Financial Year Ending March 31, 2027 - First Quarter

Explanatory Material

August 7, 2026

Sanoh Industrial Co., Ltd.

Tokyo Stock Exchange: 6584 (Prime)

Contents of Explanatory Material for FY26Q1

FY26Q1 Consolidated Financial Performance

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

Particulars	Quarter Ended June 30, 2025		Quarter Ended June 30, 2026				Full Year Forecast for the Fiscal Year Ending March 31, 2027 (Announced on May 14, 2026)	
	Amount	%	Amount	%	Variance Amount	Variance %	Amount	Progress (%)
Net sales	40,263	100.0	42,780	100.0	+2,518	+6.3	167,000	25.6
Operating income	2,250	+5.6	938	+2.2	▲1,313	▲58.3	5,500	17.0
Ordinary income	1,893	+4.7	763	+ 1.8	▲1,130	▲59.7	3,500	21.8
Net income attributable to the shareholders of the parent company	697	+1.7	8	+0.0	▲689	▲98.8	1,500	0.5

Summary of FY26Q1 Financial Performance (Year-on-Year)

- **Sales:** Increased due to revenue growth in the Americas, including newly consolidated subsidiaries, tariff pass-through revenue, and the impact of foreign currency translation, despite the absence of the prior-year contribution from new launch sales in Japan.
- **Operating Income:** Decreased by ▲1,313 million yen due to the absence of the prior-year contribution from new launches in Japan, higher new launch expenses in the Americas, adverse foreign exchange impact from the stronger Mexican peso, incomplete pass-through of tariff-related costs, and one-time expenses recorded in Europe.
- **Ordinary Income:** Decreased by ▲1,130 million yen, mainly due to the decrease in operating income, despite foreign exchange gains.
- **Net Income:** Decreased by ▲689 million yen, mainly due to the decrease in ordinary income, despite the absence of special retirement expenses recorded at the German subsidiary in the previous fiscal year.

Exchange Rate

Currency (1 unit = JPY)	June 30, 2025 (Average Rate)	June 30, 2026 (Average Rate)	Variance
USD	152.6	156.9	+3%
EUR	160.5	183.7	+14%
MXN	7.5	8.9	+20%
RMB	20.9	22.7	+8%
INR	1.7	1.7	-
THB	4.5	5.0	+10%
RUB	1.6	2.0	+22%
BRL	26.1	29.8	+14%

FY26Q1 Segment Financial Performance

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

Particulars	Sales			Operating Income		
	Quarter Ended June 30, 2025	Quarter Ended June 30, 2026	Variance	Quarter Ended June 30, 2025	Quarter Ended June 30, 2026	Variance
Japan	13,482	12,097	▲1,385	685	427	▲258
Americas	16,946	20,017	+3,071	877	251	▲627
Europe	5,052	5,644	+592	91	▲151	▲242
China	2,955	2,180	▲774	▲181	▲234	▲52
Asia	7,514	8,118	+604	841	752	▲89
Adjs.	▲5,686	▲5,276	+410	▲63	▲107	▲45
TOTAL	40,263	42,780	+2,518	2,250	938	▲1,313

Highlights of the Quarter Ended June 30, 2026 (Year-on-Year)

Japan
(Revenue & Profit Decline)

Revenue decreased due to the absence of the prior-year contribution from high-unit-price new launch sales.
Operating profit decreased due to the impact of lower revenue, although no subsidiary acquisition expenses were incurred during the current period.

Americas
(Revenue Growth & Profit Decline)

Revenue increased due to stable sales to Japanese OEMs in North America, tariff pass-through revenue, and the newly consolidated Mexican subsidiary.
Operating Income decreased due to higher costs associated with preparations for new launches, the impact of incomplete recovery of tariff-related costs, and foreign exchange effects.

Europe
(Revenue Growth & Operating Loss)

Revenue increased due to the impact of foreign currency translation, while sales volume remained at the same level as the previous year.
Incurred an operating loss despite personnel reduction effects, mainly due to inventory-related adjustments.

China
(Revenue Decline & Operating Loss)

Revenue decreased due to the liquidation of the Chinese subsidiary and continued weak sales to Japanese OEMs.
Operating income decreased due to lower revenue and losses associated with the liquidation of the Chinese subsidiary, despite reduced depreciation expenses following the fixed asset impairment recognized in the previous fiscal year.

Asia
(Revenue Growth & Profit Decline)

Revenue increased due to higher sales in India and the impact of foreign currency translation.
Operating income declined due to higher material and energy costs driven by the Middle East situation and foreign exchange effects, along with increased personnel expenses.

FY26Q1 Consolidated Non-operating and Extraordinary Items

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

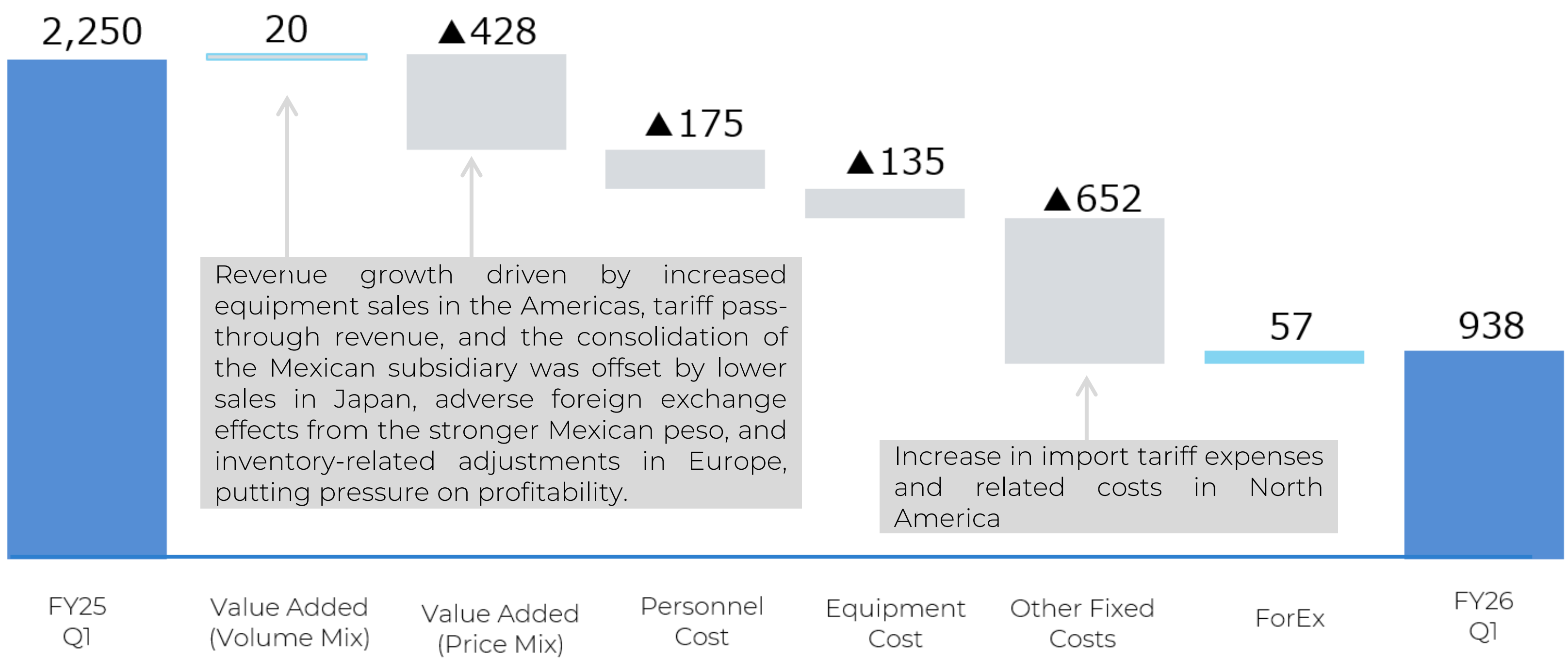
Particulars		Quarter Ended June 30, 2025	Quarter Ended June 30, 2026			Major Factors for Change
		Amount	Amount	Variance		
				Amount	%	
Operating Income		2,250	938	▲1,313	▲58.3	
Non-operating	Income	191	387	+195		Interest income: +22 Foreign exchange gain: +168 (FY25Q1: 0 → FY26Q1: +168)
	Expenses	549	561	▲13		Foreign exchange loss: +199 (FY25Q1: ▲199 → FY26Q1: 0) Interest expense: ▲106
Ordinary Income		1,893	763	▲1,130	▲59.7	
Extraordinary	Gains	10	96	+87		Reversal of provision for loss on liquidation of subsidiaries +53 Gain on sale of fixed assets: +34
	Losses	207	11	+196		Special retirement payments: +194 (FY25Q1: ▲194 → FY26Q1 : 0)
Profit before Income Taxes		1,695	848	▲848	▲50.0	
Corporate Taxes, etc.		765	585	+180		
Net Income attributable to Non-controlling shareholders		233	255	▲22		
Net Income attributable to Owners of the Parent Company		697	8	▲689	▲98.8	

FY26Q1 Analysis of Operating Income

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

Revenue increased on higher equipment sales in the Americas, tariff pass-through revenue, and the consolidation of the Mexican subsidiary; however, lower sales in Japan, adverse foreign exchange impacts, and inventory-related adjustment led to a year-on-year decline in profit.

Year-on-Year
▲1,313



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

FY26Q1 Consolidated Financial Position

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

Particulars		Year Ended March 31, 2026		Quarter Ended June 30, 2026			
		Amount	%	Amount	%	Variance	Major Factors of Change
	Current Assets	83,377	58.7	85,050	58.9	+1,673	Total assets: +2,349 (Increase) ① Cash and deposits ▲1,141 ② Trade receivables +1,941 ③ Inventories +883 ④ Tangible fixed assets ▲122 ⑤ Investment securities +692
	Fixed Assets	58,553	41.3	59,228	41.1	+676	
Total Assets		141,929	100.0	144,278	100.0	+2,349	
	Current Liabilities	52,982	37.3	55,535	38.5	+2,553	Total liabilities: +2,401 (Increase) ⑥ Trade payables +275 ⑦ Short-term borrowings +899 ⑧ Provision for bonuses +730 ⑨ Other current liabilities +1,394 ⑩ Long-term borrowings ▲256
	Fixed Liabilities	36,979	26.1	36,827	25.5	▲152	
	Total Liabilities	89,961	63.4	92,362	64.0	+ 2,401	
	Total Net Assets	51,968	36.6	51,916	36.0	▲52	Net assets: ▲52 Decrease ⑪ Retained earnings ▲501 ⑫ Valuation difference on available-for-sale securities +465 ⑬ Foreign currency translation adjustment +476 ⑭ Non-controlling interests ▲496
Total Liabilities and Net Assets		141,929	100.0	144,278	100.0	+2,349	

Note	FY25Q4		FY26Q1
D/E Ratio	1.19	→	1.19
Equity Ratio	33.8	→	33.6

	FY25Q4	FY26Q1
① Interest Bearing Liabilities	57,219	57,856
② Equity	48,003	48,447
① ÷ ②	1.19	1.19

FY26Q1 Consolidated Cash Flow & CapEx

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

Consolidated Cash Flow

24,519
Cash and cash equivalents as of March 31, 2026

Operating Activities +891

· Income Before Tax	+848
· Depreciation	+1,853
· Changes in Working Capital	▲2,048
· Changes in Accounts Payable	▲153
· Provision for bonuses	+733
· Accrued expenses	+329
· Income Tax Payment	▲996
· Special Retirement Payment	▲311

Investing Activities ▲1,465

· Capital Expenditure	▲1,443

Financing Activities※ ▲568

· Changes in interest-bearing Debt	+530
· Dividend Payments	▲ 499
· Dividends paid to Non-controlling interests	▲ 703
· Foreign Exchange Difference※	+104

23,378
Cash and cash equivalents as of June 30, 2026

※ Translation adjustments related to cash and cash equivalents (+104 million yen) have been included in financing activities.

Capital Expenditure/Depreciation

Particulars	Quarter Ended June 30, 2025	Quarter Ended June 30, 2026	
		Amount	Variance
Capital Expenditure	2,176	1,443	▲732
Depreciation	1,643	1,853	+210

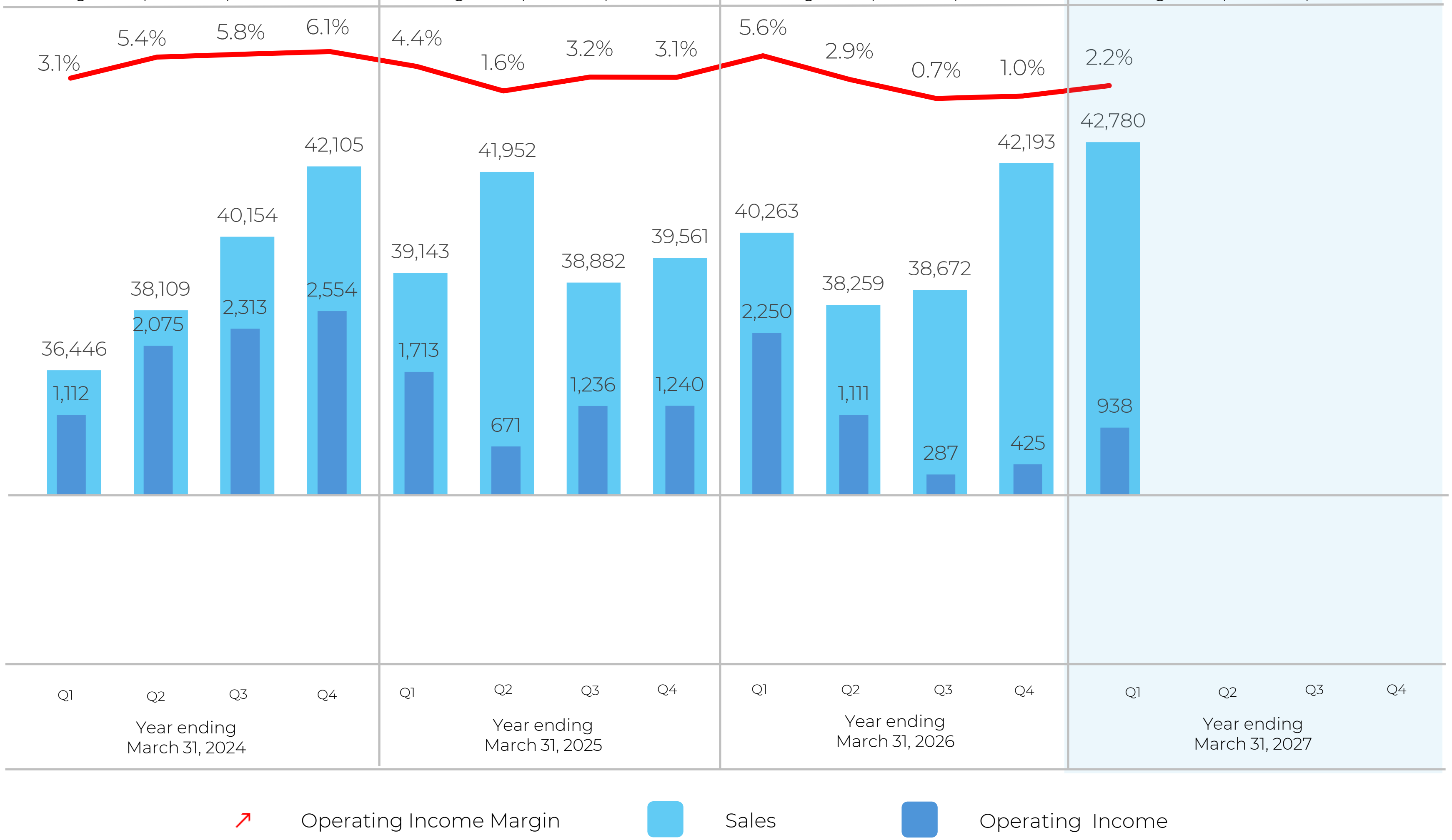
Supplementary

Infographic Quarterly Segment Results

[Supplementary] Quarterly Segment Results: Consolidated

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

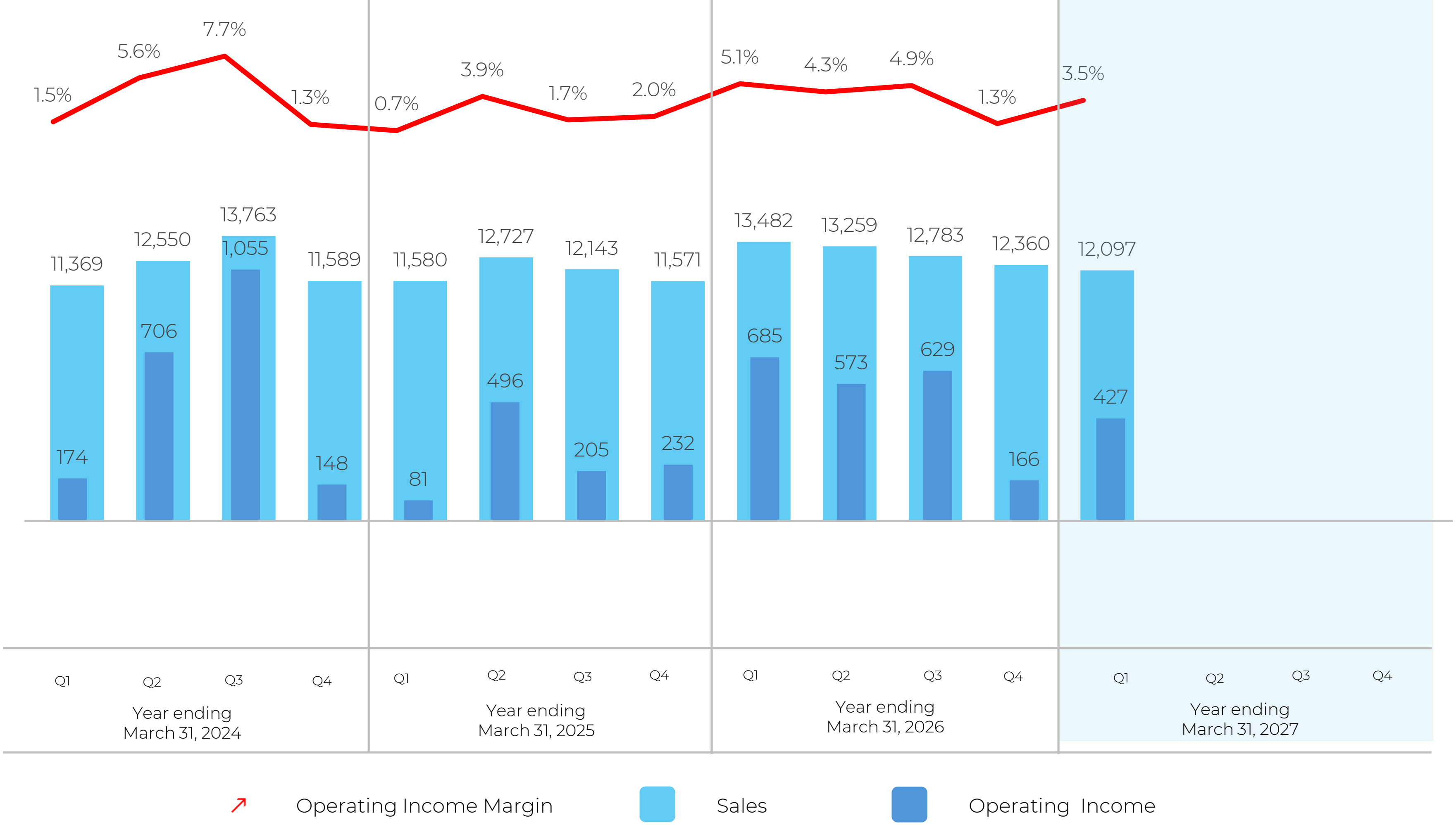
Sales	156,814	Sales	159,538	Sales	159,387	Sales	42,780
Operating Income	8,053	Operating Income	4,860	Operating Income	4,073	Operating Income	938
Operating Income Margin	5.1%	Operating Income Margin	3.0%	Operating Income Margin	2.6%	Operating Income Margin	2.2%
Exchange rate (Yen/USD)	140.6	Exchange rate (Yen/USD)	151.6	Exchange rate (Yen/USD)	149.7	Exchange rate (Yen/USD)	156.9



[Supplementary] Quarterly Segment Results: Japan

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

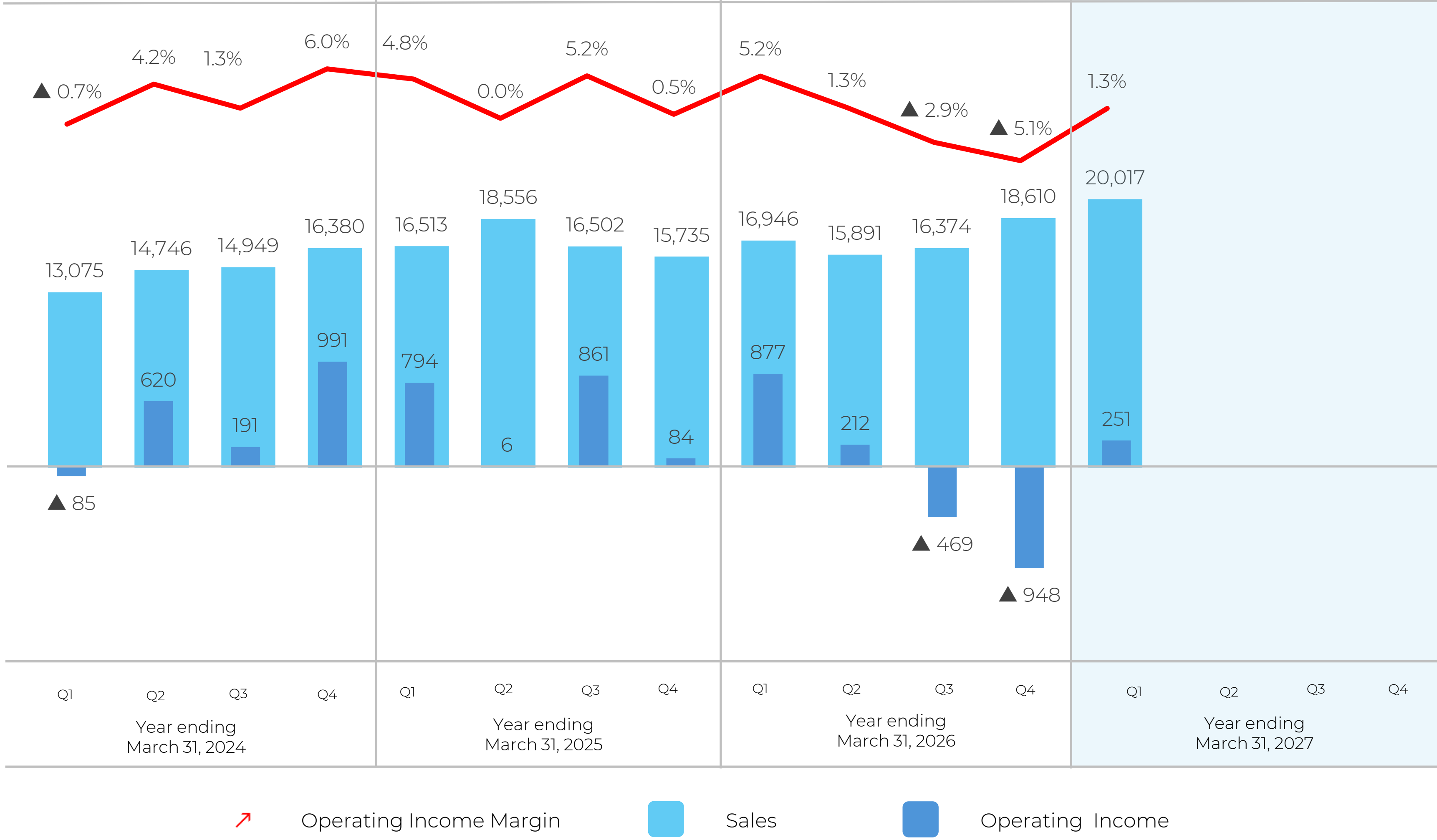
	Year ending March 31, 2024	Year ending March 31, 2025	Year ending March 31, 2026	Year ending March 31, 2027
Sales	49,271	48,020	51,885	12,097
Operating Income	2,083	1,014	2,053	427
Operating Income Margin	4.2%	2.1%	4.0%	3.5%
Exchange rate (Yen/USD)	140.6	151.6	149.7	156.9



[Supplementary] Quarterly Segment Results: Americas

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

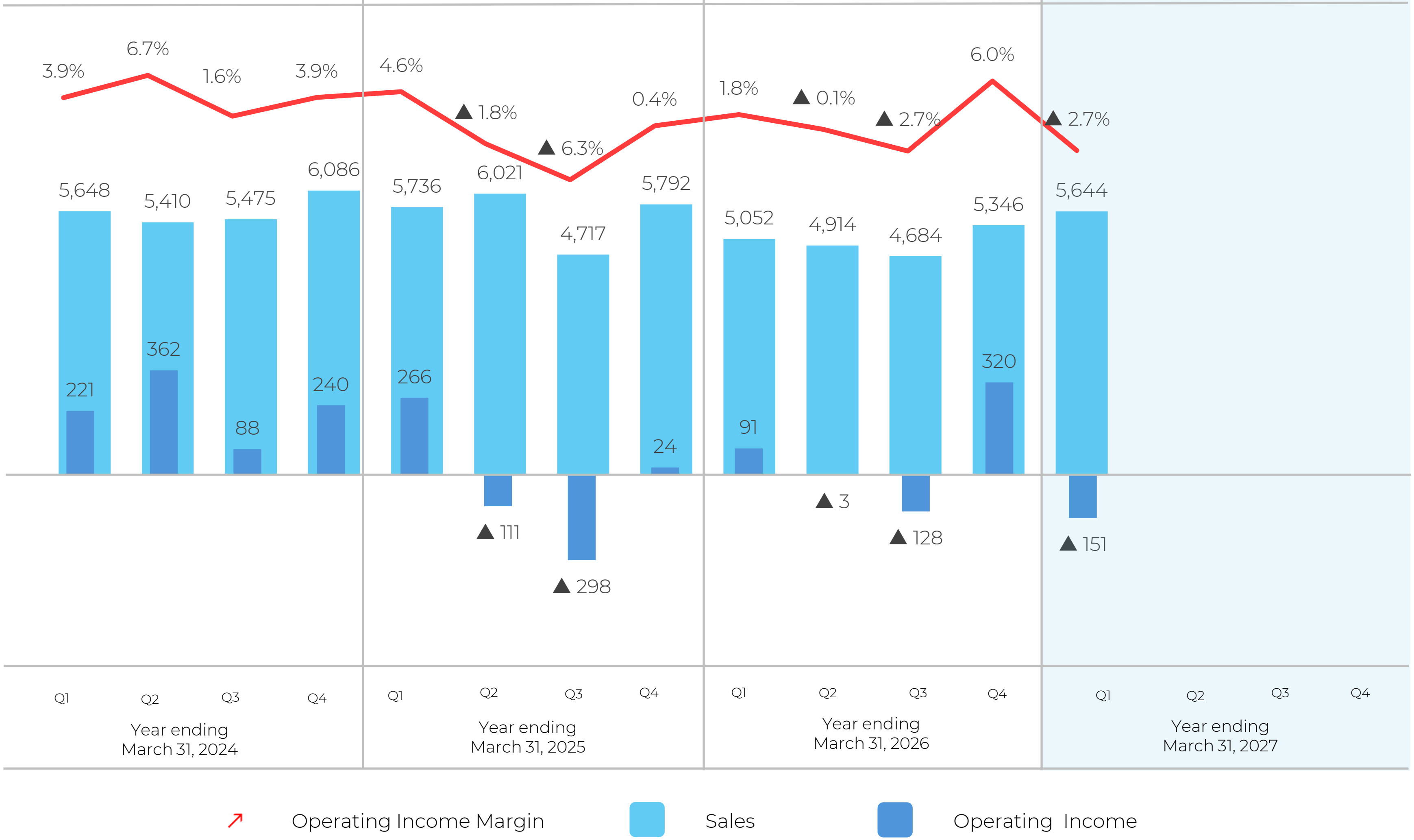
	Year ending March 31, 2024	Year ending March 31, 2025	Year ending March 31, 2026	Year ending March 31, 2027
Sales	59,150	67,306	67,822	20,017
Operating Income	1,717	1,744	▲327	251
Operating Income Margin	2.9%	2.6%	▲0.5%	1.3%
Exchange rate (Yen/USD)	140.6	151.6	149.7	156.9



[Supplementary] Quarterly Segment Results: Europe

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

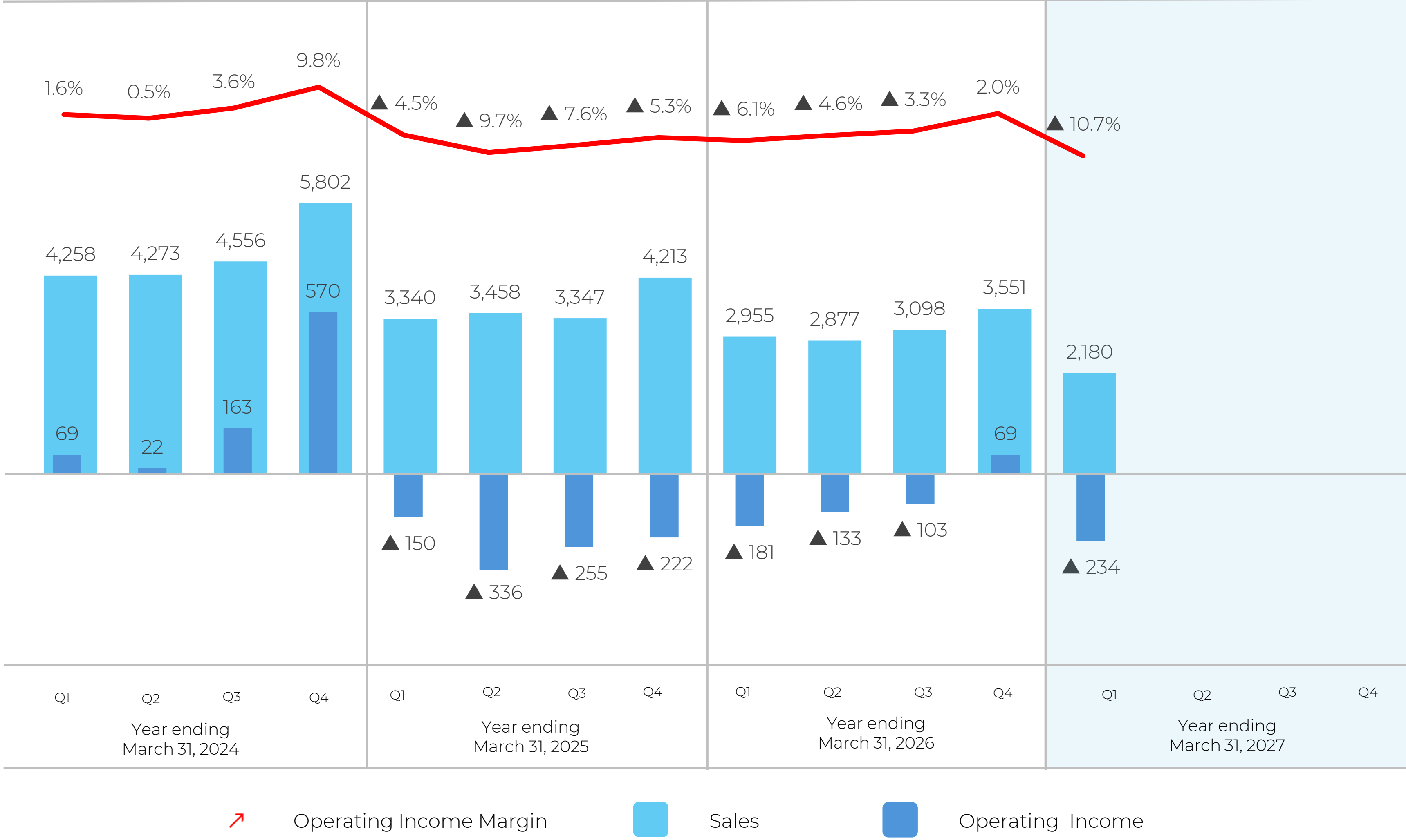
	Year ending March 31, 2024	Year ending March 31, 2025	Year ending March 31, 2026	Year ending March 31, 2027
Sales	22,619	22,267	19,996	5,644
Operating Income	911	▲118	280	▲151
Operating Income Margin	4.0%	▲ 0.5%	1.4%	▲ 2.7%



[Supplementary] Quarterly Segment Results: China

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

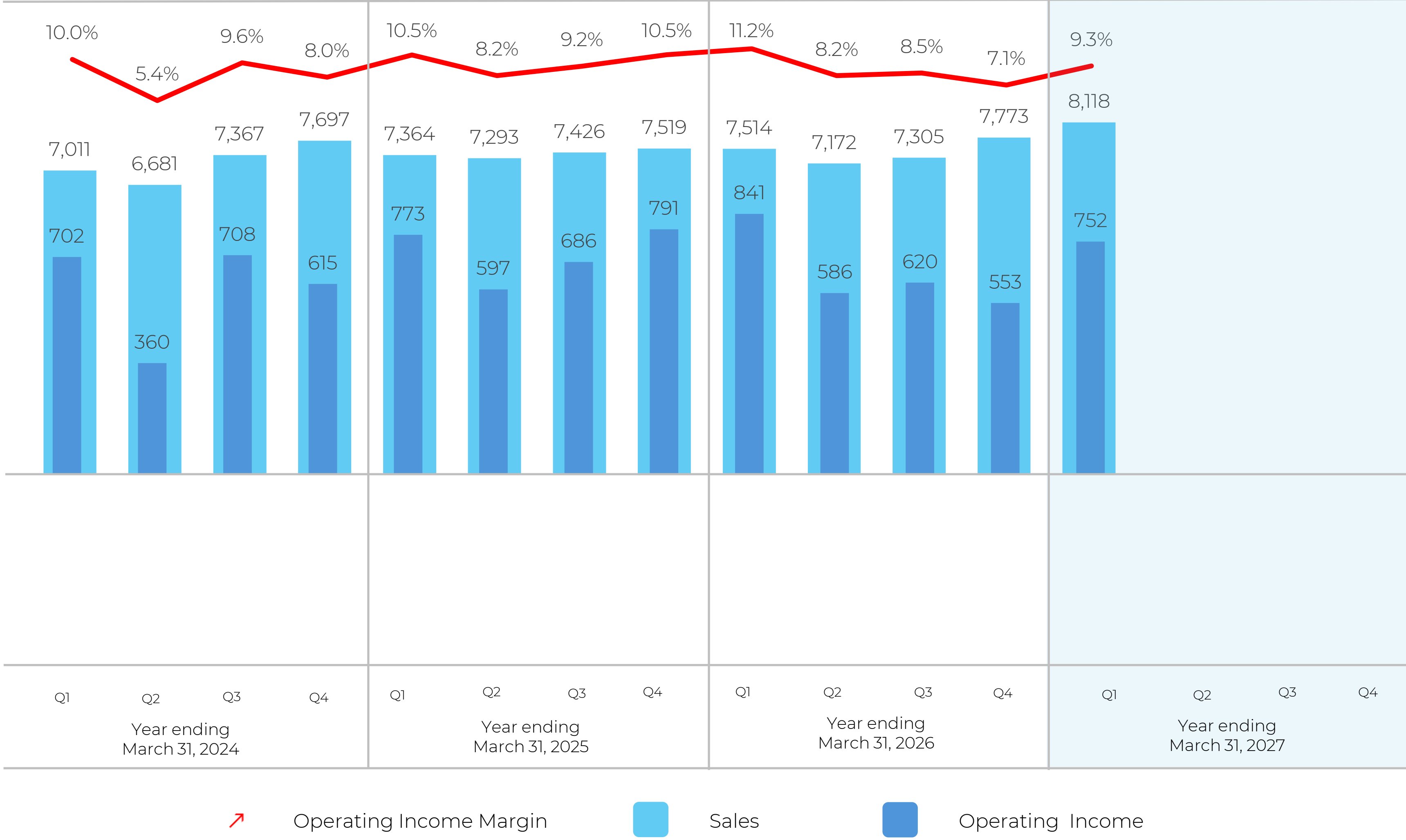
	Year ending March 31, 2024	Year ending March 31, 2025	Year ending March 31, 2026	Year ending March 31, 2027
Sales	18,888	14,358	12,481	2,180
Operating Income	824	▲963	▲348	▲234
Operating Income Margin	4.4%	▲6.7%	▲2.8%	▲10.7%



[Supplementary] Quarterly Segment Results: Asia

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

Year ending March 31, 2024		Year ending March 31, 2025		Year ending March 31, 2026		Year ending March 31, 2027	
Sales	28,756	Sales	29,601	Sales	29,763	Sales	8,118
Operating Income	2,384	Operating Income	2,847	Operating Income	2,599	Operating Income	752
Operating Income Margin	8.3%	Operating Income Margin	9.6%	Operating Income Margin	8.7%	Operating Income Margin	9.3%



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