



Sanoh Industrial Co., Ltd.



Integrated Report

For the Fiscal Year Ended March 31, 2024

2024

Securities Code 6584



Sanoh Industrial is a global automotive parts manufacturer with 82 production facilities in 19 countries.

Mission and Vision

Our mission is to put forth our best efforts for the sake of the Safety and Security of our stakeholders together with Environmental Conservation through the supply of products and global business activities as a company with a spirit for the handmade.

In order to accomplish this mission, we will aim to Develop People, Develop Systems and Develop Technologies and to become an innovative group of experts.

Corporate Motto

Continuous Improvements in Every Phase of Management

The Sanoh Way



Editorial Policy

This Integrated Report contains reports on corporate activities in line with Sanoh Industrial's corporate philosophy, as well as a wide range of financial and non-financial information. It is published with the aim of aiding stakeholders' understanding of the Sanoh Group. The International <IR> Framework, GRI Standards, Guidance for Collaborative Value Creation, and other standards were referred to in the editing of this report.

Reporting Period

From April 2023 to March 2024
(also includes some information for April 2024 and later)

Organizations Covered by the Report

In principle, this report covers Sano Industrial Co., Ltd. and its 30 subsidiaries and 2 affiliated companies. In any instances where this is not the case, it will be stated.

Published

January 2025

Disclaimer Regarding Forward-Looking Statements

The forward-looking statements in this report are based on information available to the Company at the time of publication and certain assumptions deemed to be reasonable. Actual financial results, etc. may differ materially from those presented in this document, dependent on a number of factors.



Koga Factory (Ibaraki Prefecture)
CITA (Center for Innovation, Technology, and Analysis)

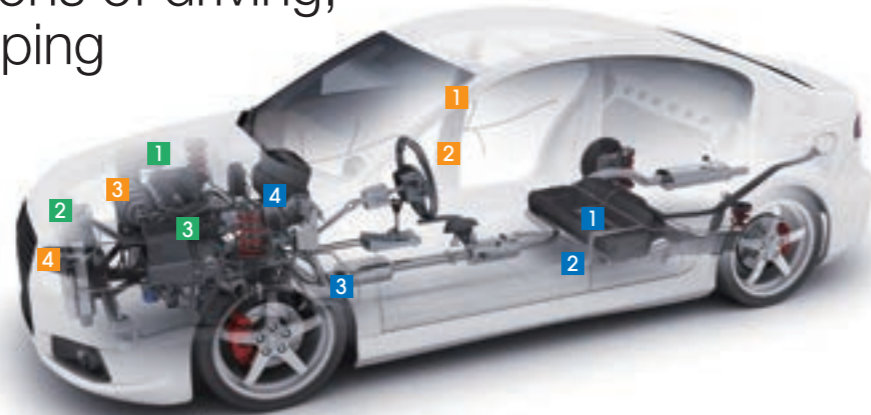


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Sanoh provides products that underpin cars' basic functions of driving, turning, and stopping

- Automotive Tubing**
 - Fuel-Related Products
 - Brake-Related Products
- Powertrain**
 - Engine-Related Products
 - Heat-Exchange-Related Products
- Environment and Safety**
 - Safety-Related Products
 - Environment-Related Products

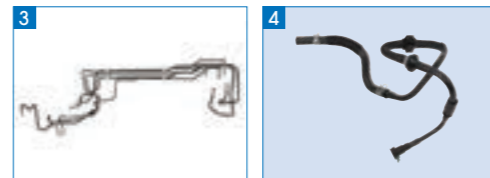


Fuel-Related Products



Cluster tubes are assemblies of integrated fuel tubes, purge tubes, brake tubes, and other tubes that pass under the vehicle floor. At Sanoh, we have developed a wide variety of benders that utilize different bending methods. By selecting the processing method most suitable for a product's configuration, we have the capability to achieve a variety of bending configurations.

Brake-Related Products



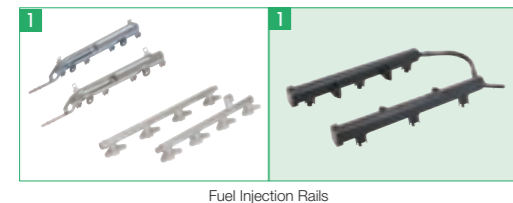
Brake tubes are used to transmit hydraulic pressure generated by the master cylinder to the brake units in the wheels. Due to the high operating pressure of braking systems, brake tubes utilize double-wall tubing, which has excellent pressure resistance, as their material. The tube ends undergo a flaring process, after which the tubes are bent according to the specification requirements of each customer.

Other Products



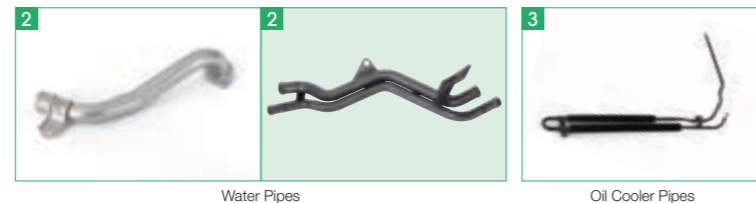
A quick connector is a product that can be quickly and easily connected to a mating pipe by simply inserting it without any installation tools. It was developed to improve the workability and reliability of connections and reduce the cost of piping systems. It is widely used in automobile fuel and water piping and is also applicable for other purposes.

Engine-Related Products



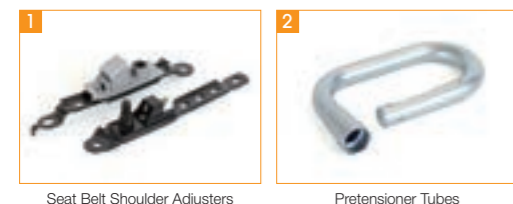
Fuel injection rails (FIRs) are devices that uniformly supply fuel to the fuel injectors in automobile engines. Stainless steel, steel, and plastic types are available. Plastic FIRs offer reduced costs and approximately 50-60% weight savings compared to existing metal FIRs.

Heat-Exchange-Related Products



Water pipes are used in automotive water-cooling circulation systems. Stainless steel, steel, and plastic types are available. For the stainless steel type, we also offer a lightweight version made from thin-walled (0.5 mm) pipe. For the plastic type, we use a special injection-molding method known as fluid-assisted injection technology to enable the molding of hollow tubing, which was not possible with conventional injection-molding techniques, allowing for a reduction in the number of components, as well as weight reduction. Oil cooler pipes are tubular components equipped with fins and inner grooves that are used to cool oil. Lightweight, high heat dissipation and a compact design are possible by using aluminum in part of the pipe.

Safety-Related Products



Seat belt shoulder adjusters are components used to adjust the shoulder guide height of driver and passenger seats. These adjusters make the operation of seat belts easier with their simple mechanism. Products meet all international regulations and all automakers' specifications. Pretensioner tubes are used in seat belt emergency locking retractors (ELRs) and are important safety components for motor vehicle occupant protection.

Note: The shaded boxes denote plastic products.

Environment-Related Products



EGR pipes are automotive tubular components that return a portion of exhaust gas back to the intake system in order to improve environmental performance. Adoption of EGR pipes is increasing, as automakers aim to improve fuel efficiency and reduce CO₂ emissions. Air shutter guides are functional components for controlling the flow of air to the radiator. By opening and closing shutters depending on the engine operating conditions, the shutters can also be effective for the thermal management of the engine.

Globally balanced portfolio

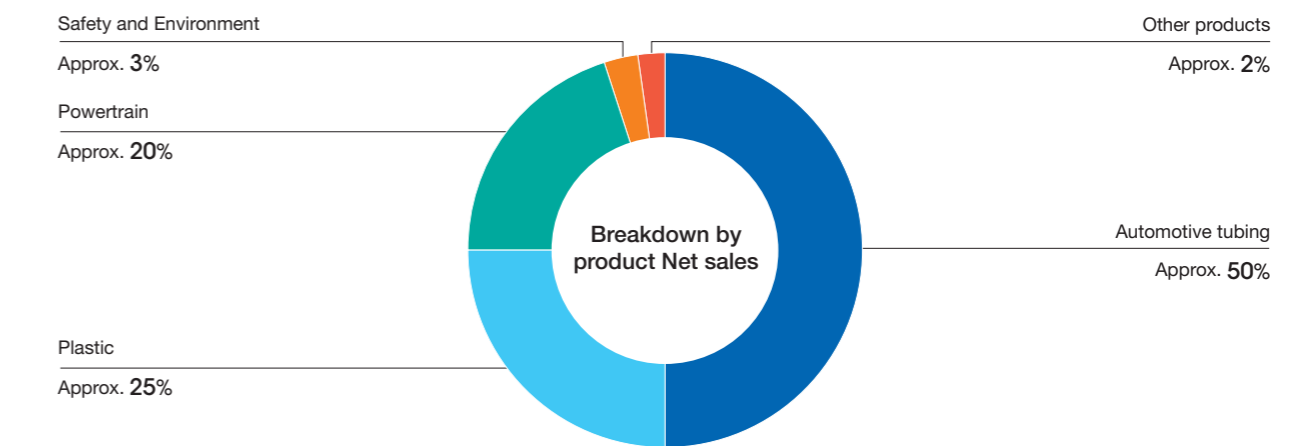
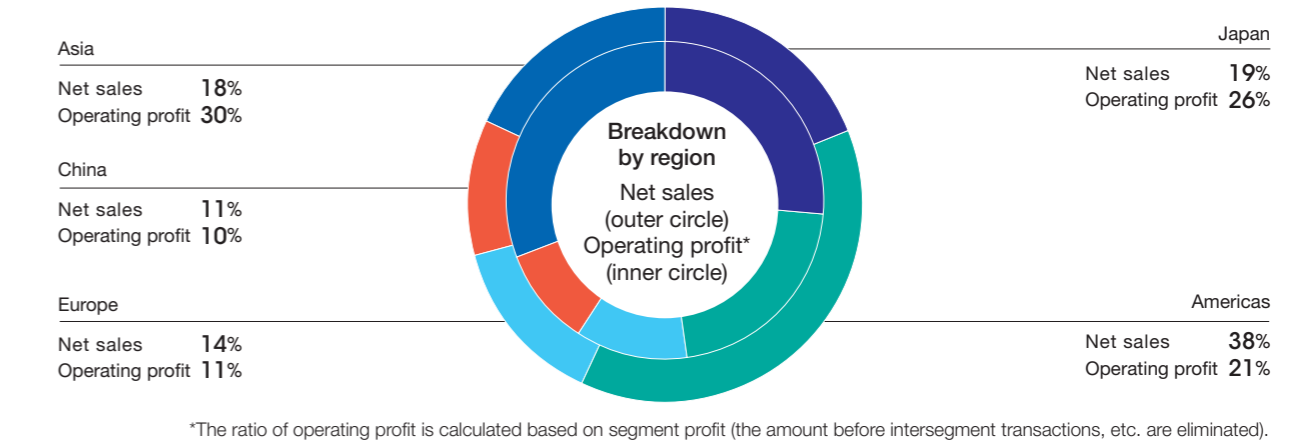
Net sales for FY2023

¥156.8 billion

Operating profit for FY2023

¥8.0 billion

Sanoh Industrial was founded in 1939 as Omiya Kohku Kogyo. After WWII, we took on the challenge of various businesses, and then ventured into the automotive industry in the 1960s, and have grown to be the world's second largest vehicle tubing manufacturer. While having met our customers' demand for high product quality in the field of critical safety parts that protect people's lives, we have used a wide variety of materials, including steel, plastic, stainless steel, and aluminum. In recent years in particular, we are highly evaluated for our efforts to replace steel with plastic, which helps reduce vehicle weight and leads to ultimately bringing down CO₂ emissions.



Market environment (2023)

Automotive production (million units)

Global	8,989
Japan	876

Global passenger vehicle sales (million units)

Internal combustion engine vehicles	6,698
Hybrid electric vehicles (HEVs) and plug-in hybrid electric vehicles (PHEVs)	1,145
Electric vehicles (EVs) and fuel cell vehicles (FCVs)	1,014

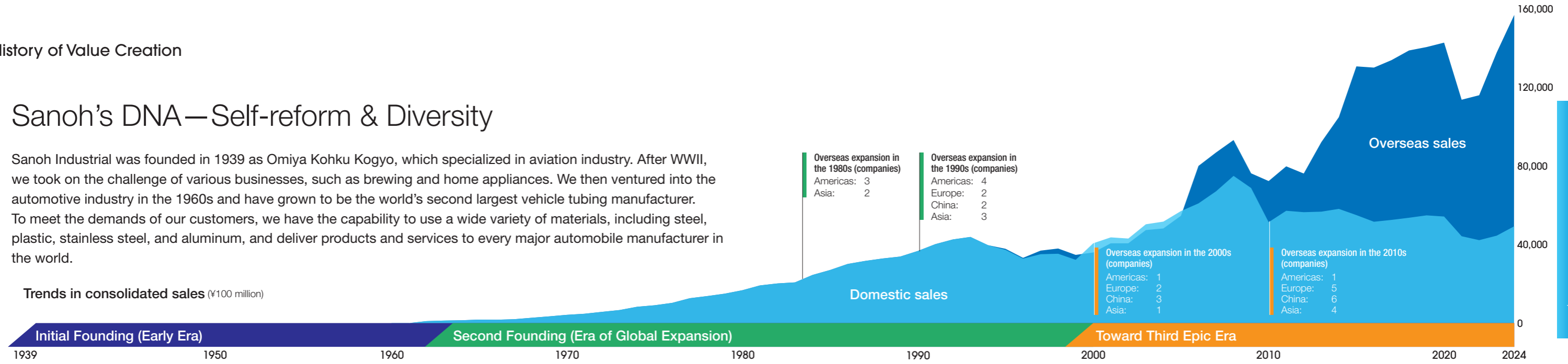
Non-financial Information (2023)

Number of employees	7,915 persons
Percentage of female employees	34.3%
Engagement index	83.0 points

Sanoh's DNA—Self-reform & Diversity

Sanoh Industrial was founded in 1939 as Omiya Kohku Kogyo, which specialized in aviation industry. After WWII, we took on the challenge of various businesses, such as brewing and home appliances. We then ventured into the automotive industry in the 1960s and have grown to be the world's second largest vehicle tubing manufacturer. To meet the demands of our customers, we have the capability to use a wide variety of materials, including steel, plastic, stainless steel, and aluminum, and deliver products and services to every major automobile manufacturer in the world.

Trends in consolidated sales (¥100 million)



Sanoh Industrial milestones

March 1939
Founded as Omiya Kohku Kogyo Co., Ltd. Established Omiya Factory and began the manufacture of aircraft body parts

March 1952
Company name changed to Sanoh Industrial Co., Ltd.

May 1959
Shut down the distilling division, and transferred the entire distilling licenses and distiller facilities

December 1942
Launched Koga Factory

September 1945
World War II ended
Company name changed to Takeda Sangyo Co., Ltd. and shifted its business

October 1949
Company name changed to Sanoh Kajo Co., Ltd.



October 1961
Stock listed on the Tokyo Stock Exchange, Second Section

April 1962
Concluded a technological support agreement with Higbee concerning the manufacture of double-wall tubing

August 1962
Began the manufacture of wire condensers for refrigerators and showcases

November 1969
Concluded a technological support agreement with Higbee concerning the manufacture of single-wall tubing

May 1972
Developed a copper brazing deposition method for automotive exhaust parts and electrical equipment parts

April 1978
Created the Overseas Division in the Sales Department

September 1978
Established PT. Sanoh Indonesia in Indonesia and began the manufacture and sale of wire condensers for refrigerators to Japanese-affiliated home appliance makers, marking the first step in expanding overseas



June 1981
Installed a continuous hot forming furnace for nylon tubing production

June 1986
Established HISAN Inc. (now Sanoh America, Inc.) and began the manufacture and sale of automotive tubing products to Japanese-affiliated auto parts makers in the US

August 1990
Established Sanoh Industrial de Mexico S. A. de C. V. in Mexico

May 1991
Established Bristol Bending Sanoh Ltd. in the UK (now Sanoh UK Manufacturing Ltd.)

March 1997
Obtained an ISO 9001 certification

April 1997
Established STI Sanoh India Ltd. (now Sanoh India Private Limited) in India

December 1998
Stock listed on the Tokyo Stock Exchange, First Section

April 1999
Established Guangzhou Sanoh Seikan Co., Ltd. in China



October 2000
Sanoh's nickel-metal-hydrate batteries used in Honda's ASIMO humanoid robot

March 2002
Obtained an ISO 14001 certification

October 2013
Acquired ownership of Geiger Automotive GmbH in Germany

October 2017
Opened a Center for Innovation, Technology, and Analysis (CITA) on the premise of Koga Factory

July 2019
Conducted a successful continuous power generation test of a new type of thermoelectric generator

September 2020
Announced the use of Sanoh's plastic tube products for cooling water in the Fugaku supercomputer

May 2021
Formulated the Mid-term Strategy and Target

April 2022
Transited to the Prime Market of the Tokyo Stock Exchange

May 2022
Announced that Toyota Motor Corporation had adopted our product for its "bZ4X," a SUV model BEV.

June 2022
Announced that Nissan Motor Co. had adopted our product for its "Nissan Sakura," an all-new, all-electric mini-vehicle.

February 2024
Announced the development of a liquid cooling device for data centers.

May 2024
Formulated the new Mid-term Strategy and Target

June 2024
Announced the development of cooling plates for batteries (cylindrical batteries) for electric vehicles.
Enhanced the production capacity of wire condensers for refrigerators in India



1939–1959
Initial Founding (Early Era)
The Origin of Sanoh's DNA

Giichi Takeda was a business leader and politician who took on the business rules of the Suzuki & Co. and the Meiji Government's philosophy of industrial promotion. Driven by a strong entrepreneurial spirit, he founded more than 10 businesses. Among them was the Omiya Kohku Kogyo Co., Ltd., established in March 1939. The outbreak of the Second World War was just six months after its founding, and the Company was at the mercy of the course of the war. After the war ended, in 1946, Giichi Takeda tapped into his own wits and network as a politician to obtain the right to brew 50,000 koku (1 koku is equivalent to approximately 180 liters) of sake and the rights and interest in the sweet potato starch, a specialty of Ibaraki prefecture, and started a sake brewing business. He swept through a turbulent era by reading the circumstances of the times and shrewdly and fearlessly switching from business to business. This is the very origin of Sanoh's DNA of "self-reform."

1960–1979
Second Founding (Entry into Automotive Industry)
Start of Automotive Parts Manufacturing

Meanwhile, in parallel with the brewing business, the Company had also ventured into the manufacturing of tape recorders and motors for home appliances. Advice sought by one of our business partners led to the conclusion of a manufacturing technological support agreement with Higbee in April 1962. This marked a turning point in the fate of Sanoh Industrial. Having concluded the agreement, the Company started manufacturing wire condensers for refrigerators, which are still produced at some of our overseas locations today. The product proved to be an epoch-making success, and around the time its share in the domestic market neared 40%, the wave of motorization eventually hit the shores of Japan. Making use of its manufacturing technology for wire condensers, Sanoh Industrial launched out on full-scale manufacturing of automotive parts.

1980–1999
Second Founding (Era of Global Expansion)
From Sanoh Industrial to Global Sanoh Group

As the Company was making the first step into overseas markets with the establishment of a wire condenser production site in Indonesia, it was already clear then that automobiles would be the next wave. In the 1980s, Sanoh Industrial expanded its overseas bases in line with the trend among Japanese OEM vendors to set up bases abroad in succession against the backdrop of intensifying trade frictions between Japan and the US. The number of overseas bases grew from five companies in the 1980s to 11 in the 1990s, thus laying the foundation for today's Global Sanoh Group. Incidentally, many of Sanoh Industrial's overseas expansions started off as a joint venture with local partners. When forging such alliances, the skill of negotiation held the key to success. Building good partnerships while respecting the differences between diverse countries and regions. It was through these experiences that "diversity," another DNA of Sanoh Industrial, was fostered.

2000–2024
Toward Third Epic Era
For Safety, Security and Beyond

The changes happening around the automotive parts market are rapid and drastic, as seen in the changes in critical technology elements due to a shift to electric vehicles, the gradual decline in demand for products for gasoline-powered cars, the complexity of energy problems, and more. We are taking an inorganic approach of collaborating with external parties through open innovation, which is a manifest of "self-reform" and "diversity," as well as, needless to say, an organic approach of expanding into new categories drawing on the stock of existing technologies.

Value Creation for the Global Sanoh Group

Growth Strategy

Foundation Supporting Value Creation

Data Section

Our mission is to put forth our best efforts for the sake of the Safety and Security of our stakeholders together with Environmental Conservation through the supply of products and global business activities as a company with a spirit for the handmade.

For Sanoh Industrial, stakeholders refer to customers, shareholders, suppliers, employees and their family members, members of local communities, and people around the world (in no particular order).



Materiality issues

- Productivity improvement with innovative technologies
- Contribution to reducing environmental impact
- Co-creation and growth with local communities
- Achievement of work-life fulfillment

Management Resources

Human capital

- Number of global employees **7,915**
- Gender composition* **66 : 34**
- Percentage of women in managerial positions* **5.4%**
- Number of non-Japanese employees* **183**
- Percentage of non-Japanese employees* **10.2%**
- Non-Japanese employees come from **23 countries and regions***

Intellectual capital

- R&D expenses **¥2.0 billion** (1.5% of net sales)
- Number of patents owned **395** (125 in Japan, and 270 overseas)
- Number of employees with doctoral degree **20**

Manufacturing capital

- Capital expenditures **¥7.5 billion**
- Property, plant and equipment **¥35.1 billion**
- Number of production facilities **82 in 19 countries**

Social capital

- Number of materials suppliers (both in Japan and overseas) **Approx. 1,000 companies**
- Major industry-academia collaboration Professor Nakamura at University of California, Santa Barbara (UCSB) and Nagaoka University of Technology

Financial capital

- Interest-bearing liabilities **¥33.0 billion**
- Shareholders' equity **¥36.7 billion**

Natural capital

- CO₂ emissions **101,232 t-CO₂**

*Based on actual results in FY2023

Corporate Motto

Continuous Improvements in Every Phase of Management

This motto is something that we always keep in mind and also the basic philosophy underpinning the group-wide activities to improve our management structure that began in 1978.

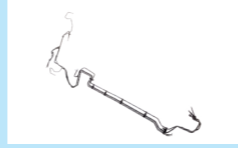
The Sanoh Way

- 1 Create new value
- 2 Achieve outstanding results as an organization
- 3 Have high aspirations


Three Pillars of Mid-term Strategy and Target

Automotive parts business


(Internal combustion)




Cluster tubes



Quick connectors




Fuel injection rails (FIRs)




Exhaust gas recirculation (EGR) pipes


(Non-internal combustion)




Brake tubes



Plastic tubing for coolant water




Cooling plates




Cooling plates for batteries


New businesses




Liquid cooling device for data centers



Heat sinks (cooling plates) for liquid cooling servers



Production solution (CNC tube bender)



Wire condenser for refrigerators

Focus business

Sources of Value Creation

Safety and security

High-quality assurance

Fair pricing

Stable global supply

Quantitative targets for FY2030

Net sales	ROE
¥200 billion	15.0% or more

Human assets value

We will continue to develop human assets with a spirit for the handmade who will inherit Sanoh's DNA. To this end, we will create "opportunities for educating/fostering employees towards their self-reform" and "workplaces that help bring capabilities and characters of diverse employees fully into play." This will lead to establishing a governance foundation and ultimately promote the sustainable growth of individuals, companies and communities, as well as the creation of new value.

Social value

- We will engage in co-creation with local people in various countries and regions across the globe, and create workplaces where we can work together with local human assets to achieve sustainable growth of our global businesses and contribute to the economic development of each market around the world.
- As a company with a spirit for the handmade providing critical safety parts that affect people's lives, we will deliver new value by further evolving technologies for the existing businesses and creating new businesses through the exploration of knowledge, which do not necessarily rely on existing technologies, whereby ultimately contributing to the development of next-generation automobiles and other fields.

Environmental value

We will contribute to building a society with low environmental impact by reducing emissions through the life cycle assessment (LCA).

4 QUALITY EDUCATION



5 GENDER EQUALITY



8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



10 REDUCED INEQUALITIES



11 SUSTAINABLE CONSUMPTION AND PRODUCTION



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



Identification of Materiality Issues

In view of drastic changes in the environment surrounding the automotive industry, including the shift to EVs, mounting geopolitical risks, structural changes in the global supply chain, and growing instability in production due to the shortage of major parts, our management team, including outside corporate officers, has thoroughly and repeatedly discussed how we can achieve sustainable growth with the following questions in mind: “Who are we?” “How can we contribute to society?” and “What should we look like in 10 and 20 years’ time?” Through the above process, we have identified four priority materiality issues, which we strongly believe will lead to future results, as shown below.

- **Productivity improvement with innovative technologies**
- **Contribution to reducing environmental impact**
- **Co-creation and growth with local communities**
- **Achievement of work-life fulfillment**

We have selected the SDGs by referring to indicators including FTSE Russel ESG Ratings, and, as part of the selection process, we conducted a questionnaire survey of nearly 100 employees so we can hear the opinions and ideas from a broad range of employees both at home and abroad. Then, we finally approved the items, following deliberations by the Board of Directors including outside directors and outside auditors.

SDGs and initiatives through business activities conducive to realizing each of the priority materiality issues are as shown in the table below.

As many of the key performance indicators (KPIs) for our initiatives in relation to materiality issues had not been set as of FY2023, we have set and implemented the following KPIs for all of these initiatives at the beginning of FY2024. How these KPIs have been implemented for the full fiscal year ending March 31, 2025 will be reported in the Integrated Report for the next fiscal year.

Priority goals based on our mission (materiality issues)	Relevant SDGs contribution	Vision	Details of initiatives	Key Performance Indicators (KPIs)
Productivity improvement with innovative technologies		As a company with a spirit for the handmade providing critical safety parts of automobiles that affect people's lives, we will deliver new value by further evolving technologies for the existing businesses and creating new businesses which do not necessarily rely on our existing technologies through the exploration of knowledge, whereby ultimately contributing to the development of next-generation automobiles and other fields.	Developing battery packs for automated guided vehicles (AGV) and robots	Setting action indicators to measure the progress for each of the new product development and new business promotion plans based on milestones (such as when orders for prototypes are received, a value chain is built, and new services are launched).
			Developing polishing and processing technologies for next-generation semiconductor (GaN) substrates and providing processing services	
Contribution to reducing environmental impact		In manufacturing our products, we will select environmentally friendly materials, minimize losses, and reduce waste.	Developing and proposing environmentally-conscious products (thermal solutions products)	Setting an action indicator for each project, such as proposing product specifications that meet customers' performance requirements, producing prototypes, and receiving orders for mass production.
			<ul style="list-style-type: none"> ● Heat control products for electric vehicles ● Products for improving power usage effectiveness (PUE) at data centers ● Plastic coolant tubing for electric vehicles 	
		We will consider and promote the development of energy-saving technologies for reducing waste not only within the Company but also in the life cycle assessment (LCA) as one of the metrics.	Adopting materials with limited environmental impact (PA11 materials (containing plant-derived resin and recycled pellets) and electric furnace steel sheet)	Setting the rate of reduction in CO ₂ emissions from the previous fiscal year (%) and action indicators for developing applications of recycled pellet-blended materials.
			Continuing activities for obtaining an ISO 14001 certification	—
Co-creation and growth with local communities		We will contribute to the economic development of each country/region and grow together with local communities through our global production activities. We will engage in co-creation with local people in various countries and regions across the globe, and create workplaces where we can work together with local human assets to achieve sustainable growth of our global businesses.	Making disclosure based on TCFD recommendations	—
			<ul style="list-style-type: none"> ● Introducing CBL*(both in Japan and overseas) ● Making effective use of Container Round Use (CRU) and improving loading efficiency 	Setting metrics such as the rate of reduction in power consumption and the rate of reduction in CO ₂ emissions as indicators
Achievement of work-life fulfillment	   	We will continue to develop human assets with a spirit for the handmade who will inherit Sanoh's DNA. To this end, we will create "opportunities for educating/fostering employees towards their self-reform" and "workplaces that help bring the capabilities and characters of diverse employees fully into play." The development of such a system will lead to establishing a governance foundation and ultimately encourage the sustainable growth of individuals, companies and communities, as well as the creation of new value.	Holding events, volunteer activities, and education activities conducive to continuous job creation and local community development targeting local communities and employees' family members, and promoting the shared office business rooted in the local community jointly with Koga City	Setting metrics, such as the frequency of community activities outside the Company, the frequency of co-sponsored activities, and the improvement in the occupancy rate of the shared office business, as indicators
			Development of potential core human assets of the next generation onward	Setting action indicators to the progress of our succession plan.
			Establishment and implementation of education programs by job rank and job category	Setting action indicators to the progress of the establishment of education programs
			Promoting job rotation and personnel exchange for enhancing our ability to respond to changes	Number of trainees accepted from overseas local subsidiaries
			Creation of tangible and intangible platforms on which global human assets can bring their ability into play within the company	
			Thorough implementation of the <i>Sangen</i> Principle, or a principle of three actuals (" <i>genba</i> " (actual place), " <i>genbutsu</i> " (actual thing), and " <i>genjitsu</i> " (actual situation))	Number of participants in on-site training programs
			Implementing training programs to develop female employee candidates for managerial positions (women's leadership training)	Percentage of women in management positions
Survey on health risks and engagement, and improvement activities based on the survey results	Psychological lively scale in engagement survey			
Reviewing personnel system (grade, compensation, evaluation) to accelerate the implementation of Mid-term Strategy and Target				

*Continuous Braze Line: An energy-saving manufacturing method in the tubing business (a method for significantly reducing electricity consumption through direct ohmic heating without gas-fueled furnaces)

Value Chain of Sanoh Industrial

The Sanoh Group views each employee as an asset and aims to create a corporate culture where both employees and the Company can grow together. In order to develop truly functional knowledge, we promote practices of hands-on interaction, known as “Hand-Making,” as well as “Creativity” and “Personal Development.”

Through each employee’s daily activities, we will continue to grow the number of elements that we can be proud to call the best in the world among the products and business activities within the Sanoh Group.





Genya Takeda
 Representative Director,
 President and COO

We will build a resilient multi-portfolio
 as we evolve into the future.

An 85-year journey of Sanoh Industrial toward transforming our business structure

Since our founding in 1939, Sanoh Industrial has built an 85-year legacy of diverse manufacturing. Entering the automotive industry in the 1960s, we have since grown to achieve the second-largest global market share in automotive tubing.

Within the automotive industry, we have established the trust of our customers as a supplier of critical safety parts, such as brake tubes and fuel tubing, through our commitment to quality, performance, and responsiveness to customer needs. Our broad customer base spans beyond reliance on any single automaker. During the 1980s, we expanded our local production systems across various countries in line with overseas expansion by Japanese automakers, subsequently broadening our reach to serve overseas automakers. Today, we oversee 82 production facilities in 19 countries through a five-region framework (Japan, the Americas, Europe, China, and Asia), ensuring a stable supply of high-quality products to meet our customers' needs.

As our stakeholders are aware, the automotive industry is

undergoing a significant structural transformation, described as a once-in-a-century shift. This shift is driven by global efforts to achieve a decarbonized society and the expansion of IT and digitalization through technological innovation. The "CASE revolution"—Connected, Autonomous, Shared, and Electric mobility—has become a dominant trend. With our net sales heavily reliant on components for internal combustion engine vehicles, such as fuel tubing and brake tubes, adapting to these changes in the automotive industry and securing future growth will require expanding our product lineup for electric vehicle components and developing business opportunities in non-automotive fields.

Looking ahead, we will work to transform our business structure to enable sustainable growth by nurturing two new core businesses. The first is the thermal solutions business, offering heat exchange-related products such as cooling systems. The second is the production solutions business, which involves external sales of the production equipment and expertise we have developed in-house.

Significant performance improvements achieved, with investments to resume in FY2024

In FY2023, the automotive industry saw a recovery in production volumes, surpassing the previous fiscal year. This was driven by the resolution of semiconductor shortages and stabilization of supply chains. Additionally, some markets exhibited a shift from an exclusive focus on BEVs (Battery Electric Vehicles) toward a renewed interest in internal combustion engine vehicles, including hybrids and PHEVs (Plug-in Hybrid Electric Vehicles). However, the cost environment remained challenging due to persistently high energy and raw material prices, as well as rising transportation and labor costs.

Against this backdrop, business remained steady for Sanoh Industrial, supported by the recovery in production. Efforts by local management teams at our overseas locations contributed to operational stability, while customer acceptance of price adjustments to account for cost increases, along with favorable exchange rates due to yen depreciation, further accelerated significant performance improvements.

Looking at business performance by region, the recovery in the Americas was particularly notable. Net sales grew significantly due to the resolution of production cuts and the favorable impact of yen depreciation. Improved cost-efficiency as a result of price adjustments and enhanced operational efficiency led to a turnaround from the previous fiscal year's deficit to profitability. In Japan, both domestic and export sales rose sharply. Progress in price adjustments, stable

operations, and continued efforts to control fixed costs led to 140% growth in operating profit compared to the previous fiscal year. Elsewhere, business conditions in Europe and Asia likewise remained strong, resulting in higher net sales and profits. However, in China, the accelerated shift toward EVs in the local automotive market and the rise of domestic manufacturers led to a decline in production volumes by Japanese automakers. As a result, net sales and profits continued to decline year-on-year.

As a result, our consolidated performance for FY2023 included net sales of ¥156,814 million (up 13.9% year-on-year), operating profit of ¥8,053 million (up 509.7% year-on-year), ordinary profit of ¥7,296 million (up 389.6% year-on-year), and profit attributable to owners of parent of ¥4,216 million (compared to a loss of ¥907 million in FY2022).

Building on this performance recovery, we conducted borrowing at the end of FY2023 to secure funds for resuming previously restrained capital investments and development investments in new businesses. For new business efforts, our New Business Development Headquarters, newly established in January 2024, will play a central role in consolidating resources to accelerate development.

In the current FY2024, while business has generally remained steady, there has been increasing disparity in net sales ratios by region, which had previously been relatively balanced, with fluctuations becoming more pronounced. Exchange rate volatility has also intensified, heightening uncertainty and unpredictability

in the business environment. Amid these conditions, as noted, we are resuming capital expenditures to enhance productivity and development investments in new businesses, focusing on transforming our business portfolio. Given these circumstances, we are taking a conservative outlook for this fiscal year, anticipating performance to remain largely flat. We are viewing this phase as a “purposeful pause” in our journey toward

medium-term growth.

Based on the above assumptions, we expect consolidated net sales in FY2024 to reach ¥162,000 million (up 3.3% year-on-year), operating profit to total ¥8,000 million (down 0.7% year-on-year), ordinary profit to total ¥7,000 million (down 4.1% year-on-year), and profit attributable to owners of parent to total ¥4,200 million (down 0.4% year-on-year).

New Medium-Term Strategy and Target reflecting market changes and developments

Sanoh Industrial formulated a Mid-term Strategy and Target with the goal of achieving ¥200 billion in net sales and ROE of 15% or more by FY2030, and has been executing the corresponding growth strategies since FY2021. In May 2024, we revised it to announce a new Medium-Term Strategy and Target with adjustments to some of its content.

The previous policy, based on the market outlook at the time of its formulation, assumed a slowdown in growth for our existing automotive parts business. The strategy aimed to compensate for this by driving growth in the thermal solutions business and next-generation core businesses. Under this approach, the ¥200 billion in net sales target was broken down as follows: ¥120 billion from the automotive parts business, ¥50 billion from the thermal solutions business (¥25 billion from vehicle cooling products and ¥25 billion from non-automotive cooling products), and ¥30 billion from next-generation core businesses.

However, since the formulation of the policy, market dynamics have shifted, with the EV transition showing signs of slowing down and demand for internal combustion engine vehicles, including hybrids, expected to continue longer than initially forecast. Simultaneously, our business performance has exceeded expectations, with the recovery in automotive production driving improvements. Net sales in the automotive parts business reached the ¥120 billion target ahead of schedule in FY2023. On the other hand, development in the thermal solutions and next-generation core businesses has lagged somewhat due to continued investment restrictions during our COVID-19 response.

In light of these changes, the new Medium-Term Strategy and Target retains the FY2030 goal of ¥200 billion in net sales and ROE of 15% or more, but revises the net sales composition to ¥150 billion from the automotive parts

business (existing business) and ¥50 billion from new businesses. Thermal automotive components, such as EV battery cooling modules, will now fall under non-internal combustion products within existing businesses, while non-automotive thermal products, such as cooling systems for data centers, will be classified under new businesses.

The new Medium-Term Strategy and Target envisions sustainable growth beyond 2030, aiming to build a resilient multi-portfolio through two key transformations: “from the automotive parts business to new businesses” and “from internal combustion to non-internal combustion.” We plan to stabilize the automotive parts business as a cash cow and gradually diversify our business portfolio by leveraging our unique technologies and track record in the market.

In the automotive market, we aim to expand our share of thermal automotive parts that cool batteries, power control units, and inverters for EVs and hybrid vehicles, building on our proven expertise in tubing technologies. For new businesses, we see growth potential in areas such as cooling systems for data centers, wire condensers for refrigerators, and the production solutions business, which packages production line advice with equipment sales. These will be key areas of focus moving forward.

In building a multi-portfolio, a key priority will be our human assets strategy, which involves optimizing the global allocation of talent by leveraging the diverse skills and capabilities of each of our employees. Moving forward, a partnership strategy that fosters co-creation with external stakeholders, such as customers and other suppliers, will also become increasingly important. For new businesses in particular, we will need to implement initiatives, such as M&A, to effectively incorporate and apply external knowledge, technology, and expertise.

Phase 1: Sowing seeds and preparing for the future

Between FY2021 and FY2023, our efforts were concentrated on stabilizing our business foundation by restricting investment to counter the effects of COVID-19 and production cuts caused by semiconductor shortages. Over the next

seven years leading up to FY2030, we aim to build the previously mentioned multi-portfolio and achieve the goals of our new Medium-Term Strategy and Target. To this end, we have set a roadmap with two phases: FY2024 to FY2028 as



Phase 1 and FY2029 to FY2030 as Phase 2.

In the five-year period of Phase 1, we will focus on actively investing to lay the groundwork and sow seeds for future growth. Over the two-year Phase 2, we will harvest the results of these initiatives and aim to recoup our investment. As a result, there may be a temporary plateau in profitability and capital efficiency during Phase 1.

Regarding cash allocation in Phase 1, we anticipate generating cumulative operating cash flow of ¥60 billion to ¥80 billion over five years. Combined with gains from the reduction of cross-held shares, these funds will be strategically allocated to growth investments, productivity enhancements, and shareholder returns. With growth investments taking the highest priority, this will include

ramping up production of automotive tubing and powertrain products in emerging markets within existing businesses. For new businesses, we will focus on investments in cooling pipes for data centers and the production solutions business. In terms of productivity improvements, we will invest in automation, efficiency enhancements, and IT and systems. Additionally, we will expand investments in human assets and ESG initiatives.

Postponing investments risks losing growth momentum. In the near term, we will prioritize targeted investment in opportunities with the potential for exponential growth, acting as catalysts for future expansion, while focusing on long-term profit growth over immediate gains.

Surviving supplier profits from sustaining supply for customers

As competitors increasingly exit the internal combustion engine product market amid the EV transition in recent years, we have adhered to a customer-first philosophy. Our “Sanoh Last-Man-Standing Strategy,” implemented since 2020, ensures that we continue to fulfill our supply responsibilities to our customers, automotive manufacturers, as long as they require internal combustion engine tubing products, without withdrawing from the market. This commitment has allowed us to gain profits as a surviving supplier as a result.

Automotive tubing products are inefficient to transport and require supply systems located near customer factories, making entry barriers high and the market naturally oligopolistic. As competitors have withdrawn, further intensifying the oligopoly, we have seen a rapid increase in new business opportunities, leading to higher market share. In markets such as Brazil and the U.K., we are already the

exclusive supplier of automotive tubing products. Continuing our Sanoh Last-Man-Standing Strategy, we aim to maintain our presence in existing markets and achieve the No. 1 global market share in automotive tubing by FY2030.

Another benefit as a surviving supplier is the ability to set favorable prices. As suppliers withdraw, customers face rising production costs. By absorbing part of these costs as a surviving supplier, we enable our customers to achieve cost reductions while enhancing the perceived value of our products, giving us stronger leverage in price negotiations. The progress made in passing on cost increases that boosted FY2023 profits also stemmed, in part, from the success of the Sanoh Last-Man-Standing Strategy. We will fully implement this strategy to maximize profitability in our existing cash cow businesses.

Developing products for data centers and advancing production solutions

One of the pillars of our new businesses is cooling systems for data centers. In anticipation of the global market expansion for data centers, we are not only pursuing in-house product development but also promoting inorganic approaches such as collaborations with other companies and M&A, aiming to broaden our range of technologies, solutions, and sales channels.

In our most recent move, in February 2024, we announced the results of our efforts to develop water-cooling equipment for data centers. This system features a pipe-based water-recirculation mechanism attached to the rear of server racks, designed to absorb heat generated by servers. With the cooperation of a major data center operator, the system has already undergone on-site performance verification.

Water cooling offers superior heat exchange efficiency compared to air cooling. Leveraging our proprietary material processing technologies, we are able to provide customized solutions tailored to individual customer needs in a flexible and timely manner. As a product that ensures server performance while significantly reducing air conditioning costs and CO₂ emissions for data centers, we are accelerating efforts to secure more orders.

The second pillar of our new businesses is the production solutions business. As part of our growth strategy focused on creating next-generation core businesses, we have been

pursuing various initiatives in parallel aimed at planting the seeds for future business opportunities. One such initiative is the production solutions business, which involves commercializing and selling equipment we previously designed and manufactured internally for our production facilities—such as processing and conveyance equipment, jigs and fixtures, and control systems. In April 2024, we launched the Factory Automation Headquarters, marking the full-scale rollout of this business, resulting in increased orders.

Looking ahead, we recognize the need to broaden our solutions by utilizing external resources through collaborations with other companies, rather than relying solely on in-house development. To that end, in September 2024, we entered into a business partnership agreement with LexxPluss Inc. and invested in the company.

LexxPluss, a startup specializing in developing and selling automated conveyance systems, is dedicated to accelerating manufacturing processes and automating logistics. With the help of LexxPluss, we plan to drive the automation and digitalization of the conveyance process within our production and logistics facilities. We intend to leverage this experience in our production solutions business, developing and proposing FA (Factory Automation) systems. At the same time, we will pursue synergies through our partnership, such as equipping LexxPluss' autonomous mobile robots with our battery packs.



Enhancing corporate value through sustainability management

As part of our sustainability management efforts, we have identified four material issues: productivity improvement with innovative technologies, contribution to reducing environmental impact, co-creation and growth with local communities, and achievement of work-life fulfillment. We are working on initiatives tied to these material issues, complete with KPIs and numerical targets.

These material issues are all rooted in creating and delivering social and environmental value through our business activities. They demonstrate the connection between sustainability and corporate value. Among them, productivity improvement with innovative technologies and contribution to reducing environmental impact are particularly central to our business model and growth strategy. As a provider of products and solutions that contribute to reducing the environmental impact and improving productivity in mobility and data centers, our production activities require significant electricity consumption. We are implementing various improvements, such as adopting new production technologies on factory lines, to reduce our power consumption without compromising quality, production efficiency, or cost-effectiveness. Additionally, by switching to green power and introducing solar power generation systems, we are working to reduce our total CO₂ emissions.

With our operations spanning 19 countries globally, and many of our bases located in suburban areas, we recognize that building strong relationships with the people who live and work in these communities is essential for sustaining our business. The material issue of co-creation and growth with local communities is rooted in this principle of fostering such relationships. Creating safe workplaces where local residents can work with peace of mind and contributing to local economies through job creation are initiatives that enhance our social credibility, ensure the long-term availability of talent

at our bases, and strengthen our organizational capabilities. We are also deepening our collaboration with local governments and authorities to advance ongoing initiatives, while promoting efforts to connect communities through personnel exchanges within our Group.

The concept of achievement of work-life fulfillment is a key focus within our human capital management strategy, and we have implemented numerous initiatives to support this. One aspect I find particularly important is fostering employees' self-efficacy. It is important for individuals to have confidence in their ability to succeed and the skills to handle anything that comes their way. Building a workforce of such empowered individuals will ultimately enhance our corporate value. We have long prioritized internal training programs in areas such as English communication and computer operation skills to enhance employees' digital literacy. At the same time, we have actively introduced technologies aimed at streamlining operations, reducing admin, and advancing automation. Our approach prioritizes eliminating unnecessary tasks rather than reducing staff headcount, allowing employees to transition to more value-added roles.

A recent example related to job satisfaction comes from a domestic factory that was experiencing quality issues due to production equipment malfunctions. When the factory called for volunteers within the workplace to handle maintenance and repair, two temporary staff members stepped forward. Within about a month, they had mastered the required skills and become key contributors. These two colleagues were later hired as full-time technicians—a virtuous cycle that resolved the factory's quality issues. This episode exemplifies the power of self-efficacy—when individual employees grow stronger, so does the company. I hope to harness the effect of self-efficacy to unlock even greater potential within our organization.

Sustaining profit return levels during periods of active investment

As mentioned earlier, our cash allocation strategy over the next five years prioritizes growth investments, productivity improvements, and shareholder returns. As part of our commitment to shareholders and investors who support our business, we will prioritize maintaining stable dividends while also considering flexible share buybacks. We are committed to maintaining and improving return levels even during periods of active investment.

We aim to improve capital efficiency by raising ROE from the current 10.4% to over 15% in line with the FY2030 targets outlined in our new Medium-Term Strategy and Target, while also reducing cross-held shares. We will also actively and

clearly communicate both our steady achievements to date and the promising future we're cultivating through the development of a resilient multi-portfolio. I believe these efforts will not only reassure our stakeholders but also earn positive recognition from the market.

I humbly ask all our stakeholders to place their trust in Sanoh Industrial's vision for sustainable growth and extend your long-term support in the years ahead.

Reviewing the Mid-term Strategy and Target

In FY2021, we formulated our Mid-term Strategy and Target for FY2030, and in May 2024, we reviewed it to release a new Medium-Term Strategy and Target in order to respond more flexibly to the increasingly uncertain business environment.

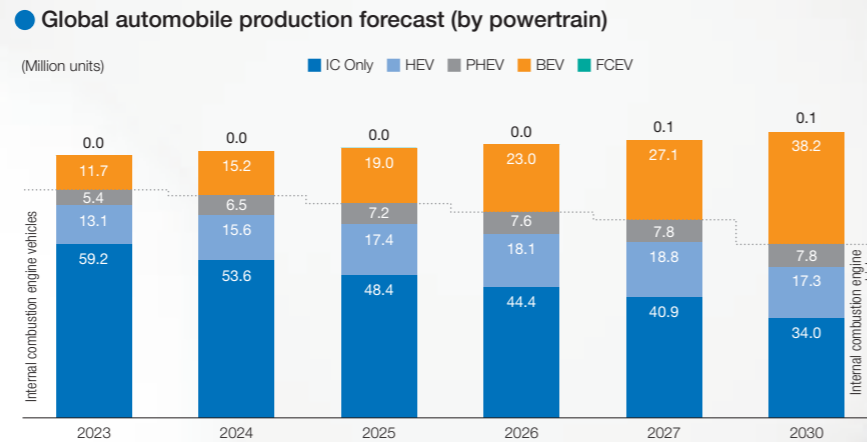
Investment highlights

- 1 Global automobile production volume is projected to reach approximately 100 million vehicles in 2030, with India, Latin America and Asia driving growth
- 2 In the automotive tubing market, which is oligopolistic with few new entrants, Sanoh holds a leading global market share with its critical safety parts representing high barriers to entry
- 3 Aim to achieve the top global market share via Sanoh Last Man Standing Strategy* as part of the review of ICE vehicles
- 4 Leverage automotive tubing technology to expand into new businesses such as data centers, liquid-cooling tubing for home appliances, and external sale of equipment
- 5 Achieve sustainable growth in a VUCA environment through a highly diverse management team in terms of age, gender, and ratio of external hires

* See "Automotive Parts Business Strategy" on page 21 for details.

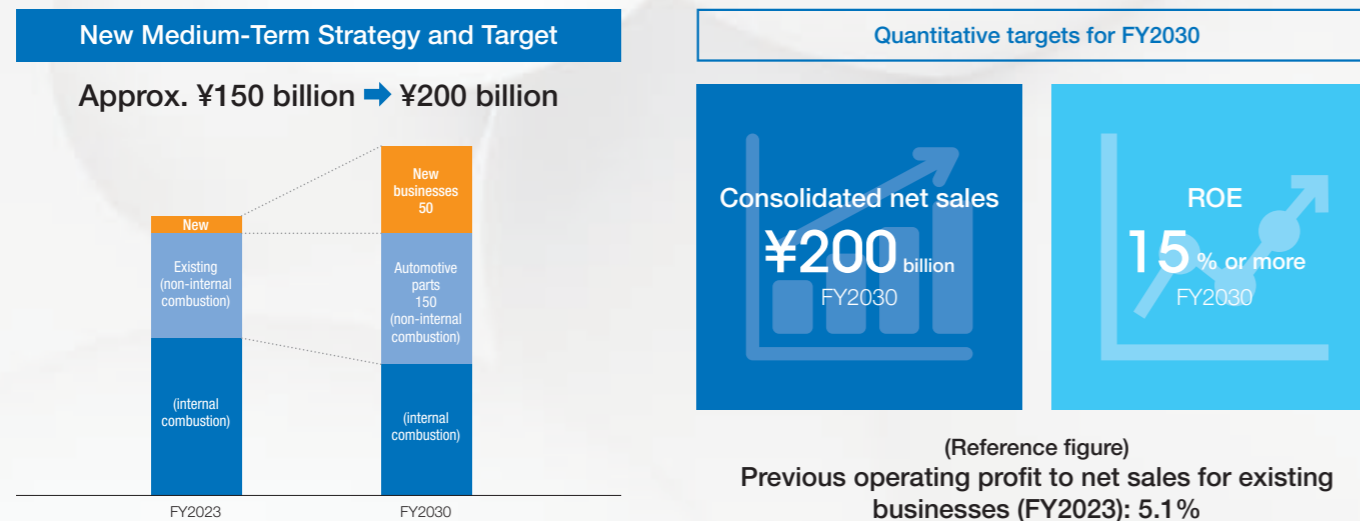
Automobile production market outlook (by powertrain)

Various market forecast data indicate that over the next 10 years, battery EVs, plug-in hybrids, and hybrids will be sold in a balanced manner, with no particular powertrain dominating the market. In anticipation of this era of diverse mobility needs, we will offer a varied product lineup while maintaining our existing development and production systems for fuel-related products.



Quantitative targets and business portfolio goal

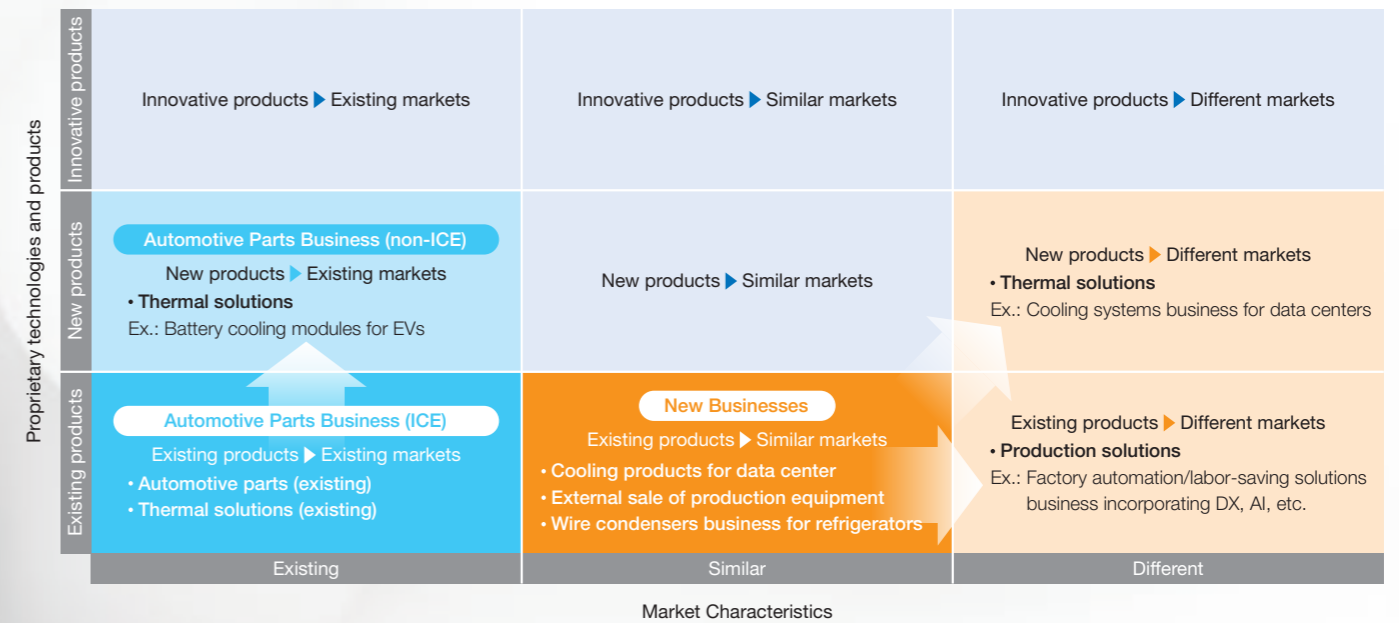
Building a resilient multi-portfolio



Business focus areas and future business plans

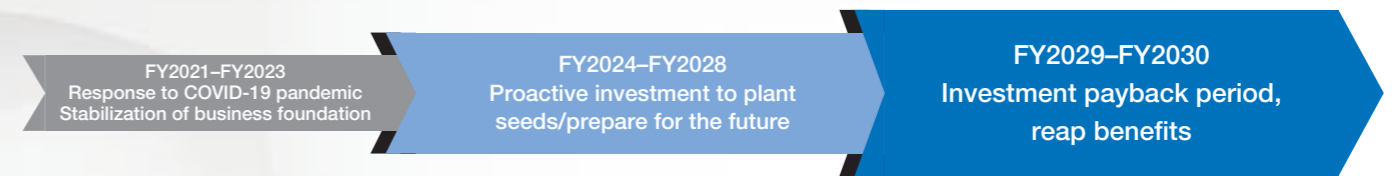
We will diversify our business portfolio step by step by applying our proprietary technologies and market track record. In the automotive market, we will leverage our proven track record to increase the market share of our thermal solutions products, which contribute to the cooling of EV and hybrid vehicle batteries, power control units, inverters, etc.

In our new businesses, we will focus on growth areas such as cooling systems for data centers, wire condensers for refrigerators, and production solutions, which package production line proposals and equipment sales.

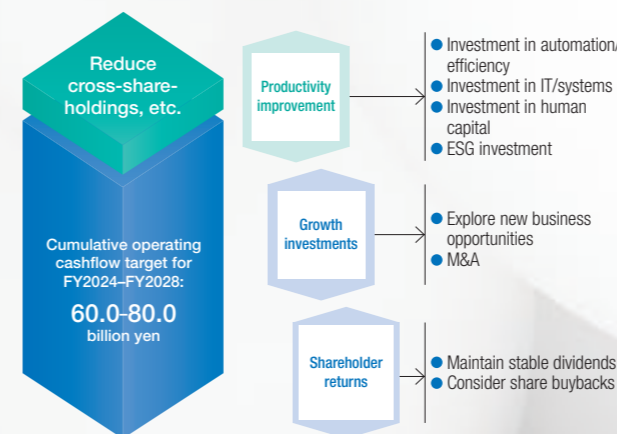


Roadmap to FY2030

Although we have focused on responding to COVID-19 and stabilizing our business foundations until FY2023, from FY2024 to FY2028 we will aggressively invest in laying the groundwork for growth. ROE may plateau temporarily, but we plan to prioritize allocating cash generated from our core businesses to future investments in preparation for significant growth ahead.



Cash allocation policy



We aim to be a company that continues to grow sustainably from 2030 and beyond by building a resilient multi-portfolio through two transformations: (1) from the automotive parts business to new businesses and (2) from internal combustion to non-internal combustion.

We will increase the budget for new investments by increasing operating cash flow through the early conversion of existing businesses into stable revenue sources, and allocate funds to the three themes of productivity improvements, growth investments, and shareholder returns in a focused manner.

We will proactively invest in vehicle tubing and powertrain product facilities and human assets in emerging countries, as well as in new business areas such as cooling pipes for data centers and the production solutions business, as well as M&A.

At the same time, we will ensure stable returns to our shareholders and investors who support us on a daily basis.

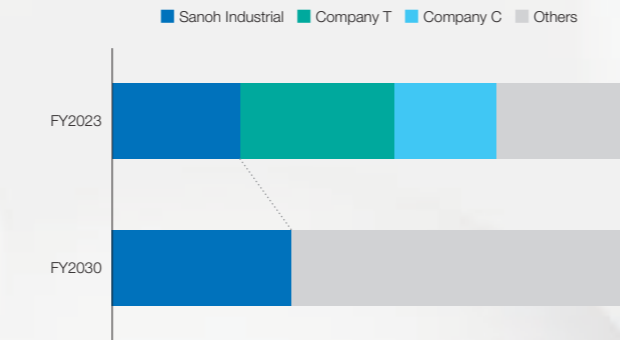
Automotive Parts Business Strategy

Aiming for the No. 1 global share in the automotive tubing market in FY2030

While our competitors are withdrawing from internal combustion engine-related products, we have adopted the "Sanoh Last Man Standing Strategy" since 2020, which states that we will not withdraw as long as our conventional automotive tubing products are needed by users and automakers, who are customers.

Sanoh already has a system in place that allows it to be the exclusive supplier in local markets such as Brazil and the U.K. While our rivals are either withdrawing from existing markets or focusing on battery EV products, we intend to remain in existing markets as long as customers continue to demand our products.

Global share of the automotive tubing market and Sanoh's target global position



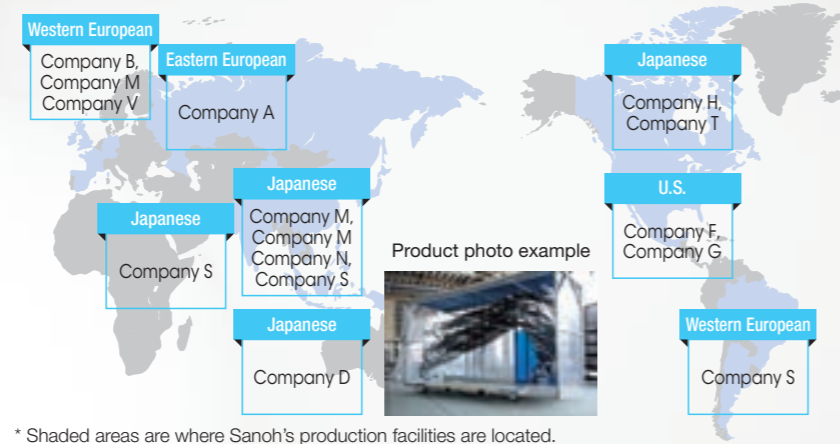
Improved profitability due to high market share and switching costs

The strategy of securing profit as a surviving supplier has produced two major results.

The first is improved market share. Over the past year or so, we have seen a sharp increase in new business from European and American automakers and mega-suppliers with whom we previously had a small transaction volume.

The other is pricing control. Because we occupy a unique niche in each region of the world, we are seeing increasing opportunities to pass on financial risks, such as inflation and exchange rate fluctuations unique to that region, to our product prices.

Existence of switching costs in the ongoing supply of critical safety parts to customer-manufactured products



Major investment geographic segments and measures

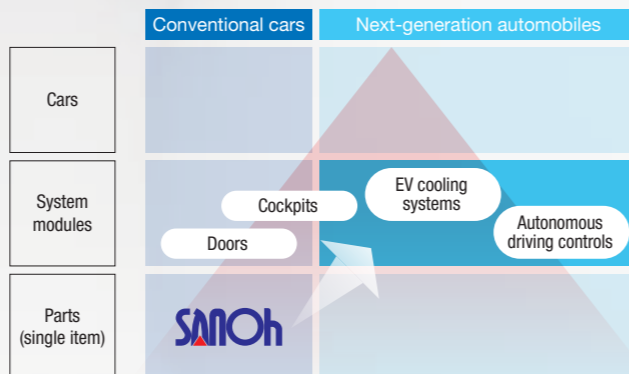
We will invest in capacity expansion in Asia, including India, where growth potential is expected. Additionally, we will focus on improving productivity, starting with the Central American region to supply the U.S. market, as well as making investments in Japan, where our mother factory is located.

	Main measures
Japan	<ul style="list-style-type: none"> Upgrade system infrastructure (cost and production management, procurement DB, etc.) Increase productivity for tubing Strengthen new business creation
Asia	<ul style="list-style-type: none"> Expand capacity of vehicle tubing products in Thailand and India Consolidate powertrain product functions in Thailand, originating from Japan Reinforce home appliance business (water-cooling for refrigerators) in India
Americas	<ul style="list-style-type: none"> Improve productivity at U.S. bases (and increase capacity at Mexico bases) Focus on business with U.S. Big 3 and mega Tier 1 suppliers

"Tier 1.5 Strategy" for thermal automotive parts

Thermal automotive parts are a group of components that help optimize heat generation efficiency, thereby extending the driving range for the battery EV and other electric vehicle markets.

Thermal automotive parts will not only be supplied directly to automakers, which has been the conventional practice. Rather, we will implement the "Tier 1.5 Strategy," which aims to also supply parts to system module suppliers who are evolving into mega-suppliers by taking on the so-called "CASE" functions, granting them effective control over product specifications.

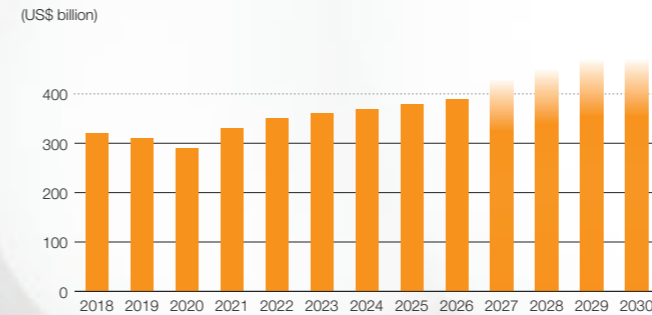


Main New Business Strategies

Data center market size and cooling products and strategies

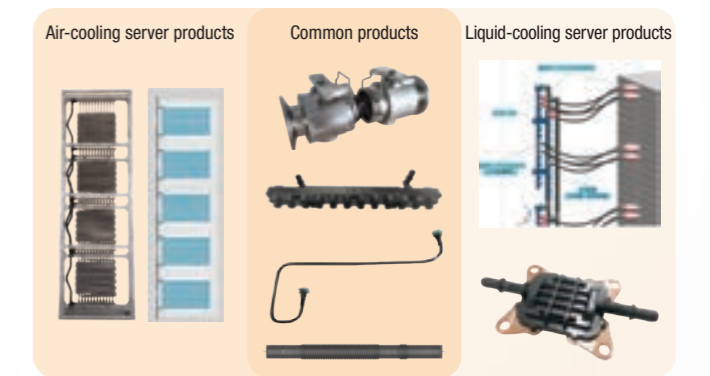
As the global market for data centers continues to grow, we will expand our business areas regardless of whether air-cooling or liquid-cooling is the primary cooling method for servers.

Global data center market size and trends



Cooling products and strategies

With regard to cooling products, in addition to our proprietary products, we will expand our business areas while actively taking inorganic approaches, such as collaboration with other companies and M&A.



Production solutions business model

We have been developing, designing, and manufacturing not only automotive tubing products but also processing equipment for bending those tubing products.

Based on the know-how gleaned from our in-house production of such equipment and devices, we are also engaged in external sales of equipment that is expected to see market growth in response to increasing demand for automation. Through several stages, we aim to commercialize our production solutions, contributing to productivity improvements for both the Sanoh Group and external customers.

Equipment development



External sales

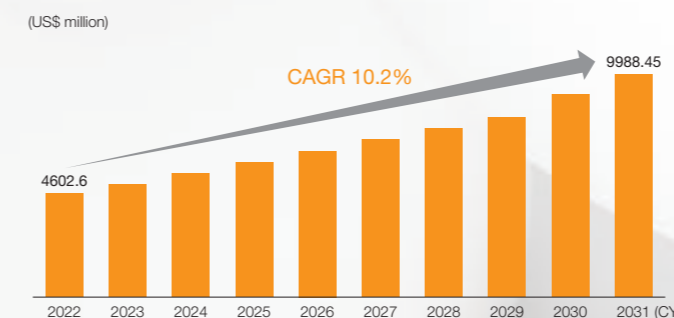


Results for orders received
From October 2023 to September 2024: 39 orders received
 The Machinery Division is leveraging its bending and automation technologies to promote equipment sales to external customers. It provides its know-how and experience in quality, cost, and delivery (QCD) of equipment to more customers.

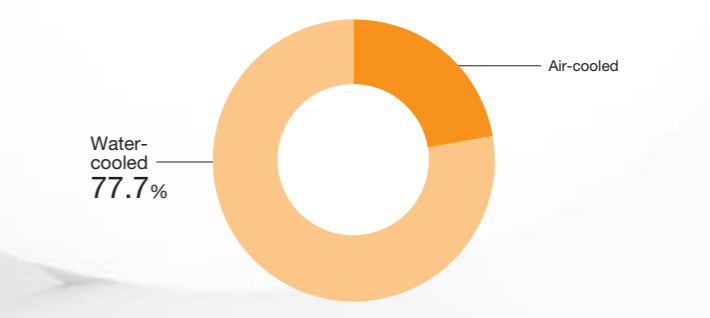
Cross-domain refrigerator wire condenser business

We will focus more than ever on the rapidly growing refrigerator wire condenser business in India. The refrigerator wire condenser business was previously part of Sanoh's overseas operations. Given that water-cooling, a Sanoh specialty, is the predominant cooling method in India, we regard it as a promising business with expected demand, not only for tubing products but also for the manufacturing facilities required to produce them.

Indian refrigerator market's expected sustainable growth



Indian refrigerator market dominated by water-cooled systems



As we work toward building a resilient multi-portfolio under the new Medium-Term Strategy and Target, we are committed to enhancing our corporate value by establishing a stable financial foundation to support the further development of existing businesses and active investment in growth fields.



Munetoshi Sasaki
 Director,
 Senior Executive Officer and CFO,
 General Manager of
 Finance Headquarters

Looking back on FY2023 results and future outlook

The domestic market in FY2023 demonstrated a gradual recovery, supported by the growth of inbound demand. Nevertheless, uncertainties grew, fueled by the yen's depreciation, soaring energy prices, inflationary pressures, and the impact of heightened tensions in the Middle East on commodity prices. Geopolitical risks were prevalent in overseas markets. In the United States, despite accelerating inflation and monetary tightening, the economy remained resilient, bolstered by a strong labor market and robust consumer spending. In China, the sluggish real estate market weighed heavily on economic recovery, delaying improvements in corporate earnings and employment, contributing to a persistent sense of stagnation. Europe continued to face uncertainty as the protracted Russia-Ukraine conflict drove up energy and material prices. In Asia, economic activity remained resilient, driven by post-COVID recovery and an increase in personal income levels.

In the automotive industry, where we operate, the production cuts caused by semiconductor shortages that persisted until last year gradually eased, leading to increased automotive production compared to the previous fiscal year. There has also been a partial shift back toward internal combustion engine vehicles. Consolidated net sales for the fiscal year under review rose to ¥156,814 million, up 13.9% year-on-year, driven by production recovery following the stabilization of semiconductor supplies and supply chains, as

well as the favorable impact of yen depreciation on foreign exchange conversions. Despite continued pressures from rising costs for raw materials, transportation, labor, and energy, profitability improved due to progress made in passing on cost increases and operational stability—which have been areas of focus for us in recent years. Operating profit increased significantly to ¥8,053 million (up 509.7% year-on-year), while ordinary profit reached ¥7,296 million (up 389.6%). Profit attributable to owners of parent also rebounded strongly, recording ¥4,216 million (compared to a loss of ¥907 million in the previous fiscal year).

For the fiscal year ending March 2025, we anticipate performance to remain largely unchanged from the previous fiscal year. However, this forecast reflects our plans to undertake future-oriented investments, such as capital expenditures for enhancing productivity—an area where progress has been constrained by external factors in recent years—and measures to transform our business portfolio. We view the next three years or so as a “purposeful pause” in our journey toward medium-term growth. From a medium-term perspective, the wave of automotive electrification is steadily approaching. Guided by our new Medium-Term Strategy and Target announced this May, we aim to leverage a last-man-standing strategy in our existing businesses to capture surplus profits, while aggressively investing capital into future revenue streams such as non-internal combustion engine and non-automotive businesses.

Financial strategy and cash allocation policy to achieve goals of the medium-term strategy and target

In FY2021, our Group established a Mid-term Strategy and Target for FY2030. However, immediately following its announcement, production recovery has been delayed for a few years mainly by the COVID-19 pandemic and semiconductor shortages. As a result, we scaled back growth investments to some extent and focused on stabilizing and optimizing our management foundation. Following three years of rebuilding our on-site operations, we returned to record-high profitability in FY2023. This recovery has paved the way for proactive investments in new businesses that will drive future growth and cash flow. As such, we have revised the previous strategy and target to relaunch our Medium-Term Strategy and Target.

Our group-wide quantitative targets for FY2030—¥200 billion in net sales and an ROE of 15% or more—remain consistent with those outlined in the previous mid-term strategy and target announced in FY2021. At the same time, to build a resilient multi-portfolio that can generate profits and sustain growth even in uncertain business environments, we have developed management strategies for both our existing automotive businesses and new businesses, and are expediting their implementation.

As part of the new Medium-Term Strategy and Target, we have established a cash allocation policy for the five years beginning in FY2024. The cash generated from measures such as advancing the cash cow strategy in existing businesses and reducing cross-held shares will be allocated in a balanced way across three focus areas: further

productivity improvements, growth investments, and shareholder returns. Moving forward, a stable financial foundation will be essential for Sanoh Industrial to create new businesses and sustain shareholder returns.

In our existing business areas, we successfully achieved performance recovery this fiscal year. We will continue to focus on improving profitability, operating cash flow, and capital efficiency. Over the next decade, we expect the global market size in these existing business areas to remain relatively stable. To solidify our revenue base, we will implement a last-man-standing strategy alongside efficiency-focused investments that emphasize digitalization, rigorous optimization, and labor-saving measures. Our goal is to generate stable profits and operating cash flow, further bolstering our cash generation capability and prioritizing the cash conversion cycle. Cash flow generated will be directed toward shareholder returns and future-oriented growth investments, while maintaining a balanced approach to strengthening our financial foundation.

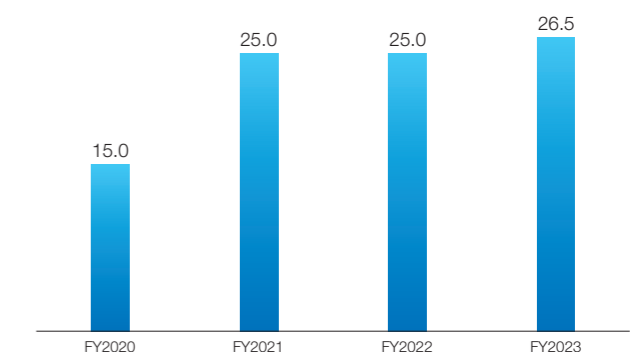
For new business areas, medium-term growth investments are a top priority. Our focus will include capital expenditures in emerging markets, investments in human assets, and proactive investments in new business areas such as cooling pipes for data centers and the production solutions business, with M&A serving as one of our approaches.

Shareholder return policy

We regard appropriate profit distribution to shareholders as a core management priority and are committed to delivering stable returns to the shareholders and investors who support us. Our basic policy is to offer stable, continued dividend increases, and always explore ways of returning value to shareholders, including the acquisition of treasury shares, after giving comprehensive consideration to improvements in financial conditions, business results, and securing of investment funds needed for the creation of new businesses.

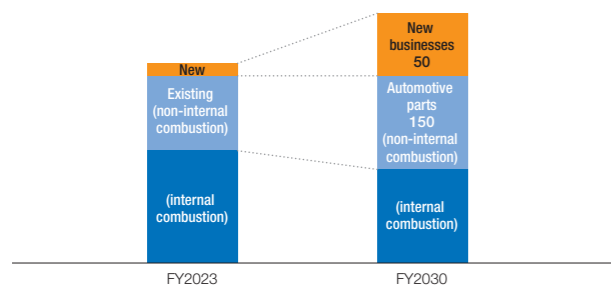
Through the investment of capital into new businesses, restructuring for the strengthening of business foundations, and growth investments, we will build a firm profit structure, a resilient multi-portfolio, and increase the certainty of future cash flow. In doing so, we will aim for stable shareholder returns amid a highly unpredictable and uncertain operating environment.

Dividends (M)

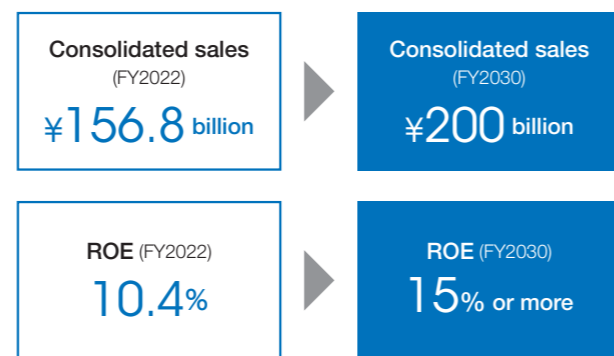


Restructuring of business category portfolio

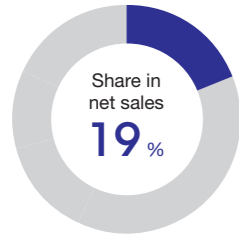
Approx. ¥150 billion → ¥200 billion



Quantitative targets



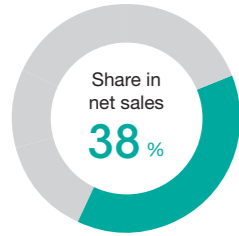
Japan



Products

Steel tubing
Plastic tubing
Automotive tubing
Powertrain
Environment and safety

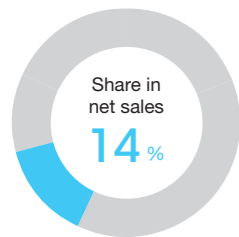
Americas



Products

- U.S.A. Steel tubing, automotive tubing
- Canada Automotive tubing
- Mexico Plastic tubing, automotive tubing, powertrain
- Brazil Automotive tubing
- Argentina Automotive tubing

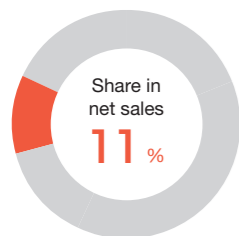
Europe



Products

- United Kingdom Automotive tubing
- France Automotive tubing
- Hungary Automotive tubing
- Russia Automotive tubing
- Germany Plastic tubing, environment and safety

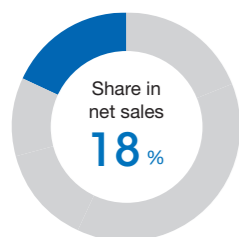
China



Products

Steel tubing
Plastic tubing
Automotive tubing
Powertrain

Asia



Products

- Thailand Steel tubing, automotive tubing, powertrain
- Malaysia Automotive tubing
- Taiwan Automotive tubing
- India Steel tubing, automotive tubing, plastic tubing
- Indonesia Plastic tubing, automotive tubing
- Philippines Automotive tubing
- Vietnam Plastic tubing

Overview of FY2023 business performance

● Both domestic and export net sales increased significantly from the previous fiscal year, driven by the resolution of semiconductor shortages and supply chain disruptions. Operating profit also grew substantially on the higher net sales, coupled with progress in passing costs onto prices, stable operations, and the ongoing effect of controlling fixed costs.

Overview of FY2023 business performance

● Net sales rose significantly due to a trend toward elimination of production cuts by North American clients caused by semiconductor shortages, as well as the effects of foreign currency translation stemming from weaker yen. Operating loss turned into profit as profitability recovered owing to the effect of passing costs onto prices and the improving trend of operational conditions.

Overview of FY2023 business performance

● Net sales significantly increased, driven by the effects of foreign currency translation stemming from weaker yen, and a recovery in production following semiconductor shortages and supply chain disruptions caused by the Russia-Ukraine crisis. Operating profit increased, along with a better profitability thanks to the passing of costs onto prices, despite the continuing trend of soaring material costs, rising personnel costs against the backdrop of inflation and labor shortages, and rising utility and other costs.

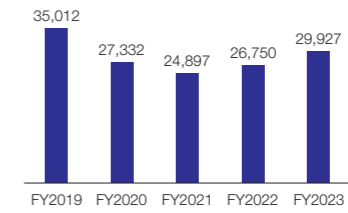
Overview of FY2023 business performance

● Net sales declined owing to reduced production volumes by clients amid the accelerating transition to electric vehicles. Operating profit slipped on decreased net sales despite efforts to cut personnel and other fixed costs and implement cost controls in response to production volume fluctuations.

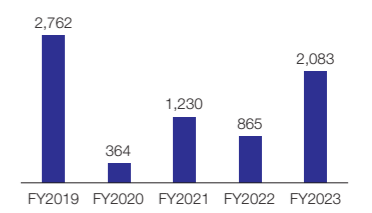
Overview of FY2023 business performance

● Net sales rose due to stable operations in addition to the effects of foreign currency translation stemming from weaker yen. Operating profit was affected mainly by material market fluctuations and inflation-driven increases in personnel and energy costs, but this was more than offset by the positive effect of increased net sales.

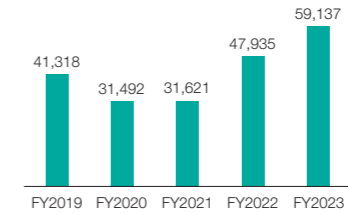
Net sales (¥ million)



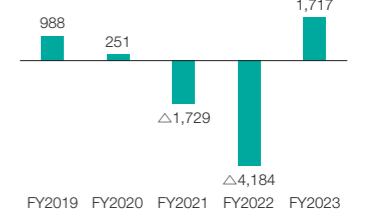
Operating profit (¥ million)



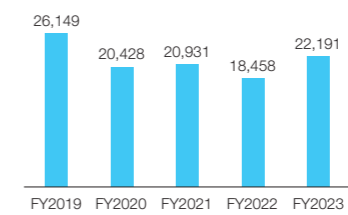
Net sales (¥ million)



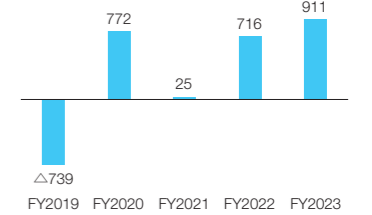
Operating profit (¥ million)



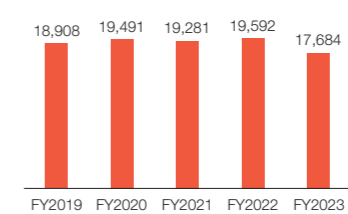
Net sales (¥ million)



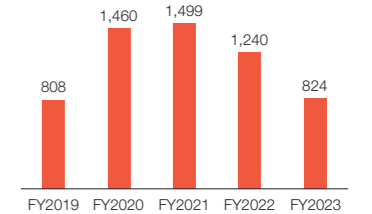
Operating profit (¥ million)



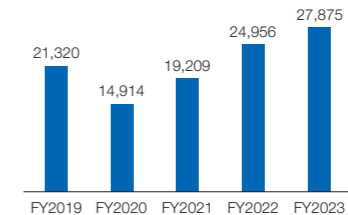
Net sales (¥ million)



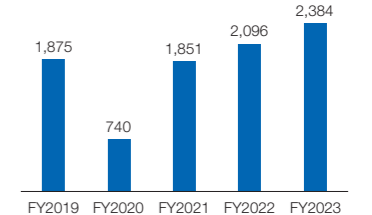
Operating profit (¥ million)



Net sales (¥ million)



Operating profit (¥ million)



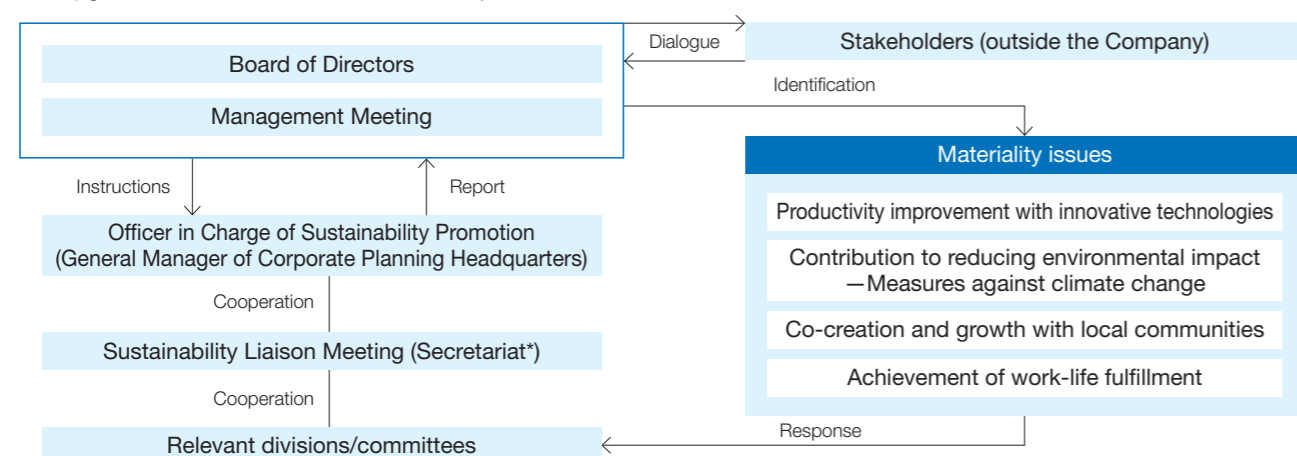
Foundation Supporting Value Creation



Sustainability Promotion System

The Officer in Charge of Sustainability Promotion (General Manager of Corporate Planning Headquarters), who oversees the activities of the entire group, works in coordination with relevant divisions, using the Sustainability Liaison Meeting (secretariat) as a platform, to formulate action policies related to sustainability, draft priority activity themes and make them understood throughout the company, and consequently identify materiality issues and propel actual initiatives to address them. Efforts are also being made to grasp what society expects and demands from the Company, by way of the provision of information to and dialogues with stakeholders both within and outside of the Company, and reflect them in our initiatives.

The Officer in Charge of Sustainability Promotion reports at meetings of the Management Meeting and the Board of Directors as necessary and also feeds the points raised by the Board of Directors back to relevant divisions and committees so as to improve and upgrade our initiatives to address materiality issues.



*Composed of staff members who concurrently hold positions in IR & Governance Division, HAMS Headquarters, and Corporate Planning Division.

Environmental Initiatives



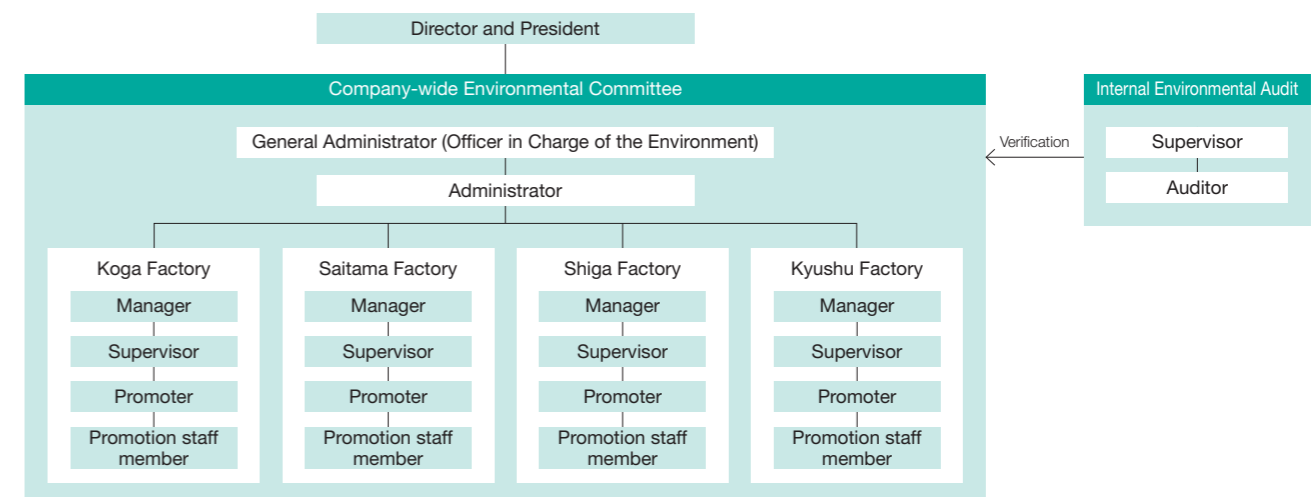
Environmental Management System

Sanoh established the Company-wide Environmental Committee, which maintains and administers an in-house environmental management system. This committee performs internal environmental audits of the activities of each factory and division.

The Company-wide Environmental Committee elects a General Administrator (Officer in charge of the Environment) who oversees environmental activities throughout the Company and an Administrator who is responsible for and authorized to maintain the environmental management system. Under the management structure established by the committee, quarterly reports on activities and accomplishments are made by the Administrator to the General Administrator.

For internal environmental audits, an internal environmental auditor is assigned to each factory and division to verify that the environmental management system is being maintained and managed according to ISO 14001 requirements.

In terms of specific activities of the Company-wide Environmental Committee, the supervisors of each factory and business department have taken the lead and achieved results in reducing environmental impact mainly through initiatives such as energy savings, waste reduction, improvements in transport efficiency, and development of lighter weight products.



Environmental Initiatives

Environmental Management System

Based on its environmental policy, the Company is taking steps toward ISO 14001 certification for the entire Group, including overseas subsidiaries, as part of its initiatives in protecting the global environment.

Since obtaining certification in Japan in March 2002, the Company has continued environmental activities under ISO 14001.

Activities based on the environmental management system will also be continued at overseas subsidiaries.



ISO 14001 Certification at Overseas Subsidiaries



● Certified

Location	Month/year of initial registration
Sanoh Canada, Ltd.	January 2001
Sanoh UK Manufacturing Ltd.	July 2002
Able Sanoh Industries (1996) Co., Ltd.	September 2002
Sanoh America Inc. Findlay Plant	June 2003
Sanoh America Inc. Mt. Vernon Plant	June 2003
Sanoh America Inc. Scottsboro Plant	June 2003
Guangzhou Sanoh Seikan Co., Ltd.	January 2003
Sanoh Industries (Thailand) Co., Ltd.	November 2004
Sanoh India Private Limited Gurgaon Plant	September 2005
Sanoh Industrial (Wuxi) Co., Ltd	December 2007
PT. Sanoh Indonesia	July 2008
Sanoh India Private Limited Bangalore Plant	December 2008
Sanoh Industrial de Mexico S.A. de C.V.	January 2009
Geiger GmbH	June 2009
Sanoh do Brasil Industria e Comercio de Produtos Automotivos Ltda.	January 2010

● ISO 50001 Certification

Location	Month/year of initial registration
Geiger GmbH	March 2015

Environmental Performance in FY2023

Category	Target	Results
Legal compliance initiatives	Compliance with environmental laws and regulations	Reliably measured and achieved (no legal or regulatory violation) Ensured compliance with environmental standard values; achieved zero environmental accidents
New environmental technology initiatives	Initiatives to design and develop products that are conscious of the global environment	Continued the development of lighter weight products and low-cost manufacturing methods with low environmental impact
Global warming prevention initiatives (CO ₂ emission reduction)	Reduction of CO ₂ emissions intensity ¹ by 1% year-on-year	Previous fiscal year 0.536 ➡ Current fiscal year 0.646 Target unachieved
Initiatives for the effective use of resources (waste reduction)	Reduction of waste generation intensity ² by 1% year-on-year	Previous fiscal year 0.095 ➡ Current fiscal year 0.088 Improved by 7.3% year-on-year

¹ Amount of global CO₂ emissions (t-CO₂) / consolidated net sales (¥ million)

² Amount of global waste generated (t-waste) / consolidated net sales (¥ million)

Legal Compliance Initiatives

As we implement appropriate environmental management measures in accordance with the applicable laws and regulations of respective countries as well as local ordinances, we have continued to achieve zero violations of laws and regulations and zero environmental accidents.

New Environmental Technology Initiatives

The whole or partial substitution of conventional metal products with lighter plastic materials has contributed to the weight reduction of finished vehicles, which has led to saving energy and CO₂ emissions of vehicles.

We are also working to mitigate our environmental impact by focusing on measures related to raw materials used for our products, for example, selecting materials with low environmental impact and expanding the applications of recycled materials.

Furthermore, we are working on the development of energy-saving manufacturing methods and the research of plant-derived materials to aim for reducing CO₂ emissions across the product lifecycle.

CO₂ Emissions

With respect to our production and sales, an improvement was made compared to the previous fiscal year. In Japan, CO₂ emissions temporarily increased compared to FY2022, and our CO₂ emissions intensity reduction target was not achieved.

Waste

In the same way as CO₂ emissions intensity, with respect to our global production and sales, an improvement was made compared to the previous fiscal year. Owing to the effects of our activity to remove in-process defects and efforts made for improving yield to diminish the disposal of surplus materials, the waste volume decreased.

As a result, waste generation per unit of sales improved, and the target was achieved.

Responding to TCFD

Endorsement of TCFD

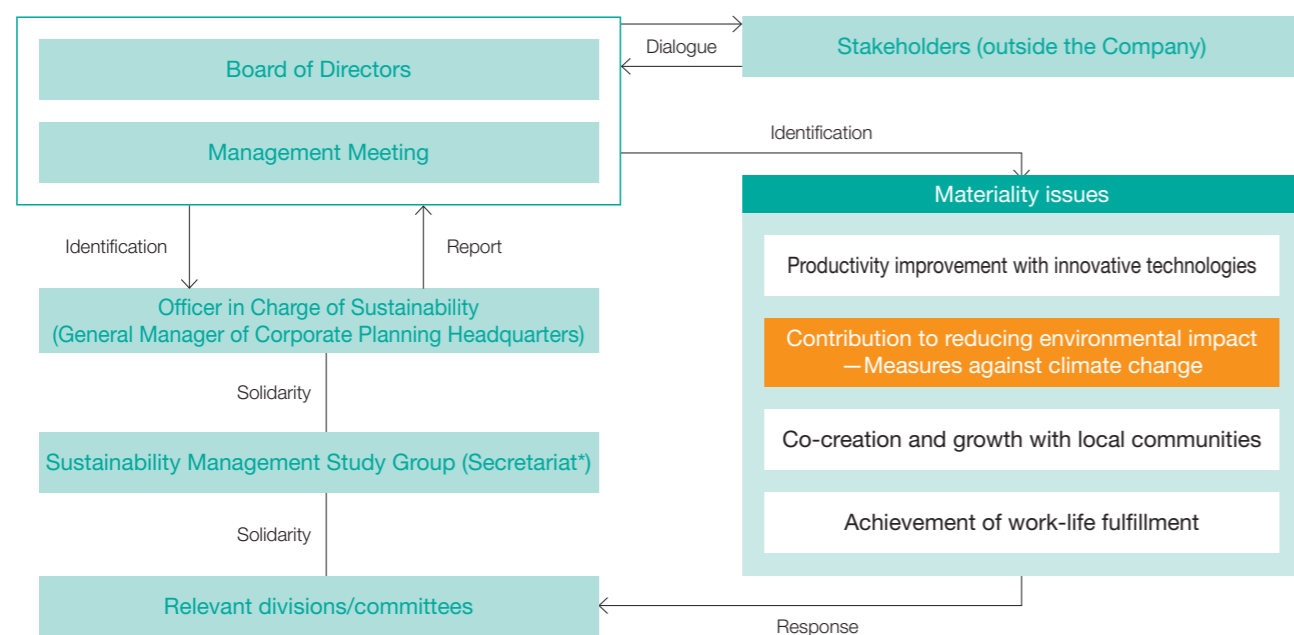
Since June 2023, the Company has been disclosing and updating information about impacts of climate change-related risks and opportunities on its business activities and earnings on its website, in annual securities reports, and in integrated reports with reference to items recommended by the TCFD. In September 2023, the Company expressed its endorsement of the TCFD recommendations.



Governance

The Company recognizes that taking action on climate change is one of its key management issues in the course of contribution to reducing environmental impact, which it identifies as one of its materiality issues in sustainability management.

Specific measures are worked out through appropriate coordination between relevant divisions, including the Company-wide Environmental Committee, which is promoting ISO 14001 activities, the Risk Management Division, which plans and implements energy-saving measures, and each Production Business Unit and the Technical Headquarters, which are considering ways of decreasing energy usage by new manufacturing methods, and the Sustainability Management Study Group (the Secretariat). The measures are then brought up for discussion to the Management Meeting or the Board of Directors through the Officer in Charge of Sustainability Promotion and are formulated to make decisions.



*Composed of staff members who concurrently hold positions in IR & Governance Division, HAMS Headquarters, and Corporate Planning Division.

Strategy

Transition Risks and Opportunities

With respect to transition risks and opportunities created by climate change, impacts primarily on the automotive parts market have been analyzed in a time frame up to 2030 using projected vehicle sales volume and other data.

Impact Category	Classification	Risks, Opportunities, and Impacts	Countermeasures by the Company
Market, Technology, and Reputation	Existing market / technology	Risks <ul style="list-style-type: none"> • Due to declining demand for internal combustion engine vehicles and parts, sales and operating profit generated from the market decrease. • Impairment of manufacturing facilities for internal combustion engine-related products 	<ul style="list-style-type: none"> • Expansion of sales and marketing of brake tubes to EV manufacturers and models • Expansion of lower-weight parts that help to extend EV driving range (plastic products that improve electricity consumption)
	Existing market / technology	Opportunities <ul style="list-style-type: none"> • Demand for non-internal combustion engine vehicles such as BEVs and FCEVs grows, and sales and operating profit increase due to the development of and sales/marketing activities for new products applicable to the growing market. 	<ul style="list-style-type: none"> • Expansion of thermal solutions business for BEVs, FCEVs, and other non-internal combustion engine vehicles • Development of cooling plates for BEV batteries (cylindrical batteries) and efforts to expand sales
	New market / technology	Opportunities <ul style="list-style-type: none"> • Business opportunities increase in response to growing demand for decarbonization, energy-saving products, and energy saving solutions in the non in-vehicle field. 	<ul style="list-style-type: none"> • Development of a water-cooling system for high-output (high heat-generating) server racks in data centers, and efforts to expand sales • Promotion of the development of substrate processing technology for GaN (gallium nitride), a next-generation semiconductor material that is expected to be more energy-efficient and more efficient than existing semiconductors through industry-academia collaboration • Investment in and cooperation with startup companies possessing advanced technologies that contribute to local communities and environmental impact reduction • Acceleration and expansion of R&D-based projects focusing on thermoelectric power generation elements, hydrogen generation and storage, etc.
Legal Regulations	Existing market / technology / reputation	Risks <ul style="list-style-type: none"> • Boycotting to buy products that have high environmental impact • A decarbonized product is required under a purchasing order condition, and an order is canceled unless the condition is satisfied. • Investor divestment (downward pressure on stock prices and various indicators) 	<ul style="list-style-type: none"> • Expansion of the use of plant-based plastic • Investment in energy-saving manufacturing methods in tubing business (significantly reducing electricity consumption through direct electrical heating without the use of gas atmosphere furnaces) • Considering measures to reduce CO₂ emissions through the product life cycle assessment • IR (disclosure of strategies for rebuilding business portfolio and the above-described initiatives to reduce environmental impact)
	Decarbonization	Risks <ul style="list-style-type: none"> • Decline in revenue due to introduction of carbon pricing systems. The Company's global CO₂ emissions in FY2023 were 101,232 t-CO₂ (Scope 1 + Scope 2). When the system comes into effect in the future, we may bear a considerable amount of costs depending on the set unit price and the actual volume of emissions. • Capital expenditures on measures for decarbonization and an increase in additional costs especially for the procurement of alternative energy 	<ul style="list-style-type: none"> • Decrease in power usage by the introduction of energy-saving manufacturing methods • Consider increasing the use of power derived from renewable energy and promote the use of it • Consider introducing solar power generation, taking into account actions for the business continuity plan
	Decarbonization	Opportunities <ul style="list-style-type: none"> • Energy-saving effects produced by investment in equipment provided for decarbonization • Cost reduction by avoiding the burden of carbon taxation, etc. in the future • Sales increase due to increased demand for recycling-related products as a result of stricter recycling regulations 	<ul style="list-style-type: none"> • Reduction in power usage as medium- to long-term effects through investment in the equipment and energy-saving manufacturing methods, and a decrease in running costs due to switching to low-cost energy • Building a system including equipment suitable for decarbonization, etc. • Shifting to products that contribute to a recycling-oriented society

Physical Risks

Physical risks posed by climate change have been analyzed in a time frame up to 2030 to identify the risks that have significant impact.

Impact Category	Risks and Impact	Countermeasures by the Company
Natural disasters (heat waves, cold waves) [Acute]	<ul style="list-style-type: none"> • Operations at plants are suspended for short periods due to typhoons, heavy snow, or other disasters. • Supply chains are interrupted for short periods. 	<ul style="list-style-type: none"> • Improve the continuity of priority businesses by developing the business continuity plan rules • Risks are hedged by nonlife insurance to protect its assets and cover opportunity loss incurred in case of a business interruption.
Temperature rise [Chronic]	<ul style="list-style-type: none"> • CO₂ emissions increase as a result of an increase in energy (electric power, etc.) for cooling caused by a rise in temperature. • Operations at plants are suspended due to restrictions on the use of power. 	<ul style="list-style-type: none"> • Promote the reduction of energy consumption

Environmental Initiatives

Risk Management

The Company has strengthened its risk management promotion system so that we can respond to manifestations of all kinds of risks in this unpredictable era.

In January 2021, we set up the BCP Team dedicated to risk management. The team has focused on establishing an initial process and installing more disaster prevention equipment for the main purpose of reducing the impact of a disaster and preventing the damage from spreading. We upgraded the team to the BCP Department in FY2022 and to the Risk Management Division in FY2023. It has worked to reduce or transfer all risks, including disaster risks, across the Group.

The Company has been striving to comprehend and assess sustainability-related risks and implement countermeasures through the Risk Management Division, other relevant divisions and ISO 14001 activities promoted by the Company-wide Environmental Committee. It has also identified climate change-related risks and opportunities.

The Company has established the Company-wide Environmental Committee, which maintains and administers an in-house environmental management system. The Company-wide Environmental Committee elects a General Administrator (Officer in charge of the Environment) who oversees environmental activities throughout the Company and an Administrator who is responsible for and authorized to maintain the environmental management system. Under the management structure established by the committee, quarterly reports on activities and accomplishments are made by the Administrator to the General Administrator, with risks identified throughout this process. The responses to identified risks is monitored through internal environmental audits.

In addition, we are currently developing the business continuity plan rules that cover all of our Group companies with the aim of completing them within FY2024, in order to invest our resources in identifying apparent and potential risks and taking control measures.

Indicators and Targets

Based on the Japanese government's commitment to achieving carbon neutrality by 2050 and other developments, the Company intends to pursue initiatives to reduce CO₂ emissions step by step and in a specific way through efforts for energy saving, the use of renewable energy, and promotion of innovations, and fulfill the responsibility as a member of local communities.

We will set Scope 3 targets as well as Scopes 1 and 2 targets and strive to achieve them through cooperative relationships with business partners in our supply chain to reduce CO₂ emissions across the product life cycle, which we regard as a key issue.



Solar power generation at Sanoh Thailand

Current Situation and Future Initiatives

Classification	2023 emissions results (2022 results) (Unit: t-CO ₂ e)		The Company's Initiatives for Emissions Reduction
	Global	Japan	
Scope 1	13,882 (12,252)	4,837 (2,779)	<ul style="list-style-type: none"> • Since obtaining an ISO 14001 certification in Japan in March 2002, the Company has striven to reduce energy consumption in its business activities in and outside Japan and will continue to do so. • In 2022, Geiger Automotive GmbH, a European subsidiary of Sanoh, introduced green energy, and thus reduced CO₂ emissions by 47%, or a decrease of 4,378 t-CO₂, compared to the 2021 level.
Scope 2	87,350 (66,983)	32,656 (12,469)	<ul style="list-style-type: none"> • In 2022, Sanoh Industrial (Wuxi) Co., Ltd., our Chinese subsidiary, introduced solar power generation and reduced emissions by 22%, a decrease of 1,334 t-CO₂, compared to the 2021 level. • In 2019, Sanoh Industries (Thailand) Co., Ltd., our Thai subsidiary, introduced solar power generation and reduced emissions by 11%, a decrease of 359 t-CO₂, compared to the 2018 level. • In 2023, domestic and global CO₂ emissions increased compared to the 2022 level. We have already switched to a power provider contract with a higher renewable energy ratio. • We are considering the introduction of on-site/off-site power purchase agreements (PPA) for solar power generation at our production facilities in Japan.

*The actual CO₂ emissions for 2023 are based on provisional emission factors, etc., and the figures may change in the future.

*In FY2023, the Category 1 of Scope 3 results were 85,491 t-CO₂ in Japan (In FY2022, the result was 77,720 t-CO₂).

Initiatives to Reduce Environmental Impact

Electric ultra-compact concept car "Kurosuke" uses our brake tubes

"Kurosuke" is an MUV² being developed by the Micro EV Technology Research Association (METAx)¹ as an accessible and user-friendly electric vehicle (EV) in view of rapid changes in social structure such as aging and declining population. It is considered one possible model for our products in the future of electrified mobility.



Exhibit Scene of Japan Mobility Show 2023

*1 Established with the approval of the Ministry of Economy, Trade and Industry to develop ultra-compact EVs that will provide new solutions for last-mile delivery and transportation services. The company plans, designs, manufactures, evaluates and tests prototype MUVs, aiming to begin mass production around 2026. In May 2025, the association will transition to nicomobi Co., Ltd. for full-scale mass production.

*2 Stands for Micro Utility Vehicle. Can be newly categorized between motorcycles and cars, and is intended for use in small-scale deliveries, etc.



Switching to green power

In 2022, CO₂ emissions (an equivalent amount) by a European subsidiary of Sanoh were a total of 4,976 t-CO₂e¹. This is equivalent to a reduction of 47% year-on-year.

Scope 1 in 2022	918 t-CO ₂ e (+11% year-on-year)
Scope 2 in 2022	4,058 t-CO ₂ e (-52% year-on-year)
Total in 2022	4,976 t-CO ₂ e (-47% year-on-year)

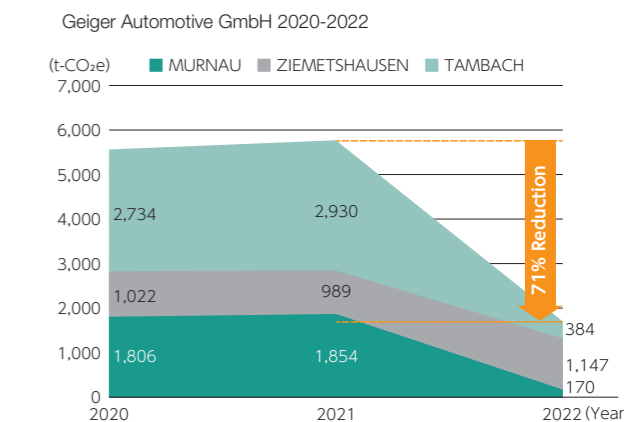
While Scope 1 emissions mainly by the Ziemetshausen Plant increased by 11% due to a rise in demand for heating resulting from facility relocation, Scope 2 emissions (based on the Greenhouse Gas Protocol) were substantially reduced by switching power to 100% green power² at the Murnau and Tambach Plants. As a result, CO₂ emissions from our production facilities in Germany decreased by 71% compared to the 2021 level, and the entire Group achieved a reduction of 52%.

Sanoh received "Carbon Neutral Improvement Award" from Mazda

The Company has been awarded the 2023 Carbon Neutral Improvement Award by Mazda Motor Corporation (Mazda). Recipients of this award are selected annually from all of Mazda's suppliers and this is the first time we have received this award.

The Carbon Neutral Improvement Award is given to suppliers who achieve the year-on-year improvement rate set by Mazda in the CO₂ emissions survey.

Development Corp. Carbon Footprint (t-CO₂e)



*1 t-CO₂e: The number of tons of CO₂ emissions measured as an equivalent value (e = equivalent)

*2 Power generated by natural energy such as wind force, sunlight, and biomass (living resources)

Social Engagement

Human Assets

We have identified human assets (= all employees), who constitute a business foundation that supports our business activities, as one of our material issues. With Sanoh's DNA, "Self-reform & Diversity," and corporate philosophy "Personal Development" (providing an environment and opportunities for employees' growth) as keywords, we are taking various measures to take on the challenge of major business reforms, leading to our Third Epic Era.

Backing to Basics of Manufacturing = Thorough Implementation of the Sengen* Principle and Multi-skill Development



Dark signs have begun to appear in the accelerated shift to EVs and in automobile sales by Japanese automakers in China, which have been an engine for growth. The difficulty in forecasting automobile production volume has become the new normal. In particular, in the face of a severe workforce shortage, Japan's manufacturing industry is experiencing severe difficulty in bringing their workers back to the sites after COVID-19 even from a world perspective. Therefore, it has become even more difficult to secure sufficient human assets to maintain stable production and high product quality. In order to build an even stronger manufacturing system that allows us to promptly respond to any kinds of changes and difficulties, we introduced an "On-site Training Program" in FY2022. A total of 192 persons have participated in the program so far. This training program is targeted at all employees, regardless of their position or profession. It is obligatory for COO Takeda, as well as officers, general managers of headquarters, and general managers of business divisions, to attend on-site training once a year. This program aims to not only improve the motivation, teamwork, and engagement of individual employees but also develop them into multi-skilled workers who are capable of covering multiple positions. It is no easy task for newcomer workers to manufacture high-quality products. At the same time, the work sites where the training takes place are required to establish a process that prevents any product failure, no matter who is making

*Three Actuals ("Genba" (Actual Place), "Genbutsu" (Actual Thing), and "Genjitsu" (Actual Situation))

the products. As such, the trainees and the work sites, where they are trained, work hard and learn from each other to aim for the heights of manufacturing.

In FY2023, we introduced a Staff Leader Training targeting those who support such manufacturing processes at manufacturing sites. In this training, trainees will gain a proper understanding of the role of a staff leader and learn the skills necessary to fulfill their expected role. The training also aims to strengthen the unity with the members through practical work on site, improve work efficiency and productivity, and heighten a sense of "rewarding" and "work fulfillment" of the staff leaders themselves.

We are also more active in interacting with other companies and accepting trainees from overseas subsidiaries. We are engaged in a joint "Manufacturing Innovation" activity with Toyota Motor Corporation and information and technological exchanges with neighboring companies in different industries and universities, as well as information exchange between personnel managers with such companies to actively adopt the good practices of other companies and use them to revitalize our human assets. In addition, as the need for cross-border education has increased in the post-COVID-19 era, we have accepted trainees from our overseas subsidiaries in the United States, Indonesia, Thailand, and China.

Professional Human Assets Development

In order to survive in an age of rapid change, it is more than ever required to maximize the abilities of individual employees, enabling them to fully demonstrate such abilities. The Company advocates developing all employees into professionals, with a professional defined as someone who "achieves results by cultivating and capitalizing on one's abilities (knowledge, skills, and competencies) that are valued not only inside but also outside the Company." The concept is to value both increasing explicit knowledge through inputs from training sessions and workshops within the Company and self-study, and accumulating knowledge from experience by applying what they have learned to their work.

As part of our efforts to develop employees into professionals, we revamped the content of New Manager Training in FY2023, and since FY2024, we have been promoting the establishment of a PDCA cycle for all level-based training. We will establish a system to make annual, incremental updates to the content and delivery methods of each training program based on information such as changes in the management environment, surveys of

divisional needs, and results of surveys of trainees. The goal is to prevent the programs from becoming mere formalities by swiftly reflecting changes in needs while maintaining the essential content that should be universally conveyed. By engaging in repeated discussions with each division to deepen the company-wide understanding of the purpose and content of the training programs, we also intend to strengthen the corporate culture of "personal development," as outlined in our vision.

In addition, we will promote the visualization of employees' abilities and career plans by utilizing the new human assets management system introduced in FY2024. Our goal is to facilitate internal transfers and promotions that are more reflective of each employee's aptitudes and intentions than ever before. Furthermore, we aim to enable employees to develop more detailed and hopeful career plans, by encouraging them to gain a more accurate understanding of their abilities and pace of growth, and to set goals systematically, thereby accelerating their skills development.

Skill Development and Reskilling

The Company regularly hold lectures (Sanoh Colloquium), with optional participation, inviting active prominent figures from various fields to facilitate the acquisition of new points of view for our employees. In June 2024, Ms. Masako Wakamiya, the world's oldest programmer, delivered a lecture on the theme of "100 Years of Life: Constantly Taking on Challenges." Ms. Wakamiya taught herself IT skills at the age of 58 and, at 81, developed the iPhone app "hinadan." Now 89, she shared her powerful message: "I want to keep learning and growing beyond 90," providing a valuable opportunity to recognize the expanding possibilities in this era of 100-year life spans, while giving us the courage to take on new challenges.

The Sanoh Academy, a human assets development platform established to develop specialists, provides training courses that allow trainees to systematically study physics, statistics and marketing, and learn knowledge and skills in the design thinking field. It supports training sessions given by trainers from inside and outside the Company, along with collaborative learning and practice among employees. In addition, enhancing digital skills and developing digital talents are essential for achieving results in both existing and new businesses. The PC Skill-up Training courses, launched in FY2022, offers a full line of training courses, including an Excel course for on-site workers as well as a hands-on course using Microsoft 365 apps. This program continues in FY2024, supporting individual skill development and improving operational efficiency.

The certification acquisition support system, introduced to help each employee achieve an autonomous career, supports the acquisition of specialized knowledge and skills. It is one of the initiatives that promote sustainable growth for both employees and the company. We provide continuous learning opportunities for employees who require language skills in their work, including one-on-one consultations and seminars on English learning by in-house instructors, as well as the distribution of learning materials via the intranet.

Diversity and Inclusion



Sanoh's DNA is based on self-reform realized through diversity. Taking advantage of the diversity of our employees, regardless of gender, age, nationality, race, ethnicity, ideology or belief, disability, and marital or parental status, we expect innovation to come from the chemistry between free ideas and values. As education on inclusion is essential for promoting diversity, it is provided as a required subject in training programs at each level, for new graduates, employees in their second year, staff leaders, and newly appointed managers. Beyond promoting women's



We also promote skill development beyond occupational boundaries through the Communities of Practice (CoP). The most distinctive feature of these communities is that employees themselves plan and hold workshops in areas they are interested in, improving skills and knowledge among themselves with their original content. Both trainers and trainees brainstorm ideas to deepen and improve the training content. The development of internal trainers through these activities also contributes to the growth of individuals and the strengthening of the organization as a whole.

The Sakura Campus, which opened after the renovation of an existing building in 2022, is used to hold small-group workshops. The Sakura Campus has three spaces, namely, study space, group-working space, and maker space. The maker space is equipped with processing tools, a 3D printer, and other tools and devices so that employees can use the space for prototyping and exploration. Employees learn from each other in a variety of settings. They actively share knowledge and skills beyond occupational boundaries.



empowerment, our goal is for all employees to help create a better workplace culture. We aim to eliminate unconscious bias and empower each employee to think and act in ways that make the company a more inclusive and comfortable workplace for each employee. Efforts are also being made to offer harassment training to a wide range of trainees, from officers and senior management to rank-and-file employees. We are working to create an organization that can promptly and flexibly respond to harassment, ensuring that it is not overlooked.

Social Engagement

In February 2024, we held a “Global Human Assets Roundtable Discussion” for foreign employees working at our domestic locations. The purpose of the event was to understand the needs of foreign employees and reassess the work environment from a global perspective. A total of 22 non-Japanese employees participated and engaged in extensive discussions about workplace challenges and other topics. We received valuable input on various issues related not only to work, but also to life, including communication difficulties due to language barriers, challenges in career advancement, relocation, and visa procedures. We will use the feedback gathered from this event as a foundation for further improvements, aiming to create an environment where employees can maximize their abilities and feel more fulfillment.

In addition, following the dementia supporter training course organized by Koga City, where our head office is located, we have been working to provide accurate information about our caregiving system within the Company and to address concerns about

Promotion of Diverse Workstyles

We have been quick to respond to changes in the social environment surrounding workers and instituted a flextime system in 1992 and a telecommuting system in 2017. Currently, we have adopted a hybrid working system where the use of telecommuting is allowed for a maximum of three days a week, allowing a combination of in-office work and telework.

We also strive to make strides company-wide in reducing overtime working hours and taking annual paid leave and managing and supervising their implementation between labor and management on a monthly basis, thus improving QOL and creating workplace environments where work-family balance is possible. We operate the Sakuranbo, a childcare facility adjacent to the Koga Factory, our head office, and have extended the period for reduced working hours for childcare until the end of the child’s third year of elementary school. In this way, we have developed a system in which employees can continue working with peace of mind while raising children. The Sakuranbo was established in 2008 and is now in its 16th year. The facility emphasizes food education, providing meals prepared in its kitchen using vegetables grown in its own garden, which are served as part of the children’s lunch.

We are also working to improve the rate of childcare leave taken

Engagement (Psychological Lively Scale) Improvement

We regard engagement (psychological lively scale) as one of the important management indicators to measure the achievement of work-life fulfillment, which was identified as one of the Company’s material issues. A cross-divisional project team takes the initiatives in the whole process, from survey, results analysis through to countermeasure implementation, working together



balancing work and caregiving. At our domestic factories, we held information sessions on the caregiving system with employees with caregiving experience as instructors. Balancing work and caregiving is a challenge that can happen to anyone and is a key issue for any organization. We believe that facing the family members who have supported us for many years, and the emotions and experiences gained through caregiving, contribute to the promotion of diversity.

We are also working to create a more accessible workplace for people with disabilities, such as increasing the number of parking spaces for people with disabilities (wheelchair users) and installing ramps. We will continue to implement initiatives and improve the environment to further deepen mutual understanding in the employment of people with disabilities. We will strengthen recruitment and promotion efforts with the aim of building an even more diverse human assets portfolio, as well as conduct training sessions and events to change the way of thinking within the Company.



by male employees (60.9% as of March 2024). In addition to promptly revising our systems in line with legal amendments, we use the intranet and bulletin boards to disseminate information about taking childcare leave and encourage employees to do so. We also hold roundtable discussions with employees who have experience raising children, and help employees exchange information and make parent friends within the Company. Furthermore, to alleviate concerns in the early stages of pregnancy, we have introduced an optional maternity support program for those interested, and we conduct support interviews during the period from before maternity leave to returning to work. In this way, we are working to create a workplace environment where childcare leave does not become a barrier to career progression.

with each division. Some challenges that came to light have been tackled for improvements by the project team in tandem with relevant divisions for more than one year. We conduct engagement surveys twice a year and continuously track the results to identify trends and changes within the organization. In addition, we also conduct a stress test twice a year to enhance self-care awareness, and provide a system that allows those who wish to do so to consult with a medical officer. The concept of engagement (psychological lively scale) has drawn increasing attention year by year, and various improvement measures have been taken accordingly.

The project team serves as a liaison throughout the Company, exchanging information on measures with overseas locations and rolling out measures in Japan. In addition, the San-home, a digital tool introduced by the project team to spread the culture of praising and expressing gratitude to others across the company; named after the coined word that combines “San (Sanoh/ thanks)” and “home (praising),” has also helped to revitalize internal communication. Sanoh will continue to work as a unified organization to improve engagement (psychological lively scale) among employees.

Safety and Hygiene

We conduct our business activities under the recognition that protecting the safety and health of all employees to be a key top priority and foundation for business continuity.

We have established the highest-level principles, which are a pillar to our business activities, and based on this belief, we have created an environment where it is safe and easy to work for all employees.

Basic Safety and Hygiene Principles

Keeping in mind that “safety comes first in everything we do,” actively promote safety and hygiene activities in all operations to protect the lives and health of all involved.

- Promote education and training to ensure that each and every employee can voluntarily take action with an awareness of safety and hygiene.
- Endeavor to comply with safety and hygiene laws and regulations to ensure the safety of employees.
- Strive to maintain and improve the health of employees.

Safety and Hygiene Committee Initiatives

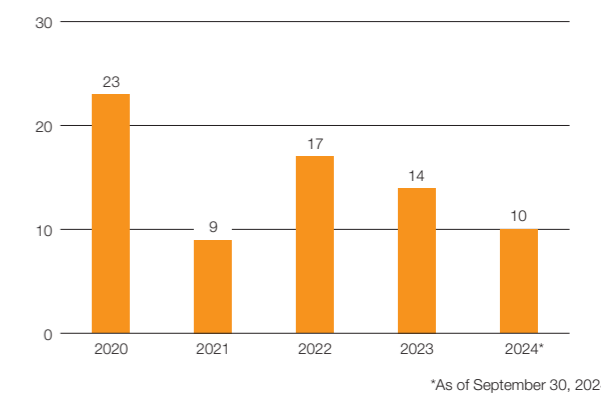
The Company has established a safety and hygiene system in accordance with laws and regulations, and in particular, foremen and Safety and Hygiene Committee members involved in production patrol their respective production sites on a daily basis to prevent occupational accidents. Furthermore, we consider any workplace accident, even those that do not result in lost work-days, as a significant incident. In the event of an accident, we establish a recurrence prevention committee to implement measures to prevent similar incidents and simultaneously roll out these practices across the organization.

This year, to further advance the safety and hygiene initiatives we have promoted to date, we are expanding beyond in-house activities by actively engaging in information exchanges and factory inspections with other companies in the same industry, actively incorporating the best practices from both our own and other companies’ safety and hygiene efforts.

Human Capital Data

Category	Human capital disclosure items	FY2022 (non-consolidated)	FY2023 (non-consolidated)	
Human assets development	Number of employees with a PhD degree	21 persons	20 persons	
	Turnover rate	7.6%	7.2%	
Health and safety	Number of workplace accidents occurred	17 accidents	14 accidents	
	Absence rate of employees	1.4%	0.9%	
Labor practices	Percentage of employees covered by collective bargaining agreements	53.5%	53.9%	
	Pay difference between male and female employees (men’s pay = 100)	:regular employees	76.8%	77.2%
		:part-timers/fixed-term employees	81.7%	80.3%
		:all employees	54.3%	56.1%
D&I	Percentage of female employees	32.5%	34.3%	
	Percentage of women in management positions	5.5%	5.4%	
	Number of nationalities of personnel in posts at the section management level or above	14	14	
	Total number of discrimination cases occurred during the period	None	None	
Workstyles	Percentage of mid-career hires among all regular workers	49.2%	31.7%	
	Overtime working hours per month	11.9h	14.7h	
	Rate of annual paid leave taken	85%	87%	
	Days of annual paid leave taken	16.19 days	16.24 days	
Other	Rate of childcare leave taken by male employees	42.9%	60.9%	
	Engagement/psychological lively scale (national average = 100)	80	83	

Workplace accidents (domestic) (no. of accidents)



Social Engagement

Shareholders and Investors

The Company will deepen its relationships of mutual trust with stakeholders and fulfill its social responsibility through proactive IR activities and other means.

General Meeting of Shareholders

Based on the idea that the general meeting of shareholders is a place for important dialogue with our shareholders, when setting the date of the general meeting of shareholders, the Company avoids dates on which many companies hold shareholders meetings and in principle sends convocation notices by three weeks prior to the date of the meeting. The Company also posts convocation notices on its website prior to sending paper copies. Furthermore, we adopted a system of exercising voting rights via the internet and participate in the Electronic Voting Platform for Institutional Investors operated by ICJ, Inc., as part of our efforts to establish an environment where shareholders can exercise their voting rights appropriately and smoothly. In addition, we prepare convocation notices (except attached materials) in English and post them on our website and the Electronic Voting Platform for Institutional Investors.

We have adopted a hybrid participation format for the meeting, providing an environment for shareholders who are



General Meeting of Shareholders held in June 2024

unable to attend in person on the day of the meeting to watch the event live. In addition, questions asked by shareholders on the day of the meeting are answered by designated officers, ranging from the chairperson to the responsible executive officers and outside corporate officers.

Financial Results Briefing Sessions and Investor Meetings

After announcing the second quarter and year-end financial results, we hold briefing sessions where the company representatives (COO and CFO) explain financial results to analysts and institutional investors. To promote constructive dialogue with shareholders and investors, we hold investor meetings every quarter through a system of collaboration among the IR, finance, and management planning divisions. In addition, we provide opportunities for direct dialogue with the divisions in charge of practical operations in response to investor requests.

Factory Tours for Institutional Investors

Since FY2023, we have held factory tours for analysts and institutional investors to deepen their understanding of our products and production sites.



IR Materials on Our Website

Our IR information website contains IR information such as financial results, timely disclosure materials, annual and quarterly securities reports, shareholder newsletters, and stock information, as well as videos of financial results briefings, to provide investors with comprehensive information about the Company.

As part of our efforts to enhance the quality and quantity of information disclosure and to promote fair disclosure, we began disclosing information such as “Announcement of items to start mass production” and “Questions received from stakeholders and responses to those questions” in FY2023.

IR Information <https://www.sanoh.com/ir>

Company Information Sessions for Individual Investors

Since FY2023, we have been holding company information sessions for individual investors, aiming to directly communicate information about the Group’s business overview, performance, future vision, and other topics to individual investors.



Number of viewers on the day	Approx. 2,000
Number of viewers of the archived video	Approx. 3,000

Customers and Suppliers

We put forth our best efforts for the sake of Safety and Security as well as Environmental Conservation based on our technology and quality assurance capabilities developed through the manufacture of critical safety parts as a company with a spirit for the handmade. Even in a VUCA* age, we will contribute to social and industrial advancement together with our suppliers according to our procurement policy.

*VUCA stands for Volatility, Uncertainty, Complexity, and Ambiguity.

Procurement Policy

Together with our suppliers, we will contribute to the further advancement of the industry and our customers even in the VUCA age.

- Establish partnerships with suppliers and advance together
- Provide fair, equitable, and free competition opportunities to suppliers
- Conduct procurement activities based on quality and safety
- Pursue procurement prices appropriate for the item or service
- Build a fast and flexible procurement system to adapt to a VUCA age
- Build stable supply chains that can withstand difficulties such as unexpected disasters

Stable Supply and Social Responsibility

Initiatives for Stable Supply : Since 2019, our company began investigating emergencies such as natural and human-caused disasters using a cloud service to ensure a stable supply of sustainable products. We are also strengthening regular communication with our overseas subsidiaries, while reinforcing the resilience of our global supply chain. Through these initiatives, we aim to ensure a stable supply of high-quality products to our customers and further strengthen mutual trust.

Initiatives for Sustainable Products : Since 1998, our Company has led the industry in developing innovative plant-derived plastic products that offer both excellent flexibility and low-temperature impact resistance. We have refined our technology to meet the stringent specifications required by the automotive industry, and have expanded our line of plant-derived plastic products for a wide range of applications, including plastic fuel tubes and plastic-coated tubing. We will further accelerate the development of sustainable products that combine environmental friendliness with high functionality, based on international environmental regulations.

Promotion of Responsible Mineral Procurement : In accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act, which was established in the United States as a financial regulation reform act, our Company conducts an annual survey on four conflict minerals, namely tin, tantalum, tungsten, and gold, to prevent the flow of funds to inhumane armed groups. We have included cobalt and natural mica in the items subject to the survey since 2021. We will strengthen our efforts to respect human rights and protect the environment throughout the supply chain, and promote sustainable resource procurement.

Quality Improvement Activities

All employees are aware that the Company manufactures many critical safety parts that underpin the safety of the automotive industry and perform their daily activities with pride. We make unceasing daily improvements based on every employee’s quality-conscious attitude and our top priority of promptly providing safety and security to our customers. At the same time, we consider the safety and security of our employees to be our top priority as a company, and we aim to swiftly remedy employee annoyances that hinder improvements in quality, such as poor workability, difficulty in maintaining equipment, and poor working environment.

All employees understand the four parts of our quality policy and work conscientiously every day so that we can aim to achieve higher quality, keep up with the turbulent changes of the times, and lead the way. The untiring efforts of all employees have led to the Company receiving quality awards from many customers in Japan and overseas. Quality is not something that can be built in a day. In order to maintain quality that satisfies all of our stakeholders, we will steadily continue our activities step by step and achieve even higher quality.

FY2024 Quality Policy

- Haste makes waste, precision pays.
- Excellence is a journey: Every step towards improvement counts.
- The usual way isn’t always the best way: Challenge conventions, embrace innovation.
- Communication is key: Speak and listen with intention.

Achievements in Quality Awards in Japan

- Received the 2023 Quality Control Excellence Award from Toyota Motor Corporation
- Received the 2023 Quality Performance Improvement Award, Grand Prize from Mazda Motor Corporation

Corporate Structure Less Prone to Quality Fraud

The Company has been working to lay the groundwork for a less fraud-prone corporate structure for several years. We are striving to identify and carefully address various long-standing internal issues, such as rule-making that ignores workplace realities, excessive increases in paperwork, and performance evaluation tests conducted under poor working conditions. We work to detect potential risks that could lead to fraud at an early stage by designing tasks that do not overburden individual workers, introducing the latest, more user-friendly tools, and steadily making improvements. Through these efforts, we aim to eliminate the seeds of fraud risk before they arise.

Social Engagement

Global Quality Activities

Starting in FY2020, we have been expanding company-wide quality activities, which started in Japan, to all of our global network. With these activities changing from activities led by our factories in Japan to self-motivated activities at our overseas locations, quality improvement activities are further accelerated at our global sites. By invigorating these improvement activities in each region by all the employees in the world and accelerating on-site improvements and quality improvements, we will build a firm foundation that will enable us to be the company of choice for our customers. In order to keep these quality improvement activities from being a one-time thing, we have made changes to these activities and switched to monthly activities. As part of the monthly quality activities, we are promoting activities to directly compile employee annoyances and solve these problems in all divisions. Not just being satisfied with these initiatives, we will constantly launch new measures and implement global quality activities.

Local Community

The Company promotes social contributions with a constant awareness that we are a member of local communities.

Japan

“COKOGA OFFICE” Opened as a Shared Office Rooted in a Local Community



In May 2024, we opened “COKOGA OFFICE,” one of the largest shared offices in the northern Kanto region. This project, which involved the renovation of the Koga Office, a facility of the Company near JR Koga Station, is part of the project based on the “Comprehensive Partnership Agreement for Regional Revitalization” concluded between the Company and Koga City in June 2023. Designed as a place to offer diverse ways of working and connecting with people rooted in the local community, the facility is used not only as a shared office, but also for various purposes such as business seminars and cultural events, contributing to the revitalization of the local economy and the strengthening of the community.

The “CO” in “COKOGA” comes from the word “cooperation” and the “KOGA” comes from “Koga City.” The name expresses the hope that it will continue to grow together with Koga City as a base for new ways of working and interacting.

Interaction with the Local Community Through Sports

In March 2024, we held the eighth Sanoh Football Cup. The event has been held continuously since 2013, with the goal of connecting the Company and people in the Koga region through football, and growing together to create a better city. Six youth football teams in Koga City, Ibaraki Prefecture, participated in the event, where intense matches unfolded. Two high school football teams in Koga City also volunteered to help organize the event.



Improving the Environment Around the Factory

In May 2024, our Kyushu Factory, in cooperation with neighboring companies, improved the area around the site boundary on the east side and built a new fence. The fence helps prevent sediment runoff, such as that caused by heavy rains and typhoons in recent years. In addition, the improved visibility in the surrounding environment helps prevent traffic accidents.



Exhibiting at ECO Festa Koga 2023 to Introduce Our Environmental Conservation Activities to Local Residents

On March 16, 2024, we exhibited at the event ECO Festa Koga 2023 hosted by Koga City, Ibaraki Prefecture, at the roadside station “Makuraganosato Koga.”

At our booth, we showcased our environmental conservation and community contribution activities, as well as products made by shredding and recycling our own used plastic products. The product display included not only parts boxes used in our internal manufacturing processes, but also everyday items such as faucet levers and smartphone holders. This allowed us to introduce the wide range of initiatives by the Group to visitors at the roadside station, including those from neighboring prefectures.

We will continue our efforts to reduce environmental impact, including waste reduction, and contribute to the local community.



Participating in Watarase Retarding Basin Cleanup Campaign

On April 13, 2024, the Watarase Retarding Basin Cleanup Campaign (hosted by the Upper Tone River Users Association) was held, and a total of 89 employees and family members of the Sanoh Industrial Group participated as volunteers in the cleanup activities.

This event, which was held for the first time in five years due to cancellations caused by the COVID-19 pandemic and rain, enjoyed 1,350 participants from local companies and governments in Koga City, Ibaraki Prefecture, where the Koga Factory is located. A total of 1.4 tons of waste was collected. We will continue to work on environmental conservation and community contribution.

*The largest retarding basin in Japan, spanning over the four prefectures of Ibaraki, Tochigi, Gunma, and Saitama, home to a rich variety of plants, insects and birds in a lush natural environment. In July 2012, it was registered as a wetland under the Ramsar Convention.



Social Engagement

Overseas

Mangrove Tree-Planting activities of Asian Subsidiaries

Thailand

Able Sanoh Industries (1996) Co., Ltd., our Thai subsidiary, participated in a mangrove tree planting activity held as part of efforts to prevent global warming, together with the Toyota Group and other related suppliers.



Indonesia

PT. Sanoh, our Indonesian subsidiary, held an event to plant 1,000 mangrove trees on June 5, World Environment Day.

In addition to 17 employees from PT. Sanoh, representatives from the Environmental Agency of Bekasi Regency, the Bekasi District Chamber of Commerce and Industry, and a mangrove conservation group, and the village head attended the event. This activity was commended by the Governor of Bekasi Regency and published in local newspapers. We will continue to actively implement environmental protection activities while monitoring the growth of the mangroves.



Community-Based Social Contribution Activities

Thailand

Sanoh Industries (Thailand) Co., Ltd., our Thai subsidiary, participated in a Children's Day event hosted by the Amata City Rayong Industrial Estate, offering scholarships and sweets to local children. Through interaction with children, we are strengthening our ties with the local community.



DIALOG

Executive Roundtable Discussion

Constructing a management structure that values people by leveraging Sanoh Industrial's unique strengths



Haruka Miwa
Full-time Auditor

Motohisa Kaneko
Outside Director

Sayaka Tomioka
Outside Director

How do Sanoh Industrial's outside directors view the company's strengths, potential, and challenges? Under the moderation of full-time auditor Haruka Miwa, outside directors Motohisa Kaneko and Sayaka Tomioka shared their thoughts on the current Board of Directors' performance and effectiveness.

Executive Roundtable Discussion

Sanoh Industrial's strengths are serious, sincere manufacturing and overwhelming operational capability

Miwa Please tell us about your careers and the circumstances that led to your appointments as outside directors of Sanoh Industrial.

Kaneko I accumulated experience in corporate strategy planning and M&As at a financial institution and a consulting firm, and subsequently founded a medical AI startup. I was appointed as an outside director of Sanoh Industrial in 2019. The opportunity to join the company arose during my time at the consulting firm in 2018, when I had the chance to assist Sanoh. In a project involving the chairman and president, I made proposals regarding the consolidation of locations and the potential for new businesses. In light of this connection, Sanoh approached me after the project concluded and offered me a position as an outside director.

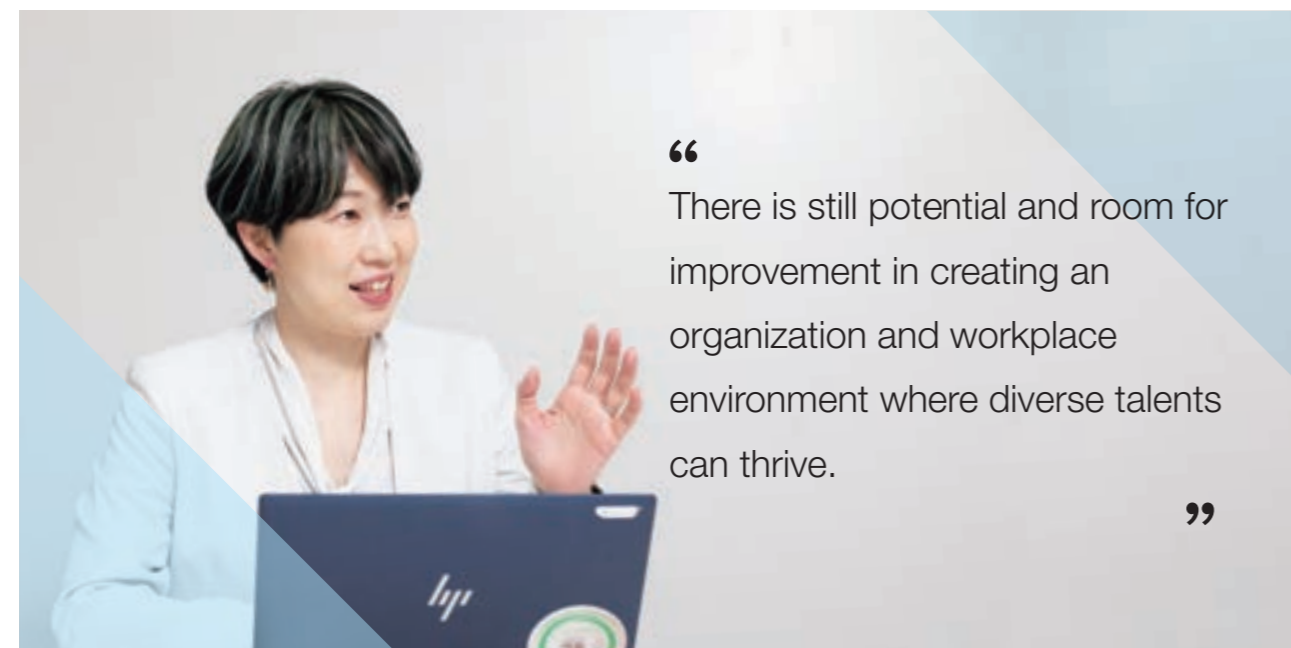
Tomioka I worked at two consulting firms for an approximate total of 15 years. I currently work as the CFO and the general manager of the corporate planning department of Taiyo Holdings Co., Ltd., a chemical manufacturer. Mr. Kaneko and I are former colleagues, and it was through Mr. Kaneko that I received the offer to become an outside director of Sanoh Industrial. When I accepted the position, I believed that I could leverage the experience with board management and investor relations that I had gained at Taiyo Holdings. In recent years, board management and governance at publicly listed companies have been changing significantly. It is a difficult

undertaking to adhere to guidelines properly, but there is also much to learn. I intend to use this knowledge to contribute as an outside director to Sanoh Industrial.

Miwa Improving governance has been a key focus for the company in building a foundation for growth, so Ms. Tomioka's and Mr. Kaneko's experience are a significant asset to us. Since taking on your roles as outside directors, how have you come to perceive Sanoh Industrial and the current environment surrounding the automotive parts industry?

Kaneko In providing support as a consultant, I had the opportunity to interview employees on site. Since then, I have consistently felt that many people at Sanoh Industrial have a serious disposition. I believe that Sanoh is a company that engages in manufacturing with sincerity, especially because it is making parts for vehicles that people entrust their lives to. On the other hand, the environment around the automotive industry has been changing drastically in recent years. Although currently the majority of sales are related to internal combustion engines, it's expected that the proportion of electric vehicle (EV)-related sales will increase, mainly in China and Europe. Amid this context, it is essential to review Sanoh Industrial's business portfolio to align with changes in society and industry. In promoting reform, sometimes I feel that having a serious disposition can fetter progress. It's important for each individual to have the spirit of challenge, and for the company to develop new technologies, create new businesses, and foster talent.

Tomioka I agree about the serious disposition. I feel that the majority of employees are sincerely engaged in each process,



no matter how mundane the tasks may seem at first glance. To produce critical automotive parts with a high level of quality, a serious disposition is essential, and all employees must hold the same sincere attitude toward manufacturing. Sanoh has achieved this thanks to its overwhelming operational capability. The company operates in a variety of countries including India and China, and workers of various nationalities also thrive at its Japanese locations. I believe that the way employees hold shared values in such a diverse environment is one of Sanoh Industrial's strengths.

Miwa When I visit workplaces for training or audits, I sense a company culture that is dedicated and earnestly engaged in manufacturing. I also sense diversity—it's common to see sights such as veteran staff of foreign nationalities providing technical guidance. Through communication initiatives like global talent roundtables and parenting discussions, where each person can make their voice heard, we're creating a workplace where everyone can work comfortably.

Board meetings host intensive discussions of substantive management issues among diverse members

Miwa The Board of Directors currently consists of three inside directors and five outside directors. What is your assessment of the composition, diversity, and overall feel of the Board?

Kaneko Outside directors comprised 50% of the Board in

2020, but over half in 2021. This means that outside directors have the power to dismiss the president. I feel that this decision demonstrates foresight: it's evident that Sanoh values the perspectives of outside directors, rather than having a closed Board comprised of inside directors alone. The outside directors include members with management experience in large companies, a business administration researcher, and people such as myself who run startups. An environment has been created where opinions emerge from a variety of perspectives, and although these opinions can sometimes conflict during discussions, this allows for more substantial debate. Sometimes Board members make various requests to the executive side, but there have yet been no instances where the requests have been denied due to company circumstances. The executive team is highly dependable in that they initially accept all requests and consider how to implement them. However, we directors must be careful not to overburden the people on the ground.

Tomioka I think that Sanoh Industrial conducts discussions very thoroughly. Company members never merely read the room and conform because “management says it's so.” Instead, there is an atmosphere where diverse individuals, including outside officers, can freely express their opinions and engage in open discussion. In terms of issues, there is an absence of foreign outside directors, but many of the Board members have overseas experience, so I think that a global perspective is represented well in our discussions.

Miwa I feel that the executives take the deliberations of the Board seriously and incorporate them into their

Executive Roundtable Discussion



management, making the meetings meaningful. Going forward, I aim to conduct thorough audits to ensure that information can be shared appropriately.

Kaneko Efforts are also being made to facilitate deeper discussions at Board meetings. When I joined the Board of Directors in 2019, the meetings mainly focused on resolutions following monthly financial statements, but this approach did not allow for substantive discussions. Therefore, when the members changed in 2021, we reviewed the function of the Board of Directors to focus on high-priority management issues and engage in strategic discussions.

Tomioka We also conduct overnight retreats for corporate officers to focus on discussion. During last year's retreat, human capital management was identified as a key management issue, and this fiscal year, the Board of Directors is discussing specific policies and measures to address it on an ongoing basis. I will continue to proactively discuss the matter as an outside director to promote the deployment of human resource policies that enable diverse talents to thrive.

Miwa Outside directors are in a position close to stakeholders. What is your assessment of the current state of corporate governance and the Board of Directors' responsibilities?

Kaneko Objectively, I consider Sanoh Industrial to be an organization that complies well with the Corporate Governance Code. The number of female officers and the ratio of outside to inside directors exceed the requirements, and a governance structure is in place that is highly regarded even from an external perspective. Yet the fact that governance is effective and outside directors have a significant influence means that

we also bear a great responsibility. I aim to approach my role with responsibility to ensure that we do not make ineffective decisions out of a lack of understanding of the industry environment or company matters.

Tomioka I believe that Sanoh Industrial is implementing various initiatives above and beyond what the Corporate Governance Code requires. This shows how high their awareness of governance is, which is highly commendable.

Promoting human capital management to create an environment where diverse talent can thrive

Miwa What is your assessment of the current initiatives to promote diverse talent participation?

Tomioka I was surprised at the high proportion of female employees. There are also many employees from overseas at the workplace, so I believe that this is a diverse organization. However, the lower proportion of women at the management level is an issue to address in the future.

Kaneko The lack of women in management positions is causing a disparity in the average wages of men and women. The data shows that there is a gender disparity in wages even one layer below the management level. I think that it is necessary to further enhance the creation of a work environment that accommodates family circumstances such as parenting and caregiving, in addition to changing employee attitudes.

Miwa In March 2023, President Genya Takeda took childcare leave, and in fiscal 2023 the paternity leave uptake

rate among male employees rose to 60.9%, up from 42.9% in fiscal 2022 and 9.4% in fiscal 2021. What is your view on this matter?

Tomioka The paternity leave uptake rate among male workers is now a mandatory disclosure, and I feel that the actions of the top management are changing the company culture in a positive direction. However, there is likely to be much more room for improvement. I would like to see efforts made to create a workplace environment where, rather than taking 2–3 weeks off like the president, employees can take several months to a year of parental leave with peace of mind and without any gender disparity. Furthermore, in the organization's age pyramid, the senior generations tend to have proportionally more men. In addition to addressing the gender ratio among younger generations, especially graduate hires, it's surely crucial to create an organization where diverse talent can thrive by conducting solid career training at each level.

Kaneko The issue of how to secure human resources and ensure employees stay with the company as long as possible is becoming a critical challenge amid Japan's overall labor shortage. Automotive parts manufacturing is a particularly labor-intensive business. To increase the employee retention rate, we need to not only improve profit and enhance corporate value, but also appropriately redistribute these to employees. In addition to raising salaries, it's vital to continue improving the workplace environment so that each individual can work comfortably.

Boosting corporate value while balancing defense and offense

Miwa Could you share your views on enhancing Sanoh Industrial's corporate value and achieving our Mid-term Strategy and Target, which ends in fiscal 2030? Please tell us what Sanoh Industrial needs going forward, and how you can both contribute as outside directors.

Kaneko In order to grow corporate value sustainably amid the rapidly changing business environment, we must rapidly transform the business and organization. It's difficult to get opinions on launching new ventures and restructuring the organization from within the company. As outside directors, we aim to make objective decisions based on the external environment, and provide advice to “push the company forward” while appropriately managing risk. However, as we are independent outside directors, we must avoid becoming too involved in execution. Our primary mission is to supervise and advise on inside directors' execution. We aim to

contribute to increasing corporate value by maintaining a balanced distance, neither too close nor too far, and providing appropriate advice from an objective perspective.

Tomioka Our role as outside directors has both “defensive” and “offensive” aspects. The defensive aspect involves overseeing management and enforcing corporate governance as a listed company. The offensive aspect involves providing support to take on new challenges. When engaging in new ventures, our role is not to list risks and halt progress, but to provide evidence why it is possible and move things forward. The Medium-Term Strategy and Target for fiscal 2030 includes “creation of new businesses.” As outside directors, we aim to provide advice to ensure these are executed successfully, and offer appropriate follow-up support and encouragement to overcome challenging situations together.

Valuing people is the key to sustainable growth

Miwa Lastly, could you reiterate your expectations for Sanoh Industrial, and share a message to our stakeholders?

Kaneko Currently, Sanoh Industrial has the second largest global market share in automotive piping. The company has adopted the “Sanoh Last Man Standing Strategy,” in which we aim to remain in regions around the world to meet needs as long as there are customers, even as competitors withdraw. In some cases, trust in our products has increased further and we receive more orders from customers as a result of our being the only provider in a region. I would like all Sanoh employees to be confident that they are creating products of great value to customers.

Meanwhile, the business environment is changing at a rapid pace, and we require new businesses beyond automotive piping. We may need to undertake significant challenges in the future. At the Board of Directors, we will provide our full support to initiatives, including through the allocation of new resources.

Tomioka Over a year has passed since I was appointed as an outside director of Sanoh Industrial. As I mentioned at the beginning, given the company's serious disposition, taking on new challenges will be a significant step for both the company and each individual employee. However, considering that it has already established diversity, with a high ratio of female employees and active involvement of multinational employees, Sanoh has high adaptability to social change and possesses great potential. I recognize that this is one of Sanoh's strengths, and I hope that the company will actively pursue new challenges and bold transformations. Continuing to be a company that values people will surely lead to sustainable growth.

Corporate Governance

Basic Stance on Corporate Governance

Our philosophy is to put forth our best efforts for the sake of the Safety and Security of our stakeholders together with Environmental Conservation through the supply of products and global business activities as a company with a spirit for the handmade, achieve a long-term increase in corporate value, and fulfill our social responsibility.

We will strive to enhance corporate governance to ensure transparent and efficient corporate management for all stakeholders, including our shareholders.

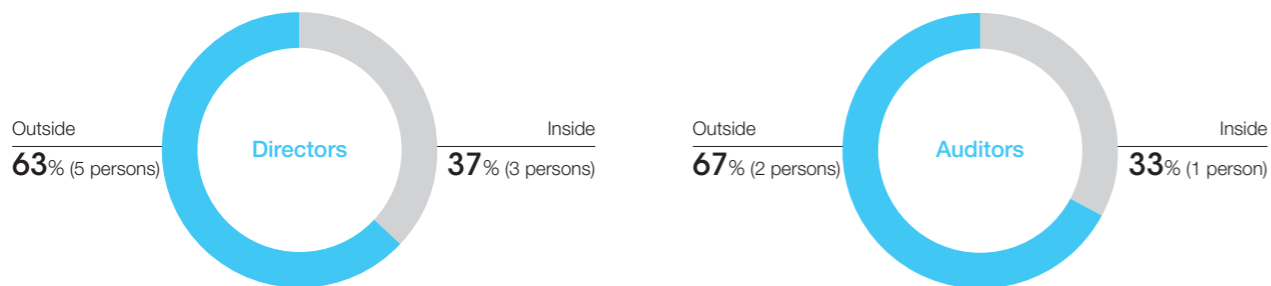
Compliance with Japan's Corporate Governance Code

We consider Japan's Corporate Governance Code (the "Code") as requests and expectations from wider society. For the Group's sustainable growth and medium- to long-term increase in corporate value, we intend to carry out business activities with the Code at the center of our corporate management. We comply with all the principles based on a full understanding of the purpose of the Code.

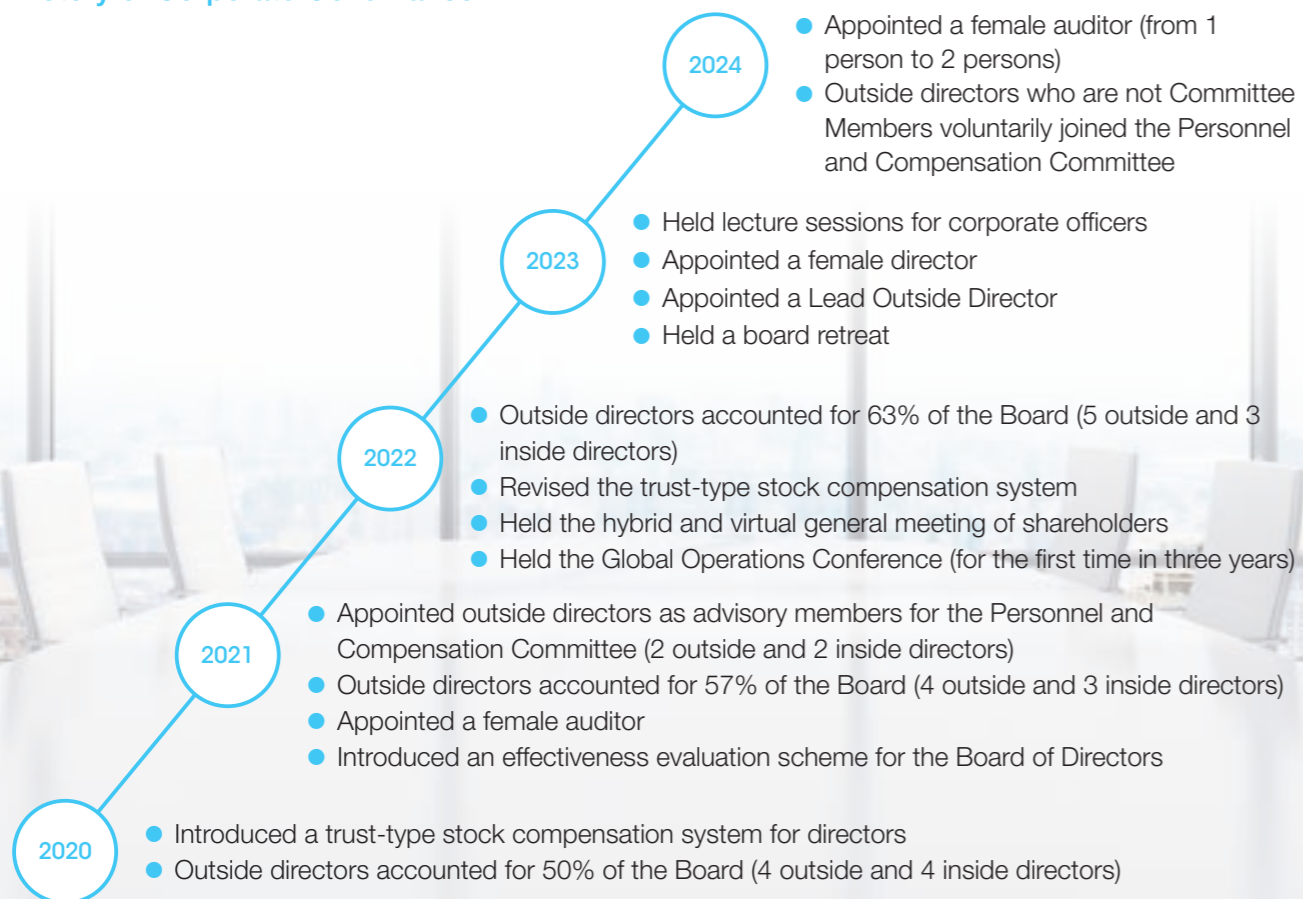
(Reference) Governance-related information (including a link to the Corporate Governance Report (in Japanese))

https://www.sanoh.com/sustainability/governance/corporate_governance

Composition of Corporate Officers

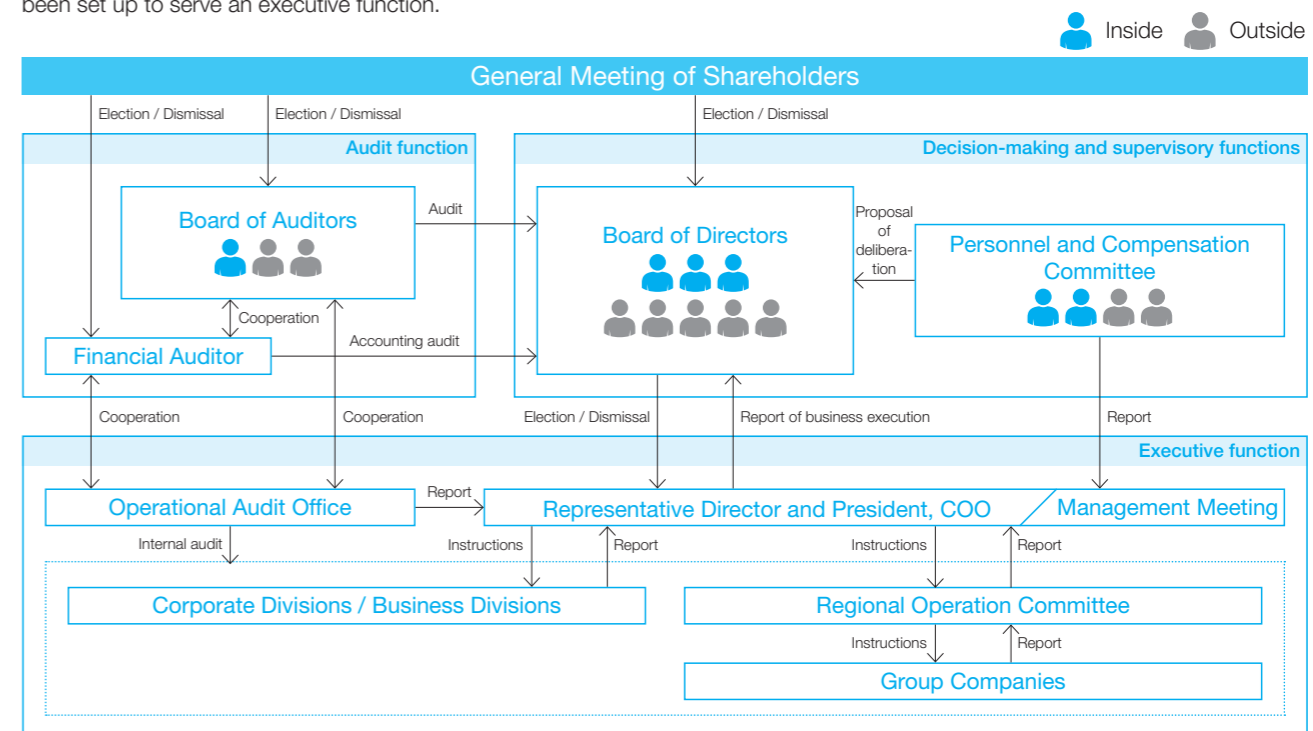


History of Corporate Governance



Corporate Governance Structure

We have adopted the Board of Auditors system. The Board of Directors, the Personnel and Compensation Committee, the Board of Auditors, and the Financial Auditor constitute major organs for corporate governance. In addition, the Management Meeting has been set up to serve an executive function.



Board of Directors (15 meetings in FY2023)

The Board of Directors consists of eight directors (of which five are outside directors). In principle, the Board, chaired by Director and President Genya Takeda, meets once every month with the attendance of auditors, receives reports on the status of business execution from divisions, decides on important management matters, and supervises the execution of directors' duties.

After the meeting, discussions are also held between the Representative Directors and the Board of Auditors, between the President and outside directors, and among outside corporate officers to encourage the attendees to mutually better themselves by exchanging information with each other and to acquire knowledge and broaden insight as management members. A retreat joined by all members of the Board of Directors is also held inviting also leaders from business execution divisions to join in intensive discussions on important management issues, where medium- and long-term policies and solutions to challenges are discussed in a liberal atmosphere.

- Examples of topics discussed at the board retreat**
- Mission, Vision and Value
 - Future M&A strategy
 - Development of new businesses
 - Challenges concerning the personnel system

Name	Contribution to Board of Directors meetings	Attendance at Board of Directors meetings
Motohisa Kaneko	Based on his abundant experience and deep insight as a corporate manager and from an objective perspective independent of the management team engaged in business execution, he asks questions, including those on the proposals and deliberations, and gives advice and makes recommendations to ensure the appropriateness and reasonableness of the Board of Directors' decision-making.	100% (15/15)
Takafumi Morichi	Based on his abundant experience and deep insight as a corporate manager and from an objective perspective independent of the management team engaged in business execution, he asks questions, including those on the proposals and deliberations, and gives advice and makes recommendations to ensure the appropriateness and reasonableness of the Board of Directors' decision-making.	100% (15/15)
Akie Iriyama	From an expert's point of view as a researcher in the field of management strategy and from an objective perspective independent of the management team engaged in business execution, he asks questions, including those on the proposals and deliberations, and gives advice and makes recommendations to ensure the appropriateness and reasonableness of the Board of Directors' decision-making.	100% (15/15)
Yoshiyuki Izawa	Based on his abundant experience and deep insight as a corporate manager and from an objective perspective independent of the management team engaged in business execution, he asks questions, including those on the proposals and deliberations, and gives advice and makes recommendations to ensure the appropriateness and reasonableness of the Board of Directors' decision-making.	100% (15/15)
Sayaka Tomioka	Based on her abundant experience and deep insight into corporate planning and new businesses, and from an objective perspective independent of the management team engaged in business execution, she asks questions, including those on the proposals and deliberations, and gives advice and makes recommendations to ensure the appropriateness and reasonableness of the Board of Directors' decision-making.	100% (12/12)

Corporate Governance

Board of Auditors (12 meetings in FY2023)

The Board of Auditors consists of one full-time auditor and two outside auditors. Chaired by the full-time auditor, the Board decides on policies, plans, and methods of audit, as well as on division of roles in audits. The Board also audits the Board of Directors' decision-making process and the status of directors' execution of duties.

Name	Contribution to Board of Directors and Board of Auditors meetings	Attendance at Board of Directors meetings	Attendance at Board of Auditors meetings
Tomoki Hiraishi	From an expert's point of view as a certified public accountant, he asks questions and gives advice at Board of Directors meetings to ensure the reasonableness of the Board of Directors' decision-making. At Board of Auditors meetings, he comments on our accounting system and internal audit when deemed appropriate.	100% (15/15)	100% (12/12)
Eri Furukawa	From an expert's point of view as an attorney-at-law, she asks questions and gives advice at Board of Directors meetings to ensure the reasonableness of the Board of Directors' decision-making. At Board of Auditors meetings, she comments on our accounting system and internal audit when deemed appropriate.	—	—

Personnel and Compensation Committee

Our Personnel and Compensation Committee consists of two outside directors and two inside directors (Director and Chairman, Director and President). The Committee serves the functions of both nomination and compensation committees and, upon a unanimous agreement, advises the Board of Directors and decides on the appointments of and compensation for corporate officers. Personnel and Compensation Committee allows outside directors who are not Committee Members to voluntarily join the Committee.

Stance on the Board Diversity

At the Company, the Personnel and Compensation Committee, which is a voluntary committee, selects candidates for directors.

The Committee defines the skills required of directors in selecting the candidates, and picks the candidates by taking into account a balance among their knowledge, experience, and skills, after which the Board of Directors selects the candidates. The Company strives to secure those who are capable of demonstrating their strengths in each business area and suitable for properly supervising a wide range of business operations and also to take into account not only a gender diversity but also an age group diversity.

Composition of age and gender at the Board of Directors after General Meeting of Shareholders

♂ Male ♀ Female

		Age			
		40's	50's	60's	70's
Directors	Inside	♂♂			♀
	Outside	♂♀	♂	♂	♀
Auditors	Inside	♀			
	Outside	♂		♀	

Corporate Officers' Skills Matrix

Position	Name	Areas in which corporate officers are capable of showing their expertise and experience							
		Corporate management (president)	Finance & accounting	Industry knowledge	Global business	IT / DX	Sales / marketing	R&D / new business	Legal affairs / compliance
Chairman, Representative Director and CEO	Yozo Takeda	○		○	○		○		○
President, Representative Director and COO	Genya Takeda	○		○	○		○	○	○
Director, Senior Executive Officer and CFO, General Manager of Finance Headquarters	Munetoshi Sasaki		○	○	○		○		○
Director (Lead Outside Director)	Motohisa Kaneko	○	○			○		○	
Director	Takafumi Morichi	○	○		○				○
Director	Akie Iriyama			○	○	○			
Director	Yoshiyuki Izawa	○	○		○		○		
Director	Sayaka Tomioka		○		○			○	
Full-time auditor	Haruka Miwa								○
Auditor	Tomoki Hiraishi	○	○			○		○	
Auditor	Eri Furukawa				○				○

Independence Standards and Qualification for Independent Directors

When selecting candidates for outside directors, the Company complies with the requirements for outside directors set forth in the Companies Act and the independence criteria set by the securities exchange.

In addition, the Company selects candidates who are expected to provide frank, active, and constructive advice on and supervision of the Company's management based on their expertise and abundant experience.

Management Meeting

We have introduced an executive officer system to improve the efficiency of management through swift business execution and to clarify management responsibilities. Consisting of inside directors and executive officers, the Management Meeting makes decisions on the overall management, such as investment plans, new business development, and risk comprehension as a place of preliminary deliberations to prepare for vigorous discussions and decision-making by the Board of Directors. Important management matters that should be discussed by the Board of Directors are deliberated by the Management Meeting in advance to help the Board of Directors engage in active discussions and make decisions.

Effectiveness of the Board of Directors

The Board of Directors strives to operate its meetings in a manner that facilitates appropriate management decision-making by taking measures aimed at encouraging constructive discussions about each deliberation matter. For example, the Board clarifies information that is useful for decision-making for each deliberation matter. To evaluate the effectiveness of the Board of Directors as a whole, attendees exchange their opinions and share information with each other and have free and open-minded discussions. Meanwhile, directors and auditors also answer a questionnaire to examine the effectiveness of the Board of Directors.

Evaluation Method

All directors and auditors answered a board evaluation questionnaire with their names. They evaluated each item against a five-point scale and gave additional comments. Based on the compiled results, the Board of Directors discussed challenges and future initiatives.

The questionnaire was composed of questions on matters on the right.

- 1 Composition of the Board of Directors
- 2 Administration of the Board of Directors meetings
- 3 Agenda of the Board of Directors meetings
- 4 Support system for the Board of Directors
- 5 Administration of the Personnel and Compensation Committee meetings
- 6 Dialogue with shareholders

Evaluation Results Overview and Challenges (FY2023)

The evaluation results confirmed the appropriate functioning and effectiveness of our Board of Directors. Meanwhile, the results indicated the challenges on the right for further improvement of the effectiveness.

- 1 Enhancement of discussions on succession plans for the representative directors
- 2 Enhancement of discussions on compensation for senior management members
- 3 Enhancement of dialogue with shareholders
- 4 Policy of constructive dialogue with shareholders

Future Initiatives

To address the challenges found through the evaluation, our Board of Directors will implement measures to increase its effectiveness. Going forward, we will evaluate the effectiveness of the Board of Directors on a regular basis and strive to further make improvements.

Support System for Outside Directors (Outside Auditors)

For outside directors (outside auditors), we have adopted a system where necessary information is communicated as needed by the personnel in charge of the Board of Directors Office. The Board of Directors Office is also responsible for supporting the execution of duties by outside directors (outside auditors) and supports their cooperation with auditors, financial auditors, and divisions related to internal control.

Compensation for Corporate Officers

Matters Concerning the Policy for Determining the Amount or Calculation Method of Compensation, etc. for Corporate Officers

Our Board of Directors resolved the policy for determining compensation, etc. for individual directors (the "Policy") at a meeting held on March 24, 2021. Before passing the resolution, the Board of Directors sought advice and received a report from the Personnel and Compensation Committee.

In addition, the Board of Directors confirmed that compensation, etc. for individual directors in the fiscal year under review, as well as how the compensation, etc. has been determined, is consistent with the Policy resolved by the Board and that the report from the Personnel and Compensation Committee has been respected. The Board therefore judged that the compensation, etc. is in line with the Policy.

The details of the Policy are found on the next page.

Corporate Governance

1 Basic Policy

Compensation for directors shall consist of fixed compensation and compensation linked to the Company's business performance. As a basic policy, compensation for each director shall be set at a reasonable level based on their job responsibilities. Specifically, the compensation shall be comprised of fixed compensation as base compensation, performance-linked compensation, and stock compensation. However, performance-linked compensation shall not be paid to outside directors, in light of the nature of their duties.

Base compensation	A fixed amount of base compensation shall be paid monthly to each director. The amount shall be discussed by the Personnel and Compensation Committee, with comprehensive consideration given to the levels of compensation at other companies, the levels of employee salaries, the Company's business performance, and other factors. The amount of fixed compensation shall be set as an annual amount, and one-twelfth of the annual amount shall be paid every month.
Performance-linked compensation, etc.	Performance-linked compensation shall be paid twice a year (in July and December) as monetary compensation linked to the level of achievement of targets set based on directors' job responsibilities, as well as to indicators of the Company's business performance (KPIs). The target KPIs shall be set when formulating the Mid-term Strategy and Target to ensure that they are consistent with the policy. When deemed appropriate, they shall be reviewed in accordance with changes in the business environment, based on the original draft by the Personnel and Compensation Committee.
Non-monetary compensation, etc.	Non-monetary compensation shall be provided as stock compensation (stock issuance trust). Based on the Rules on Stock Issuance set by the Board of Directors, points shall be given to each director during the trust period, on the day specified in the Rules (a day in June every year). The number of points given shall depend on the position. (One point is equivalent to one share of the Company.) In principle, the timing of stock issuance to each director shall be the time of their retirement. However, a certain proportion of issued shares shall be sold and converted into cash within the trust and given as money, instead of as stock.

2 Policy for Determining the Breakdown of Compensation, etc. for Individual Directors

The type-specific breakdown of compensation for executive directors shall be discussed by the Personnel and Compensation Committee, based on the levels of compensation at benchmark companies with similar business scales as the Company and in relevant industries and business categories. The proportion of performance-linked compensation shall increase in proportion to the position level. The Board of Directors (Representative Director and President to whom the authority has been delegated based on the next section) shall determine the compensation, etc. for individual directors, within the scope of type-specific breakdown proposed in the original draft by the Personnel and Compensation Committee. As a guide, the ratio between base compensation, performance-linked compensation, etc., and non-monetary compensation, etc. shall be 4:4:2 for representative directors and 5:3:2 for directors if the KPIs are fully achieved.

■ Base compensation ■ Performance-linked compensation ■ Non-monetary compensation

Compensation ratio	Representative director	40%	40%	20%
	Directors	50%	30%	20%
Type of compensation		Monetary compensation		Stock compensation

Policy for Determining the Breakdown of Compensation, etc. for Individual Directors

To determine the amount of compensation for individual directors, the Board of Directors, based on its resolution, delegated the authority to Representative Director and President to decide on the details of such delegation including the amount of base compensation paid to each director and the evaluation and allocation of performance-linked compensation based on the business performance of divisions each director is in charge of. To ensure that such authority is properly exercised by the Representative Director and President, the Personnel and Compensation Committee shall prepare a proposal (on the amount of base compensation and performance-linked compensation for each director) and the Representative Director and President to whom the above authority is delegated shall make decisions according to the proposal. The number of points to be given to each director as stock compensation shall be determined by the Board of Directors based on the proposal of the Personnel and Compensation Committee (the Rules on Stock Issuance). The Personnel and Compensation Committee consists of two outside directors and two inside directors and, upon a unanimous agreement, calculates and determines the amount of compensation, etc. for each director. The Committee meets four times a year. An extraordinary meeting can be held as necessary.

Total Amount of Compensation, etc., Total Amount of Compensation, etc. by Type, and Number of Eligible Corporate Officers, by Corporate Officer Category

Corporate officer category	Total amount of compensation, etc. (¥ million)	Total amount of compensation, etc. by type (¥ million)			Number of eligible corporate officers
		Base compensation	Performance-linked compensation, etc.	Non-monetary compensation, etc.	
Directors (Outside directors)	206 (60)	143 (53)	55 (—)	7 (7)	9 (6)
Auditors (Outside auditors)	30 (16)	30 (16)	—	—	3 (2)
All corporate officers (Outside corporate officers)	235 (76)	173 (69)	55 (—)	7 (7)	12 (8)

(Notes) 1. Compensation amounts are rounded to the nearest million yen.
2. The amount of compensation, etc. of Directors does not include the employee salaries of the directors who concurrently serve as employees.

Compliance

Stance on Compliance

As the Company provides many critical safety parts that underpin the safety of automobiles, we believe that we should ensure compliance with corporate ethics, social norms, work manuals, and other rules in addition to applicable laws and regulations of countries and regions in which we operate, and that we should carry out fair and equitable business activities. To ensure compliance across the Group, we established the Sanoh Group Charter of Conduct, the Sanoh Group Code of Conduct, which more specifically describes the Charter of Conduct, and the Compliance Manual. All corporate officers and employees across the Group are required to act in accordance with these standards of conduct.

Sanoh Group Charter of Conduct

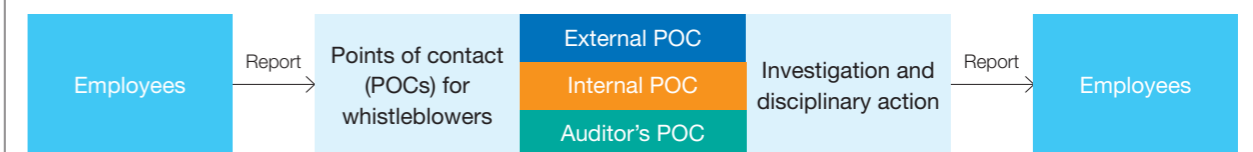
- 1 Compliance with Laws and Rules**
Sanoh and its employees will comply with company rules and all applicable laws of countries in which it operates its business.
- 2 Protection of Corporate Assets and Prohibition of Acts Posing Conflicts of Interest**
Sanoh and its employees will protect all kinds of corporate assets and will not conduct any acts that pose conflicts between their personal interests and those of Sanoh.
- 3 Respect for Diversity and Equality of Opportunity**
Sanoh and its employees will respect the diversity of employees, business partners, and local communities.
- 4 Fair and Equitable Relationships**
Sanoh employees will maintain fair and equitable relationships with business partners and their employees.
- 5 Ensuring Transparency and Accountability**
Sanoh and its employees will disclose information about corporate activities to shareholders and society in a fair, transparent, timely, and appropriate manner.
- 6 Ensuring Safety and Protecting the Environment**
Sanoh will strive to ensure the safety of products and workplaces and to protect the environment.
- 7 Practices and Reports**
 - Sanoh employees are expected to perform their tasks in accordance with this Charter of Conduct.
 - Sanoh employees are required to immediately report the details of any violations they find or become aware of. Employees who make such reports will be protected from retaliation.

Compliance Promotion System

We promote compliance throughout the Company and Group by assigning compliance managers to each division at the Company and to each Group company and by providing education and training conducted by the Legal Affairs Division. Furthermore, the compliance managers, who acquired sufficient knowledge through the training, contribute to the fostering and continuous improvement of employee compliance awareness across the Company and Group by providing compliance education and guidance to their division members and sharing information with them, as well as by reporting to and consulting with the Legal Affairs Division.

Specific Initiatives

- 1 Various Types of Compliance Training Programs**
We provide various types of compliance training programs developed for each target employee group (new employees, managers, employees on foreign assignments, and all employees). In 2023, we conducted a Compliance Manager Training in September and January of the following year for domestic employees and a Global Compliance Manager Conference in March for overseas employees. The videos of the past compliance manager training sessions are shared internally one after another.
- 2 Revision of the Compliance Manual**
In March 2023, we reviewed our Compliance Manual in line with changing trends and made overall revisions, including the addition of some guidelines for the use of social media.
- 3 Whistleblowing System**
 - We have established an external point of contact operated by an external attorney-at-law, an internal point of contact jointly operated by the Human Resources Division and the Legal Affairs Division and an auditor's point of contact operated by the full-time auditor for whistleblowers to make a report about directors and other senior management members from the viewpoint of ensuring independence.
 - Whistleblower rules have been established to clarify the rules for the use and operation of the system, including the prohibition of disadvantageous treatment of whistleblowers.
 - In case of any compliance violations, we conduct an investigation and fact-checking, and take appropriate disciplinary action against workers who commit a violation.



Risk Management

Risk Management Promotion System

The Group has strengthened its risk management promotion system so that we can respond to manifestations of all kinds of risks in this unpredictable era.

In January 2021, we set up the BCP Team dedicated to risk management. The team has focused on establishing an initial process and installing more disaster prevention equipment for the main purpose of reducing the impact of a disaster if it strikes and preventing the damage from spreading. We upgraded the team to the BCP Department in FY2022 and to the Risk Management Division in FY2023. It has worked to reduce or transfer all risks, including disaster risks, across the Group.

In addition, we are currently developing the business continuity plan rules that cover all of our Group companies in order to invest our resources in identifying apparent and potential risks and taking control measures.

Going forward, we will further strengthen our risk management promotion system with a view to getting a certificate of Business Continuity Management System (BCMS).

Major Risks and Countermeasures

Risks	Countermeasures
Economic situation	The Group operates its business across the globe including Japan, Americas, Europe, China and Asia. For this reason, changes in the economic situation in a country or a region where the Group sells products may affect our business performance and financial position.
Exchange rate fluctuations	The Company enters into hedging transactions such as forward contracts, depending on the circumstances, to minimize exchange rate risk. Note that extreme exchange rate fluctuations at the end of a period may cause the Group to incur a loss on valuation of derivatives, etc., resulting in changes in non-operating income or expenses.
Retirement benefit obligation	The Group's retirement benefit obligation is calculated using the discount rate for the actuarial calculation, the expected rate of return on plan assets, etc. Retirement benefit obligation may change depending on the actual results, and actuarial gains and losses may arise due to a deterioration in the plan asset management environment and other factors.
Product defects	As our products are designated as critical safety parts, we are keenly aware of the potential for significant impact if risks materialize. We therefore work to develop and operate a system to prevent the recurrence of material quality issues involving critical safety parts or other products by making major revisions and improvements to our Advanced Product Quality Planning (APQP) framework.
Market conditions of raw materials	The Group works to minimize the risk of fluctuations in raw materials prices by aligning with customers and vendors as much as possible.
IT security and information management	The Group provides education to employees and enlightens them to increase their information literacy in order to prevent information leakage as well as data alteration, erasure and destruction. The Group also works to ensure the appropriate operation and management of in-house information systems with support from external experts. Furthermore, we have taken out cybersecurity insurance to minimize the cost or opportunity loss to be incurred in case of a cyberattack.
Infectious diseases	The Group has developed response guidelines to ensure the safety and health of employees, etc. from the perspectives of preventing the spread of infectious diseases and keeping its business operations running, and ensures that employees are aware of the guidelines. We also recommend that employees of some divisions work from home and that they go to work during non-rush hour or drive to work if they need to show up at work. Furthermore, we take various measures to reduce the risk of infectious diseases.
Impact of the Russia-Ukraine situation	We have a Regional Operation Committee in each region where we operate. In the framework for managing our subsidiaries in Europe centered around the Regional Operation Committee there, we obtain latest information about the impact of the Russian invasion of Ukraine, including the situations that business partners and employees are in, and take swift and appropriate measures.
Lawsuits	The Group is exposed to litigation risk in conducting its business, which arises from lawsuits, sanctions by regulators, and other legal proceedings. Any of such legal actions filed against the Group could result in claims for damages, the imposition of monetary penalties by regulators, or the imposition of restrictions on the conduct of its business.
Business investments	The Regional Operation Committee in each region monitors the status of business performance management in local subsidiaries, based on which the Group discusses future directions and measures to improve performance. This discussion includes decision-making on Group companies' investments by the Management Meeting. In addition, the Board of Directors deliberates and passes resolutions on medium- to long-term directions of our business, in accordance with the Board of Directors Operating Standards.

Risk Survey on overseas subsidiaries

We conducted risk survey for major overseas local subsidiaries of the Group (36 production facilities in 8 countries). In July, we visited four plants of Sanoh India Private Limited, our Indian subsidiary, to check the maintenance and management of the fire equipment and conducted an interview for fire prevention. We prepared the improvement plan based on the result and enhanced the local management structure. We will continue to conduct the risk survey and address the expected risks in collaboration with local subsidiaries in order to build a disaster-resistant organization.



Evacuation Drill

On March 11, an anniversary of the Great East Japan Earthquake, our Koga Factory conducted an evacuation drill for all employees assuming a major earthquake. The purpose is to minimize the damage at the time of disaster by repeatedly learning the actions to be taken at the time of disaster and evacuation route. We also aim to develop the judgement skills and abilities to take actions in accordance with the situation through the drill so that employees can take appropriate actions at the time of emergency.



Examples of fire drill at facilities of each country

Indonesia

PT. Sanoh Indonesia, our Indonesian subsidiary, conducted a fire drill and classroom lecture for critical care with the participation of 37 employees. Given that fires have occurred frequently in neighboring plants, we had a drill aimed for further thoroughness and improvement of the awareness in addition to the fire prevention activities that we have done before.



Thailand

Sanoh Industries (Thailand) Co., Ltd., our Thailand subsidiary, conducted the fire drills for all employees for two days on December 14 and 22, 2023. We make a company-wide effort every year aiming to help fire team, relief team, and all employees understand each role and grasp the evacuation process in case of emergency.



Corporate Officers (as of June 21, 2024)

Directors



Yoizo Takeda
Chairman,
Representative Director and CEO

Number of years in office: 41 years
Number of the Company's shares owned: 329,180 shares

Career summary
Mar. 1978 Joined the Company
July 1981 Manager of Development Engineering Division, Production Headquarters
June 1983 Director
June 1987 Managing Director
June 1991 Senior Managing Director
June 1995 Director and President (Representative Director)
July 2000 CEO (current position)
July 2005 COO
May 2012 Director and Chairman (Representative Director) (current position)
June 2020 Outside Director of STANLEY ELECTRIC CO., LTD. (current position)



Genya Takeda
President,
Representative Director and COO

Number of years in office: 12 years
Number of the Company's shares owned: 430,000 shares

Career summary
July 2008 Ph.D. from Northwestern University
Feb. 2009 Joined the Company
May 2012 Deputy General Manager of Global Development Headquarters
May 2012 Manager of Research and Development Division
June 2012 Director
Jan. 2014 Officer
Jan. 2014 General Manager of Global Development Headquarters
July 2014 Executive Officer
May 2015 Senior Executive Officer
June 2015 Senior Managing Director (Representative Director)
Apr. 2016 COO (current position)
June 2016 Director and Vice President (Representative Director)
June 2017 Director and President (Representative Director) (current position)



Munetoshi Sasaki
Director, Senior Executive Officer and CFO,
General Manager of Finance Headquarters

Number of years in office: 9 years
Number of the Company's shares owned: 2,000 shares

Career summary
Apr. 2000 Joined the Company
Sept. 2004 MBA, University of Findlay
Apr. 2013 Manager of Global Marketing and Strategy Department, Global Marketing Headquarters
May 2015 Officer
May 2015 Manager of Corporate Planning Division
June 2015 Director (current position)
May 2016 Executive Officer
Apr. 2019 General Manager of Corporate Planning Headquarters
May 2020 CFO and General Manager of Finance Headquarters (current position)
Apr. 2024 Senior Executive Officer (current position)



Yoshiyuki Izawa
Director

Number of years in office: 2 years
Number of the Company's shares owned: 2,000 shares

Career summary
Apr. 1970 Joined MITSUI & CO., LTD.
June 2000 Director
Apr. 2004 Executive Managing Officer
Apr. 2007 Senior Executive Managing Officer
June 2007 Representative Director, Senior Executive Managing Officer
Apr. 2008 Representative Director, Executive Vice President
Dec. 2009 Director and Representative Executive Officer, President & CEO of JAPAN POST BANK Co., Ltd.
May 2015 Representative Director, Chairman & CEO of BlackRock Japan Co., Ltd.
May 2022 Outside Director (Audit & Supervisory Committee Member) of Nitori Holdings Co., Ltd. (current position)
May 2022 Outside Director of Seven & i Holdings Co., Ltd. (current position)
June 2022 Outside Director of the Company (current position)



Sayaka Tomioka
Director

Number of years in office: 1 year
Number of the Company's shares owned: 0 shares

Career summary
Apr. 2004 Joined McKinsey & Company
June 2009 Joined Industrial Growth Platform, Inc.
Aug. 2018 Joined TAIYO Pharma Co., Ltd.
Apr. 2019 Executive Officer and General Manager of Pharmaceutical Business Department of Taiyo Holdings Co., Ltd.
Apr. 2020 Executive Officer and General Manager of Corporate Planning Department
June 2023 Outside Director of the Company (current position)
Apr. 2024 Managing Executive Officer, CFO, and General Manager of Corporate Planning Department of TAIYO HOLDINGS CO., LTD. (current position)



Motohisa Kaneko
Director

Number of years in office: 5 years
Number of the Company's shares owned: 0 shares

Career summary
Apr. 2006 Joined Shinsei Bank, Ltd.
Mar. 2011 Joined Industrial Growth Platform, Inc.
Oct. 2015 Outside Director of UNIFINITY Inc.
June 2016 Outside Director of SPOT Co., Ltd.
Jan. 2018 President and Representative Director of SPOT Co., Ltd.
Apr. 2019 Representative Director and COO of iMed Technologies Co., Ltd.
June 2019 Outside Director of the Company (current position)
Apr. 2020 Co-founder, Director and COO of iMed Technologies Co., Ltd. (current position)



Takafumi Morichi
Director

Number of years in office: 5 years
Number of the Company's shares owned: 0 shares

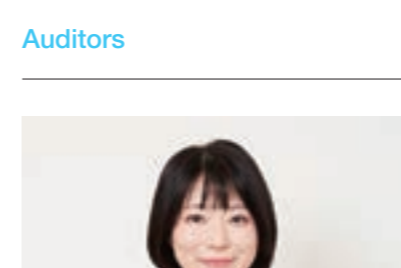
Career summary
Apr. 1981 Joined Kobe Steel, Ltd.
Apr. 2011 Officer
Apr. 2013 Executive Officer
Apr. 2015 Senior Executive Officer
June 2017 President and CEO of Shinsho Corporation
June 2019 Outside Director of the Company (current position)
June 2024 Advisor of Shinsho Corporation (current position)



Akie Iriyama
Director

Number of years in office: 4 years
Number of the Company's shares owned: 0 shares

Career summary
Apr. 1998 Joined Mitsubishi Research Institute, Inc.
Sept. 2008 Assistant Professor, The State University of New York at Buffalo State
Sept. 2013 Associate Professor at Graduate School of Commerce, Waseda University (currently Graduate School of Business and Finance)
Apr. 2019 Professor at Graduate School of Business and Finance, Waseda University (current position)
June 2019 External Director of ROHTO Pharmaceutical Co., Ltd. (current position)
June 2020 Outside Director of the Company (current position)
Dec. 2020 Outside Director of SEPTENI HOLDINGS CO., LTD. (current position)
June 2021 Outside Director (Audit & Supervisory Committee Member) of SORACOM, INC. (current position)



Haruka Miwa
Full-time Auditor

Number of years in office: 3 years
Number of the Company's shares owned: 0 shares

Career summary
Apr. 2017 Registered as Attorney at Law with Tokyo Bar Association
Apr. 2017 Joined Owl-comprehensive Law Office
Nov. 2018 Joined the Company
Aug. 2020 Outside Director of SANOH Communications Corp.
June 2021 Full-time Auditor of the Company (current position)



Tomoki Hiraishi
Auditor

Number of years in office: 2 years
Number of the Company's shares owned: 0 shares

Career summary
Oct. 2003 Joined Shin Nihon & Co. (currently Ernst & Young ShinNihon LLC)
Oct. 2007 Registered as certified public accountant
Aug. 2011 Representative Director and President of accrea Inc. (current position)
Aug. 2014 Registered as certified public tax accountant
Sept. 2014 Partner of accrea Tax Accountant Corporation (current position)
Dec. 2017 Director of Japan Cloud Capital, Inc. (currently FUNDINNO, Inc.) (current position)
Dec. 2019 Outside Director of INTERTRADE Co., Ltd. (current position)
June 2022 Outside Auditor of the Company (current position)



Eri Furukawa
Auditor

Number of years in office: —
Number of the Company's shares owned: 0 shares

Career summary
Apr. 1988 Registered as Attorney at Law (Dai-ichi Tokyo Bar Association)
Apr. 1988 Joined Yumoto, Kogo & Mori (currently Yumoto, Ota & Miyazaki)
Sept. 1992 Joined Alston & Bird LLP (Atlanta, USA)
Feb. 1993 Registered as Attorney at Law (New York, USA)
July 1994 Partner Attorney of Yumoto & Ota (currently Yumoto, Ota & Miyazaki)
Dec. 1997 Partner Attorney of Mitsui, Yasuda, Wani & Maeda
Aug. 2003 Partner Attorney of City-Yuwa Partners
Jan. 2021 Joined Fujimoto Patent & Law Office (current position)
May 2022 Director (Full-time Audit & Supervisory Committee Member) of HyAS & Co. Inc.
June 2024 Outside Corporate Auditor of RENAISSANCE, INCORPORATED (current position)
June 2024 Outside Auditor of the Company (current position)

Officers

Hirohisa Nakamoto
Executive Vice President,
General Manager of Marketing Headquarters

Takashi Terauchi
Officer,
General Manager of Production Management Headquarters

Yuichi Chikaoka
Officer,
General Manager of Corporate Planning Headquarters

Anthony Enomoto
Officer,
Manager of Marketing V Division

Yasuo Matsumoto
Officer,
General Manager of Governance Headquarters

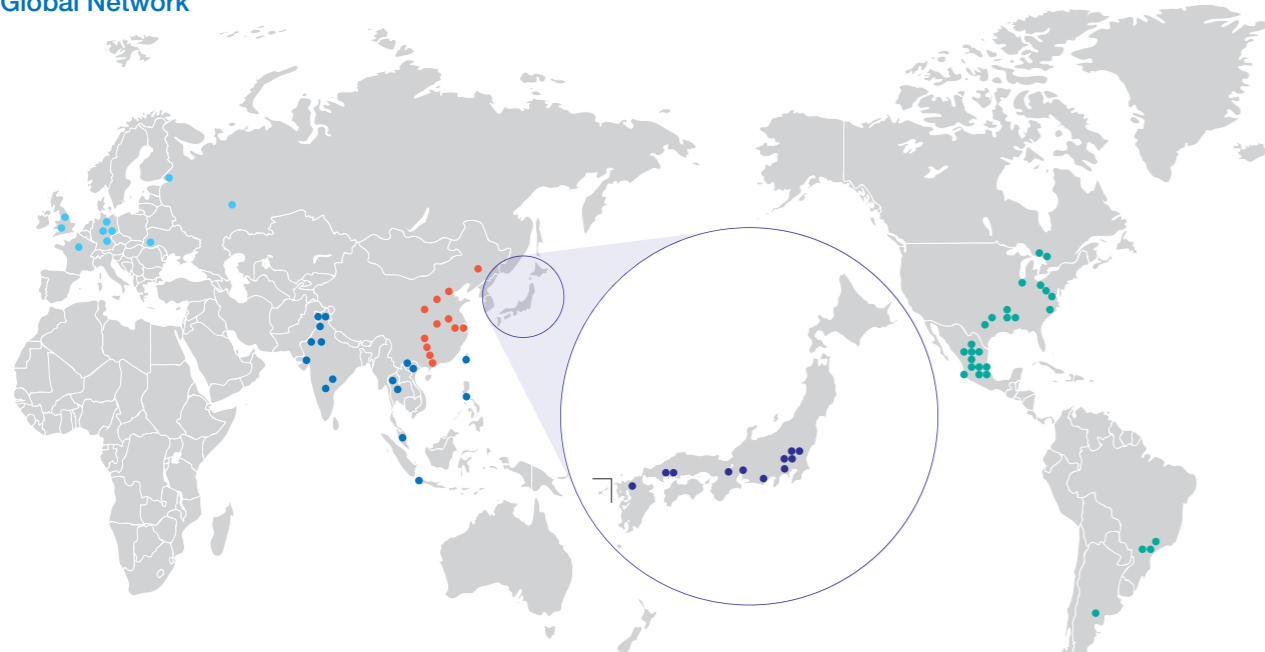
11-Year Financial Summary

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
P/L (¥ million)											
Net sales	104,786	130,627	133,968	133,794	138,724	140,456	142,707	113,657	115,940	137,692	156,814
Operating profit	4,612	5,840	6,441	6,004	4,297	2,067	5,452	3,486	2,183	1,321	8,053
Ordinary profit	4,774	5,123	4,389	5,389	4,140	1,435	4,725	3,766	2,584	1,490	7,296
Profit attributable to owners of parent	2,188	1,577	△724	1,074	4,935	△8,525	2,177	3,630	1,009	△907	4,216
Comprehensive income	5,828	4,835	△5,625	1,444	11,669	△10,103	963	3,146	7,385	△197	10,417
Net cash provided by (used in) operating activities	6,487	10,111	11,707	10,383	8,617	5,414	8,867	7,887	3,340	5,680	10,139
Net cash provided by (used in) investing activities	△11,978	△8,799	△8,234	△8,586	△10,508	△8,308	△4,360	△260	△5,652	△4,446	△7,141
Net cash provided by (used in) financing activities	5,477	1,984	△1,282	△2,219	4,734	3,814	△4,246	△8,789	813	△2,907	743
Cash and cash equivalents at end of period	8,177	11,528	13,015	11,924	15,060	15,505	15,917	14,418	13,404	12,837	17,653
Capital expenditures	7,569	8,038	8,475	8,678	10,814	8,150	7,462	3,452	5,568	6,255	7,588
Depreciation	4,820	5,809	6,302	5,352	5,846	5,999	5,296	5,340	5,245	6,010	6,153
Research and development expenses	2,394	2,965	2,978	2,936	1,595	1,018	1,122	1,282	1,736	1,958	2,012
Financial Position (¥ million)											
Total assets	97,403	108,745	104,234	104,219	105,667	102,152	94,598	86,860	96,437	97,280	111,245
Net assets	39,751	43,357	35,088	35,581	46,107	34,646	33,972	35,478	41,682	39,911	48,288
Property, plant and equipment	33,413	37,109	32,779	32,686	35,140	31,447	31,816	28,629	30,047	31,895	35,145
Interest-bearing liabilities	20,585	24,476	25,183	23,268	29,855	35,878	33,266	26,016	28,677	28,660	33,011
Shareholders' equity	37,009	40,293	33,157	33,291	42,871	30,985	30,295	32,716	38,643	36,527	44,684
Per Share Data (¥)											
Profit	60.11	43.32	△19.90	29.50	135.60	△234.24	59.82	100.16	27.91	△25.12	117.42
Dividends	22	23	24	24	25	25	17	15	25	25	26.5
Net assets	1,016.84	1,107.09	911.02	914.71	1,177.92	851.34	832.38	905.57	1,069.43	1,012.77	1,248.37
Financial Indicators											
Operating profit to net sales (%)	4.4	4.5	4.8	4.5	3.1	1.5	3.8	3.1	1.9	1.0	5.1
Shareholders' equity ratio (%)	38.0	37.1	31.8	31.9	40.6	30.3	32.0	37.7	40.1	37.6	40.2
Return on equity ratio (%)	6.0	4.1	△2.0	3.2	13.0	△23.1	7.1	11.5	2.8	△2.4	10.4
Return on total assets ratio (%)	5.5	5.0	4.1	5.2	3.9	1.4	4.8	4.2	2.8	1.5	7.0
Price earnings ratio (times)	10.75	19.99	—	28.20	5.52	—	11.43	12.90	25.08	—	9.73
Non-financial Data											
Number of employees (persons)	7,444	7,808	8,242	8,581	8,650	8,884	8,839	8,132	7,701	7,726	7,915
Percentage of mid-career hires among all regular workers (non-consolidated) (%)	—	—	—	—	—	90.3	84.7	43.8	97.1	49.2	31.7
Number of patents owned (cases)	325	350	353	334	348	369	390	418	394	434	395
CO ₂ emissions (t-CO ₂)	57,168	60,326	73,375	78,734	82,787	85,123	80,454	70,310	70,697	79,235	101,232
Waste generation (t)	12,830	13,740	15,428	17,150	18,542	18,808	15,662	12,878	12,717	13,030	13,869

Company Overview

Trade name	Sanoh Industrial Co., Ltd.	Number of employees	7,915 (consolidated basis)
Founded	March 24, 1939	Main products	Brake-related products Fuel-related products Seat belt-related products Thermal solutions (heat exchange-related products)
Capital	3,481,100,000 yen		

Global Network



Domestic Factories

- Koga Factory
- Saitama Factory
- Shiga Factory
- Kyushu Factory

Domestic Sales Offices

- Chubu Sales Office, Nagoya Office
- Chubu Sales Office, Hamamatsu Office
- Nishinohon Sales Office

Domestic Affiliates

- Fulton Products Industrial Co., Ltd.
- Fulton Seiki Co., Ltd.
- Nishinohon Sanoh Co., Ltd.
- Sanoh Communications Corp.

Production Facilities

- Americas**
 - Sanoh America, Inc.
 - Geiger Automotive USA Inc.
 - Sanoh Canada, Ltd.
 - Sanoh Industrial de Mexico S.A. de C.V.
 - Geiger Automotive de Mexico S. de R.L. de C.V.
 - Sanoh do Brasil Industria e Comercio de Produtos Automotivos Ltda.
 - Honda Motor de Argentina S.A.
- Europe**
 - Sanoh UK Manufacturing Ltd.
 - Geiger Automotive GmbH
 - Sanoh Europe (France) EUURL
 - Sanoh Magyar Kft.
 - Sanoh Volga Limited Liability Company
- China**
 - Shanghai Sanoh Mechanical Manufacture Co., Ltd.
 - Sanoh Industrial (Wuhan) Co., Ltd.
 - Sanoh Industrial (Wuxi) Co., Ltd.
 - Guangzhou Sanoh Seikan Co., Ltd.
 - Tianjin Sanoh Leap Industrial Co., Ltd.
 - Sanoh Industrial (Dongguan) Co., Ltd.
 - Dongguan Sanoh Industrial Plating Co., Ltd.
 - Geiger Automotive Shenyang Co., Ltd.
- Asia**
 - Taiwan Sanoh Electric Co., Ltd.
 - Sanoh India Private Limited
 - Sanoh Fulton (Philippines) Inc.
 - Able Sanoh Industries (1996) Co., Ltd.
 - Sanoh Industries (Thailand) Co., Ltd.
 - United Sanoh Industries Sdn. Bhd.
 - PT. Sanoh Indonesia
 - Honda Vietnam Co., Ltd.
 - Sanoh Vietnam Co., Ltd.

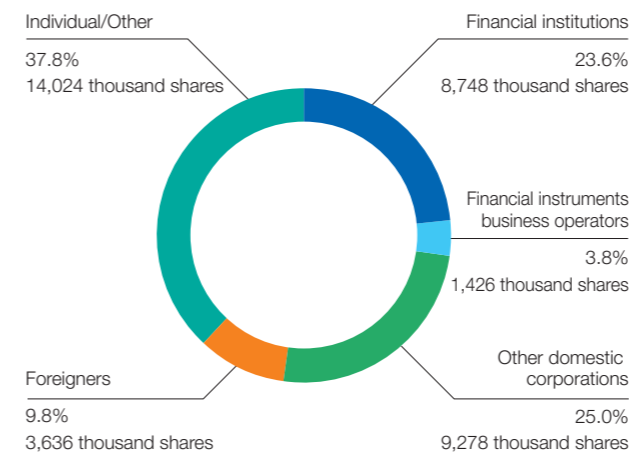
Non-production Facilities

- Europe**
 - Sanoh Europe GmbH
- China**
 - Sanoh (China) Investment Co., Ltd.
 - Sanoh (China) Investment Co., Ltd. Wuxi Research and Development Branch

Status of Shares

Number of shares authorized	144,848,000
Number of shares issued	37,112,000
Number of shareholders	17,284
Stock exchange listing	Tokyo Stock Exchange
Code number	6584
Shareholder registry administrator	Mitsubishi UFJ Trust and Banking Corporation

Breakdown of Shareholders



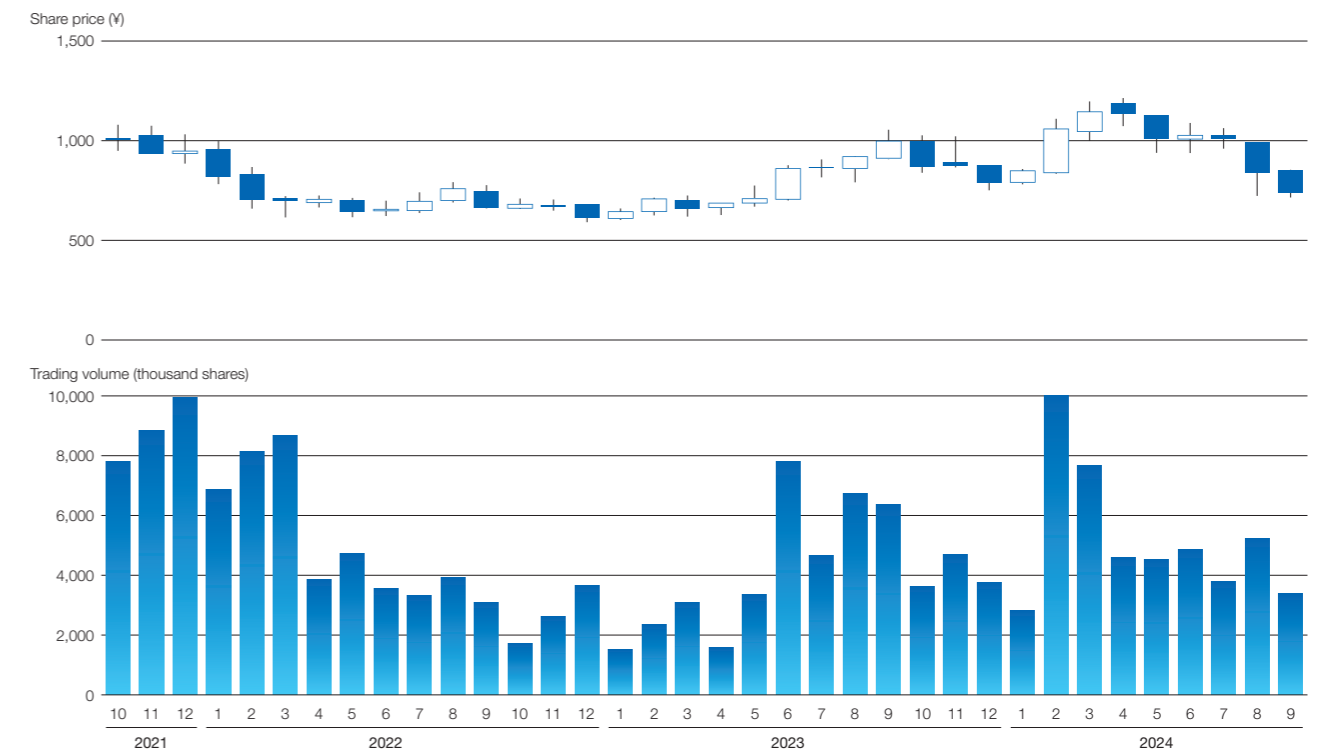
(Note) Treasury shares of 718 thousand shares are included in "Individual/Other."

Major Shareholders

Name of shareholder	Number of shares held (thousand shares)	Ownership percentage (%)
The Master Trust Bank of Japan, Ltd. (trust account)	3,686	10.13
Shinsho Corporation	2,212	6.08
Honda Motor Co., Ltd.	2,000	5.50
Custody Bank of Japan, Ltd. (trust account)	1,758	4.83
Suzuki Motor Corporation	1,600	4.40
Takeda Corporation Y.K.	1,500	4.12
MUFG Bank, Ltd.	1,419	3.90
The Joyo Bank, Ltd.	1,243	3.42
ALCONIX CORPORATION	780	2.14
Individual shareholders	514	1.41

(Note) Ownership percentage is calculated by subtracting the number of treasury shares (717,603 shares) from the number of shares issued.

Historical Share Price and Trading Volume





<https://www.sanoh.com>