

Sanyo Trading Co., Ltd. Fiscal Year Ended September 2025 Full-Year Financial Results Briefing Q&A Summary

[Date]: Monday, November 17, 2025, 1:00 PM - 2:00 PM

[Speakers]: Masanobu Shintani, President & CEO

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Corporate Planning Department

Q) While setting a PBR of 1x or higher as a financial target, the PBR has remained below 1x. Please present a concrete improvement plan.

- A) We are obviously not happy with the situation where the PBR currently stands at approximately 0.85. There are no magical-touch fix to improve the PBR. It is crucial that the market accurately understands our company's actual situation, and to achieve this, we will conduct standard IR activities. As exemplified by the segment changes starting in the fiscal year ending September 2025, we will advance disclosure to enhance transparency. We believe that if our profitability and growth potential are properly understood, the PBR will not remain below 1.

Additionally, we have posted materials today on our website regarding "Management Focused on Capital Costs and Share Price." We will actively utilize external capital for growth and increase leverage. Regarding asset turn, our sales divisions are working with CCC as a key performance indicator (KPI). Alongside these efforts, by mobilizing all possible measures—such as enhancing recognition and liquidity—we believe a PBR above 1x will become the norm.

Q) Operating profit is projected to decline for the fiscal year ending September 2025 and again for the fiscal year ending September 2026, marking two consecutive years of decline. Please share your outlook for achieving the 9 billion yen operating profit target during the final two years of the long-term management plan.

- A) As previously explained, the fiscal year ending September 2026 will mark a transitional period for project-based revenue recognition, resulting in a temporary plateau. However, numerous initiatives must be implemented to achieve our targets for the fiscal year ending September 2028. We believe these can be fully realized if they bear fruit in the fiscal years ending September 2027 and September 2028. The entire company is committed to steadily advancing the themes, challenges, and new businesses currently identified.

Q) Regarding the enhancement of human capital, one of the key objectives of SV2028, please provide specific targets and the means to achieve them.

- A) First, we are advancing the delegation of discretion and authority to the front lines, thereby enhancing employee motivation and self-actualization. Furthermore, we prioritize fair and open personnel evaluations based on meritocracy and performance-based systems, instead of seniority, to ensure convincing compensation. This approach focuses on retaining and stabilizing the talent we recruit. We are creating an environment where each individual can grow as a self-motivated employee, thriving and excitedly pursuing self-actualization.

The most crucial aspect of human capital management is the perspective of providing added value to our customers. It is our employees who realize and deliver this value, and fostering their growth is essential. One method for this is employee training. We cultivate self-motivated employees and have established training systems tailored to each age group. Creating a workplace environment where employees can thrive is also vital, which is why we implement our initiative called "Sanyo Work Style." By advancing these efforts comprehensively, we are realizing our unique approach to human capital management. Regarding human capital, we plan to create separate opportunities to explain this in more detail going forward.

Q) Please share your perspective on the response policy regarding the TOPIX review.

- A) We recognize this as an important management theme. Since it is determined by the market capitalization of free-floating shares, liquidity and market capitalization naturally become key factors. Therefore, the first countermeasure is, of course, to improve liquidity. The second is to raise brand awareness. If a company is not recognized, its corporate value will not increase no matter how good its fundamentals are. The third point is raising the stock price. To achieve this, there are two key points. One is shareholder returns, achieved through the policy mix of dividends and share repurchases. The other is growth. We have outlined various growth strategies, and it is crucial to thoroughly explain these to market participants, gain their understanding, and then deliver on that growth. In summary, I believe the measures for TOPIX eligibility boil down to enhancing our brand awareness and liquidity, along with shareholder returns and growth to boost the stock price.

Q) Regarding the acquisition of all shares in EMAS, it was explained that it will serve as a platform in the mobility domain. Could you elaborate on the effects this will have on the Industrial Products segment? Also, if there are any examples where you felt EMAS's corporate culture aligns closely with ours, please share them.

- A) Our mobility business has traditionally held significant strengths in supplying interior components mainly to Japanese OEMs. The acquisition of EMAS means we will now enter new markets within the automotive industry. We see great potential to leverage our existing connections to engage in aftermarket businesses in new markets and overseas markets.
- EMAS's management policy of valuing employees is the owner's principle. During my visit, through various conversations and discussions at the company office, I felt firsthand that this aligns very closely with the company culture and philosophy.

Q) You mentioned there are no secret strategies for PBR measures, but would shareholder benefits or similar return measures be considered?

- A) I believe there are three primary approaches to profit distribution for the company. One is investment for growth. Another is debt repayment. And the third is shareholder returns. Shareholder benefits are naturally included as an option within shareholder returns. However, the specific combination of dividends, share repurchases, and shareholder benefits, along with the timing of their implementation, will be determined through appropriate management decisions, taking into account stock prices and various other parameters.

Q) Regarding shareholder returns, more companies are now disclosing dividend policies that factor in share repurchases, such as their total return ratio. Could you share your company's future policy?

A) This partially overlaps with my earlier response, but first, we believe shareholder returns, including dividends, are extremely important. As explained, our cash allocation has two categories: growth and shareholder returns. For dividends, we have stated a payout ratio of 30% or higher and a progressive dividend policy. This represents our minimum commitment during the SV2028 period. Regarding other measures, particularly share repurchases, we will consider flexible responses based on the prevailing stock price and various factors, monitoring the situation. Thus, we are considering total shareholder returns through all three means mentioned earlier.

Q) Comparing changes in gross profit to changes in SG&A expenses, the increase in SG&A has outpaced the growth in gross profit. Please explain the reasons for this.

A) Please refer to the waterfall chart on page 5 of the briefing materials. Growth investment is the main factor. Gross profit increased 1.5% year-on-year, while selling, general and administrative expenses increased 6.4%. The main factors are the renewal of ERP and increased personnel expenses. Subsidies and personnel increases to accelerate the fruition of potential core businesses are all investments for growth.

Q) Expanding business with non-Japanese companies seems difficult due to market conditions. Please tell us about your strategy for non-Japanese business.

A) While I cannot disclose specific ratios, our current business is overwhelmingly focused on Japanese clients. Within this context, we have adopted a policy to increase business with non-Japanese clients overseas. Specifically, in China, we are advancing our adhesive business leveraging past business connections. Our approach is to synergistically enhance our existing network and our strength in automotive industry connections to comprehensively promote non-Japanese business. Regarding EMAS, our aftermarket business already includes many non-Japanese customers. Furthermore, negotiations for our potential core business, Circular Material "Quartech" (environmentally friendly surface materials), are moving forward with non-Japanese automotive companies. As these projects bear fruit, we anticipate the non-Japanese ratio to increase, particularly in the automotive segment.

That concludes my remarks.