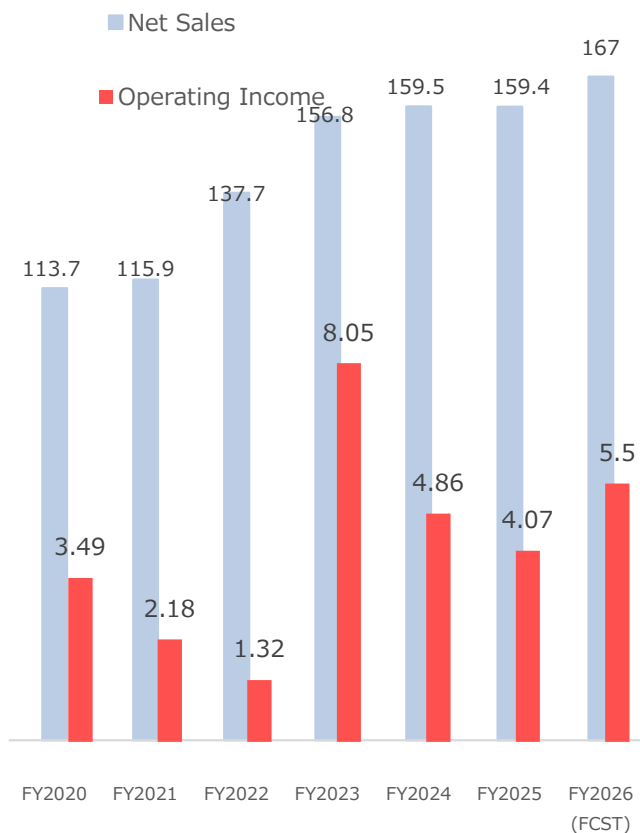


- FY2026 marks a strategic transition period to rebuild the foundation for future growth.

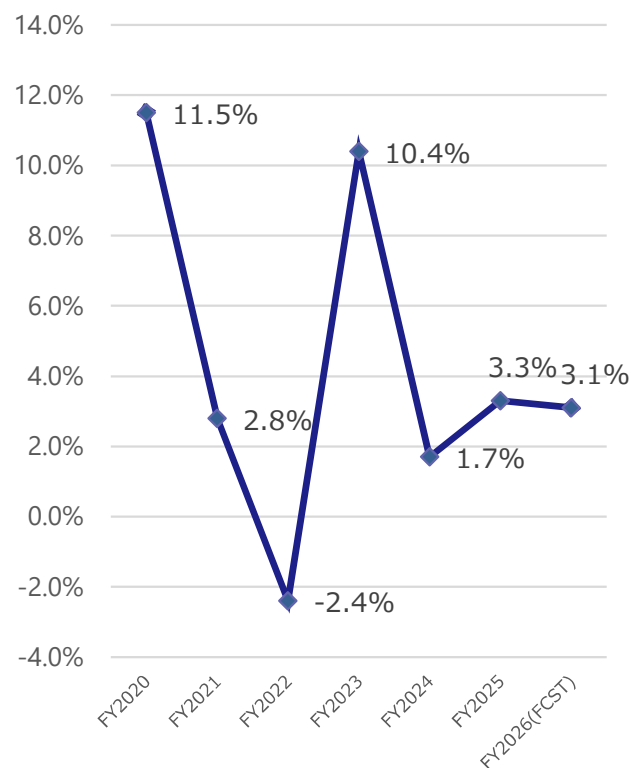


- To achieve FY2030 targets of ¥200 billion in revenue and ROE of 15% or higher, we are improving temporarily unstable capital efficiency through structural reforms and investments for future growth.
- We are focusing on launching new operations in the Americas segment and expanding new businesses, including the data center business.
- While share price performance has remained weak, we will translate improvements in profitability and the outcomes of growth investments into sustained enhancement of corporate value.

Net Sales and Operating Income (¥ billion)



ROE



PBR



Note: In calculating the forecast ROE of 3.1% for FY2026, shareholders' equity was provisionally calculated using only the FY2025 actual figure, without calculating the average shareholders' equity during the period.

- The Mid-term Strategy and Targets, originally formulated in May 2021 and revised in May 2024, are summarized as follows.
- We are in a transition phase, advancing structural reforms and future investments while steadily translating their results into profitability and corporate value.

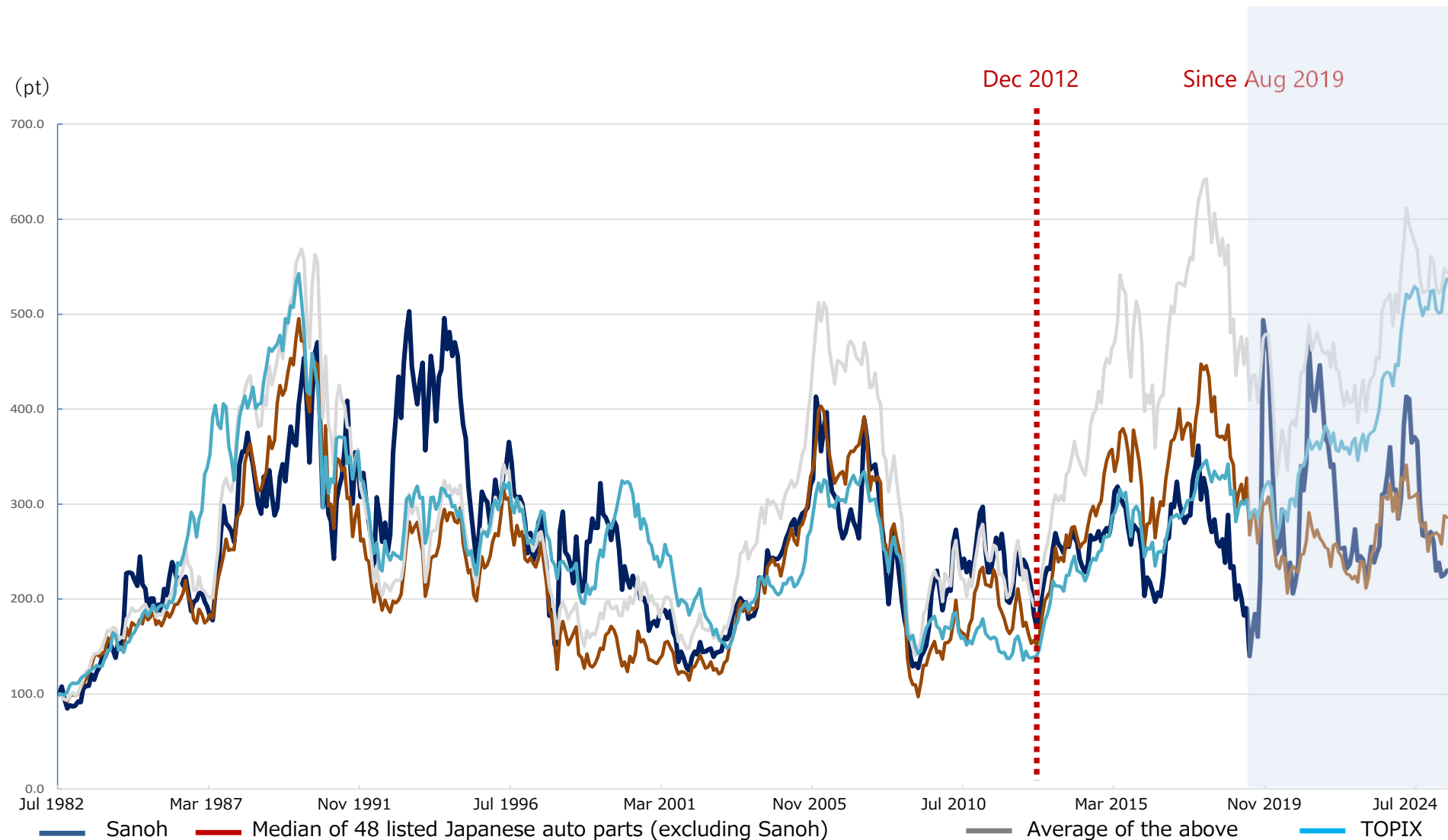
Theme	Rating	Results & Comments	
Investment Status Based on Cash Allocation Policy	△ ~ ○	☞ Investments executed based on the cash allocation policy	
Implementation Status of Measures by Priority Investment Region	△ ~ ○	☞ Business acquisition and profitability improvement progressing in the Indian market	
Progress of the Sanoh Last Man Standing Strategy	△ ~ ○	☞ Market share expansion and positioning as a surviving player advancing through initiatives such as the acquisition of a competitor in Mexico	
Existing Businesses ⇒ New Businesses	○	☞ Orders secured in the data center business, with multiple large-scale projects currently in view	
Transform	ICE⇒Non-ICE	△	☞ Progress in non-ICE areas, but not yet at a level sufficient to absorb the impact of downsizing in ICE-related businesses

02

Share Price and Profitability, and Market Evaluation

Share Price Trends and Comparison with TOPIX and Japanese Auto Parts Peers

- Since around December 2012, polarization within the industry has progressed (mean > median)
- Our share price performance has been at or below the industry median, indicating underperformance relative to peers
- Since around August 2019, the correlation with the overall market has weakened

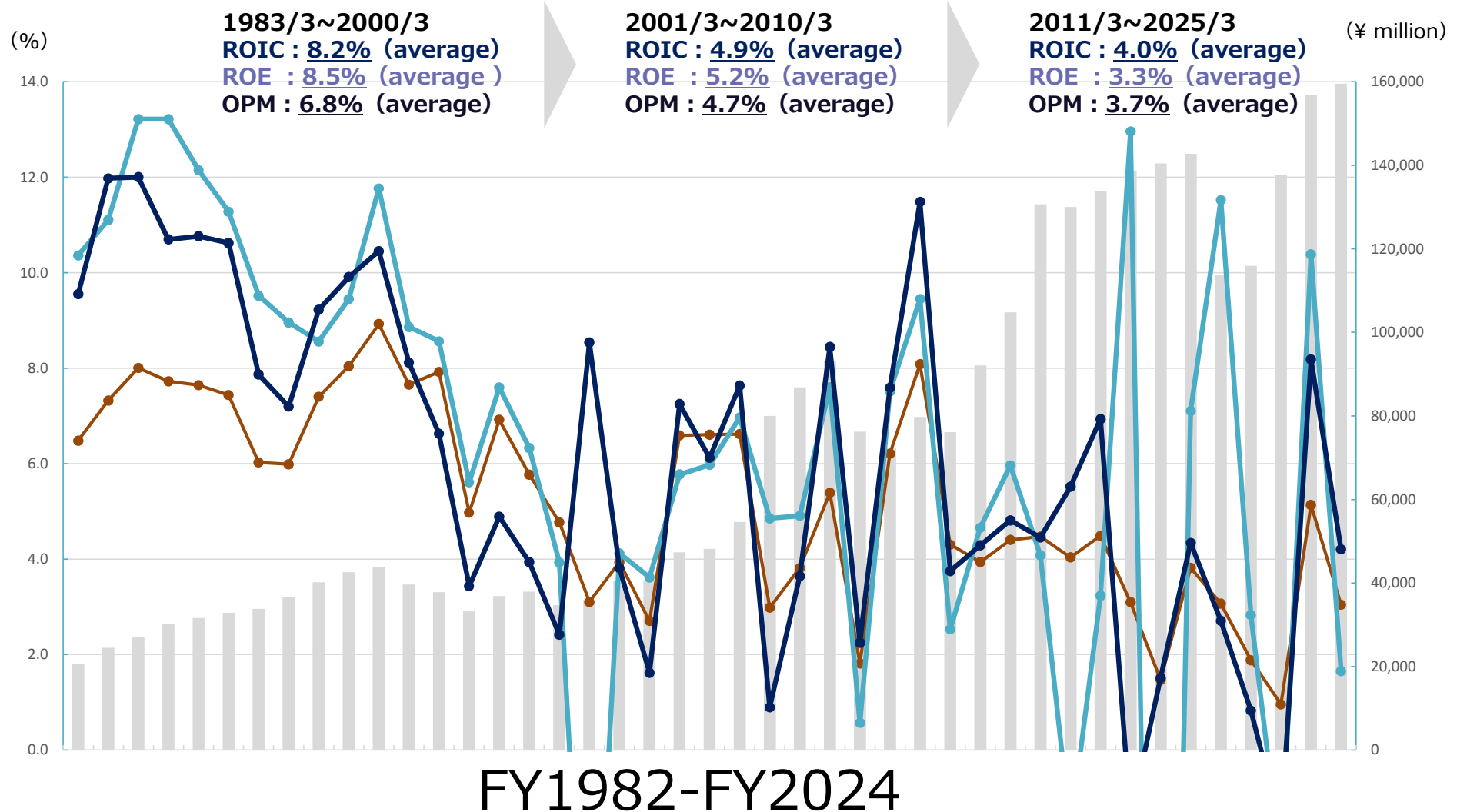


Note: Data cover the period from July 1982 to June 2025. Sanoh's share price, TOPIX, and the median and average of 48 listed Japanese auto parts companies (excluding Sanoh) are indexed with July 1982 = 100.

Source: Prepared by the Company based on SPEEDA.

Trends in ROIC, ROE, and Operating Income Margin

- Historically, sales growth has been accompanied by lower capital profitability (ROIC & ROE) and operating income margins.
- In recent years, ROE volatility has increased, primarily driven by fluctuations in net income.

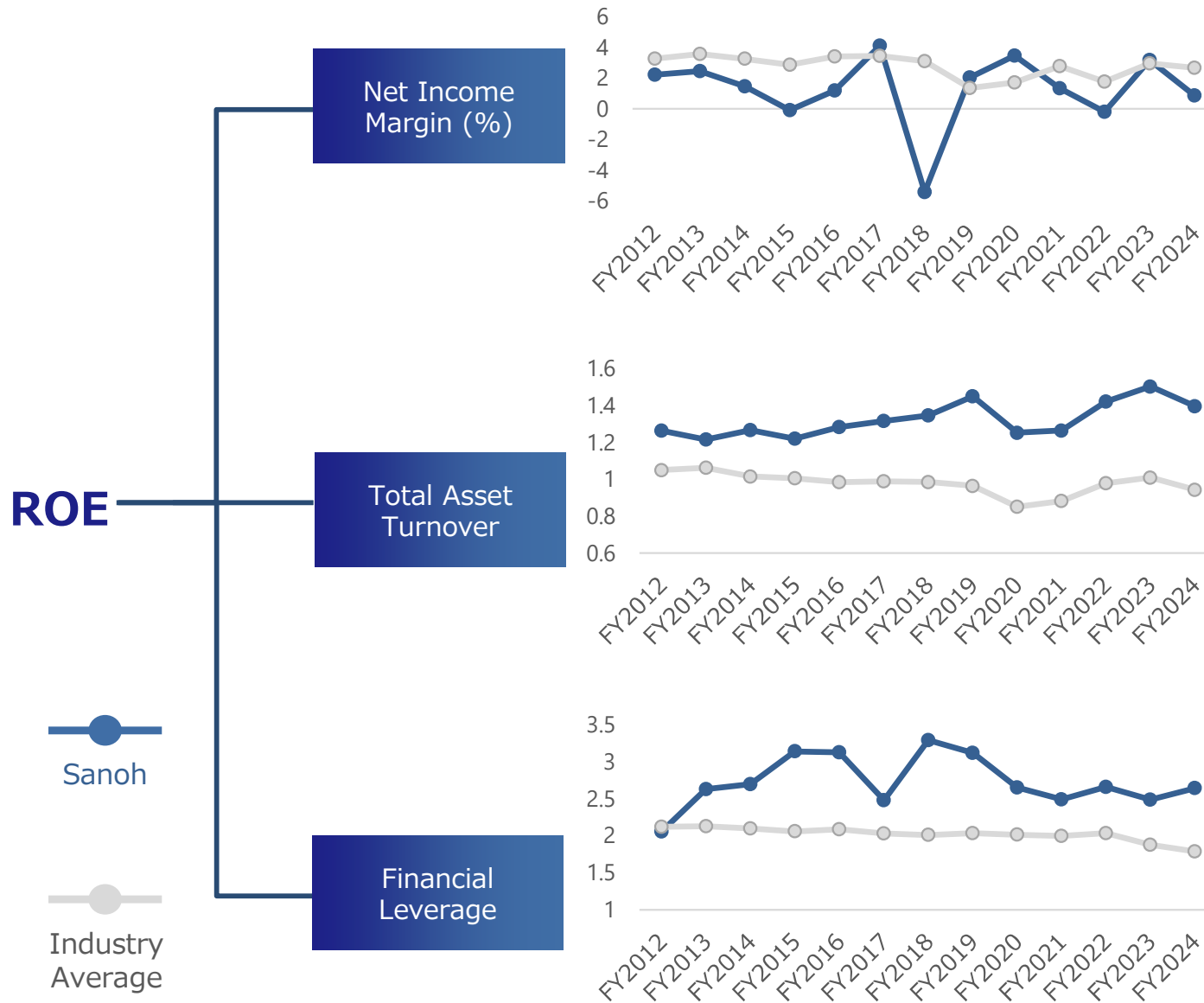


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 Source: Same as previous page.

— Net Sales — Operating Income Margin — ROE — ROIC

ROE Breakdown

- The key issue for ROE lies in low and highly volatile business profitability
- While financial leverage appears relatively high, it reflects reliance on external funding. Although operating income has room for improvement, balance sheet strengthening is also required alongside profitability improvement.



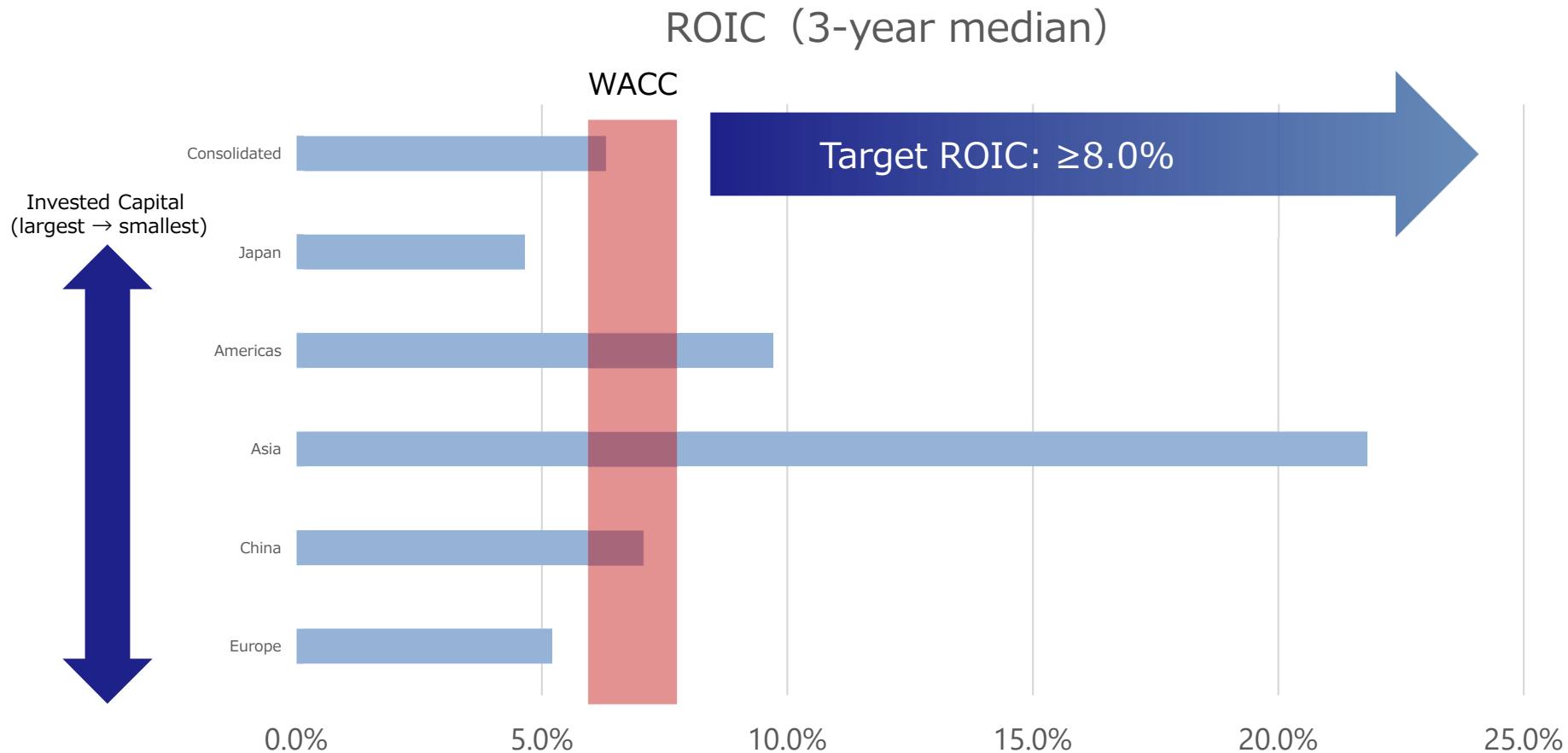
- Net income margin lower than industry peers
- High volatility in profitability

- Total asset turnover relatively strong overall vs. industry
- Rationalization of low-profit sites and products is required

- Financial leverage appears relatively high vs. industry
- While operating income has room for improvement, the company currently relies heavily on external funding.

ROIC by Segment

- The ROIC required to achieve a consolidated ROE of 15% or higher by FY2030 is estimated to be approximately 8.0%
- Only the Americas and Asia exceed the target ROIC of 8.0%. Japan, China, and Europe remain below WACC, requiring business downsizing and portfolio restructuring

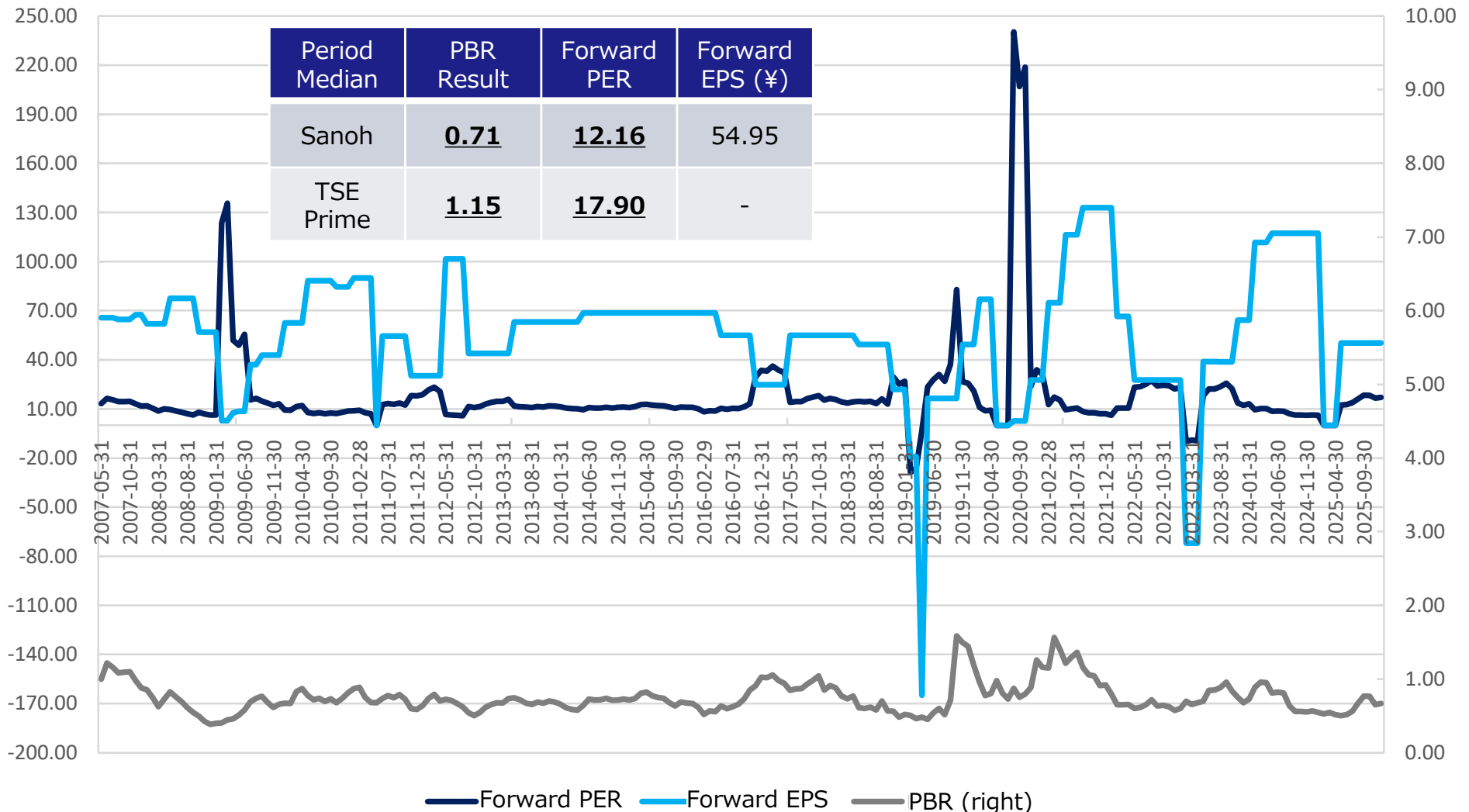


Note1: Target ROIC is calculated based on a target consolidated ROE of 15% using a D/E ratio of 0.92 as of September 2025.
Note2: Cost of equity for WACC is calculated based on the risk-free rate (10-year government bond yield), equity risk premium, beta (5-year monthly), and a liquidity premium.

Trends in PBR, Forward PER, and Forward EPS



- Both PBR and forward PER remain at a discount to the overall TSE Prime market, including sectors beyond auto parts
- To improve valuation, we need to transform our business portfolio and be recognized as a growth company beyond the auto parts sector.



Note: Data cover the period from May 2007 to December 2025, for which all data for PBR, forward PER, and forward EPS are available

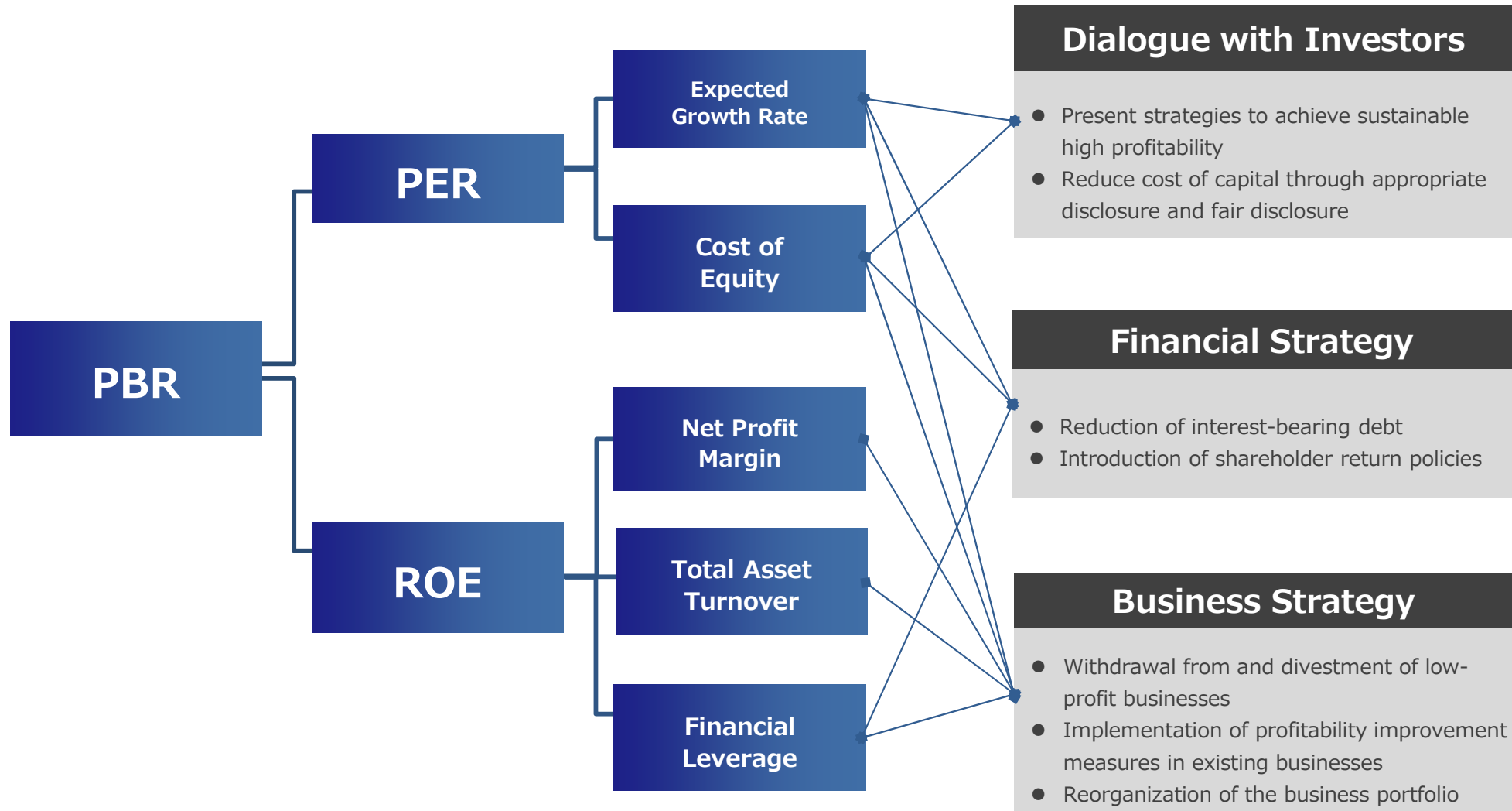
Source: Prepared by the Company based on SPEEDA and Japan Exchange Group data

03

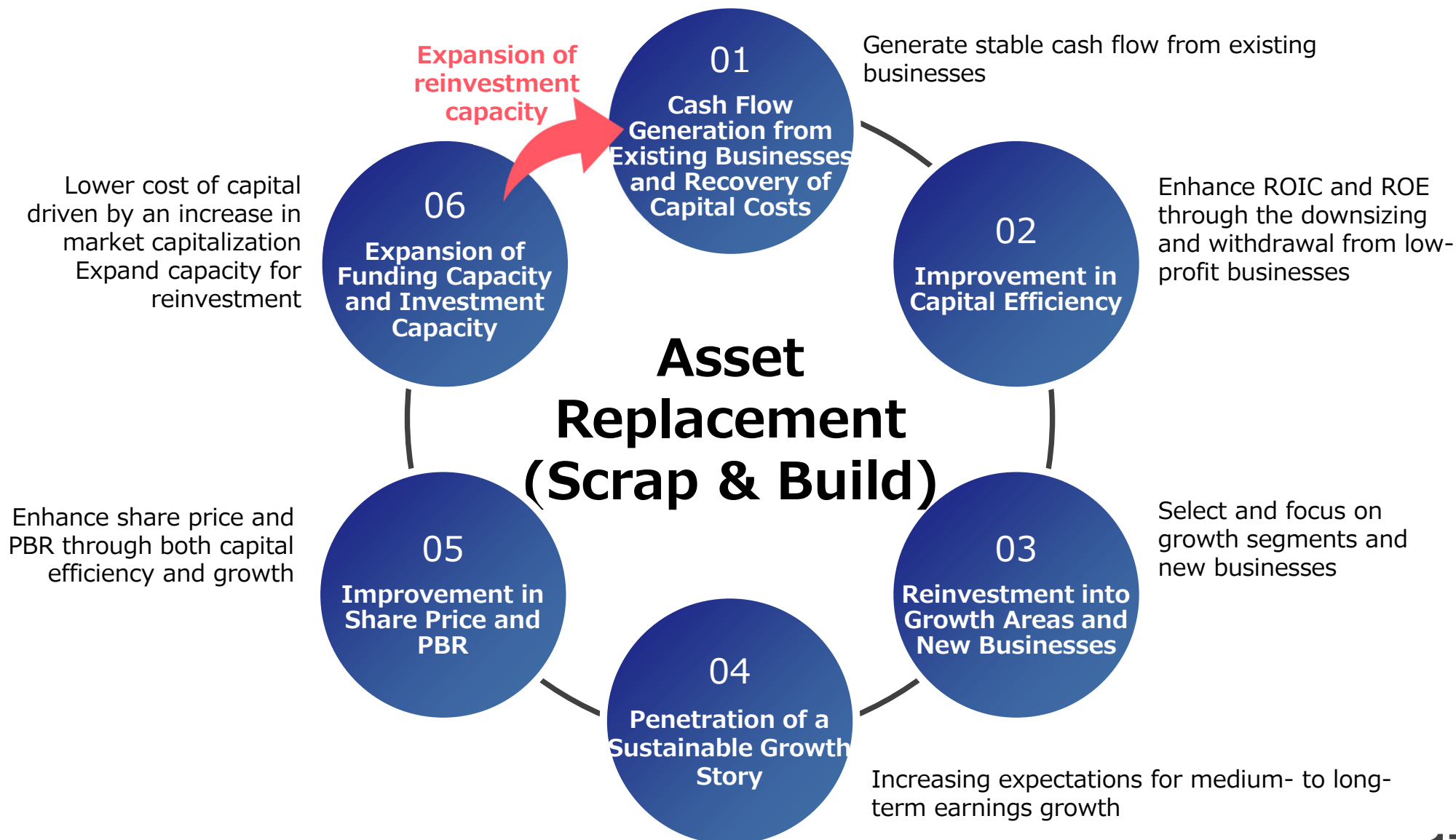
ROE Achievement Roadmap

Approaches to Enhancing Corporate Value

- Persistently low and volatile profitability in existing businesses, together with limited visibility on the timing of contributions from new businesses to consolidated earnings.
- An approach is required in which profitability (ROE/ROIC) is improved through existing businesses, while revenue growth (growth potential / PER) is generated through new businesses.



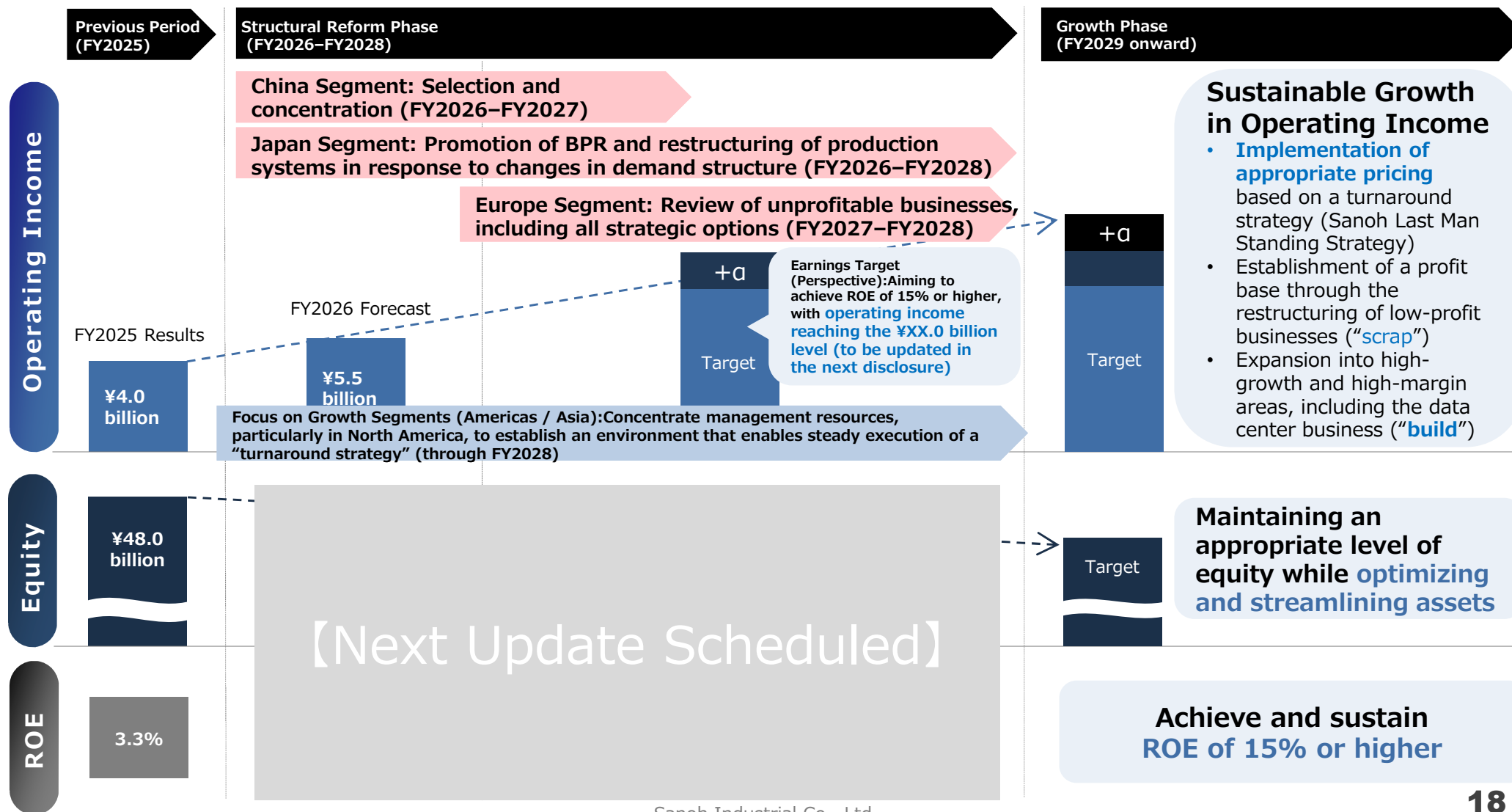
- Improving share price requires enhancing capital efficiency metrics such as ROE (or ROIC) and sustaining their growth ($PBR = ROE \times PER$). In other words, this requires asset replacement (scrap & build).
- In parallel with investments in new businesses, improving the portfolio mix through the downsizing of low-profit existing businesses is essential.



Roadmap for Improving ROE

- While advancing structural reforms primarily in Japan, China, and Europe, we plan to implement appropriate capital policies going forward.
- Quantitative targets and capital policies are currently under review and will be disclosed after assessing progress following the initiation of structural reforms.

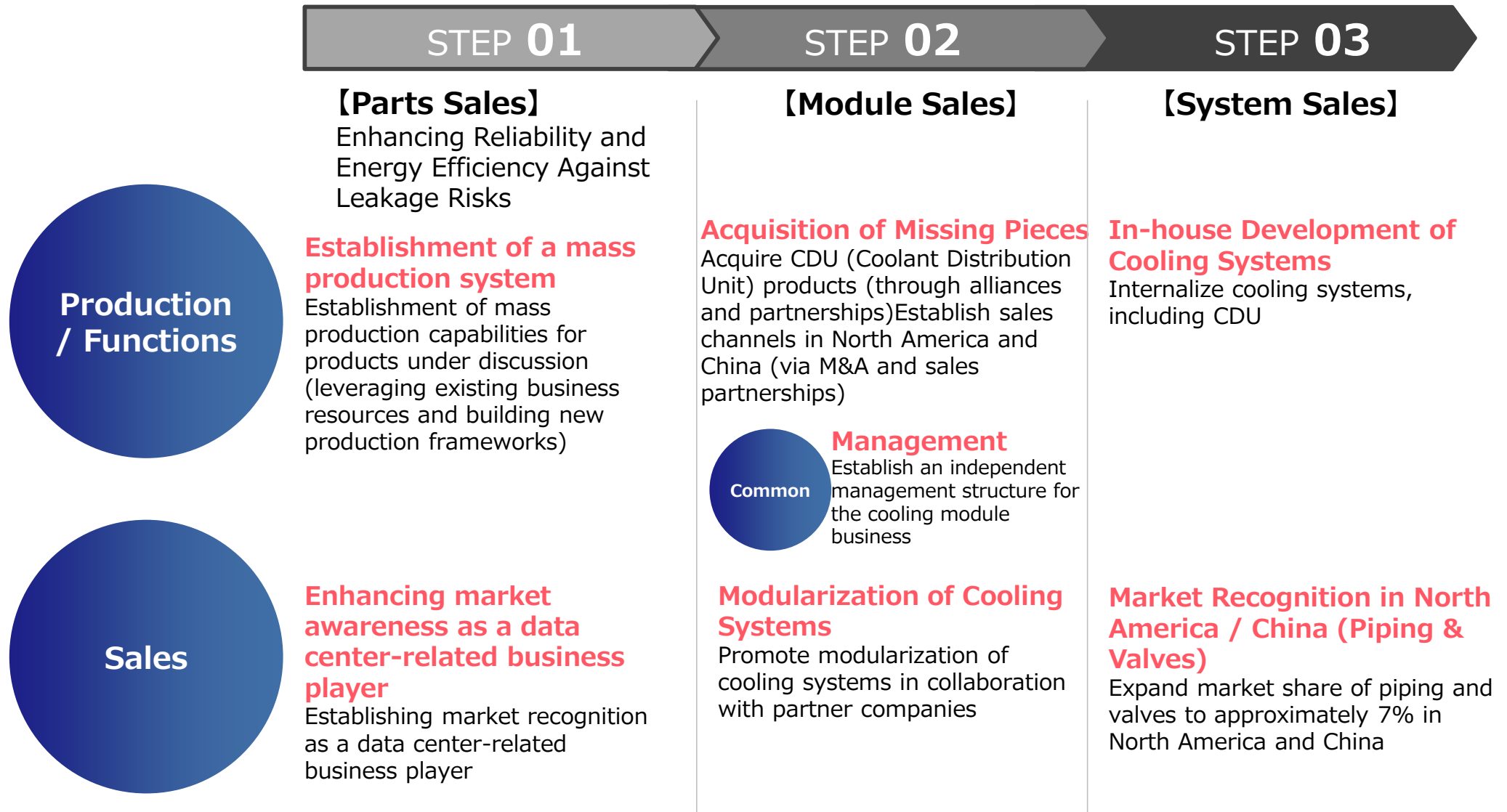
Path to “ROE Improvement”



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Data Center Business: Outlook and Progress

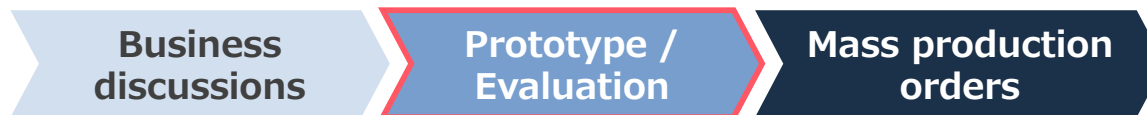
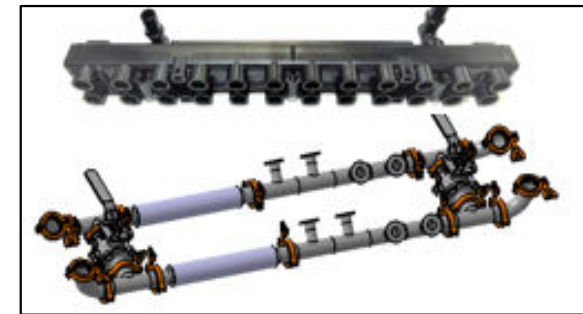
- Starting from our core competencies in piping and valves, we aim to expand our capabilities to encompass entire cooling systems, while also developing sales channels and securing recognition among hyperscale data center operators.



- Received prototype orders from server manufacturers and liquid-cooling module manufacturers for data centers, both in Japan and overseas.
- Planning to exhibit at trade shows to support further project acquisition in Japan and globally.

Prototype Orders from Data Center Server and Liquid-Cooling Module Manufacturers (Japan and Overseas)

- Secured orders for demonstration prototypes in anticipation of large-scale projects
- In addition, inquiries are expanding, primarily from domestic and international data center operators and data center subcontractors
- Planning to establish production systems in Japan and overseas to support mass production orders



Process

Exhibition at “IDCE2026 / 12th Shanghai International Data Center Industry Expo”

- Scheduled to exhibit at IDCE2026 / The 12th Shanghai International Data Center Industry Expo from June 3 to June 5, 2026
- Aiming to promote our liquid-cooling module products for data centers to domestic and international data center operators and related companies



05

Status of Dialogue with Shareholders and Investors

- As a new initiative, we held small group meetings between outside directors and institutional investors/analysts.
- In addition to one-on-one meetings following earnings announcements, we also conducted advance hearings with capital market participants in preparation for this disclosure, aimed at responding to the realization of management that is conscious of cost of capital and share price.

Engagement Format	Target Audience	Participants	No. of Sessions	No. of Participants / Companies	Disclosure (Links)
Financial Results Briefing (Online) (Nov 2025 – Jun 2026, planned)	Institutional investors, Analysts	COO, CFO	1 (incl. 4Q)	19 companies (cumulative)	Presentation materials Transcript Q&A
One-on-One Meetings (In-person / Online) (Aug 2025 – Jul 2026, planned)	Institutional investors, Analysts	COO, CFO CFO Head of Corporate Planning / Corporate Planning team members Head of New Business Development / General Managers / team members Head of General Affairs / IR team members	58 (incl. 4Q)	58 companies (cumulative) ※ Includes advance hearings with 6 companies regarding responses toward capital cost- and share price-conscious management (see p.24)	1Q Q&A 2Q Q&A 3Q Q&A
Integrated Report Briefing (Online) (Feb 2026)	Individual shareholders, Individual investors, Institutional investors, Analysts	COO	1	1,582 participants + 14 companies (live stream)	Presentation materials Q&A
Company Briefing for Individual Investors (Online) (Feb 2026)	Individual shareholders, Individual investors	COO	1	1,934 participants (live stream)	Presentation materials Q&A
[New] Small Group Meetings between Outside Directors and Institutional Investors/Analysts (Online) (Mar 2026)	Institutional investors, Analysts	3 Outside Directors, Head of General Affairs	1	6 companies	Summary of meeting

- Prior to this disclosure, we conducted advance hearings with capital market participants, including sell-side analysts.
- The market does not assign value to our existing businesses and takes a rigorous view of our ROIC/ROE levels.
- We received feedback that unless we demonstrate a clear linkage between structural reforms, business portfolio transformation, growth strategies, and improvements in share price and capital efficiency, the current valuation discount will persist.

Cost of Capital / ROE

- In addition to setting interim KPIs, clear milestones for improving profitability are required.
- It is necessary to first ensure that ROE exceeds the cost of equity, followed by achieving a sustainable ROE of 15% or higher from 2030 onward.
- While a 15% ROE target is viewed positively, there are concerns regarding the likelihood of achieving it.

Scrap & Build (Business Portfolio Transformation)

- The message conveys management's commitment and is received positively.
- Even if upfront investment temporarily depresses short-term profitability, a clear path to improving ROIC—through improvements in Japan, Europe, and China and returns from new business investments—is expected.
- As a company with net debt, Sanoh is required to improve its balance sheet, income statement, and cash flow.
- For over-leveraged subsidiaries (e.g., Geiger USA), one-off losses from the disposal of unprofitable businesses are viewed positively if clearly explained as contributing to subsequent profitability improvement.

Profitability Improvement

- The key issue is not revenue expansion itself, but the speed of improving profitability (e.g., margins) and transitioning to a more robust business structure.
- Achieving a 10% operating income margin in the automotive components business would allow for significant re-rating potential.
- High cost levels in Japan are recognized as a structural issue (dispersion of sites and indirect cost factors).

Future Disclosure & Shareholder Returns

- Disclosure of dividend payout ratio and DOE (Dividend on Equity) is expected.
- At present, the data center business is not seen as a primary earnings driver but rather as an option.
- Although the data center business carries uncertainty, steady progress—even in small steps—should be demonstrated.
- Setting interim targets and disclosing a credible roadmap along with intermediate KPIs are considered essential.

Note: Prior to the disclosure date, this material contained insider information. Accordingly, in engagements with capital market participants, discussions were limited to outlining the direction of this disclosure, and did not include detailed financial figures or specific measures.

Plant Tours for Institutional Investors and Analysts(Head Office Plant, Koga City, Ibaraki Prefecture)

Each year, we host plant tours for institutional investors and analysts at our head office plant. During these tours, our COO and CFO provide guided explanations of:

- Manufacturing sites for our existing automotive components business
- Demonstration units of cooling systems for data centers, which are part of our growth businesses
- Production facilities related to our production solutions business



Recent Event Summary :

<https://pdf.irpocket.com/C6584/dRUj/pHfq/oAXB.pdf>

[First Held in Early March 2026] Small Group Meetings Between Outside Directors and Institutional Investors/Analysts

As part of our efforts to enhance the effectiveness of the Board of Directors, and to provide opportunities for outside directors to directly incorporate perspectives from the capital markets, we hold small group meetings with institutional investors and analysts. These meetings are scheduled to continue this year.

Participants from the Company:

- Outside Director Kaneko (Lead Independent Director)
- Outside Director Morichi
- Outside Director Tomioka

Key Discussion Topics:

- IR activities (dialogue between the Company and investors)
- Evaluation of management
- Medium-term management strategy



Recent Event Summary:

<https://pdf.irpocket.com/C6584/rJAn/Bq1A/HFMh.pdf>

06

Future Update Items

PHASE 1

(May 2026)

【Current】

- Analysis of current status
- Roadmap for improving ROE
- Status of dialogue with shareholders and investors

PHASE 2

(From Autumn 2026 onward)

【Next Scheduled Update】

- **Consolidated quantitative targets for the medium-term management plan (including consideration of whether to set interim targets)**
- **Updates on growth strategies for new businesses**
- **Roadmap for improving ROE based on capital policy**
- **Cash allocation related to the above initiatives**

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.