

# TOYO Corporation

(Tokyo Stock Exchange Prime: 8151)

## Financial Results for the First Quarter of the Fiscal Year Ending September 2024

February 14, 2024

 **TOYO Corporation**

Quest for Precision

- 1. Financial Results for the First Quarter of the Fiscal Year Ending September 2024**
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# 1. Financial Results for the First Quarter of the Fiscal Year Ending September 2024

# Financial Highlights for the First Quarter of the Fiscal Year Ending September 2024

## ✓ Net sales:

· A large-scale project in the U.S. for AD/ADAS,\* which had been delayed, was posted.

**This led to a significant growth in the Mechatronics / Noise & Vibration / Sensors business segment.**

· In response to brisk growth in the carbon neutral field,

**the Physics / Energies business segment remained solid.**

## ✓ Operating income :

· **The impact of exchange rate fluctuations was curtailed** through foreign exchange forward contracts.

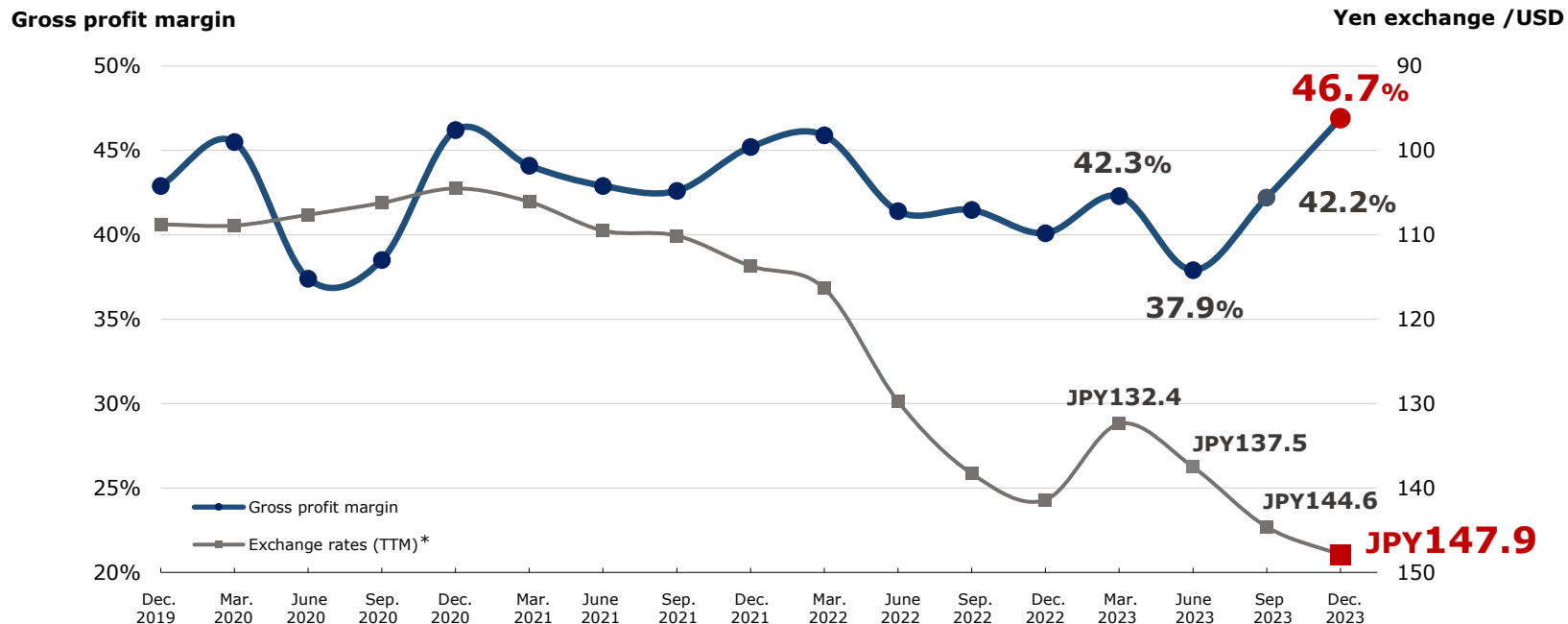
· **Selling, general and administrative (SG&A) expenses remained at the same level** as those of the same quarter of the previous fiscal year.

(Unit: 100 million yen)	First Quarter of the fiscal year ended September 2023 Actual	First Quarter of the Fiscal Year ending September 2024 Actual	Change from the same quarter of the preceding fiscal year	
			Amount of change	Rate of change
Net sales	55.1	69.4	+14.3	+26.0%
Operating profit	(1.6)	7.3	+8.9	-
Operating profit margin	-	10.5%	-	-
Ordinary profit	(2.6)	6.7	+9.3	-
Profit attributable to owners of parent	(1.8)	6.5	+8.3	-

\*Note: AD = Autonomous Driving, ADAS = Advanced Driver-Assistance Systems

# Exchange Rates and Gross Profit Margins

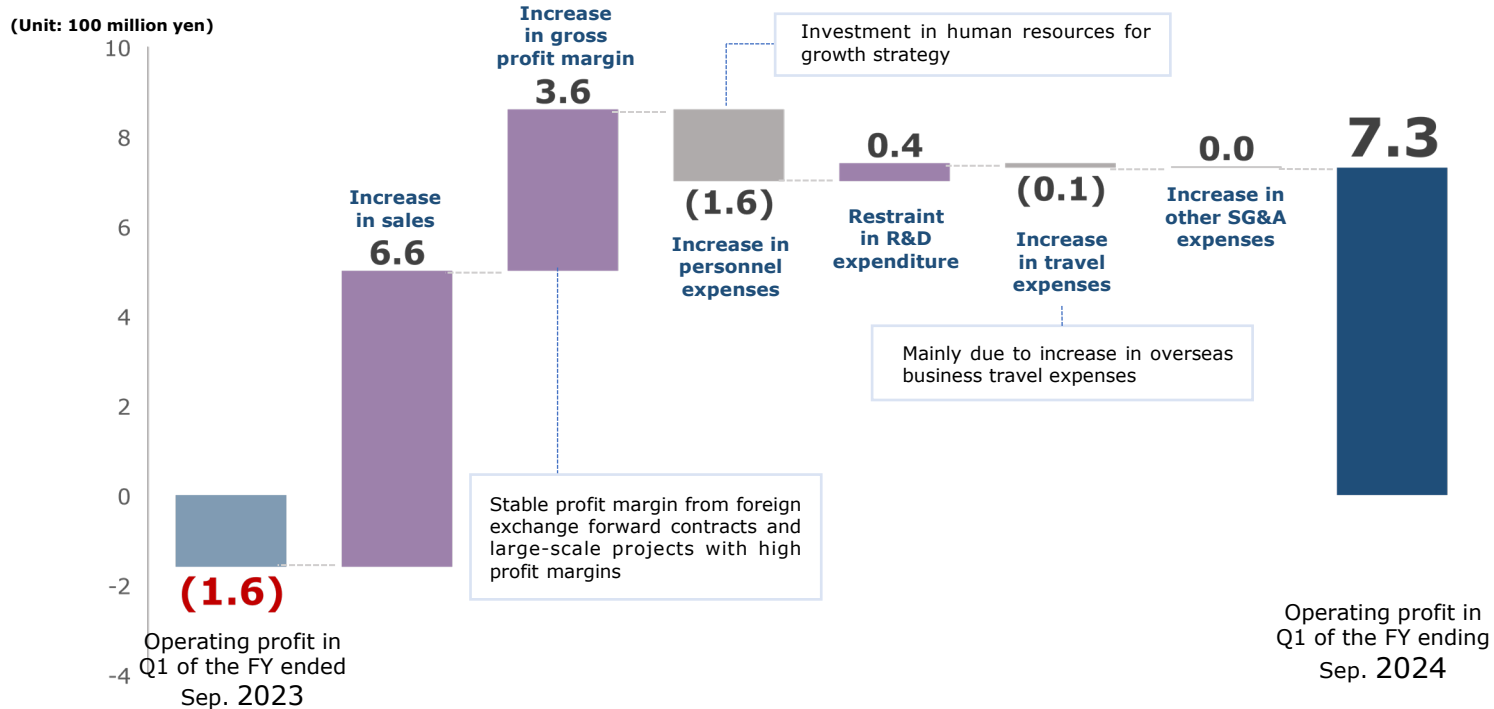
The yen continued to depreciate, but the gross profit margin rose to 46.7% due to an increase in high-profit margin projects.



\*Note: Average rate per 3 months

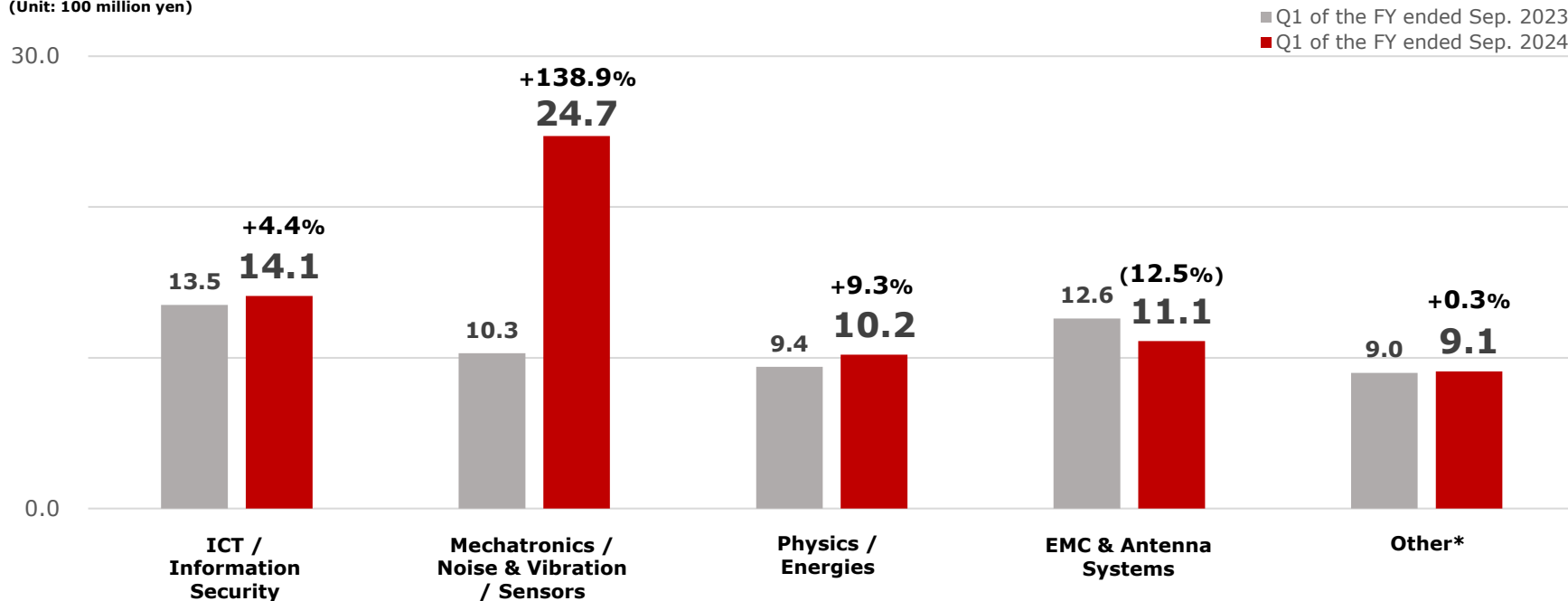
# Factors behind Changes in Operating Profit (compared to the same quarter of the previous fiscal year)

## Significant increase in operating profit due to higher sales and gross profit margin



# Summary of Net Sales by Business Segment

(Unit: 100 million yen)



\*Note: Other includes 3 business segments: Ocean / Defense & Security, Software Quality & Productivity, and Life Science.

# Net Sales and Profit Analysis by Business Segment

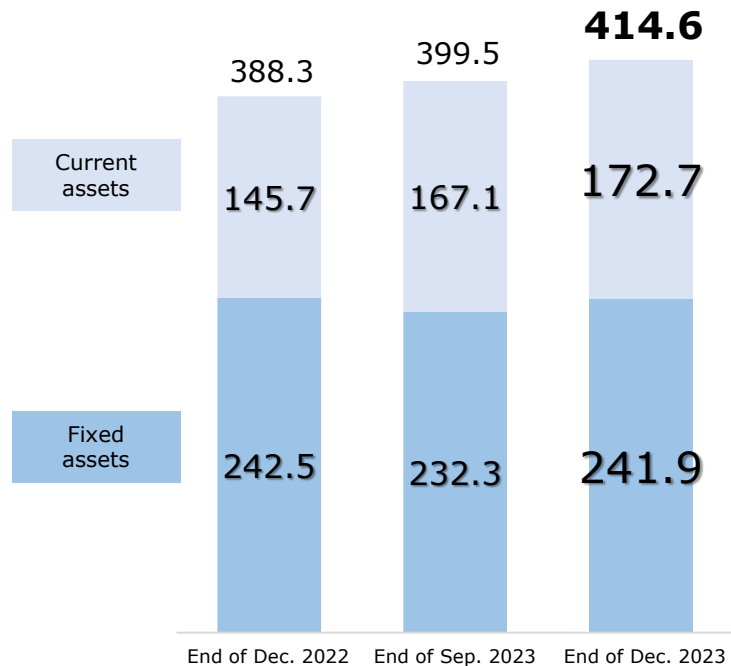
(Unit: 100 million yen)		Q1 of the FY ended Sep. 2023 Actual	Q1 of the FY ending Sep. 2024 Actual	Change from the previous FY		Review of Operations
				Amount of change	Rate of change	
ICT/ Information Security	Net sales	13.5	14.1	+0.6	+4.4%	■Service provider projects in the cloud service field remained strong.
	Segment profit	(0.0)	0.1	+0.1	-	■Demand for testing and facilities for 5G commercial services in the ICT field remained sluggish.
	Profit ratio	-	0.7%	-	-	
Mechatronics / Noise & Vibration / Sensors	Net sales	10.3	24.7	+14.4	+138.9%	■Significant increases in both net sales and segment profit are the result of the delivery of a large-scale project to develop AD/ADAS in the US.
	Segment profit	0.4	8.8	+8.4	+1923.7%	■The considerable improvement in profit margin is due to price revisions and high profit margin projects.
	Profit ratio	3.9%	35.6%	+31.7P	-	
Physics / Energies	Net sales	9.4	10.2	+0.8	+9.3%	■Strong sales were recorded for measurement systems for the development of next-generation batteries and for basic electrochemical measurements, including those developed in-house.
	Segment profit	(0.3)	0.2	+0.5	-	■Both net sales and segment profit increased.
	Profit ratio	-	2.0%	-	-	
EMC & Antenna Systems	Net sales	12.6	11.1	(1.5)	(12.5%)	■Net sales decreased compared to the same quarter of the previous fiscal year, when shipments increased after the Covid-19 situation eased in China.
	Segment profit	0.6	1.0	+0.4	+59.1%	■Segment profit increased as SG&A expenses decreased due to the completion of in-house development investments.
	Profit ratio	4.8%	9.0%	+4.2P	-	
Other	Net sales	9.0	9.1	+0.1	+0.3%	■In the Software Quality & Productivity business segment, game-related businesses remained strong.
	Segment profit	1.0	0.8	(0.2)	(17.1%)	■In the Ocean / Defense & Security business segment, sales decreased compared with the same quarter of the previous fiscal year when large-scale projects were booked. SG&A expenses increased due to upfront investments to expand sales.
	Profit ratio	11.1%	8.8%	(2.3P)	-	



# Major items of Consolidated Balance Sheets

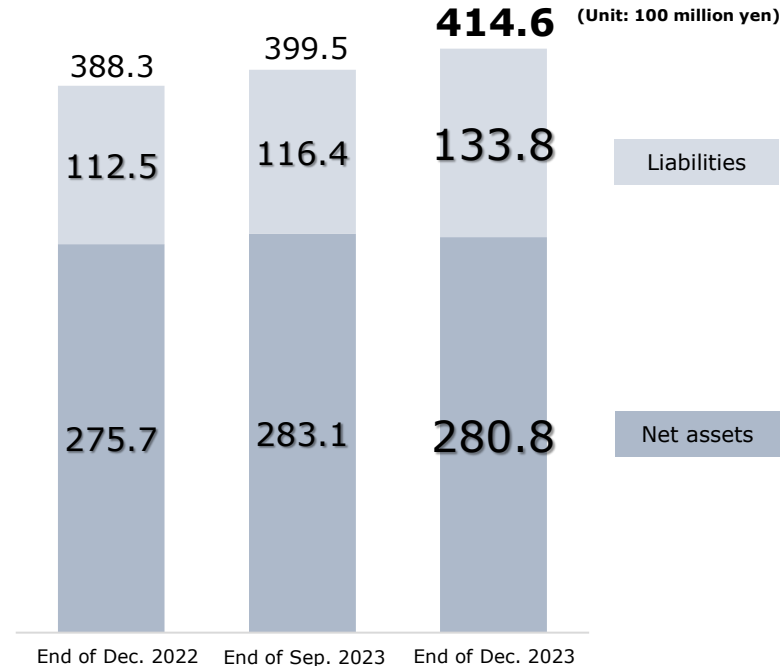
## Total assets

- Increase in "Goodwill," "Merchandise and finished goods," and "Construction in progress"
- Decrease in "Investment securities" and "Notes and accounts receivable -trade and contract assets"



## Liabilities and Net Assets

- Increase in "Short-term borrowings" and "Notes and accounts payable-trade"
- Decrease in net assets due to decrease in "Deferred gains or losses on hedges" and "Retained earnings"



## 2. Orders Received and Order Backlog

## ✓ Orders received :

· In the Ocean / Defense & Security business segment, the level of orders received increased significantly due to a large-scale project. Companywide, however, **the level of orders received remained the same as in Q1 of the previous fiscal year**, due in part to a large order received in Q1 of the previous fiscal year in the Mechatronics / Noise & Vibration / Sensors business segment.

## ✓ Order Backlog :

· **Order backlog accumulated further** despite the delivery of large-scale projects in Q1 of the current fiscal year, and **order backlog remained at the record high level.**

(Unit: 100 million yen)	Q1 of the FY ended September 2023 Actual	Q1 of the FY ending September 2024 Actual	Change from Q1 of the previous FY	
			Amount of change	Rate of change
Orders received	77.4	75.7	(1.7)	(2.3%)
Order Backlog	177.8	190.9	+13.1	+7.4%

# Orders Received/Order Backlog Analysis by Business Segment

(Unit: 100 million yen)		Q1 of the FY ended Sep. 2023 Actual	Q1 of the FY ending Sep. 2024 Actual	From Q1 of the previous FY		Review of Operations
				Amount of change	Rate of change	
ICT/ Information Security	Orders received	16.8	16.8	+0.0	+0.3%	■ In the ICT field, orders received and order backlog continued to be sluggish for 5G commercial services. Both orders received and order backlog remained unchanged from Q1 of the previous FY.
	Order Backlog	29.7	33.2	+3.5	+11.8%	■ In the information security field, the order amount was smaller than in the same quarter of the previous FY, when large orders were received.
Mechatronics / Noise & Vibration / Sensors	Orders received	20.4	14.0	(6.4)	(31.3%)	■ Order amount decreased compared to the same quarter of the previous FY, when large orders were received.
	Order Backlog	35.1	25.6	(9.5)	(27.0%)	■ Order backlog also declined as a result of the delivery of a large-scale project to develop AD/ADAS in the United States in the Q1 of the FY under review.
Physics / Energies	Orders received	22.0	23.5	+1.5	+6.7%	■ Orders for basic electrochemical measurement systems remained firm.
	Order Backlog	50.8	72.9	+22.1	+43.3%	■ Order backlog increased significantly following the receipt of a large order for a valuation bench for aircraft electrification.
EMC & Antenna Systems	Orders received	10.6	7.9	(2.7)	(25.9%)	■ Orders in EMC field remained sluggish due to fierce price-competition which was impacted by the weak yen.
	Order Backlog	41.6	28.3	(13.3)	(31.8%)	■ Competitiveness will be enhanced by launching products developed in-house amid flat market trends.
Other	Orders received	7.4	13.3	+5.9	+77.8%	■ Both order amount and backlog increased significantly due to the receipt of large-scale orders in the Defense & Security field.
	Order Backlog	20.4	30.7	+10.3	+50.4%	■ Game-related business remained strong.

# 3. Forecast for the Fiscal Year ending September 2024

# Forecast for the Fiscal Year ending September 2024

**No revision to announced figures at present; steady progress is being made toward achieving the plan. Significant year-on-year increases are forecast in net sales, operating profit, ordinary profit, and profit attributable to owners of parent.**

(Unit: 100 million yen)	FY ended Sep. 2022 Actual	FY ended Sep. 2023 Actual	FY ending Sep. 2024 Forecast	Change from the previous FY	
				Amount of change	Rate of change
Net sales	264.9	281.7	320.0	+38.3	+13.6%
Operating profit	23.3	14.7	30.0	+15.3	+103.8%
Operating profit margin	8.8%	5.2%	9.4%	+4.2P	-
Ordinary profit	27.7	18.0	32.0	+14.0	+77.7%
Profit attributable to owners of parent	19.1	15.3	23.0	+7.7	+49.9%
ROE	6.5%	5.3%	8.0%	-	-

✓ **Medium-Term Management Plan “TY2024” Target Revised Up to JPY 32 billion in Net Sales**

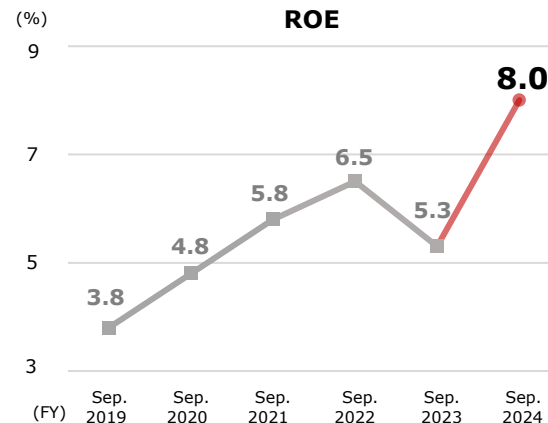
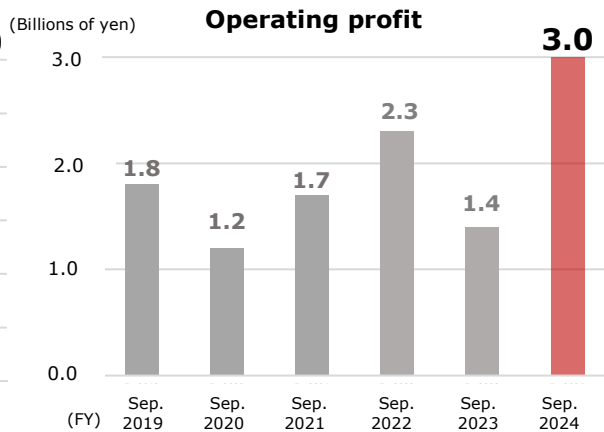
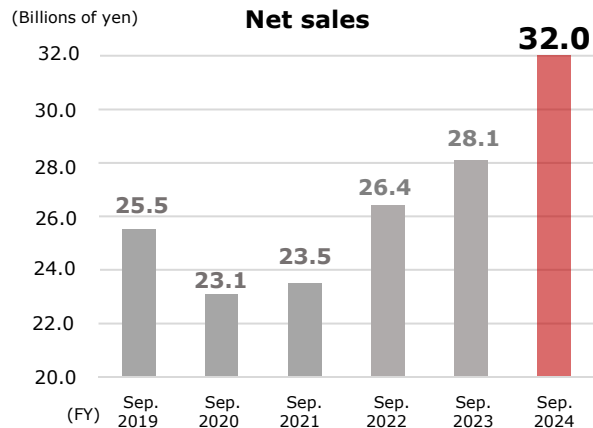
- Further expansion of the robust physics/energies business segment and sales growth through active M&A

✓ **Operating profit forecast to double YoY despite the shortfall of the medium-term plan target**

- Operating profit is forecast to be 204% (compared to the previous FY) due to sales expansion and a larger proportion of high-profit margin projects, although the medium-term plan target of 3.5 billion (operating profit) is unlikely to be achieved because of an increase in procurement costs due to the continued depreciation of the Japanese yen and an increase in SG&A expenses (securing human resources for growth investments).

✓ **Target ROE 8% to be achieved**

- We continue to expand profit and streamline equity by actively returning profits to shareholders.



# 4. Recent Initiatives to Enhance Corporate Value



## Acquisition of 100% of shares in Rototest International AB (Sweden)

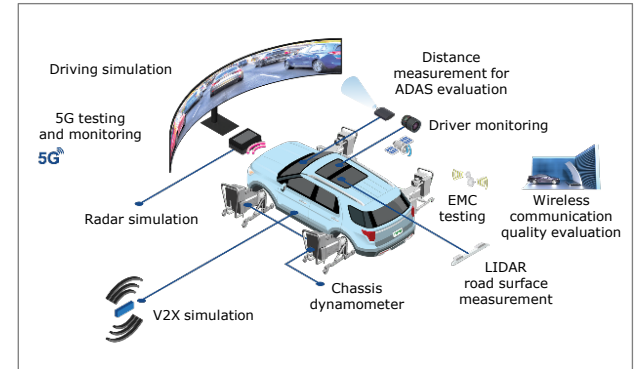
(Date of acquisition: November 30, 2023)

### [Mechatronics / Noise & Vibration / Sensors]

- Distribution Agreement was concluded in 2016 and TOYO started distributing “ROTOTEST Energy,” a hub-connected chassis dynamometer system.
- **We are currently providing “Driving & Motion Test System (DMTS),” an integrated system developed by TOYO** which combines ROTOTEST Energy with radar simulator and camera simulator.
- **The acquisition has made the chassis dynamometer system a product of TOYO group.**  
We will further expand the functions and performance of our in-house developed DMTS and **contribute to shortening development cycles in the automotive industry.**
- By acquiring ROTOTEST AB which has **extensive sales records in China and Europe** in addition to Japan and the U.S., we will **actively promote our automotive development and testing solutions in the global market.**



Image of ROTOTEST® Energy™



Outline of DMTS including ROTOTEST® Energy™

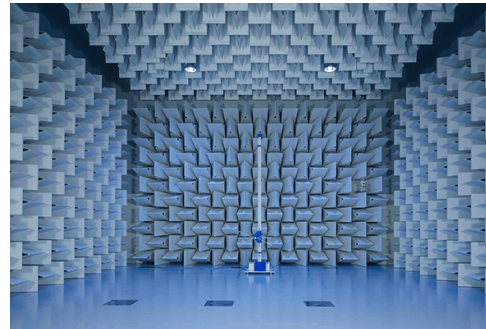
## Acquired 100% of shares in TOKIN EMC Engineering Co., Ltd. (Acquisition date: January 1, 2024)

### [EMC & Antenna Systems]

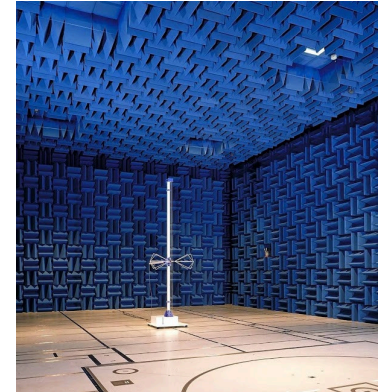
- Mainstay business includes **contract EMC testing services** and obtaining overseas certification support services. The company also provide **high-precision calibration services** which are accredited by the American Association for Laboratory Accreditation.
- The facilities include **3 domestic measurement centers** with a total of 4 units of 10m-method radio anechoic chambers.
- The acquisition of this subsidiary brings together the knowledge and technical capabilities of both companies. **We will promote the development of advanced solutions for radiowave measurements, optimize the operation of various facilities, and expand the certified calibration services.**
- The name of the subsidiary was changed to **TOYO EMC Engineering** in January 2024. Its head office has been relocated to that of TOYO.



Tsukuba Measurement Center



Radio anechoic chamber at the Kansai Measurement Center



Radio anechoic chamber at the Kawasaki Measurement Center

# 5. Action to Implement Management That Is Conscious of Cost of Capital and Stock Prices

## Trend in indicators for the past 5 years

- ROE remained below the cost of equity
- Although PBR had generally remained below 1 during the past 5 years, PBR exceeded 1 at the end of the previous FY.



**Our management policy is to increase the stock price and PBR**  
by achieving ROE which exceeds the cost of equity.

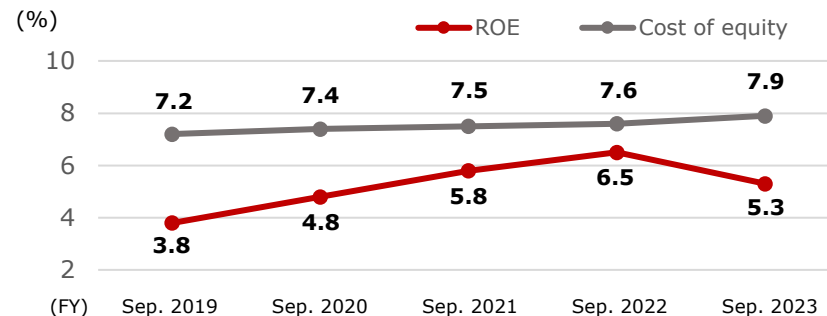
## KPI for the FY ending September 2024

# ROE 8.0% or above

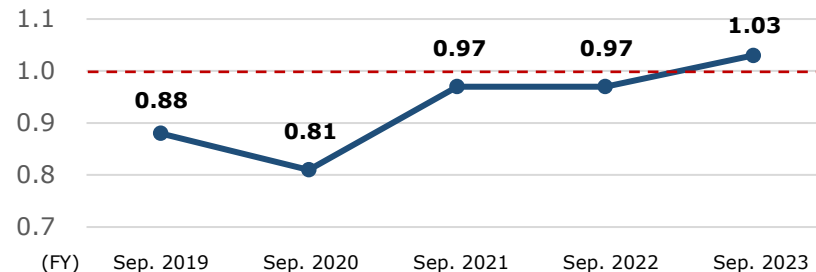
We will achieve ROE 8.0%, which is an indicator of "TY2024" medium-term management plan, and aim for ROE exceeding the cost of equity.

ROE 8.0% is a passing point, and we will continue to enhance corporate value through our efforts to improve ROE and PBR in the future.

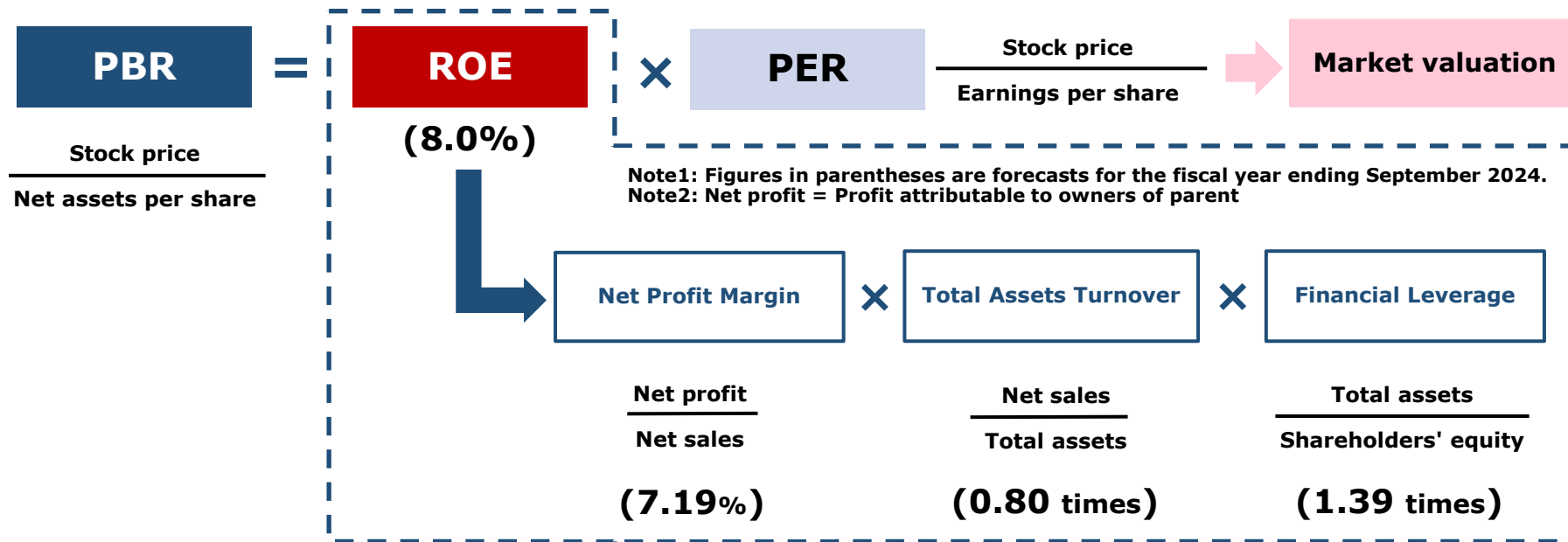
### ROE and Cost of Equity



### Changes in PBR



## Enhancing PBR, which is one of KPI of the corporate value



Improving PBR by increasing the 3 elements of ROE and PER while enhancing corporate value

The following measures will be implemented for respective components.

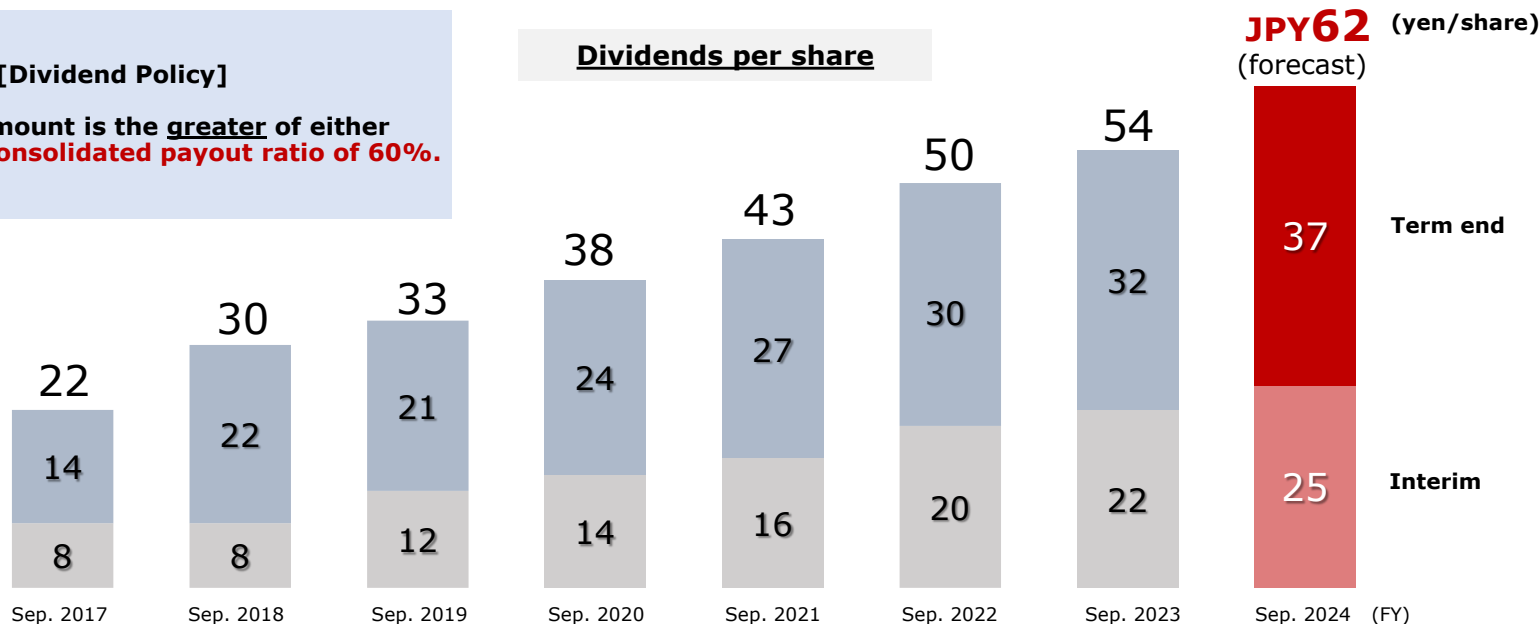
ROE	Net profit margin	Net profit	<ul style="list-style-type: none"> <li>• Increase profit margin by expanding sales and carefully examining gross profit for each project</li> <li>• Reduce foreign exchange risk through forward exchange contracts</li> <li>• Reduce SG&amp;A expenses by improving operational efficiency, etc.</li> </ul>
		Net sales	<ul style="list-style-type: none"> <li>• Expand growth business by investing resources in carbon neutral and other fields</li> <li>• Enhance competitiveness by creating added value</li> <li>• Strengthen sales capabilities by increasing the number of employees</li> </ul>
	Total assets turnover	Net sales	
		Total assets	<ul style="list-style-type: none"> <li>• Reduce assets by optimizing inventories</li> <li>• Improve asset efficiency by reviewing assets held</li> </ul>
	Financial Leverage	Total assets	<ul style="list-style-type: none"> <li>• Use interest-bearing debt for growth investments</li> </ul>
		Shareholders' equity	<ul style="list-style-type: none"> <li>• Increase shareholder returns, including acquisition of treasury stock as appropriate</li> </ul>
PER		Market valuation	<ul style="list-style-type: none"> <li>• Improve business performance and expand shareholder returns accordingly</li> <li>• Implement appropriate information disclosure and strengthen dialogue with domestic and overseas investors</li> <li>• Strengthen ESG initiatives</li> </ul>

Dividends have been increasing constantly every year, with the highest dividend expected in the current fiscal year.

### [Dividend Policy]

The dividend amount is the **greater** of either **DOE\*4%** or a **consolidated payout ratio of 60%**.

### Dividends per share



※DOE (Dividends on equity ratio) = Total annual dividends/Shareholders' equity

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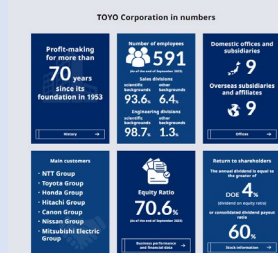
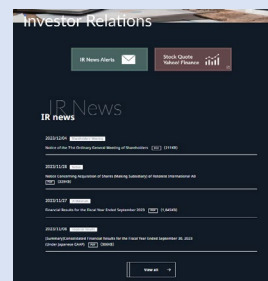
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