

# Integrated Report 2022



**SANOH**

Sanoh Industrial Co., Ltd.



Sanoh Industrial is a global automotive parts manufacturer with 83 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.



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



#### Corporate Motto

Continuous Improvements in Every Phase of Management

#### The Sanoh Way



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#### 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 2021 to March 2022  
(also includes some information for April 2022 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

December 2022

#### 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.

By adapting to change and producing results from upfront investments, we will achieve sustainable growth.

Genya Takeda

Representative Director and President



## Strengths and approaches that have enabled Sanoh Industrial to grow until now

Sanoh Industrial, which was founded in 1939 as Omiya Kohku Kogyo Co., Ltd., ventured into the automotive industry in the 1960s, and has since grown to hold the world's second largest share of the market as a vehicle tubing manufacturer. Today, Sanoh is able to provide stable supplies of high-quality products through 83 production facilities in 19 countries worldwide, with coordination handled by five regional headquarters.

Since entering the industry, Sanoh has done business with a wide range of customers, without being reliant on any particular automotive manufacturers. In the 1980s, when the globalization of the automotive industry accelerated, we followed our customers as they branched out overseas, expanding our local production to a greater extent than our competitors did. We also went even further by expanding our business not only with Japanese automobile manufacturers but also with European and American automakers.

There are high barriers to entry into our mainstay business of manufacturing brake tubes and fuel tubing, as they are critical safety parts, and therefore have to satisfy regulatory- and performance-related requirements. Although a seemingly unobtrusive presence, these products must meet a variety of performance requirements, including perfect leak prevention, rustproofing, and vibration resistance. We have always made sure to properly understand these tough requirements and ensure levels of quality that meet expectations, thereby fulfilling our responsibilities as a supplier. And Sanoh responds to increasingly sophisticated needs by utilizing and continuously updating the technological capabilities it has accumulated over the years. In

our close partnerships with automakers, there are also many technologies and products that are being jointly developed by offering them market-oriented problem-solving capabilities. We believe this track record is an indication of the deep trust and high esteem that our customers hold toward Sanoh.

On the other hand, a look back on Sanoh's past reveals that during the approximately 20 years before we entered the automotive industry, we manufactured a wide variety of products. As can be seen in our former name of Omiya Kohku Kogyo (which means Omiya Aviation Industries), we began with the manufacture of aircraft components and bodies, and then after the war switched to shochu (Japanese distilled spirit) and wine production. Later, we started manufacturing home-appliance components such as small motors for tape recorders and double-wall tubing for wire condensers for refrigerators. To seek out growth opportunities, we venture into unknown fields and proactively embrace challenges without fearing failure. This attitude has been passed down through the generations as Sanoh's corporate climate and culture, which has enabled us to cultivate the flexible adaptability and creativity that are the sources of innovation.

As I alluded to earlier, the key reasons for our growth have, I believe, been our consistent stance as an independent parts manufacturer, the support we have provided to our customers' business expansion while maintaining a proactive global orientation, the strong reputation and trust we have earned for the fulfillment of our quality and supply responsibilities especially with respect to automotive tubing

products, which are critical safety parts in the safety-demanding automotive industry, and our courageous attitude toward taking on new challenges. These are connected to

the three elements of our Management Philosophy, namely "Mission and Vision," "Corporate Motto," and "The Sanoh Way," and form the foundation of our corporate activities.

## Grasping changes in the automotive industry and seeking out growth opportunities

As you are well aware, the automotive industry is now in a period of unprecedented change. Global automobile production volumes, which had been climbing steadily for the past fifty years, peaked in 2017-18. Next came the COVID-19 pandemic, and while they temporarily recovered in the first half of FY2021, the subsequent dearth of components of various types led to production cutbacks, and the market environment remains severe.

Supply and demand fluctuations are volatile, making future predictions difficult. As such, we suppliers need to speed up our responses to changes on the production and supply front, including development. To overcome this environment, we will be endeavoring to shorten development lead times, and establish more flexible and rapid production and supply systems.

Besides market changes, another factor that is impacting Sanoh is the wave of technological innovation sweeping across the automotive industry. Against a background of tighter environmental regulation worldwide, the trend toward decarbonization, and wider IT adoption and digitalization, a CASE (connected, autonomous, shared and electric) revolution has become a major theme in the auto sector, and what has been described as a once-in-a-century structural transformation of the industry is in progress. Components for internal combustion engine vehicles (ICEVs) such as fuel tubes and brake tubes currently account for the bulk of our net sales, but going forward the CASE revolution is expected to bring about a rapid expansion of the electric vehicle (EV) market, and an accompany-

ing gradual shrinkage of the ICEV market.

In anticipation of this trend, we are aiming to expand our thermal solutions business as a new growth driver. Most EV components, such as motors, batteries, inverters, and PCUs, require high-performance cooling capabilities. Sanoh will be seeking out growth opportunities by leveraging our strengths in the optimal design and production of components ranging from cooling tubes to heat exchangers and offering the cooling capabilities required by EVs.

Action on the environment has a long history in the automotive industry, and fuel efficiency has been improved since the 1970s through, for example, lighter vehicle bodies. Sanoh's tubing products have played a part in that process. We have reduced weight by utilizing aluminum and resins, and since the 1990s, in particular, we have made a significant contribution to reducing fuel consumption, which has been a goal of automakers. Based on that track record, we are jointly developing products with customers in various locations, and are focusing on expanding their adoption.

Furthermore, our thermal solutions business is operating outside the realm of automobiles, supplying products for high-performance computing (HPC), datacenters, and communications equipment. With the adoption of a Sanoh system that uses plastic tubing for coolant water for the Fugaku supercomputer, Sanoh's cooling technologies are attracting attention beyond the automotive field. We are also eyeing the possibility of conducting M&As to achieve growth in these kinds of non-automotive fields.

## The desired state we aim to achieve during the ten-year period of our Mid-term Strategy and Target.

Looking ahead to the decade from FY2021 to FY2030, we formulated our Mid-term Strategy and Target, which defines the desired state for Sanoh, and are currently pursuing a growth strategy in line with it.

The Mid-term Strategy and Target sets out the quantitative objectives of consolidated net sales of ¥200 billion and an ROE of at least 15% in FY2030, and we aim to deliver on these objectives by growing sales by 6% per year on average and enhancing capital efficiency. The growth strategy for attaining these objectives comprises three pillars: Further Development of Existing Businesses, Thermal Solutions Business Expansion, and Next-Generation Core Business Creation.

The Further Development of Existing Business pillar covers our current mainstay products of brake tubes and fuel tubes. As I mentioned earlier, with the ICEV market set to gradually shrink going forward, we will concentrate our

efforts on improving profitability and building the foundations for high quality to maintain net sales of ¥120 billion and operating profit to net sales of 10% or more in FY2030. In addition to proactively pursuing sales activities, we are utilizing simulations for prototyping to shorten development lead times so that we can respond to design change requests from customers. In October 2022, we newly established the Technical Development Division, putting in place a structure to further strengthen the technology of existing businesses. There have been no new entrants recently, and the market remains an oligopoly comprising a handful of companies. Improved quality of our products has boosted our reputation among customers, and we expect to expand our market share beyond what we had anticipated. Therefore, it is possible that we will ultimately exceed the above numerical targets for net sales and operating profit to net sales for existing businesses.

With Thermal Solutions Business Expansion, we are aiming to reach ¥50 billion in net sales in FY2030, of which ¥25 billion will come from products for EVs (EVs, PHEVs, and HEVs), with the remaining ¥25 billion to come from sales in the non-automotive sectors such as cooling products for HPCs. Our approach to producing prototypes of plastic tubing for coolant water has proved successful, and these products have been adopted for bZ4X, a new BEV model from Toyota Motor Corporation, and HPCs for cloud services from Fujitsu Limited. In July 2022, Sanoh India, a subsidiary of Sanoh in India, received an order from a Japanese commercial vehicle manufacturer water pipes for use in coolant circulation circuits. While continuing to build up our track record, we will secure profits by making proposals aimed at standardizing designs.

As for Next-Generation Core Business Creation, we will

be going beyond the automotive field to move into new domains, with a view to developing a third business for future growth. This involves the use of technology to resolve social issues, and we have declared a goal of ¥30 billion in net sales in FY2030. By making equity investments in industry-academia joint research and start-ups, we are pursuing numerous projects simultaneously. These include thermo-electric power generation elements, a gallium nitride (GaN) semiconductor substrate polishing service, development of battery modules, and mobility services that will lead to the revitalization of regions. And another task is to educate the next generation of personnel by transferring, through manufacturing, specialist knowledge and skills to younger people. Our policy is to extend our reach into a wide range of domains and sow numerous seeds of potential.

Steadily executing the growth strategy while responding to the deterioration of the market environment

In FY2021, when implementation of the Mid-term Strategy and Target got underway, performance in the first half was good thanks to a market recovery, but going into the second half, business conditions were severe as a shortage of semiconductors and difficulty obtaining components and materials led to production cutbacks in the automotive industry. In addition, the impact of inflation worldwide spread, with raw materials and materials prices and shipping costs skyrocketing. Personnel expenses, particularly in the U.S., also soared, pushing up fixed costs and resulting in lower profits.

As a result, in our consolidated results for FY2021 we recorded net sales of ¥115,940 million (up 2.0% year-on-year), operating profit of ¥2,183 million (down 37.4% year-on-year), ordinary profit of ¥2,584 million (down 31.4% year-on-year), and profit attributable to owners of parent of ¥1,009 million (down 72.2% year-on-year). As such, we suffered a substantial drop in profits.

As for the market environment since then, in the global automobile market, the shortages of chips and other components has yet to be alleviated, and the reduced output that started in the second half of FY2021 is continuing. In particular, the Ukraine crisis, which began in late February 2022, and the lockdown of Shanghai, China, which ran from the end of March to the end of May, have further disrupted global supply chains, and the scarcity of components of various types has left automakers unable to execute their production plans. They are also higher costs across the board as prices of materials and energy soar and personnel/logistics expenses rise higher.

In FY2021, our operations continued to face a harsh

business environment, and our overall performance was lackluster. By region, Japan and North and South America were dealt a heavy blow by the Shanghai lockdown. North and South America also saw higher costs of various types due to inflation, which accelerated the pace of earnings deterioration. Europe is in a slump. It has been hugely impacted by the Ukraine crisis, and a shortage of wire harnesses has led to a drop in production, while cost increases have not been passed on to prices.

China, meanwhile, has seen a sharp recovery since the Shanghai lockdown was lifted in June, and the effects of cost-reduction measures have begun to appear. Earnings are also picking up in other parts of Asia, as production recovers from the COVID-19 pandemic and efforts to cut fixed costs deliver ongoing benefits.

Looking ahead, I expect business conditions to remain affected by numerous uncertainties, at least for the time being. It has become necessary to pass on structural cost increases to prices, so we are currently negotiating with customers. At the same time, by pressing ahead with restructuring to make our business model more resilient, we will overcome this difficult phase.

We will also not shirk in taking concerted action aimed at delivering future growth, even amid this challenging operating environment. As I explained earlier, we are executing a three-pillared growth strategy in line with the Mid-term Strategy and Target, and our efforts are starting to bear fruit. While responding swiftly and precisely to changes in the market, we will endeavor to transform ourselves into a robust organization capable of withstanding risks, and move ahead with building a foundation for sustainable growth.

Sharing recognition of the importance of sustainability throughout Sanoh and taking action to achieve it

As part of our efforts to run our business in a way that is conscious of ESG, we have assessed the impacts of our business activities on society and the environment, and

clarified our order of priority for taking actions by identifying our materiality issues, which comprise four pillars: productivity improvement with innovative technologies, contribution



to reducing environmental impact, co-creation and growth with local communities, and achievement of work-life fulfillment.

With respect to productivity improvement with innovative technologies, we will not only be focusing on employing digital technology and adopting IT internally. We plan to take broad-reaching action that covers our entire supply chain. For example, we will be helping small materials suppliers to deploy technology.

Regarding contribution to reducing environmental impact, we intend to offer value such as by providing lighter products and thermal solutions that meet requirements for decarbonization. At the same time, we will be reducing the environmental impact of our business operations, with a focus on production activities.

As for co-creation and growth with local communities, as a corporate group operating in 19 countries around the world, this is a theme that acknowledges the importance of offering stable employment to local people and retaining personnel for long periods. It also reflects our desire to build

friendly relationships with local communities and to translate that into enhanced performance at each of our locations.

With respect to achievement of work-life fulfillment, we especially emphasize the creation of workplaces in which diverse human resources can thrive and grow. As of March 2022, 612 of our domestic headcount of 1,868 employees were women, i.e., over one-third. And in production divisions, over 40% of employees are female (448 out of 1,110). In addition, 132 non-Japanese employees from all over the world are working at Sanoh in Japan. FY2021 saw a woman from inside Sanoh elected as full-time auditor for the first time. We will also introduce systems for raising the percentage of women in management positions and helping females to thrive, and introducing a job rotation scheme to dispatch personnel to overseas sites in order to nurture talent with a global perspective.

By sharing recognition of the importance of sustainability throughout Sanoh, and encouraging individual employees to take action independently, we will create even more value for society.

Overcoming risks and carving out a future through strong determination to survive as a business

Sanoh finds itself in a critical period for ensuring its survival, and as numerous suppliers are weeded out of the automotive industry, we will be pursuing business with both feet on the ground by maintaining a position that can provide both competitive advantage and growth opportunities. Going forward, I am confident that by overcoming the tough operating environment of recent months, and producing results from upfront investments, we can achieve sustainable growth.

The path to 2030 will differ greatly from what has come until now, and while remaining aware of the ever-changing

global economic environment, we will need to become more flexible and resilient as a company in order to cope with the risks enveloping the entire market. By overcoming risks through a strong determination to survive as a business, and leveraging the power of all Sanoh Group employees to carve out a future, we will prosper, and we intend to share the wealth we generate with our stakeholders as we move forward.

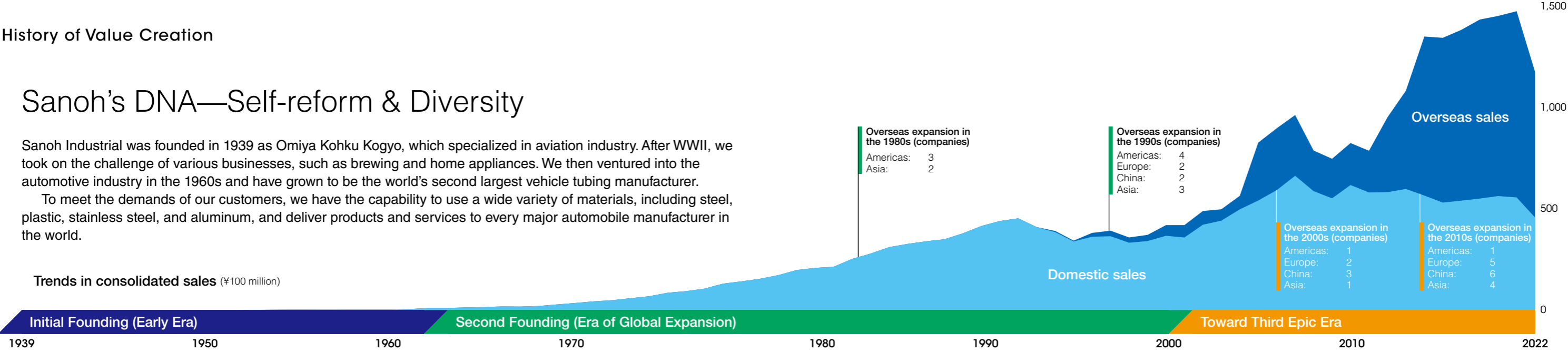
I hope that all our stakeholders will look forward to the further evolution of Sanoh Industrial and extend us even greater support.

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)



<b>March 1939</b> Began the manufacture of aircraft body parts	<b>September 1963</b> Began the manufacture of double-wall tubing	<b>December 1986</b> Began the manufacture of fuel injection rails	<b>October 2005</b> Began the manufacture of plastic fuel injection rails
<b>July 1946</b> Began the production and sale of Sanoh-branded shochu liquors	<b>March 1964</b> Began the manufacture of automotive tubing parts	<b>January 1989</b> Began the manufacture of quick connectors	<b>October 2012</b> Began the manufacture of plastic cooling pipes
<b>August 1956</b> Began the manufacture of miniature motors	<b>October 1971</b> Began the manufacture of single-wall tubing	<b>October 1992</b> Began the manufacture of plastic fuel tubes	
<b>January 1957</b> Began the manufacture of tape recorders	<b>April 1974</b> Began the manufacture of automotive exhaust parts		
<b>August 1962</b> Began the manufacture of wire condensers for refrigerators and showcases			

Sanoh Industrial milestones

<b>March 1939</b> Founded as Omiya Kohku Kogyo Co., Ltd. Established Omiya Factory and began the manufacture of aircraft body parts  <b>December 1942</b> Established Koga Factory <b>September 1945</b> Company name changed to Takeda Sangyo Co., Ltd. and began the manufacture and sale of machinery equipment <b>October 1949</b> Company name changed to Sanoh Kajo Co., Ltd.	<b>March 1952</b> Company name changed to Sanoh Industrial Co., Ltd. <b>May 1959</b> Shut down the distilling division, and transferred the entire distilling licenses and distiller facilities <b>October 1961</b> Stock listed on the Tokyo Stock Exchange, Second Section <b>April 1962</b> Concluded a technological support agreement with Higbee concerning the manufacture of double-wall tubing <b>August 1962</b> Began the manufacture of wire condensers for refrigerators and showcases  <b>November 1969</b> Concluded a technological support agreement with Higbee concerning the manufacture of single-wall tubing	<b>May 1972</b> Developed a copper brazing deposition method for automotive exhaust parts and electrical equipment parts <b>April 1978</b> Created the Overseas Division in the Sales Department <b>September 1978</b> 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	<b>June 1981</b> Installed a continuous hot forming furnace for nylon tubing production <b>June 1986</b> 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 	<b>August 1990</b> Established Sanoh Industrial de Mexico S.A. de C.V. in Mexico <b>May 1991</b> Established Bristol Bending Sanoh Ltd. in the UK (now Sanoh UK Manufacturing Ltd.) <b>December 1993</b> Head Office transferred from Tokyo to Koga, Ibaraki <b>April 1997</b> Established STI Sanoh India Ltd. (now Sanoh India Private Limited) in India <b>December 1998</b> Stock listed on the Tokyo Stock Exchange, First Section <b>April 1999</b> Established Guangzhou Sanoh Seikan Co., Ltd. in China	<b>October 2000</b> Sanoh's nickel-metal-hydride batteries used in Honda's ASIMO humanoid robot  <b>March 2002</b> Obtained an ISO 14001 certification <b>October 2005</b> Head Office transferred from Koga, Ibaraki to Tokyo	<b>October 2013</b> Acquired ownership of Geiger Automotive GmbH in Germany <b>October 2017</b> Opened a Center for Innovation, Technology, and Analysis (CITA) on the premise of Koga Factory  <b>September 2018</b> Invested in Solid Power Inc., a company engaged in the research, development, and manufacture of all-solid-state batteries <b>July 2019</b> Conducted a successful continuous power generation test of a new type of thermoelectric generator <b>September 2020</b> Announced the use of Sanoh's plastic tube products for cooling water in the Fugaku supercomputer  <b>May 2021</b> Formulated the Mid-term Strategy and Target
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<b>1941</b> Pacific War started <b>1946</b> Constitution of Japan promulgated	<b>1954</b> First All-Japan Motor Show held <b>1956</b> Japan's White Paper on the Economy affirmed the end of the postwar period <b>Late 1950s</b> Three status symbols in Japan (black-and-white televisions, washing machines, and refrigerators) became widespread	<b>1964</b> Tokyo Summer Olympic Games held <b>1967</b> Japan's car ownership exceeded 10 million <b>Late 1960s</b> New three status symbols in Japan (color televisions, air conditioners, and cars) became widespread	<b>1972</b> Okinawa returned to Japan <b>1974</b> Japan became the world's largest car exporter	<b>1980</b> Japan became the world's largest car producer <b>1986</b> Japan's Equal Employment Opportunity Act took effect	<b>1993</b> Japan's Basic Act on the Environment enacted <b>1995</b> World Trade Organization launched	<b>2008</b> Global financial crisis <b>2009</b> China ranked first in the world in automobile sales	<b>2010</b> Next-Generation Vehicle Plan 2010 published by Japan's Ministry of Economy, Trade and Industry <b>2021</b> Japan's government announced the goal of achieving carbon neutrality by 2050
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At a Glance

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

Automotive Tubing

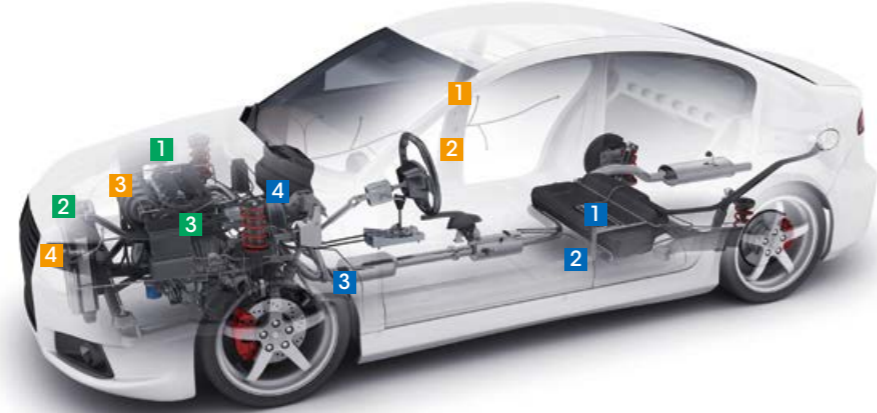
- Fuel-Related Products
- Brake-Related Products

Powertrain

- Engine-Related Products
- Heat-Exchange-Related Products

Environment and Safety

- Safety-Related Products
- Environment-Related Products



Fuel-Related Products



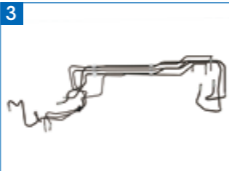
Cluster Tubes

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 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.



Plastic Fuel Tubes

Brake-Related Products



Brake Tubes

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.



Brake Vacuum Tubes

Other Products



Quick Connectors

Engine-Related Products



Fuel Injection Rails

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

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.



Oil Cooler Pipes



Safety-Related Products



Seat Belt Buckles and Shoulder Adapters

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.



Pretensioner Tubes

Environment-Related Products



Exhaust Gas Recirculation (EGR) Pipes

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.



Air Shutter Guides

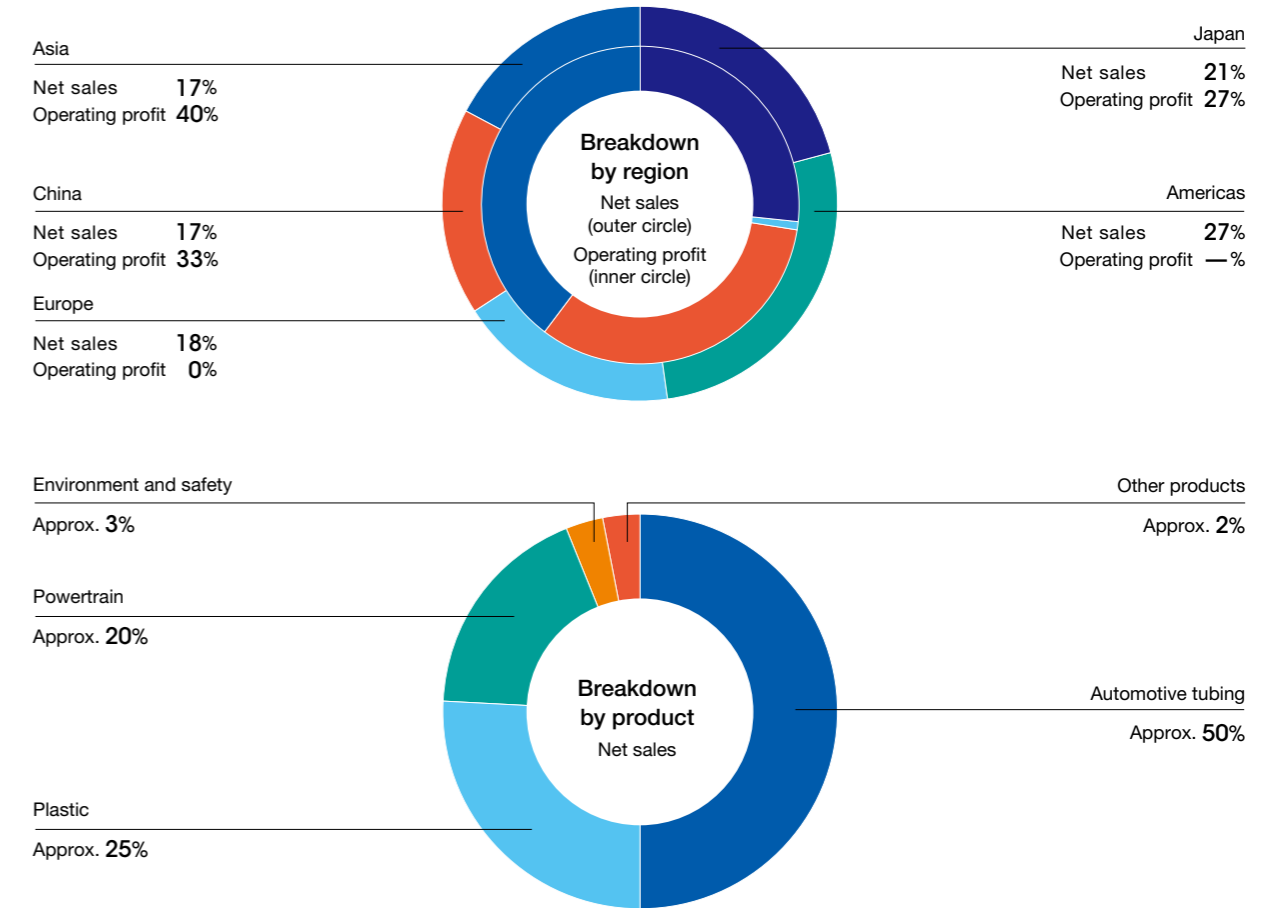
Note: The shaded boxes denote plastic products.

Globally balanced portfolio

Net sales for FY2021  
¥ 115.9 billion

Operating profit for FY2021  
¥ 2.2 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 CO<sub>2</sub> emissions.



Market environment (2021)

Automotive production (million units)

Global	79.09
Japan	7.78

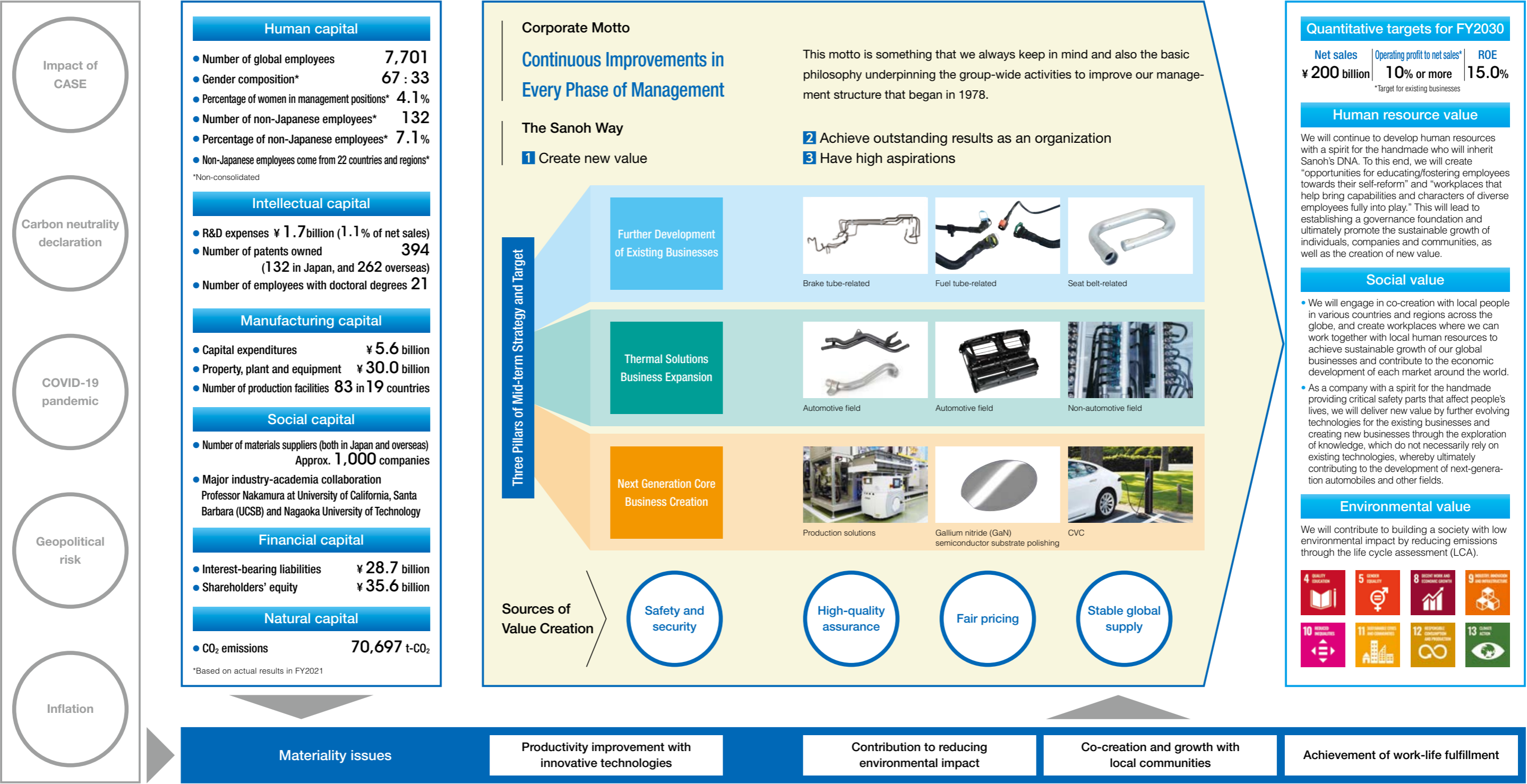
Global passenger vehicle sales

Internal combustion engine vehicles	68.97
Hybrid electric vehicles (HEVs) and plug-in hybrid electric vehicles (PHEVs)	6.80
Electric vehicles (EVs) and fuel cell vehicles (FCVs)	4.64

Our mission is to put forth our best efforts for the sake of the Safety Conservation through the supply of products and global business

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).

and Security of our stakeholders together with Environmental activities as a company with a spirit for the handmade.



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 on the right.

- **Productivity improvement with innovative technologies**

• **Co-creation and growth with local communities**
- **Contribution to reducing environmental impact**

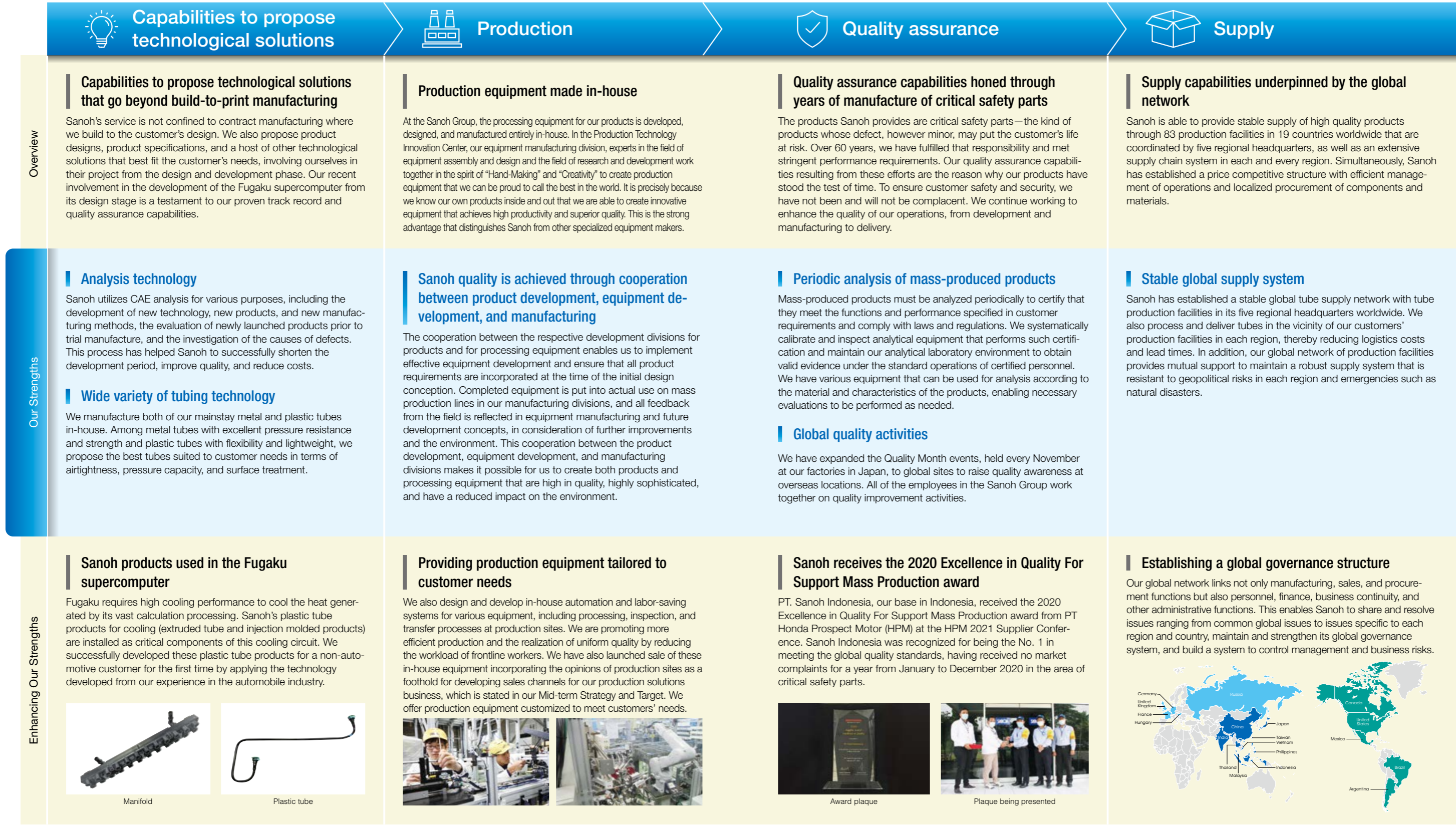
• **Achievement of work-life fulfillment**
- We have selected the SDGs by referring to indicators including FTSE Russel ESG Ratings, and, as part of the selection process, we conducted a questionnaire survey of nearly 100 employees so we can hear the opinions and ideas from a broad range of employees 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.

Materiality Issues for Sanoh Industrial

Materiality issues				
Priority goals based on our mission		Relevant SDGs contribution	Vision	Initiatives
Social issues to be solved through business activities	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 through the exploration of knowledge, which do not necessarily rely on our existing technologies, whereby ultimately contributing to the development of next-generation automobiles and other fields.	<ul style="list-style-type: none"><li>• Further evolution of manufacturing technologies for tubing, automotive tubing, brazing, and safety products.</li><li>• Development of thermal solutions products (automotive/non-automotive) and related businesses</li><li>• Development of innovative technologies and investment in start-ups toward creation of next-generation core businesses</li></ul>
	Contribution to reducing environmental impact		In manufacturing our products, we will select environmentally friendly materials, minimize losses, and reduce waste.	<ul style="list-style-type: none"><li>• Expansion of the scope of applications for plant-based plastic and recycled plastic materials</li><li>• Reduction of waste through the improvement in materials yield and in-process defects</li><li>• Reduction of waste through the reuse of manufacturing facilities and parts</li></ul>
			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.	<ul style="list-style-type: none"><li>• Exploration of the possibility of reducing CO<sub>2</sub> emissions through changes in the tubing production method</li><li>• Exploration of the possibility of reducing environmentally hazardous substances through changes in the plating method</li><li>• Exploration of the possibility of reducing CO<sub>2</sub> emissions through a modal shift and container round use (CRU) in procurement logistics and the promotion of local materials procurement</li><li>• Promotion of energy saving through a shift in the drive power of facilities from an air cylinder to an electrically driven motor</li><li>• Reduction in the weight of parts and expansion of the scope of applications for lower-weight parts (plastic materials)</li></ul>
Management foundation underpinning our activities	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 resources to achieve sustainable growth of our global businesses.	<ul style="list-style-type: none"><li>• Interactive communication with local governments for the purpose of developing local economies</li><li>• Promotion and development of business in collaboration with local governments</li><li>• Provision of parts that support traffic safety and provision of safety and security to stakeholders as a critical safety parts manufacturer</li><li>• Co-creation with local communities in each country from the perspectives of creating job opportunities and securing human resources through business activities, which has resulted in parents and children working at Sanoh Industrial for generations</li></ul>
	Achievement of work-life fulfillment	   	We will continue to develop human resources 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.	<ul style="list-style-type: none"><li>• Development of potential core human resources of the next generation onward</li><li>• Establishment and implementation of education programs by job rank and job category</li><li>• Implementation of a program for developing multi-skilled workers</li><li>• Appointment of female employees to managerial positions</li><li>• Development of a personnel system that enables global human resources to play an active role and promotion of the personnel rotation globally</li><li>• Thorough implementation of the Sangen Principle, or a principle of three actuals (“genba” (actual place), “genbutsu” (actual thing), and “genjitsu” (actual situation))</li><li>• Survey on health risks and engagement, and improvement activities based on the survey results</li></ul>

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.



# Boldly taking on the challenge of major business

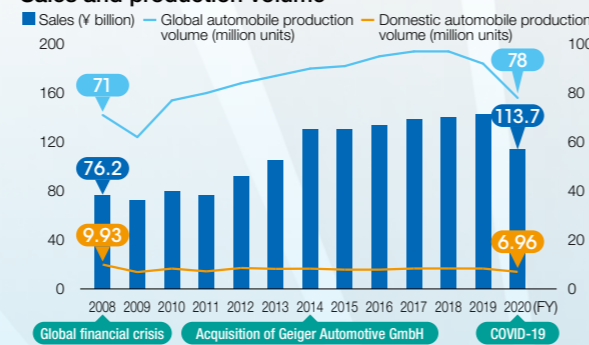
## Review of the 2010s

### Change in the conventional automotive market

In 2010, after the global financial crisis, we launched a mid-term growth strategy, Goal 15\*. Through aggressive overseas investments, consolidated sales exceeded ¥140 billion in FY2018. In the ten years from FY2008 to FY2018, consolidated sales nearly doubled. However, global automobile production peaked in 2017 and has since slowed down, falling below 80 million units per year in 2020 due to the COVID-19 pandemic. As a result, Sanoh Industry's consolidated sales for FY2020 decreased to ¥113.7 billion. Domestic automobile production volumes were on a downward trend for the past ten years due to a shift to production overseas. To achieve further growth, we will work to further enhance our globalization activities and create new high-value-added businesses.

\*Goal 15: Sanoh Group's global mid-term plan from FY2010 (not disclosed outside the Company)

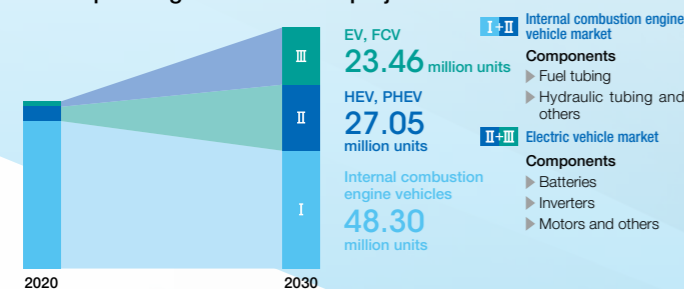
### Sales and production volume



## Impact of CASE

### Expansion of the EV components market

#### Global passenger vehicle sales projections



\*Projected sales volume of only passenger cars with a gross vehicle weight of 6 tons or above excluding commercial vehicles (Source: LMC Automotive Ltd.)

Currently, approximately 80% of our products are components of automobiles with internal combustion engines. We expect global automobile production volume to remain at more than 70 million vehicles per year over the next decade as well.

On the other hand, the shift to electric vehicles, including hybrids electric vehicles (HEVs) and plug-in hybrid electric vehicles (PHEVs) by 2030, is inevitable. The markets for batteries, motors, inverters, and power control units (PCUs)\* are projected to grow going forward.

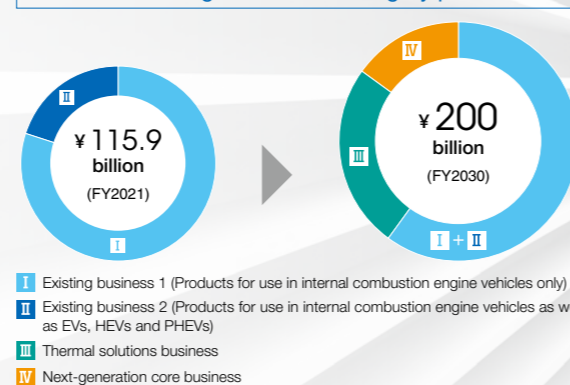
\*Power control unit (PCU): A control device used in power-driven vehicles

## Quantitative targets

### Aiming for an average annual growth rate of 6% in the post COVID-19 era

In the current existing businesses, we assume that the sales ratio of automobiles with internal combustion engines in global automobile sales volume will decrease. Under these circumstances, while maintaining net sales of ¥120 billion in FY2030, we will focus on increasing profitability by further improving our quality assurance level. At the same time, to achieve further growth, we will expand our thermal solutions business to include cooling-related products associated with the electrification of automobiles. In markets other than automobiles, we will expand our products to data centers, which require optimal temperature control and energy conservation to reduce large air conditioning costs and CO2 emissions. We will also expand into the high-performance computing market, which requires means for cooling CPUs/GPUs as they generate high heat for conducting advanced processing associated with AI, 5G/6G communications, and automatic driving. In FY2030, we aim to achieve sales of ¥50 billion in the thermal solutions business. In addition, by launching a next-generation core business by entering new areas not bound by existing businesses, we aim to achieve sales of ¥30 billion in FY2030 in this area.

### Restructuring of business category portfolio



I Existing business 1 (Products for use in internal combustion engine vehicles only)  
II Existing business 2 (Products for use in internal combustion engine vehicles as well as EVs, HEVs and PHEVs)  
III Thermal solutions business  
IV Next-generation core business

### Quantitative targets

Consolidated sales  
(FY2021)  
¥115.9 billion

Consolidated sales  
(FY2030)  
¥200 billion

ROE (FY2021)  
2.8%

ROE (FY2030)  
15% or more

# reforms, leading to our Third Epic Era

## Three pillars of Mid-term Strategy and Target and their progress

### Strategy Further Development of Existing Businesses

#### Target DX to enhance profitability & quality assurance level of existing business

#### Progress

- Adopted brake tube products for "Nissan Sakura," an all-new, all-electric minivan of Nissan Motor Co.
- Adopted brake tube products for small cars in Japan by utilizing newly developed processing equipment
- Adopted brake tube products for Stellantis Group at Sanoh India, an Indian subsidiary of Sanoh
- Started supplying brake tubes procured in Europe to Toyota Motor Manufacturing France S.A.S. at Sanoh Europe (France) EURL, a French subsidiary of Sanoh
- Newly established the Technical Development Division and reorganized the structure to further strengthen the technologies in existing businesses
- Promoting automation/labor-saving on production lines globally

#### Future key measures

- Continue to promote automation/labor-saving of production processes to improve quality and profitability
- Reorganize production facilities and distribution routes to eliminate inefficiencies and achieve an optimal production system
- Reinforce the global sales structure and receive orders for highly profitable products based on region- and customer-specific strategies to further expand market share
- Review the supply chain structure to reduce supply risks and production costs

### Strategy Thermal Solutions Business Expansion

#### Target Reducing environmental impact through optimal heat exchange design and quality assurance expertise

#### Progress

- Adopted plastic tube products for cooling water for "bZ4X," Toyota Motor Corporation's new SUV electric vehicle
- Adopted plastic tube products for cooling for Fujitsu Cloud Service HPC
- Adopted water pipe products for a Japanese commercial vehicle manufacturer at Sanoh India, an Indian subsidiary of Sanoh
- Established a website dedicated to water-cooled cooling systems for data centers and CPUs/GPUs  
<https://thermal-solution.sanoh.com/>
- Established the Advance Development Division to promote development of products for thermal management
- Promoting sales activities including prototype proposals for thermal management
- Promoting marketing activities and development of new products for thermal management to the automotive and telecommunications industries

#### Future key measures

- Continue to propose and develop specific products for automotive manufacturers
- Cultivate potential markets outside the automotive and telecommunications industries
- Aim to expand from the current business model as a parts manufacturer to a solutions business by promoting joint development and business alliances with other industries

### Strategy Next-generation Core Business Creation

#### Target Solving social issues with technology

#### Progress

- Received orders for and sold multiple production equipment in Japan and China
- Promoted marketing activities and development of gallium nitride (GaN) semiconductor substrate polishing service
- Invested in PLUGO Inc., a start-up company engaged in the planning, development, and sales of electric vehicle chargers and IoT services
- Presented research on GaN semiconductor substrate processing at the international conference "The 15th MIRAI Conference on Microfabrication and Green Technology" and received the Excellent Paper Award
- Promoting prototype proposals for production equipment and demonstration equipment

#### Future key measures

- Further promote sales activities for automated production equipment and develop sales channels
- Promote activities to commercialize R&D themes
- Promote joint development and business alliances through cross-industry and industry-academia collaboration, as well as CVC investment, etc.
- Accumulate knowledge and skills through active recruitment of doctoral degree holders regardless of nationality

To achieve the three pillars of our Mid-term Strategy and Target, we will strive to enhance our corporate value through the further development of existing businesses, active investment in growth fields, and establishment of a stable financial foundation.



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

Looking back on FY2021 results and outlook

In FY 2021, in addition to impact of COVID-19 pandemic since previous fiscal year, from 2nd half of the year we were faced with several impact by sudden production decrease by automakers due to supply-chain issue such as chip shortages, and disruption of the ocean transportation network. Furthermore, worldwide inflation such as raw material and parts cost increase, soaring shipping costs and so on, had impacted to offset our gains from restructuring effect since last year. Although the first half operating profit for 3,416 million yen, we ended up with an operating profit for 2,183 million yen for the full year and turned to loss in second half of the year.

We believe that the current unstable external environment will continue in FY2022. In addition to Covid-19 impact, the condition surround automotive industry will be uncertain due to a wide range of factors including geopolitical risks, production adjustments by automakers, supply chain issue, ocean transportation disruptions, material prices, labor costs, energy cost, and inflation. Moreover, the cost pressures from materials prices and inflation in general have gone beyond the scope that can be handled with one's own efforts by making improvements, as has been the traditional practice in the industry. Therefore, to get our operating performance back to normal condition, we will

take action as our top priorities to take various steps such as a revising our contracts with customer, ensure that cost increases are properly passed on to pricing, and production volume compensation.

Financial strategy and investment plans for achieving the targets of the Mid-term Strategy and Target

In the Mid-term Strategy and Target announced in May last year, we set the group-wide targets for FY2030 of an ROE of 15% or more and annual sales of ¥200 billion. The breakdown of these targets is ¥120 billion in sales and operating profit to net sales of 10% or more in the existing business fields, ¥50 billion in sales in the thermal solutions business, a new business field (¥25 billion in the automotive sector and ¥25 billion in non-automotive sectors), and ¥30 billion in sales in next-generation core businesses.

Flexible growth investment for the creation of new businesses will require a stable financial foundation. We will strive toward the further improvement of profitability and free cash flow as well as the enhancement of capital efficiency. In the existing businesses, which include products for internal combustion engines, we believe that a certain level of market size will be maintained for the next ten years. As the final comprehensive finishing touch to existing businesses to firm up our profitability, we will undertake investments in the pursuit of digital transformation, thorough efficiency improvements, and labor-saving, endeavoring to generate stable profits and operating cash flow. To achieve this, we are placing emphasis on cash-generating capability and the cash conversion cycle. While maintaining a balance between shareholder returns, growth investments for the next generation, and the strengthening of our financial foundation, we will work to devise and implement capital policies and financial strategies designed with capital efficiency improvement and cost of capital in mind.

From an investment perspective, to create core next-generation businesses beyond existing businesses,

we will actively pour cash generated from existing businesses into the thermal solutions business, which has been positioned as a growth area, and into the seeding process for next-generation core businesses. Regarding new business fields, from the selection of themes, we will set hurdle rates that take the risk of target investments into account, and pursue the transformation of our business portfolio over the medium to long term, while remaining conscious of capital efficiency. In the construction of our business portfolio, we are carrying out evaluations from the perspectives of strategic importance and financial returns.

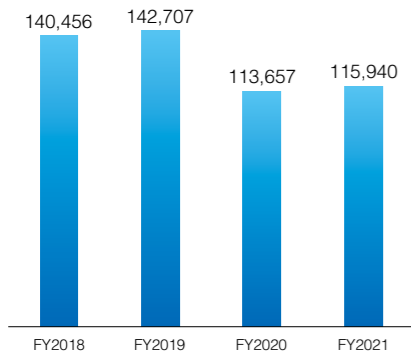
Going forward, we believe that, in terms of business operations, there are certain to be business withdrawals, consolidations, closures, and contractions in both existing and new businesses. Sanoh has determined withdrawal criteria, which define evaluation criteria such as profitability and invested capital efficiency, and we are monitoring our businesses against those criteria. If a business infringes on these criteria, we will periodically consider consolidation, closure, or withdrawal from the perspective of various functional axes, including profits, recovery of invested capital, business plans, strategies, and operating standards.

Shareholder return policy

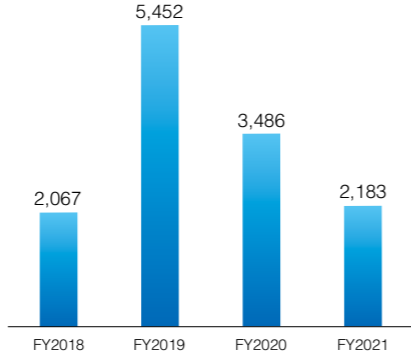
Sanoh considers the appropriate distribution of profits to shareholders to be a key issue for management. Our basic policy is to pay out stable and continuous dividends after giving comprehensive consideration to financial condition, business results, and active securing of investment funds needed for the creation and expansion of new businesses, and to always explore ways of returning value to shareholders, including the acquisition of treasury shares.

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 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.

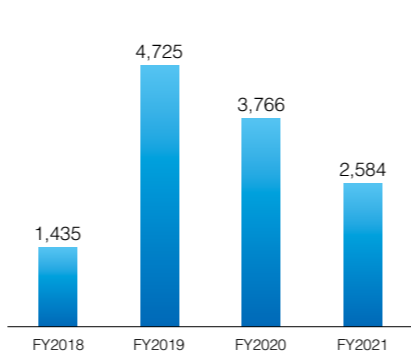
Net sales (¥ million)



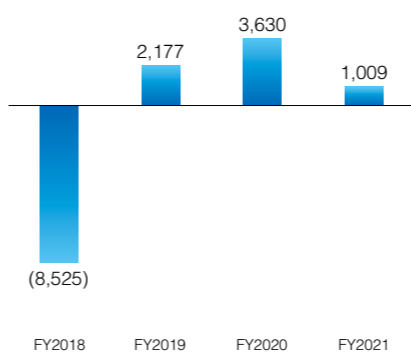
Operating profit (¥ million)



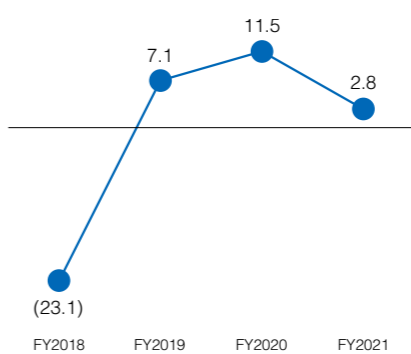
Ordinary profit (¥ million)



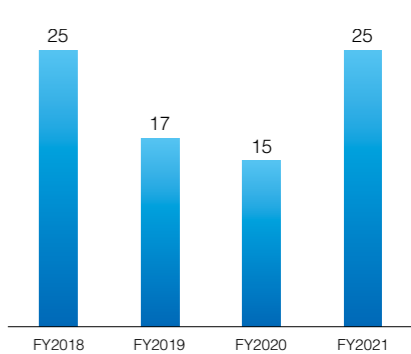
Profit attributable to owners of parent (¥ million)



ROE (%)



Dividends (¥)



## 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 hand-made, achieve a long-term increase in corporate value, and fulfill our social responsibility.

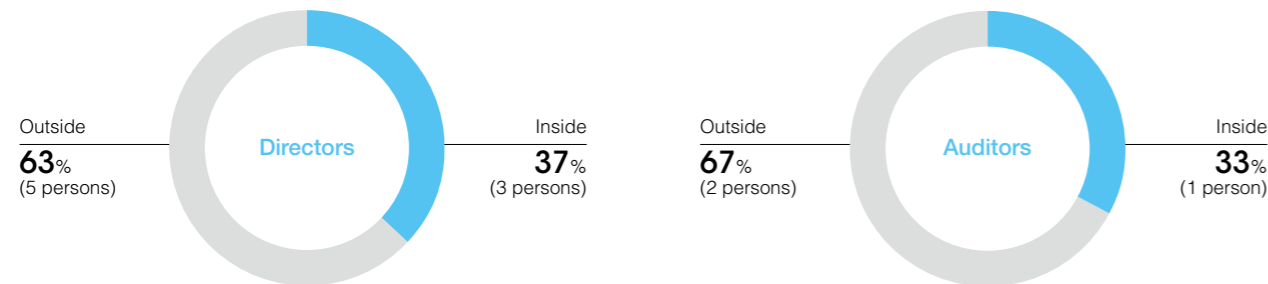
We will strive to enhance corporate governance to ensure transparent and efficient corporate management for all stakeholders, including our shareholders.

### Compliance with Japan's Corporate Governance Code

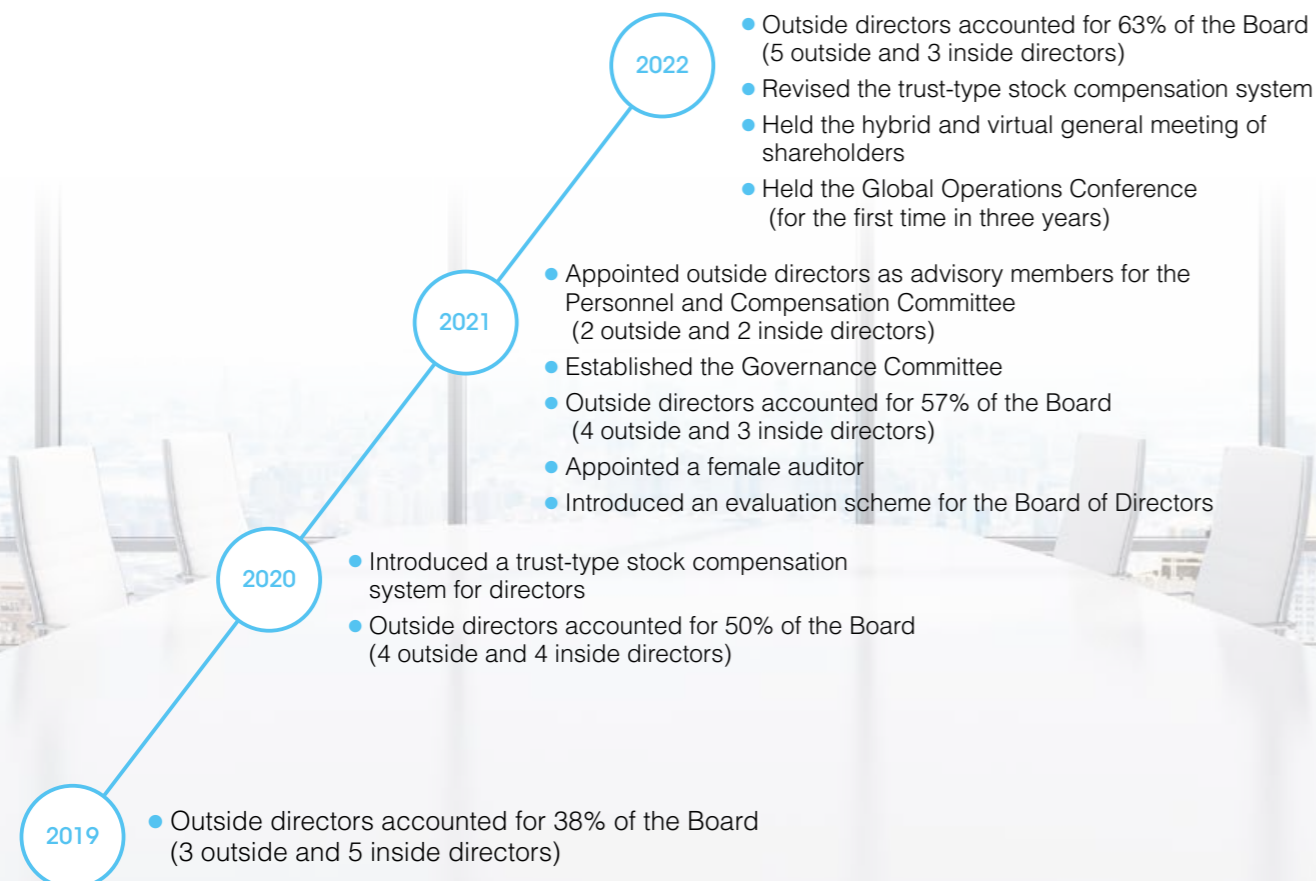
We consider Japan's Corporate Governance Code (the "Code") as requests and expectations from wider society. For the Group's sustainable growth and medium- to long-term increase in corporate value, we intend to carry out business activities with the Code at the center of our corporate management. We comply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

(Reference) Corporate Governance Report (in Japanese) [https://www.sanoh.com/ja/esg/corporate\\_governance/](https://www.sanoh.com/ja/esg/corporate_governance/)

### Composition of Corporate Officers



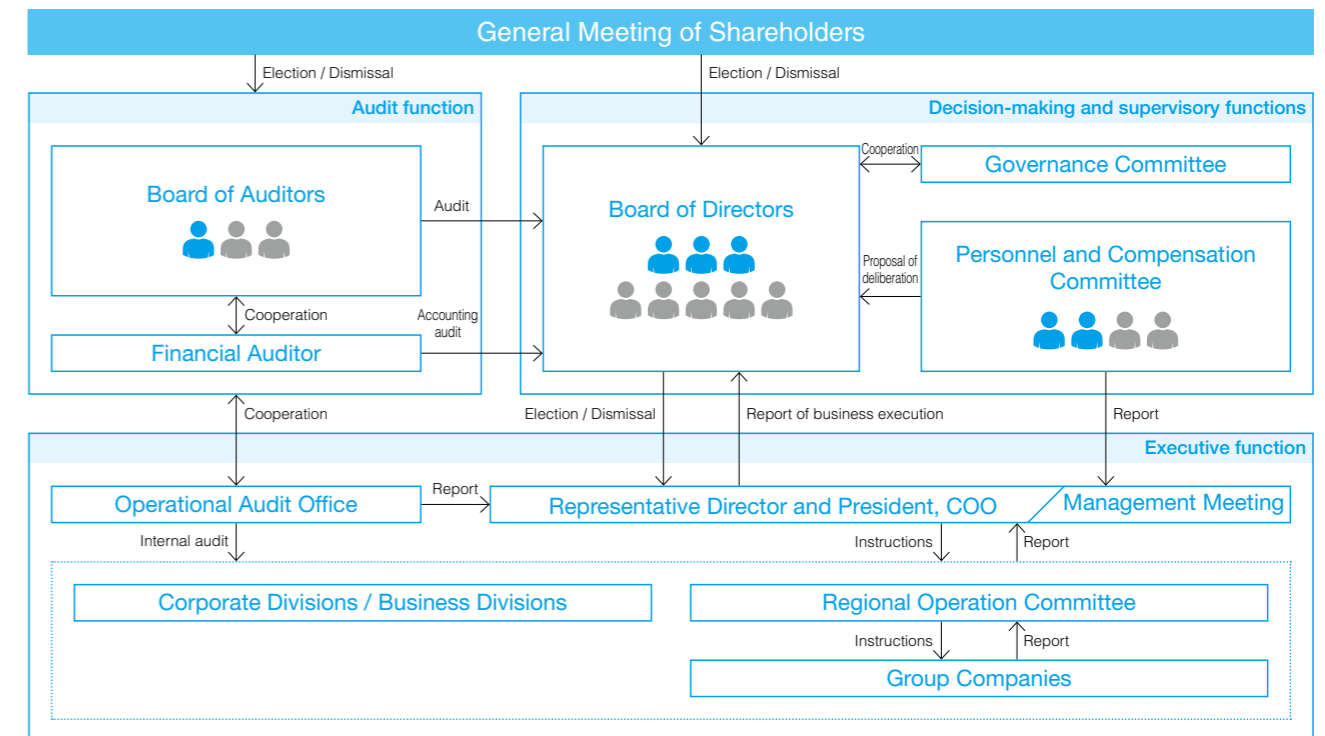
### History of Corporate Governance



### Corporate Governance Structure

We have adopted the Board of Auditors system. The Board of Directors, the Personnel and Compensation Committee, the Governance 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.

Inside Outside



### Board of Directors (15 meetings in FY2021)

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, reports on the status of business execution, decides on important management matters, and supervises the execution of directors' duties.

After the meeting, the Board discusses the Company's policies and strategies with executive officers, etc. 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.

#### Examples of discussion topics

- Mid-term strategies for the existing businesses
- Future M&A strategy
- Sustainability initiatives
- Progress of the thermal solutions business and next-generation core business

Name	Contribution to Board of Directors meetings	Attendance at Board of Directors meetings
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)
Kazukimi Namie	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 to ensure the reasonableness of the Board of Directors' decision-making.	100% (15/15)
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 to ensure the 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 to ensure the reasonableness of the Board of Directors' decision-making.	93% (14/15)

Corporate Governance

Board of Auditors (12 meetings in FY2021)

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
Takaaki Haruna	From an expert's point of view as a certified public tax 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)
Tomohiko Shimizu	From an expert's point of view as an attorney-at-law, 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)

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.

Governance Committee

The Governance Committee consists of directors and auditors. In principle, the Committee meets quarterly and deliberates and decides on governance agenda.

Stance on the Board Diversity

At the Company, the Personnel and Compensation 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.

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, Executive Officer and CFO, General Manager of Finance Headquarters	Munetoshi Sasaki		○	○	○		○		○
Director	Takafumi Morichi	○	○		○				○
Director	Kazukimi Namie	○		○			○	○	
Director	Motohisa Kaneko	○	○			○		○	
Director	Akie Iriyama			○	○	○			
Director	Yoshiyuki Izawa	○	○		○		○		
Full-time auditor	Haruka Miwa								○
Auditor	Takaaki Haruna		○						
Auditor	Tomoki Hiraishi	○	○			○		○	

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 executive officers and general managers, the Management Meeting meets regularly and makes decisions on the overall management, such as investment plans, new business development, and risk comprehension. 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, the Governance Committee meetings and other meetings are held quarterly for attendees to 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 Outside corporate officers
- 7 Dialogue with shareholders

Evaluation Results Overview and Challenges ((FY2021)

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

- 1 Strengthening of internal control and risk management systems
- 2 Enhancement of discussions on succession plans for the representative directors
- 3 Enhancement of discussions on the election and dismissal of senior management members
- 4 Enhancement of 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.

Systems to Ensure the Effectiveness of Auditors' Audits

We have adopted a system where the Operational Audit Office, the Finance Headquarters, and the Governance Headquarters support auditors' audits. We have also introduced a system where each auditor gains information necessary for the audits by using IT, such as the intranet. The strengthened system to make reports and provide information to auditors ensures effective auditors' audits.

Compensation for Corporate Officers

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

Our Board of Directors resolved the policy for determining remuneration, 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 remuneration, etc. for individual directors in the fiscal year under review, as well as how the remuneration, 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 remuneration, 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 remuneration 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 Remuneration, 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 remuneration 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 remuneration, 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 6:3:1 if the KPIs are fully achieved.

	Base compensation	Performance-linked compensation	Non-monetary compensation
Compensation ratio	60%	30%	10%
Type of compensation	Monetary compensation		Stock compensation

### Matters Concerning Delegation of Authority for Determining Remuneration, etc. for Individual Directors

To determine the amount of remuneration for individual directors, the Board of Directors, at its meeting held on June 23, 2021, delegated the authority to Representative Director and President Genya Takeda to decide on the amount of base compensation paid to each director in the fiscal year under review and, based on the business performance of divisions directors excluding outside directors are in charge of, the evaluation and allocation of bonuses. The reason for delegating the authority is that the Board of Directors found the Representative Director and President suitable for taking into account the overall business performance of the Company and other factors and assessing the performance of divisions each director is in charge of. The Personnel and Compensation Committee has confirmed in advance the appropriateness, etc. of the decisions delegated to the Representative Director and President. 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 remuneration, etc. for each director. The Committee meets four times a year. An extraordinary meeting can be held as necessary.

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

Corporate officer category	Total amount of remuneration, etc. (¥ million)	Total amount of remuneration, etc. by type (¥ million)			Number of eligible corporate officers
		Fixed compensation	Performance-linked compensation, etc.	Non-monetary compensation, etc.	
Directors (excluding outside directors)	174	107	61	6	4
Auditors (excluding outside auditors)	10	10	—	—	2
Outside corporate officers	54	54	—	—	6

\*Other than the number of eligible corporate officers in the table above, there are four directors who concurrently serve as employees, and the total amount of their employee salaries is ¥22 million.

## Messages from Outside Directors

We asked our five outside directors how they evaluate Sanoh Industrial's Board of Directors and about the challenges it faces.

The Company is facing numerous challenges. The biggest one is *progress in vehicle electrification*. Right now, we're in a fluid phase in which we don't know exactly the direction that different regions and countries will take, and we need to both expand our market presence by making our current products even more competitive and take on new product fields.

And the Company has no time to waste in executing tasks to support the foundation of its business. It must simultaneously and globally take action on climate change, develop human resources, promote diversity and inclusion (D&I), move forward with DX, and improve investor relations (IR). Tackling these challenges will require a huge amount of energy and drive, and I believe that standing in the shoes of shareholders and providing encouragement for the difficult task of execution is one of the key roles of outside directors.

The Company has five outside directors. Each of us comes from a different professional background, and at every Board of Directors meeting, we take the gloves off and express views and offer recommendations from multiple angles, which leads to vigorous discussions. As a corporate

executive myself, I'm also learning a lot personally, and I feel that I'm also on the receiving end of some of the harsh criticism. In addition, the Personnel and Compensation Committee meets every month to verify the objectivity and reasonableness of KPI target setting and assessment and conduct broad-based discussions on ways of improving the Company's management structure.

To take on the challenge of innovation while maintaining excellence in manufacturing, it will be vital to establish a climate within the Company that is conducive to that. Sanoh Industrial's DNA is capable of change, and it will also be crucial to provide support to further drive change and facilitate a wide variety of activities. Recently, it's been impossible to take one's eyes off news about geopolitical risks, exchange rates, interest rates, and economic trends, and as an outside director, I will remain committed to always obtaining the latest information, deepening my understanding of the Company's business, and making constructive recommendations that go beyond mere management oversight.



Takafumi Morichi, Outside Director

## Messages from Outside Directors

The Board of Directors meetings take place once a month, and during them, reports are made covering recent operating conditions, financial figures, and other important management issues. The directors, who include five outside directors from diverse backgrounds, debate the issues in a frank manner, and often make fairly critical remarks. President Takeda also provides weekly reports, which gives us access to timely information, including on matters that haven't been discussed by the Board. And periodically or as the need arises, we outside directors get together for talks on our own, during which we have pretty in-depth discussions on key management issues. We also make appropriate recommendations to the executive team. As a result of all this, I feel that governance effectiveness and transparency are already at high levels, and that action to further enhance governance is being taken whenever necessary.

Looking outside Sanoh, it is clear that the Company is up against some important challenges. Vehicle electrification is progressing far more rapidly than most had expected, and relationships with automakers, our main customers, are undergoing dramatic changes, triggered by the recent turmoil

in supply chains. Environmental issues are also becoming more complex. The Company needs to respond to all these developments. Internally, too, the Company must tackle numerous tasks. These include creating new businesses, strengthening the functions of organizations and invigorating them, beefing up the governance of all the overseas companies related to Sanoh Industrial, the number of which is large compared to its peers, putting together a global structure for ensuring compliance, and further increasing the diversity.

To achieve sustainable growth going forward, accomplishing these tasks will be essential, but none of them are going to be easy. They should be tackled continuously over the long term. I hope that the current management team will demonstrate powerful resolve and readiness to address these challenges, and with respect to each of them, formulate concrete measures based on thorough discussions involving the keenest minds in the Sanoh Group, make everyone in the Group aware of these measures, and then properly execute them.



Kazukimi Namie, Outside Director

MESSAGE

The automotive parts industry is standing at a major turning point as a result of the pressure on earnings caused by entrenched inflation and the supply chain turmoil stemming from semiconductor shortages. Going forward, automotive parts suppliers are not going to be able to survive if they just carry on as before. They will need, I believe, to operate in a more self-reliant and independent fashion. In addition, society is demanding that more be done to decarbonize automobiles, which means that the Company, around 80% of whose products are for internal combustion engine vehicles, needs to rebuild its business portfolio as swiftly as possible.

Amid this environment, the Company's Board of Directors engages in lively discussions on improving earnings over the short term, designing a business portfolio for the medium to long term, and the governance and human capital required to serve as a base for supporting that. And outside the boardroom, there are regular opportunities for free discussion on strategic themes and executive sessions in which only outside officers take part. As such, I feel that qualitative improvement of governance is proceeding at a rapid pace. Furthermore, since 2021 outside directors have been serving on the Personnel and Compensation Committee, which has greatly improved the transparency of decision-making processes relating to personnel matters and compensation for corporate officers. In this way, the Company's governance has been getting stronger year by year, and there are more and more situations in which I feel that attitudes among employees have changed.

That being said, the Company is currently grappling with declining profitability, with the harsh

business environment being partly to blame. Going forward, the Company's number-one priority should be to repair its damaged earnings foundation. As for the Board of Directors, even when conditions are tough, it should not be overly preoccupied with the short term. In my view, it needs to simultaneously discuss medium- to long-term strategy so as to deliver sustainable growth. Meeting agendas should therefore include not only competition strategies for the thermal solutions business and the next-generation core business, but also actions on sustainability including the implementation of the TCFD recommendations. I also perceive a need to consider a reshuffle of the Board to enable more diverse values to be reflected.

Ever since its foundation, the Company has continuously reinvented itself, and this has enabled it to keep growing until now. From the objective standpoint of an outside director, I will continue to help the Company transform and achieve the Mid-term Strategy and Target.



Motohisa Kaneko, Outside Director

MESSAGE

## Messages from Outside Directors

About two years have passed since I took up my post as an outside director of Sanoh Industrial, and I feel that various people in the company, from executives to frontline personnel, are working day in and day out to further develop the firm and return value to all its stakeholders.

Regarding corporate governance, outside directors already comprise half the Board, and with executive sessions attended by only by outside directors and outside auditors having also been launched, my view is that compared to other companies, Sanoh is taking real action to enhance its governance.

On the other hand, it is a fact that Sanoh is facing a multitude of challenges. In particular, the recent worldwide turmoil in supply chains is exacting a huge toll on the Company's operating performance. Furthermore, it is essential for Sanoh to tackle the E (Environmental) and S (Social) components of ESG over the long term by addressing environmental issues and developing its human capital. In addition, nurturing new businesses and

products that can serve as Sanoh's breadwinners going forward is another major task.

However, I also get the impression that confronted with such issues, Sanoh Industrial is gradually building the foundations for overcoming them.

So although numerous challenges remain, I would ask stakeholders to provide Sanoh Industrial with even more support and guidance so that it can steadily move forward with implementing change. And personally, I intend to resolutely discharge my heavy responsibilities as an outside director.



MESSAGE

Akie Iriyama, Outside Director

Right now, companies find themselves in the midst of a massive wave of change, and are operating in a world enveloped by uncertainty, making it impossible to predict what is going to happen in the future.

Change has become the new normal.

Nevertheless, the mission of corporations is to continue to make profits over the long term, and they are under immense pressure to use those profits to benefit (give back to) their stakeholders, i.e., shareholders, employees, and customers, as well as society.

Recognizing these basic truths, Sanoh Industrial is reorienting itself to achieve sustainable and long-term growth.

At the heart of the measures being taken to that end is the Board of Directors, a forum in which there is tension between the outside directors, who make up the majority of the Board's membership, and the executive directors, who regard the former as friendly rivals and who maintain a global outlook. Sanoh Industrial's Board of Directors has its feet firmly on the ground and is highly sophisticated in its deliberations, always going beyond shallow, superficial discussions. The Board is now functioning effectively.

Sanoh Industrial can thus be viewed as an attractive company that possesses great potential even in an uncertain world.



MESSAGE

Yoshiyuki Izawa, Outside Director

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. In FY2022, we upgraded the team to the BCP Department. 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 of Foreign Subsidiaries

We conducted a risk survey of major foreign subsidiaries of the Group (36 sites in eight countries). Among these sites, we carried out an on-site inspection at sites in the U.S., Thailand, and Indonesia as part of the risk survey to assess their actual situations.

In the risk survey, we conducted a risk assessment that reflects their past performance and external environment, encompassing everything from social aspects to products and services, to comprehensively understand the sites' situations. This enabled us to appropriately allocate resources to Group companies. To ensure the accuracy of our investments against anticipated risks from the perspective of business continuity plan, we will continue to conduct a risk survey and update the allocation of resources.



Conduct of Different Types of Emergency Drills (Evacuation Drill, Power-Driven Fire Pumps, and Fire Extinguishers)

The Company periodically conducts three types of emergency drills including the annual evacuation drill to maintain and improve all employees' ability to prevent secondary disasters and the expansion of damage. We conduct the evacuation drill on the assumption that a great earthquake has occurred, thereby providing an environment that allows all employees to take actions in the event of a disaster, learn about evacuation routes, and provide the rescue of injured people, with a high level of motivation.

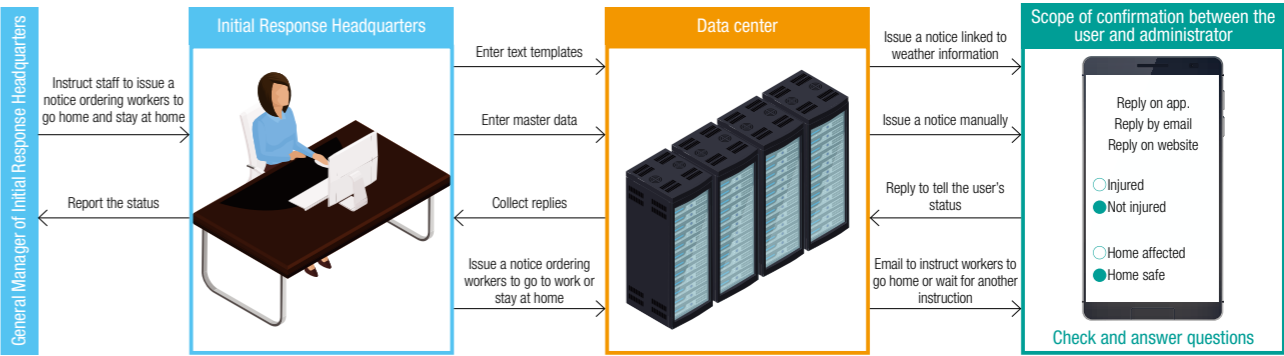
The Koga Factory in Ibaraki Prefecture started using power-driven fire pumps in January 2021. The plant flexibly uses power-driven fire pumps in combination with an emergency vehicle exclusively for the plant, and forms a dedicated firefighting team, thereby preventing the expansion of damage. Firefighting team members conduct a drill of operating power-driven fire pumps while also inspecting them every month to maintain their capability. In addition to this drill for the firefighting team, the plant also conducts a drill using fire extinguishers for all employees every year. In the drill, employees use fire extinguishers refilled with water for the drill and master the steps and tips for releasing the extinguishing agent. This practical drill enables all employees to master how to operate fire extinguishers at a high level, increasing the likelihood of successfully putting out a fire in the initial stage.



Use of the Safety Confirmation System

The Company uses the safety confirmation system to quickly collect information on whether employees are affected or not in the event of a disaster. The safety confirmation system is in operation for all of the Group companies in Japan (approximately 2,000 employees), helping enable the companies to make swift and integrated decisions that affect their business continuity regarding, for example, whether or not the companies need to provide support to affected employees, need to set up shelters for them, and need to secure personnel for recovery.

On September 7, 2020, the date on which Typhoon Haishen came closest to the Kyushu region, we used the safety confirmation system to instruct a total of 255 employees at seven sites of two Group companies to stay at home (instruct them not to go to work or conduct operations). None of the employees were affected because they were all given the instruction and did not show up at work. Through the safety confirmation system, we also made sure that none of the employees and their family members were affected after the typhoon passed the region, and the workers resumed operations at factories on that night. Going forward, we will continue to conduct a safety confirmation drill, sending a notice at once to all employees of Group companies in Japan to minimize the time required for compiling pieces of information and sending a notice to employees in the event of a disaster, thereby ensuring business continuity.



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 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 graduates, managers, employees on foreign assignments, and all employees).
- 2 Whistleblowing System
- 1 In addition to the existing external point of contact operated by an external attorney-at-law, we have established 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.

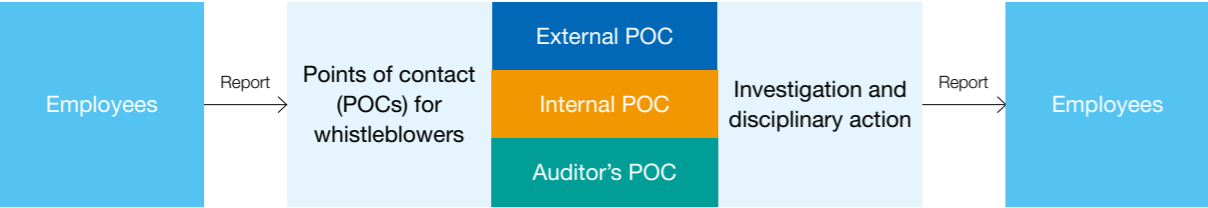
2 From the perspective of ensuring independence, the auditor's point of contact is in place for whistleblowers to make a report about directors and other senior management members.

3 Whistleblowers can make an anonymous report via any of the points of contact. The whistleblowing system also offers a whistleblower-friendly way for them to report by scanning a QR code.

4 The whistleblowing system is available to all workers of the Company, including not only regular employees but also contract workers and temporary workers.

5 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.

6 In case of any compliance violations, we conduct an investigation and fact-checking, and take appropriate disciplinary action against workers who commit a violation.



Corporate Officers (as of June 22, 2022)

Directors



Yozo Takeda  
Chairman,  
Representative Director and CEO



Genya Takeda  
President,  
Representative Director and COO



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



Takafumi Morichi  
Director  
Outside Independent



Kazukimi Namie  
Director  
Outside Independent



Motohisa Kaneko  
Director  
Outside Independent



Akie Iriyama  
Director  
Outside Independent



Yoshiyuki Izawa  
Director  
Outside Independent

Auditors



Haruka Miwa  
Full-time Auditor



Takaaki Haruna  
Auditor  
Outside Independent



Tomoki Hiraishi  
Auditor  
Outside Independent

## Environmental Initiatives



Environmental Initiatives

Environmental Performance in FY2021

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 <sub>2</sub> emission reduction)	Reduction of CO <sub>2</sub> emissions intensity* <sup>1</sup> by 1% year-on-year	Previous fiscal year 0.748 ➡ Current fiscal year 0.746 Reduced by 0.3% year-on-year (achieved 30% of the target)
Initiatives for the effective use of resources (waste reduction)	Reduction of waste generation intensity* <sup>2</sup> by 1% year-on-year	Previous fiscal year 0.113 ➡ Current fiscal year 0.110 Reduced by 2.7% year-on-year (achieved 270% of the target)

\*1 Amount of global CO<sub>2</sub> emissions (t-CO<sub>2</sub>) / 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 CO<sub>2</sub> 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 CO<sub>2</sub> emissions across the product lifecycle.

CO<sub>2</sub> Emissions

Our global production and sales remained on a par with the previous fiscal year due to such factors as the shortage of semi-conductors, although this varied from region to region.

In FY2021, despite our efforts to save electricity and develop energy-saving manufacturing methods, we had some unexpected power consumption. This was mainly attributable to fluctuations in order quantities, unexpected process changeover resulting from sudden changes, and increased waiting time.

Consequently, we failed to achieve the target reduction of CO<sub>2</sub> emissions per unit of sales.

Waste

We successfully decreased the amount of waste generated in proportion to the adjustment of our production capacity to reduced production by customers.

Overall, we were able to significantly exceed our reduction target. This was due to the positive outcome of an activity to remove in-process defects as well as the emerging effects of efforts we have been making to diminish the disposal of surplus materials.

Initiatives to Reduce Environmental Impact

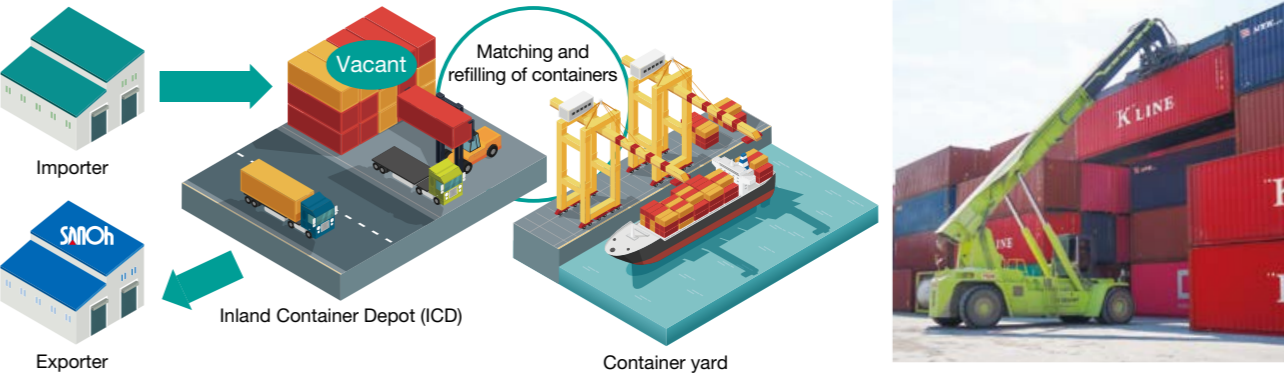
CO<sub>2</sub> Emissions

Container Round Use initiatives

Since April 2020, the Logistics Division has been striving to actively use export containers roundtrip (Container Round Use) by matching and refilling containers in order to solve the issue of containers traveling empty one way.

We minimized containers traveling empty by making the maximum use of the Inland Container Depot (ICD)\*, and thereby achieved reductions in both CO<sub>2</sub> emissions and transport costs of approximately 37% and ¥8,690 thousand per year, respectively.

\*An Inland Container Depot (ICD) is a logistics base situated at inland points away from sea ports. An ICD delivers a wide range of options for transportation routes starting from the depot, which helps importers/exporters increase their logistics efficiency.



Waste Generation

In-house production of recycled plastic boxes

The Plastic Products Business Unit reuses approximately 650,000 dustproof caps monthly returned by automotive manufactures—about one ton of polypropylene material—to produce parts boxes in-house.

We have succeeded in reducing both environmental impact and costs by recycling in-house these returned caps, which used to be discarded for a fee as industrial waste.



Conservation of Water Resources

Improvement of effluent treatment in the polishing process

The Safety Environmental Products Business Unit is responsible for the polishing treatment of pressed automotive seat-belt parts to remove burrs. Effluent generated in the



polishing process contains a variety of chemicals and substances, such as sludge from worn-down abrasive stones, fine metal powders generated in parts polishing, surfactants and rust inhibitors contained in compounds. We therefore need to detoxify such effluent to protect the environment. The Company uses absorptive coagulating-sedimentation filtration equipment for effluent treatment to manage effluent with voluntary standards, which are stricter than the statutory effluent standards on treated water constituents provided by laws, regulations, and ordinances. We test water quality once a month in the effluent treatment process to prevent environmental accidents.

Moreover, solid sludge treated with a filter press dewatering apparatus attached to the filtration equipment is used as recycled materials.

## Environmental Initiatives

### Conservation of Biodiversity

#### Creation of a mini biotope (Koga Factory)

We have created a mini biotope\* in the resting area at the Koga Factory (Ibaraki Prefecture). We cleaned up a concrete tank, which was originally used as an oil weir, and transformed it into a biotope by putting fish, such as killifish, freshwater shrimp, and other aquatic species in the tank. We also added waterweeds and pond snails to the tank to maintain its water quality. By doing so, it took several months to set up the biotope.

After the brilliant transformation of the concrete tank into a paradise of aquatic lives, the biotope has now become a habitat of hundreds of fish, offering peace of mind to employees.

\*Biotope, a coined word from "bio (life)" and "topos (place)," means a habitat or space where a variety of living beings live together.



## TOPICS

### Sanoh products are adopted for a new Toyota bZ series model "bZ4X"

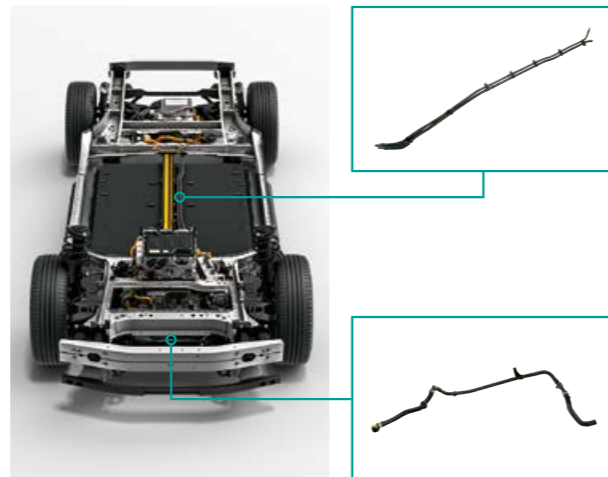
Our plastic cooling water tubing products have been adopted for a new "bZ4X" model of Toyota Motor Corporation.

The bZ4X is the first SUV-type battery-electric vehicle (BEV) in Toyota's bZ series and developed based on its dedicated BEV platform. Toyota Motor Corporation will promote the deployment of BEVs in its full lineup starting with this bZ4X.

The shift to electrification of automobiles will expand the markets for motors, batteries, inverters and PCUs. All these electric vehicle components will require high-performance cooling capabilities.

Sanoh will aim to expand our thermal solutions business, including thermal dissipation, heat recovery and effective use of heat, by leveraging our strengths in optimal design and production of products from tubing to heat exchangers so that our products will be adopted for every electric vehicle. By doing so, we will contribute to carbon neutrality in society.

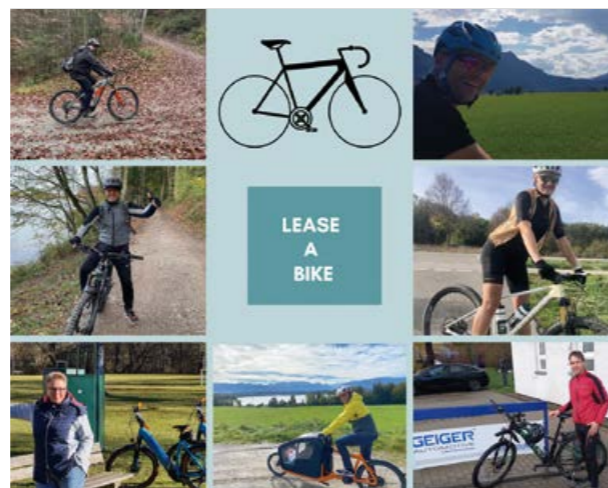
#### Products adopted this time and where they are used



### Group company makes environmental efforts

Geiger Automotive GmbH, a company in the Sanoh Group, has been certified for its environmental and energy management systems under ISO 14001 and ISO 50001, respectively.

As part of its environmental efforts, in order to reduce CO<sub>2</sub> emissions, Geiger Automotive is promoting the switching of company-owned cars to electric vehicles and the use of a rental cycle service "JobRad" among employees for commuting. We will continue to actively work on environmental conservation activities and increase its value to customers with sustainable, efficient, and reliable products.



## Social Engagement

### 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\* society, 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 industry and our customers 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 society
- Build stable supply chains that can withstand difficulties such as unexpected disasters

### Response to Conflict Minerals

The Group is promoting the procurement of components and materials that contain appropriate resources and raw materials. The Dodd-Frank Wall Street Reform and Consumer Protection Act, which was established in the United States as a financial regulation reform act to prevent the inflow of funds into inhumane armed groups, regulates the use of four types of minerals, namely tin, tantalum, tungsten, and gold mined in the designated regions.

At the request of customers for the disclosure of the use of conflict minerals in our products, the Company conducts a survey on the use of the designated minerals in our supply chain once a year, in cooperation with our suppliers.

We give a response to customers who requested the survey, while asking our suppliers to supply components that do not contain conflict minerals. We will, together with our suppliers, continue to strive for manufacturing products that do not contain conflict minerals.

As far as it goes, no conflict minerals have been used in our supply chain. If there is any concern about the possible use of conflict minerals as a result of the survey, we will take appropriate action to address the issue, in cooperation with our customers and suppliers.

### 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 an important factor in improving quality, and 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 and keep up with the turbulent changes of the times.

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.

#### FY2022 Quality Policy

- Perform work calmly and steadily without rushing
- Keep making small improvements
- Question conventional and routine processes
- Increase the speed and accuracy of information

### Global Quality Activities

Our factories in Japan have Quality Month events every November. Starting in FY2020, we expanded this initiative to our global network, and this has dramatically improved quality consciousness at our overseas locations. All of the employees in the Sanoh Group actively work together on quality improvement activities.

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 quality improvement activities, we will constantly launch new measures and implement global quality activities.

# Social Engagement

## Human Resources

We have identified human resources (= 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 Sangen Principle, or a Principle of Three Actuals ("Genba" (Actual Place), "Genbutsu" (Actual Thing), and "Genjitsu" (Actual Situation)) and Multi-skill Development

Under the influence of major recent events, including lockdowns due to the spread of COVID-19, a shortage in the supply of semiconductors, and the Ukraine crisis, rapid and significant fluctuations in automotive production have become a new normal. In the face of a severe workforce shortage, Japan's manufacturing industry is suffering from a high level of 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 resources 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 have introduced an on-site training program, starting from this fiscal year. This training program is targeted at all employees, regardless of their position or profession. In fact, our officers and senior management have initiated participation in the training. This program aims to not only improve 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 takes charge of the process. 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.

It is not an exaggeration to say that manufacturing begins from developing human resources. Under the COVID-19 pandemic, we invited an improvement professional as an employee of the Company and started to offer a lean production expert training course. In the first half of the training course, trainees receive classroom lectures and sit for an exam. After passing the exam, they receive on-site training in the second half. The trainees verify what they have learned from the classroom lectures on site, identify challenges to be addressed, and make improvements by setting KPIs. So far, 63 employees have participated in the course (first to fifth class), and those who passed the exam and on-site training have been certified as lean production experts.

We have also resumed and boosted joint initiatives with other companies that were temporarily suspended due to the COVID-19 pandemic. We are engaged in a joint "Manufacturing Innovation" activity with Toyota Motor and information and technological exchanges with neighboring manufacturing companies, as well as information exchange between personnel managers with such companies to actively adopt the good practices of other companies.

## Professional Human Resources Development

In order to survive in the VUCA age, when the future is unknown and unstable, it is more than ever required to maximize the abilities of individual employees and help them demonstrate such abilities. To this end, the Company



advocates developing individual employees into professionals by defining being a professional as "making achievements 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 growing in their abilities through inputs from training sessions and small-group workshops within the Company and accumulating experience by applying what they have learned to their work.

On top of enriching the content of existing level-based training, we will systematize all the internal education programs, including training provided by each division, and combine a selective training program for senior management candidates to be newly introduced with strategic rotation. By doing so, we will accelerate the improvement in the abilities of employees and the maximization of their outputs.

## Self-reform (Reskilling and Relearning)

We invite public figures to give lectures (Sanoh Colloquium), and have, so far, invited a Nobel Prize winner in Physics, Professor Shuji Nakamura, as well as the Company's Outside Director, Professor Akie Iriyama, and Ms. Kumiko Kouyama, who is working to revitalize the town of Sakai, adjacent to Koga City, Ibaraki Prefecture where our mother factory is located, through wine brewing. We were fortunate to listen to their lectures, which covered wide-ranging topics from their own challenges and research, and exchange opinions with them.

The Sanoh Academy, a human resources development platform established to develop specialists, currently provides training courses that allow trainees to study physics and statistics and learn knowledge and skills in the design thinking field systematically, supporting training sessions given by trainers from inside and outside the Company as well as learning and practices among employees.

The Sakura Campus, which reopened last year after renovation, has three spaces, namely, study space, group-working space, and maker space. The maker space is equipped with a 3D printer and other tools and devices so that employees can use the space for prototyping and studies.

We also launched the PC Skill-up Training courses with the aim of raising the digital skill levels of employees and discovering DX talent. We offer a full line of training



courses, including a course for on-site workers, Excel and macros training courses, and a course for mastering Microsoft 365. Trainees are able to capitalize on what they learned from these courses to improve their own operational efficiency as well as to improve their skills beyond occupational boundaries through the Communities of Practice (CoP). Communities recently set up by employees includes those to learn video editing and how to use 3D printers as well as those for a VBA workshop. The most distinctive feature of these communities is that employees themselves offer training sessions as internal trainers and give other employees training with their original content. Both trainers and trainees brainstorm ideas to evolve the training content into even better one day to day.

Taking advantage of such learning opportunities, employees actively share knowledge and skills beyond occupational boundaries.

## 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.

In FY2021, a female full-time auditor was elected for the first time, and the number of women in management positions increased from one to ten. In Japan, personnel from 13 countries have responsibilities at the section manager level or above.

At the same time, we asked the Diversity Promotion Center "Polaris" in the Ibaraki Prefecture, where our mother factory is located, to dispatch a trainer to provide training for changing the mindset in the Company as education on inclusion is essential for promoting diversity.

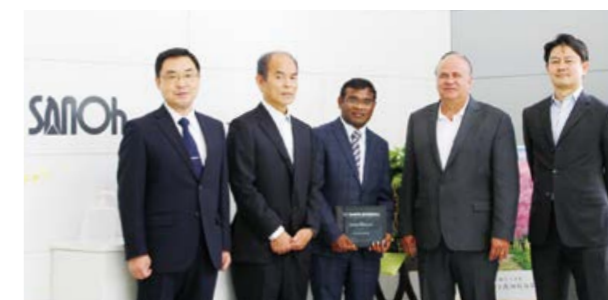
Further efforts are also being made to offer harassment training to a wide range of trainees, from officers and senior management to rank-and-file employees.

We will continue to recruit and promote human resources with the aim of building a more diverse human resource portfolio, as well as provide education and training to change the way of thinking within the Company.

## TOPICS

### Professor Shuji Nakamura visits Koga Factory

Professor Shuji Nakamura visited Sanoh's Koga Factory in June 2022. We held a discussion on our new businesses and received valuable comments on the creation of next generation core business. In addition, our personnel manager conducted an interview with Professor Nakamura with the main theme on how we should support its R&D personnel (employees) as a corporation. He provided us specific advice, mentioning his own experience and the examples of younger researchers.



### Sanoh holds Global Operations Conference

We held the Global Operations Conference in person for the first time in three years in early fall of 2022 when the Japanese government relaxed its border control measures. Employees at overseas subsidiaries and Head Office in Japan, who will shoulder Sanoh's next generation, gathered together to share our future vision as well as strategies and policies. Thanks to the inspiring discussions between individuals with diverse identities, we enjoyed spending fruitful time, while directly experiencing the importance of diversity.



Social Engagement

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. These systems have also helped us to swiftly respond to the outbreak of COVID-19 from 2020 and to continue business activities.

We also strive to make strides company-wide in reducing overtime working hours and taking annual paid leave and manage and supervise their implementation between labor and management on a monthly basis, thus improving QOL and creating workplace environments where work-family balance is possible. Furthermore, we have introduced reduced working hours and operate the Sakuranbo, a childcare facility adjacent to our mother Koga Factory, so that employees can continue to work and demonstrate their abilities to the fullest without worry even under various circumstances such as caring for children or other family members. To improve, in particular, the rate of childcare leave taken by male employees, which is also one of the social issues, we are making



active efforts to create workplace environments where male employees are encouraged to take childcare leave by providing employees with opportunities to make parent friends among employees and to exchange information between those who will raise their children in the future and those who have experienced child raising. In doing so, we called for the improvement through our online training program, intranet, and bulletin boards and held a round-table discussion on child raising, in addition to promptly revising our systems in line with legal amendments.

Engagement (Psychological Lively Scale) Improvement

Since we introduced an engagement survey in 2020, we have measured the score semi-annually. In this fiscal year, we revised the survey method to further visualize challenges we have and shorten the time span between results analysis and countermeasure implementation. At the same time, we changed the survey's name to the Engagement (Psychological Lively Scale) survey.

This engagement (psychological lively scale) is also 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. Therefore, a cross-divisional project team takes the initiatives in the whole process from survey, results analysis through to countermeasure implementation, working together with respective divisions. The concept of engagement (psychological lively scale) draws increasing attention year by year, and various improvement measures have been taken one after another.

The project team serves an internal liaison between different divisions and different locations by rolling out improvement measures taken by one division to other divisions and exchanging information with overseas locations on improvement measures. Speaking of a liaison, 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 helps form a link between different divisions and different locations. Sanoh will continue to put together an organization to improve engagement (psychological lively scale) among employees.

Human Capital Data

Category	Human capital disclosure items	FY2021 (non-consolidated)
Human resources development	Turnover rate	7.1%
	Number of employees with a PhD degree	21 persons*
	Training expenses per employee	¥6,455
Health and safety	Number of workplace accidents occurred	9 accidents
	Absence rate of employees	1.3%
Labor practices	Percentage of employees covered by collective bargaining agreements	52.9%*
	Gender pay gap (men's pay = 100)	60
D&I	Percentage of female employees	32.8%
	Percentage of women in management positions	5.8% (10 persons)*
	Number of nationalities of personnel in posts at the section management level or above	14*
	Total number of discrimination cases occurred during the period	None
Workstyles	Overtime working hours per month	9.1h
	Rate of annual paid leave taken	85%
	Days of annual paid leave taken	16.07 days
	Rate of childcare leave taken by male employees	9.4%
Other	Engagement score (max 5.0)	2.9

\*Figures marked with asterisk (\*) are data as of October 2022.

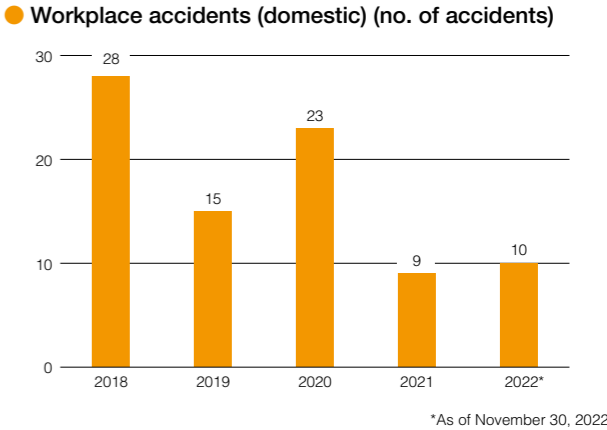
Safety and Hygiene

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 established the Basic Safety and Hygiene 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.

Basic Safety and Hygiene Principles

- Consider every employee as an asset, and establish safe and secure workplace environments
- Actively work to educate employees on occupational safety
- Endeavor to comply with safety and hygiene laws and regulations
- Maintain health and build comfortable workplace environments with cooperation between employees and companies



Safety and Hygiene Committee Initiatives

Sanoh has established the Safety and Hygiene Committee to develop a safety management system and strengthen recurrence prevention measures. By training human resources that can practice risk prediction and safety checks, we work to comply with laws and regulations and to improve occupational safety and hygiene performance.

Safety and Hygiene Committee members are assigned to domestic factories to identify and solve safety issues and problems, which aims to raise safety-consciousness of individual employees.

Global Initiatives

Sanoh has a mechanism to share the status of accidents occurred both in Japan and overseas across the company to prevent recurrence.

Starting in 2022, we make site visits in Southeast Asia and North America and share what challenges need to be addressed, local characteristics, and best practices related to safety and hygiene in order to pursue higher levels of safety and hygiene for the entire company.

Health Promotion Initiatives

We position the health of employees as an important asset for the Company. As such, we are focusing on preventing diseases by offering dental and gynecological checkups at all domestic factories, in addition to periodic health checkups.

The gynecological checkup is available not only to employees but also to their families. By doing so, we help employees and their families maintain and enhance their health and endeavor to create workplace environments where they can work more actively.

As part of our health promotion activities, we organized an online walk rally event for employees at all domestic factories, and 147 employees participated in the event. We published a ranking of the participants every day by counting how many steps they walked during a month period. The event became a good opportunity for employees to enjoy working on health promotion, with a focus on the number of steps and physical activity.

Promotion of Infectious Disease Countermeasures

In the face of the COVID-19 pandemic, we have formulated the action guidelines for employees and their families who have been diagnosed with or suspected of having the disease and published the guidelines to the entire company. Employees have access to an in-house consultation desk with occupational health nurses, and, if necessary, they can take an antigen test at home or at their workplace.

Furthermore, the Company began its workplace COVID-19 vaccination at the Koga Factory (Ibaraki Prefecture) in FY2020 to prevent the spread of infection. We have completed four vaccination programs to a total of 4,082 persons by November 2022. The workplace vaccination program is available for employees and persons living with them, as well as for persons from related companies and neighboring companies.

Through such efforts, we aim to establish a system that allows employees to act without worry, while enabling the maintenance of production activities and social functions.



## Social Engagement

### Local Community

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

### Japan

#### Removal of Digital Divide (Sanoh Communications)

Sanoh Communications Corp., one of the Group companies, entered into an agreement on cooperation in the removal of digital divide (gap) with Koga City, Ibaraki Prefecture on September 26, 2022.

Under the mission to “reduce the psychological barriers of companies and local communities through the combination of digital and nudge\* to co-create social value,” Sanoh Communications works together with Koga City to offer specific solutions (smartphone class, etc.) for citizens’ digital divide problems. We will continue to move forward with our corporate activities, while deepening our cooperation with local communities, so that we can work together to enhance our values.

\*A technique that uses insights from behavioral economics to encourage people to adopt certain behaviors or change their behaviors by giving a slight opportunity or getting creative



#### Holding of Dementia Supporters Training Session (Koga Factory)

On October 6, 2022, we held a Dementia Supporters Training Session (an on-demand lecturer given by Koga-City Council of Social Welfare) at the Koga Factory (Ibaraki Prefecture) to advance knowledge in dementia among employees.

It was a good opportunity to think about how we, as a company, can contribute to creating a local community where people can continue to live without worry, even for those with dementia, looking ahead to the coming of the super-aging society. Going forward, we will offer this training session for all employees.



#### Cleanup Event at Onga River (Kyushu Factory)

On October 9, 2022, employees at the Kyushu Factory (Fukuoka Prefecture), together with their families, participated in a cleanup event “I Love Onga River” held at the riverbed of the Onga River near the factory.

This is a wonderful event that offers participants from many local companies and organizations, school officials, and students an opportunity to enjoy cleaning up the Onga River in a friendly atmosphere.

We will continue to take part in natural environment conservation and beautification activities together with local residents in the future.



#### Koga Factory Awarded with Golden Order of Merit by Japanese Red Cross Society

On December 1, 2021, the Koga Factory (Ibaraki Prefecture) was awarded with the Golden Order of Merit\* by the Japanese Red Cross Society.

The award was granted in recognition of the factory’s long years of contribution to the Japanese Red Cross Society, including its blood donation program. The Koga Factory has long been actively cooperating in blood donation to the Red Cross and a total of more than 1,400 employees have donated their blood over the past ten years.

Even in the midst of the COVID-19 pandemic, the Koga Factory continued its blood donation twice a year, while taking thorough infection prevention measures, by receiving the same cooperation from employees as before.

The Company will continue to provide support for local medical services through our cooperation in blood donation.



\*The highest honor awarded with a decoration medal established as the Japanese Red Cross Society’s award program in 1885.

### Overseas

#### Donation Activity for Area Struck by Major Earthquake

On November 21, 2022, the West Java Province of Indonesia was hit by a magnitude 5.6 earthquake. PT. Sanoh made contacts with the worst hit region Cianjur and delivered necessary goods, such as tarps, milk for children, water, and rice to the affected areas. On November 26, we were able to hand the donated goods to those affected by the disaster in person.

PT. Sanoh has established the CSR program, under which it will continue to contribute to the local communities by giving donations not only to those affected by earthquakes, floods, and other natural disasters but also to scholarship programs for high-achieving children of its employees and students in neighboring schools.



### 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.

#### Financial Results Briefing Sessions

After announcing the second quarter and year-end financial results, we hold briefing sessions where the company representative explains financial results to analysts and institutional investors. In order to promote constructive communication with shareholders and investors, we also engage in dialogue through a system of collaboration among the IR, finance, and management planning divisions. If necessary, we also conduct interviews, etc. with officers in charge.

#### 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.



IR Information

<https://www.sanoh.com/ja/ir/>



Shareholder newsletter



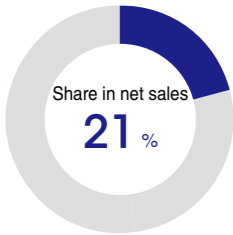
Website

## 11-Year Financial Summary

		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>P/L</b>	(¥ million)											
Net sales		76,100	92,044	104,786	130,627	133,968	133,794	138,724	140,456	142,707	113,657	115,940
Operating profit		3,277	3,625	4,612	5,840	6,441	6,004	4,297	2,067	5,452	3,486	2,183
Ordinary profit		2,853	3,339	4,774	5,123	4,389	5,389	4,140	1,435	4,725	3,766	2,584
Profit attributable to owners of parent		856	1,629	2,188	1,577	(724)	1,074	4,935	(8,525)	2,177	3,630	1,009
Comprehensive income		112	4,150	5,828	4,835	(5,625)	1,444	11,669	(10,103)	963	3,146	7,385
Net cash provided by (used in) operating activities		4,376	947	6,487	10,111	11,707	10,383	8,617	5,414	8,867	7,887	3,340
Net cash provided by (used in) investing activities		(5,511)	(6,568)	(11,978)	(8,799)	(8,234)	(8,586)	(10,508)	(8,308)	(4,360)	(260)	(5,652)
Net cash provided by (used in) financing activities		649	1,633	5,477	1,984	(1,282)	(2,219)	4,734	3,814	(4,246)	(8,789)	813
Cash and cash equivalents at end of period		11,178	7,710	8,177	11,528	13,015	11,924	15,060	15,505	15,917	14,418	13,404
Capital expenditures		5,541	6,889	7,629	7,919	8,202	8,678	10,814	9,348	7,462	3,452	5,568
Depreciation		4,136	4,226	5,167	6,000	6,579	5,573	6,012	6,270	5,520	5,340	5,245
Research and development expenses		1,810	2,094	2,394	2,965	2,978	2,936	1,595	1,018	1,122	1,280	1,736
<b>Financial Position</b>	(¥ million)											
Total assets		70,768	74,873	97,403	108,745	104,234	104,219	105,667	102,152	94,598	86,860	96,437
Net assets		35,106	38,512	39,751	43,357	35,088	35,581	46,107	34,646	33,972	35,478	41,682
Property, plant and equipment		23,275	26,405	33,413	37,109	32,779	32,686	35,140	31,447	31,816	28,629	30,047
Interest-bearing liabilities		7,656	10,752	20,585	24,476	25,183	23,268	29,855	35,878	33,266	26,016	28,677
Shareholders' equity		33,575	36,374	37,986	40,293	33,157	33,291	42,871	30,985	30,295	32,716	38,643
<b>Per Share Data</b>	(¥)											
Profit		23.45	44.76	60.11	43.32	(19.90)	29.50	135.60	(234.24)	59.82	100.16	27.91
Dividends		19	21	22	23	24	24	25	25	17	15	25
Net assets		922.49	999.41	1,016.84	1,107.09	911.02	914.71	1,177.92	851.34	832.38	905.57	1,069.43
<b>Financial Indicators</b>												
Operating profit to net sales	(%)	4.5	3.9	4.4	4.5	4.8	4.5	3.1	1.5	3.8	3.1	1.9
Shareholders' equity ratio	(%)	47.4	48.6	38.0	37.1	31.8	31.9	40.6	30.3	32.0	37.7	40.1
Return on equity ratio	(%)	2.5	4.7	6.0	4.1	(2.0)	3.2	13.0	(23.1)	7.1	11.5	2.8
Return on total assets ratio	(%)	4.1	4.6	5.5	5.0	4.1	5.2	3.9	1.4	4.8	4.2	2.8
Price earnings ratio	(times)	30.06	14.30	10.75	19.99	—	28.20	5.52	—	11.43	12.90	25.08
<b>Non-financial Data</b>												
Number of employees	(persons)	5,301	6,521	7,444	7,808	8,242	8,581	8,650	8,884	8,839	8,132	7,701
Percentage of mid-career hires among all regular workers (non-consolidated)	(%)	—	—	—	—	—	—	—	90.3	84.7	43.8	97.1
Number of patents owned	(cases)	281	297	325	350	353	334	348	369	390	418	394
CO <sub>2</sub> emissions	(t-CO <sub>2</sub> )	41,739	48,298	57,168	60,326	73,375	78,734	82,787	85,123	80,454	70,310	70,697
Waste generation	(t)	12,830	12,830	12,830	13,740	15,428	17,150	18,542	18,808	15,662	12,878	12,717

Overview of Business Performance by Region

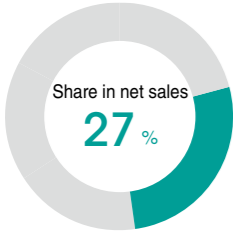
Japan



Products

Steel tubing  
Plastic tubing  
Automotive tubing  
Powertrain  
Environment and safety

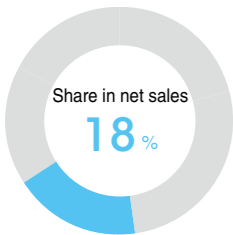
Americas



Products

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

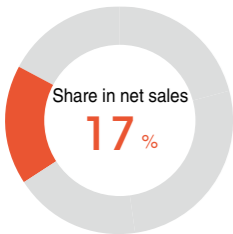
Europe



Products

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

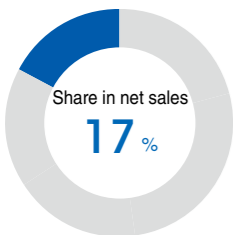
China



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 Automotive tubing

Overview of FY2021 business performance

- Net sales decreased due to a decline in production attributable to the supply problems with semiconductors and plastic materials. Despite being adversely affected by soaring production costs, such as material prices and electricity costs, operating profit improved as the negative impact was more than offset by the effects of continued fixed cost reduction since the previous fiscal year.

Overview of FY2021 business performance

- While net sales decreased on a local currency basis due to a decline in production resulting from the shortage of semiconductors and disruptions in the entire supply chain, net sales increased as a result of foreign currency translation. The Company posted an operating loss mainly due to the disruptions in logistics networks, a rise in transportation costs, inflation in materials and other costs, and an increase in labor costs against a backdrop of workforce shortage.

Overview of FY2021 business performance

- While net sales decreased on a local currency basis due to a production decrease mainly attributable to the shortage of semiconductors, net sales increased as a result of foreign currency translation. Operating profit decreased due to the impact of unexpected production adjustments at automotive manufacturers as well as a hike in raw material prices.

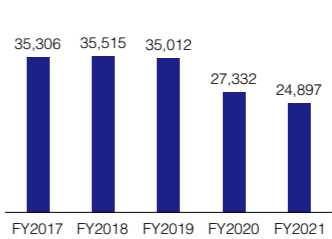
Overview of FY2021 business performance

- Despite a recovery from the adverse effects of the spread of COVID-19, net sales remained at the previous fiscal year's level due to a decline in production attributable to the supply problems with semiconductors and other components. Operating profit increased due to the effects of continued cost reduction.

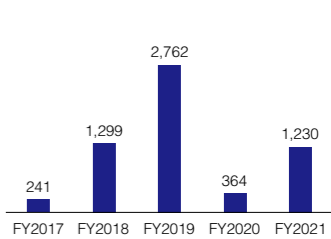
Overview of FY2021 business performance

- Despite being affected by a decrease in customers' production attributable to the impact of the spread of COVID-19 and the supply shortage of semiconductors, net sales increased as a result of a recovery from the previous fiscal year's significant production decrease. Operating profit recovered significantly due to the effects of continued efforts to reduce labor and other fixed costs.

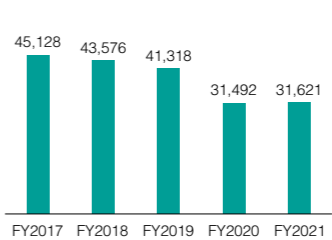
Net sales (¥ million)



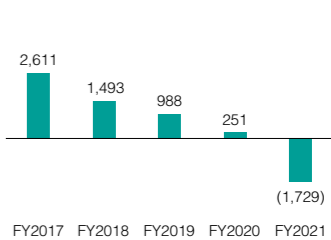
Operating profit (¥ million)



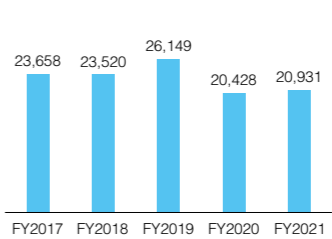
Net sales (¥ million)



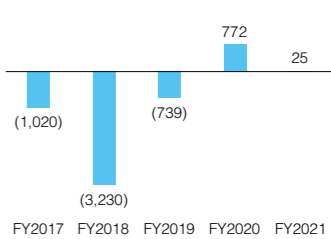
Operating profit (¥ million)



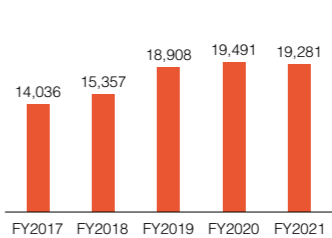
Net sales (¥ million)



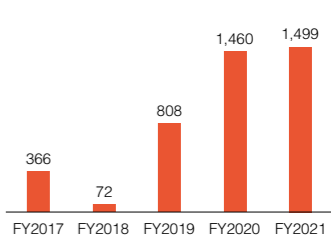
Operating profit (¥ million)



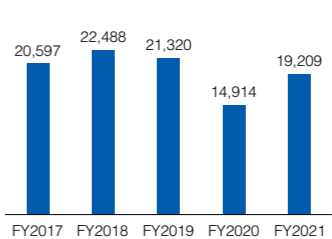
Net sales (¥ million)



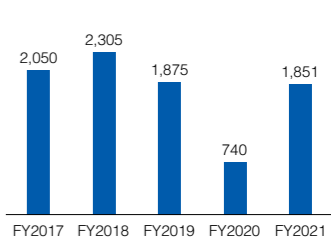
Operating profit (¥ million)



Net sales (¥ million)



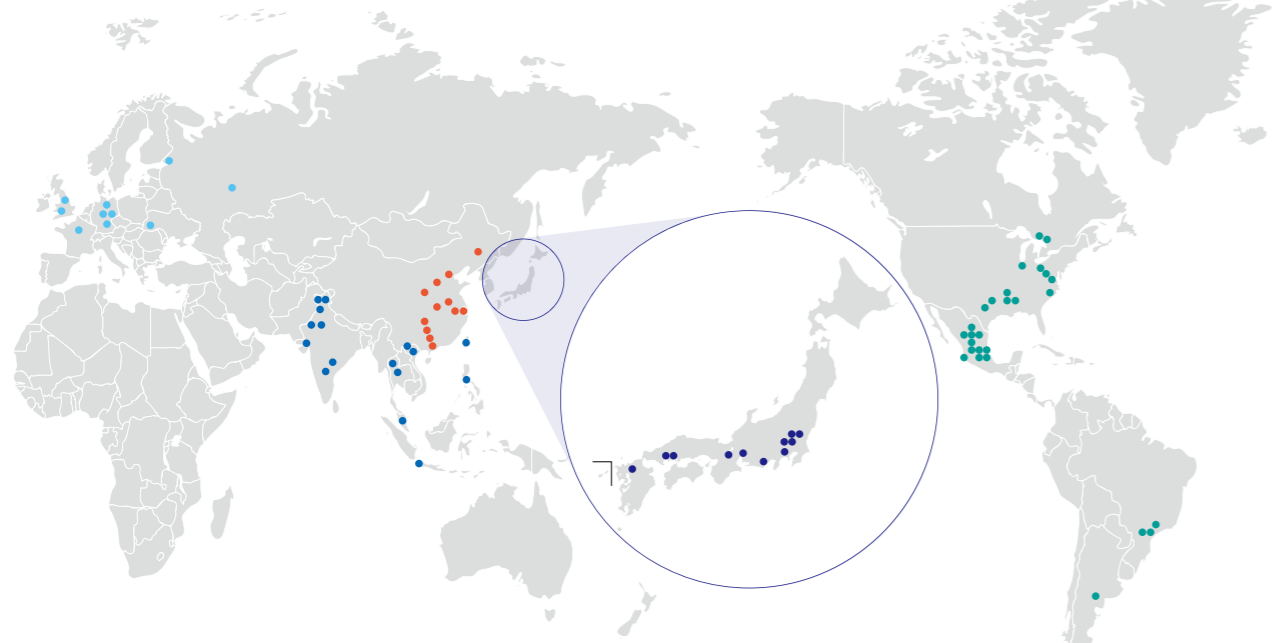
Operating profit (¥ million)



Company Overview

Trade name	Sanoh Industrial Co., Ltd.	Main products	Brake tube-related products
Founded	March 24, 1939		Fuel-related products
Capital	3,481,100,000 yen		Seat belt-related products
Number of employees	7,701 (consolidated basis)		Thermal solutions (heat exchange-related products)

Global Network



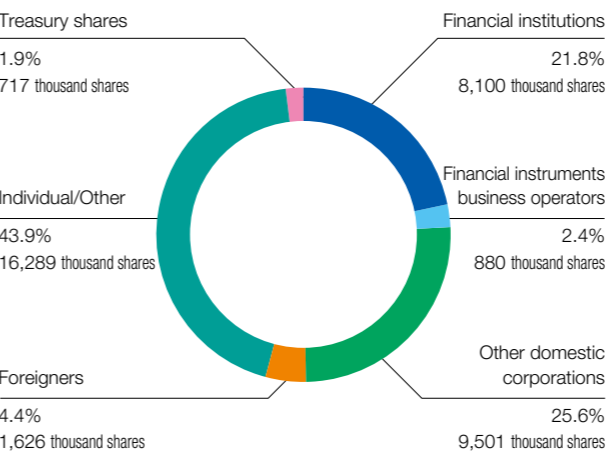
- **Domestic Factories**  
Koga Factory  
Saitama Factory  
Shiga Factory  
Kyushu Factory
- **Domestic Sales Offices**  
Chubu Sales Office, Nagoya Office  
Chubu Sales Office, Hamamatsu Office  
Nishinohon Sales Office
- **Domestic Affiliates**  
Fulton Products Industrial Co., Ltd.  
Fulton Seiki 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) EURL  
Sanoh Magyar Kft.  
Sanoh Volga Limited Liability Company  
Sanoh Europe GmbH
  - **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**
- **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	17,290
Stock exchange listing	Tokyo Stock Exchange
Code number	6584
Shareholder registry administrator	Mitsubishi UFJ Trust and Banking Corporation

Breakdown of Shareholders

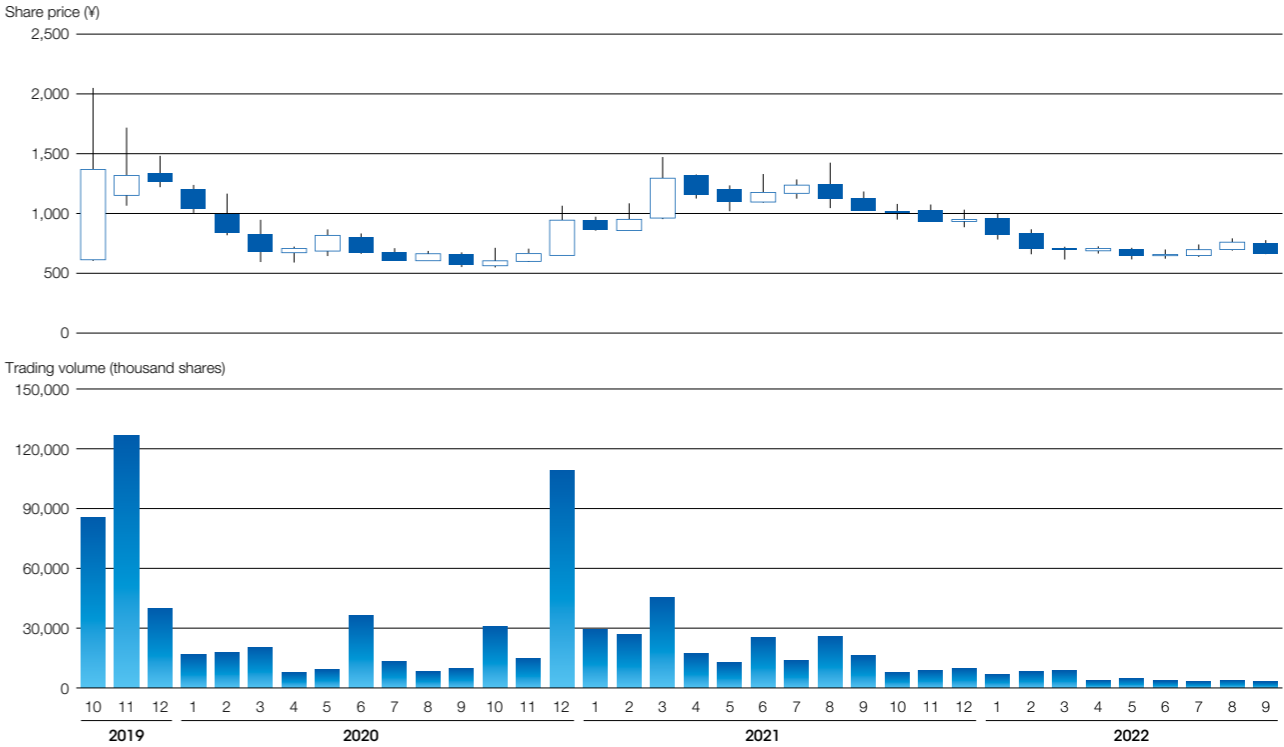


Major Shareholders

Name of shareholder	Number of shares held (thousand shares)	Ownership percentage (%)
The Master Trust Bank of Japan, Ltd. (trust account)	3,695	10.15
Shinsho Corporation	2,212	6.08
Honda Motor Co., Ltd.	2,000	5.50
Suzuki Motor Corporation	1,600	4.40
Takeda Corporation Y.K.	1,500	4.12
MUFG Bank, Ltd.	1,419	3.90
Custody Bank of Japan, Ltd. (trust account)	1,280	3.52
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 (717,383 shares) from the number of shares issued.

Historical Share Price and Trading Volume





<https://www.sanoh.com>