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June 8, 2026

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Announcement of FY2025 Financial Results Briefing (Including Q&A Session)

We held a financial results briefing for institutional investors and analysts. An overview of the meeting and the details of the Q&A session are disclosed below.

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.

Overview of the Briefing

Date & Time: May 28, 2026, at 3:30 p.m.

Format: Zoom Webinar

Presenters: Director, President & COO Takeda; Director and CFO Sasaki

Presentation Materials: <https://pdf.irpocket.com/C6584/fcDL/FW3G/MxI9.pdf>

Video: <https://youtu.be/l-XogxmPazI>

Transcript (Logmi Finance): <https://finance.logmi.jp/articles/384630>

Q&A

Q1. How do you analyze the variance between the initial plan and the results for FY2025?

A1. FY2025 was significantly impacted by changes in the external environment. The key drivers behind the variance from the initial plan were regional fluctuations in demand and the emergence of unanticipated costs. In particular, underperformance in the Americas segment was the primary contributor to the overall shortfall.

Negative factors included the impact of U.S. tariff policies, the timing gap between price pass-through negotiations and actual recoveries, temporary costs arising from import disruptions, and increased expenses associated with newly launched projects. While cost improvement measures—such as temporary increases in net sales in Japan, cost reductions from plant closures and workforce reductions in Europe, and restructuring in China—generated positive effects, they were insufficient to offset these headwinds, resulting in a decline in operating income.

Looking ahead to FY2026, we expect the impact of U.S. tariff policies in the Americas segment to become largely neutral as price pass-through negotiations progress. Import-related disruptions and temporary abnormal costs have been resolved, and operations are expected to return to normal operating levels. Structural reforms in Europe and China are also advancing, leading to improving profitability. Although the business environment remains uncertain, we are committed to steadily improving profitability through disciplined price pass-through and continued execution of structural reforms.

– Sasaki, Director & CFO

Q2. How has price pass-through progressed in response to U.S. tariff measures and rising raw material and labor costs?

A2. In FY2025, U.S. tariff measures in North America resulted in a net cost increase of approximately ¥700 million due to timing differences between payments and recoveries. However, price pass-through negotiations were ultimately concluded, albeit with delays, and we expect the impact to be largely neutral in FY2026.

Raw material prices have been rising globally, but most of the increases to date have been passed through. While further cost increases driven by changes in the external environment are anticipated in FY2026—particularly related to geopolitical developments in the Middle East—we will continue to implement reliable price pass-through.

In addition to material costs, logistics and electricity expenses are also increasing. We will address these increases through ongoing discussions with customers and by revising pricing and contractual conditions as needed. Regarding

labor costs, a portion of wage increases in Japan has not yet been fully passed through. This remains a key management priority, and we will continue negotiations with customers in FY2026.

– Sasaki, Director & CFO

Q3. Please comment on the outlook for existing businesses and new businesses.

A3. In our existing businesses, we are currently in a transitional phase—the second phase of our Mid-term Strategy and Target—where profitability and capital efficiency have yet to reach satisfactory levels. However, we recognize this as a bottoming phase.

During this phase, our top priority is structural reforms aimed at achieving stable, long-term growth rather than short-term results. Through a comprehensive review of low-margin businesses and optimization of our business portfolio, we will steadily enhance profitability and capital efficiency.

As a result of these efforts, particularly in the Americas segment, we have strengthened our market positioning through initiatives such as the acquisition of a competitor in Mexico. The operating environment is increasingly conducive to capturing remaining market opportunities across multiple product categories, and we are building greater pricing power.

Although operational issues arose at certain sites in the Americas segment in FY2025, these have largely been resolved. Going forward, we aim to achieve steady growth in net sales and operating income, particularly in both the Americas and Asia segments.

In new businesses, the data center business is transitioning from the prototype and evaluation stage to mass production. While its contribution to earnings is currently limited, we are steadily building a solid business foundation and intend to establish it as a medium- to long-term growth driver and a new core business.

By simultaneously improving profitability in existing businesses and driving growth through new businesses, we are committed to enhancing corporate value. We also recognize that capital markets increasingly demand tangible results in addition to expectations. Accordingly, we will deliver concrete achievements and translate them into sustained improvements in corporate value.

— Takeda, Director, President & COO

Q4. Does your FY2026 full-year earnings forecast for Japan assume a decrease in production volumes due to the situation in the Middle East? Are there any supply shortages?

A4. At present, we do not recognize any production adjustments caused by supply chain disruptions related to the situation in the Middle East. Accordingly, while we have incorporated variations in production plans among OEMs, our current full-year earnings forecast does not assume a decline in production volumes due to geopolitical factors. We are aware that certain materials—particularly naphtha-derived plastic and indirect materials such as thinners—have gradually become harder to procure since the earnings announcement. However, there are no immediate supply constraints, and we currently have reasonable visibility on procurement for the next three to four months. OEMs have also instructed suppliers to report any procurement difficulties promptly. We will continue to closely monitor developments going forward.

– Sasaki, Director & CFO

Q5. Please provide more details on the timeline and financial targets for each step of your data center business strategy through FY2030.

A5. Although we secured mass production orders related to Container-Type Data Centers in FY2025, we are currently receiving a growing number of relatively large-scale inquiries from potential customers both in Japan and overseas. However, activities remain primarily at the prototype and evaluation stage. We will advance our strategy for each phase while closely monitoring market developments.

In Japan, customer investment decisions remain relatively cautious. We are also expanding overseas initiatives; however, project timelines may shift due to varying data center specifications and construction conditions.

Under these circumstances, we are pursuing a strategy of offering a broad product lineup. We have gained recognition from multiple large-scale data center operators and are actively engaged in joint development projects. With the rapid advancement of AI technologies, heat density within servers continues to increase, creating a critical need for efficient thermal management within limited space. This challenge closely parallels the automotive industry's long-standing requirement to deliver advanced functionality within constrained vehicle packaging.

The Company has developed extensive expertise in optimizing limited space and has earned strong recognition for its technology, reliability, and quality within the automotive industry. As a result, we are increasingly receiving requests to deliver system-level optimization solutions rather than individual component optimization.

Although we are relatively new in this field, we have gained the trust of numerous customers and are recognized as a competitive global player. We will continue to accelerate prototype development and convert these efforts into mass production, with the aim of delivering tangible results.

— *Takeda, Director, President & COO*

Q6. While net sales are expected to increase by ¥7.6 billion in FY2026, operating income is projected to rise by ¥1.4 billion. Can we assume that approximately ¥0.7 billion of this increase is due to the normalization of tariff impacts? Also, why is the increase in operating income relatively modest compared to net sales growth?

A6. The increase in net sales is primarily driven by the full-year consolidation of the Mexican subsidiary acquired in the previous year. However, this subsidiary had profitability challenges at the time of acquisition, as evidenced by the recognition of a Gain on Bargain Purchase. While various improvement measures have been implemented since the acquisition and profitability is showing signs of improvement, it is currently operating near the break-even level. Regarding operating income, the normalization of tariff impacts over the full year, along with the resolution of one-off costs incurred in Mexico in FY2025, are the main contributors to the projected ¥1.4 billion increase in operating income.

– *Sasaki, Director & CFO*