

TOYO Corporation

(Tokyo Stock Exchange Prime: 8151)

Financial Results for the Fiscal Year Ended September 2023

November 8, 2023

 **TOYO Corporation**

Quest for Precision

- 1. Financial Results for the Fiscal Year Ended September 2023**
- 2. Orders Received and Order Backlog**
- 3. Forecast for the Fiscal Year ending September 2024**
- 4. Capital Policy, Shareholder Returns, and Initiatives for Sustainability**
- 5. Initiatives for “Measurement” Technologies to Open a New Era**

1. Financial Results for the Fiscal Year Ended September 2023

Fiscal Year 2023 Financial Highlights

✓ **Net sales:**

- Active investments in the carbon neutral field continued among customers throughout the fiscal year, and our net sales increased in the Physics / Energies business segment in particular.
- Strong performance was achieved in EMC & Antenna Systems business segment, due to large-scale project sales and deliveries of order backlog.
- The delivery for a large-scale project in the U.S. for AD/ADAS*¹ in the Mechatronics / Noise & Vibration / Sensors business segment was delayed due to the customer's circumstances.

✓ **Operating income :**

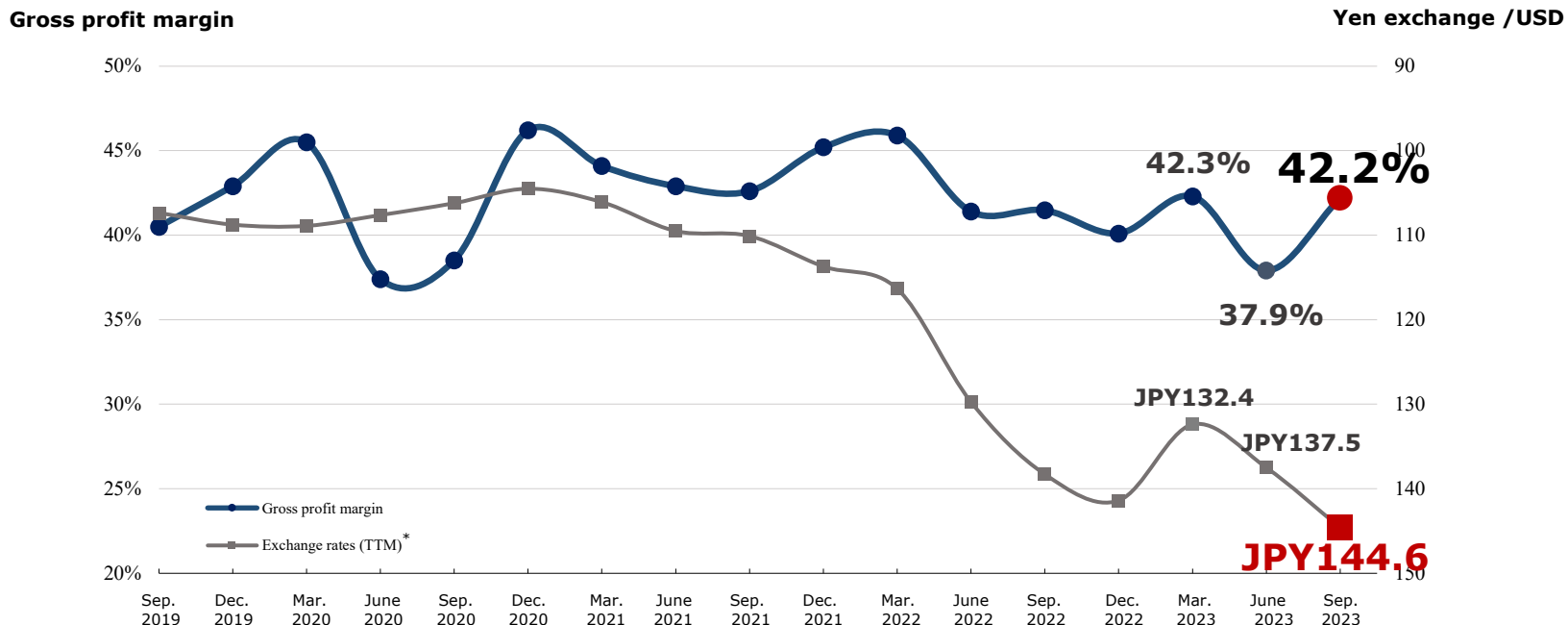
- Gross profit margin decreased due to exchange rate fluctuations.
- Selling, general and administrative (SG&A) expenses increased more than expected due to upfront investments in human resources for growth strategy and active sales activities.

(Unit: 100 million yen)	Fiscal year ended September 2022 Actual	Fiscal Year ended September 2023 Earnings forecast	Fiscal Year ended September 2023 Actual	Change from the previous FY	
				Amount of change	Rate of change
Net sales	264.9	280.0	281.7	+16.8	+6.4%
Operating profit	23.3	15.0	14.7	(8.6)	(36.9%)
Operating profit margin	8.8%	5.4%	5.2%	(3.6P)	-
Ordinary profit	27.7	17.0	18.0	(9.7)	(35.2%)
Profit attributable to owners of parent	19.1	12.5	15.3	(3.8)	(20.1%)

*1) AD = Autonomous driving, ADAS = Advanced Driver-Assistance Systems

Exchange Rates and Gross Profit Margins

JPY continues to depreciate, but gross profit margin (GPM) has recovered to 42.2 %.

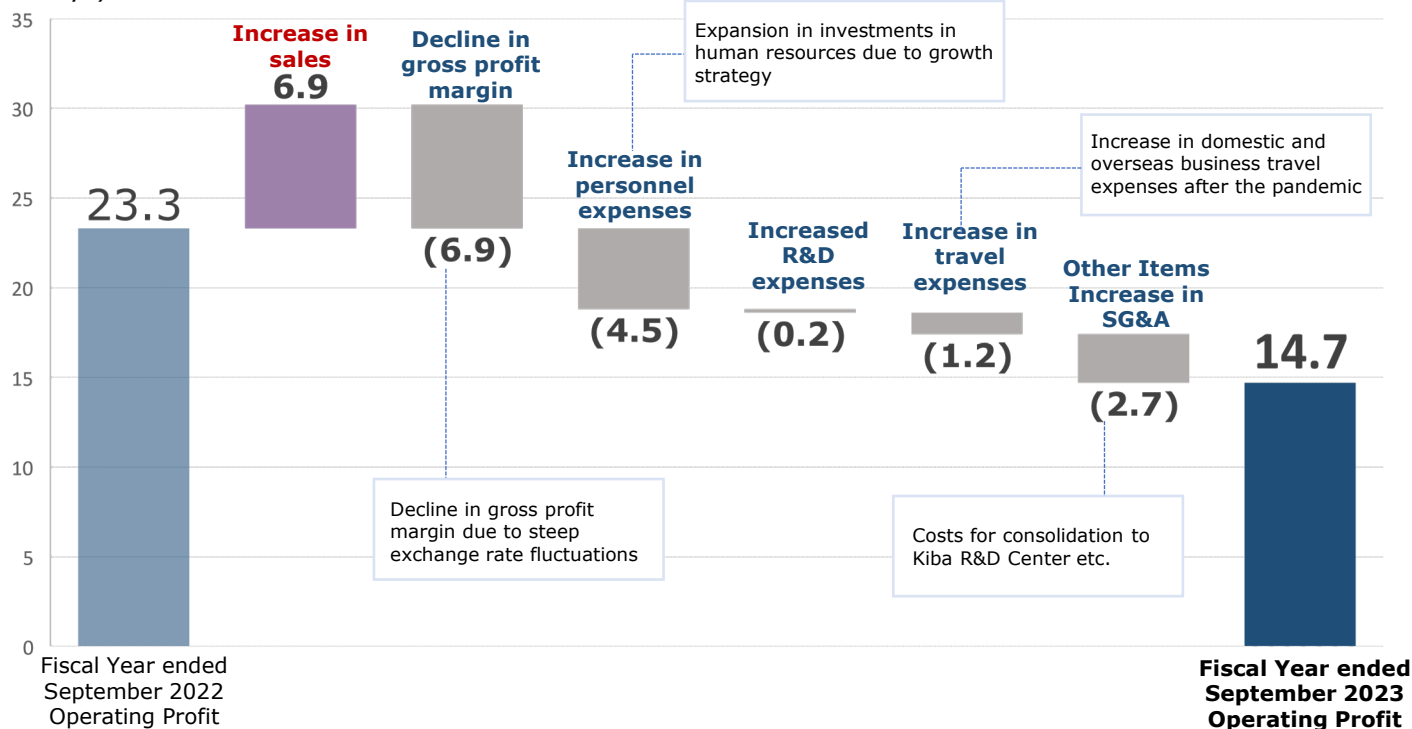


*Note: Average rate per 3 months

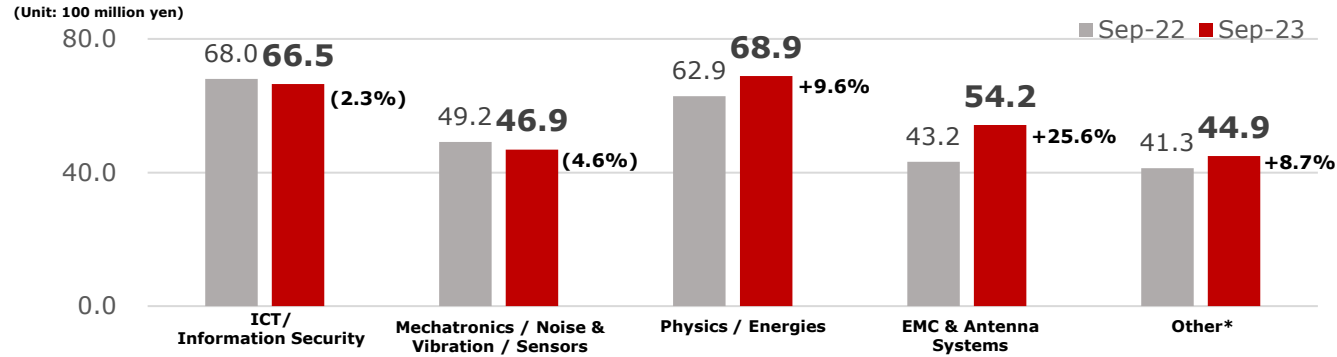
Factors behind Changes in Operating Profit (compared to the previous fiscal year)

Gross profit margin decreased due to exchange rate fluctuations, and SG&A expenses increased due to upfront investments in human resources etc.

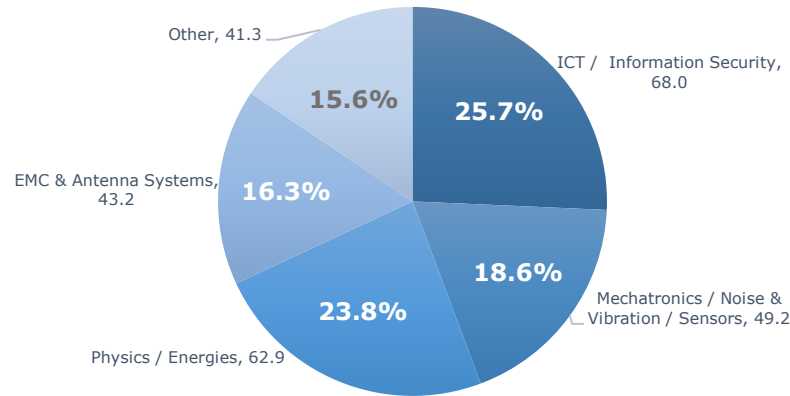
(Unit: 100 million yen)



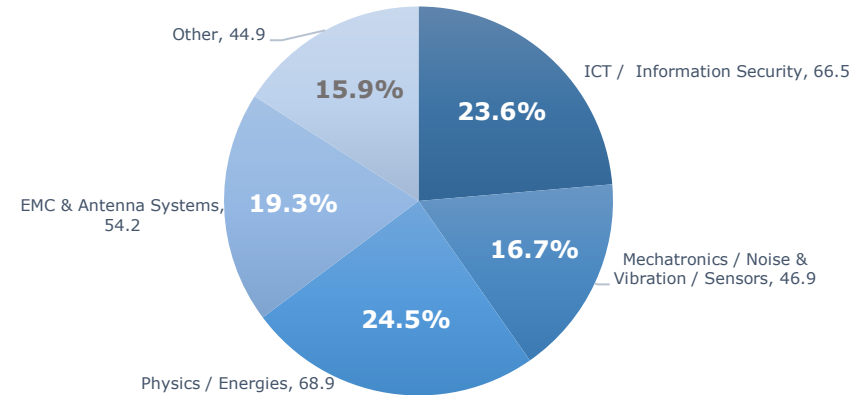
Summary of Net Sales by Business Segment



[Fiscal year ended September 2022]



[Fiscal year ended September 2023]



* [Other] includes three business segments: Ocean / Defense & Security, Software Quality & Productivity, and Life Science.

Net Sales and Profit Analysis by Business Segment

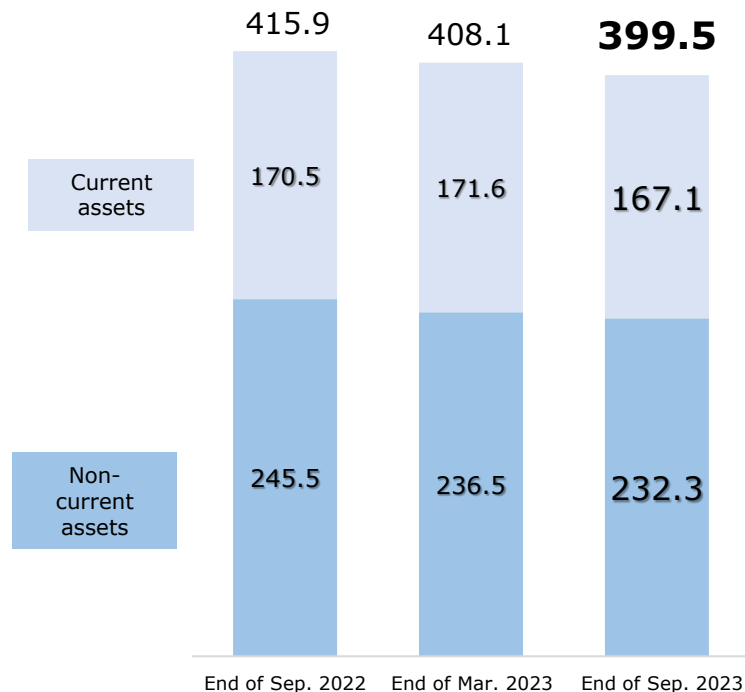
(Unit: 100 million yen)		Fiscal year ended September 2022 Actual	Fiscal Year ended September 2023 Actual	YoY change		■ Review of Operations
				Amount of change	Rate of change	
ICT/ Information Security	Net sales	68.0	66.5	(1.5)	(2.3%)	<ul style="list-style-type: none">Net sales decreased due to a slowdown in demand for testing and facilities for 5G commercial services in the ICT field.Profit decreased due to a decline in net sales and lower sales of in-house developed products with a high profit margin.In the cloud services field, sales and profit increased due to strong sales for service provider projects.
	Segment profit	6.9	2.5	(4.4)	(63.3%)	
	Profit ratio	10.1%	3.8%	(6.3P)	-	
Mechatronics / Noise & Vibration / Sensors	Net sales	49.2	46.9	(2.3)	(4.6%)	<ul style="list-style-type: none">Orders with short delivery times decreased in the noise and vibrations field and did not contribute to sales.The delivery was delayed for a large-scale project for developing AD/ADAS in the U.S. due to the customer's circumstances.Profit decreased due to the impact of exchange rate fluctuations from the beginning of the fiscal year and an increase in the proportion of low-margin projects.
	Segment profit	8.9	3.7	(5.2)	(58.4%)	
	Profit ratio	18.1%	7.9%	(10.2P)	-	
Physics / Energies	Net sales	62.9	68.9	+6.0	+9.6%	<ul style="list-style-type: none">R&D investments by companies continue to be brisk in the carbon neutral field.Sales increased due to strong sales of products for all-solid-state batteries, fuel cells, and EV charging evaluation systems, including large-scale projects related to the GI (Green Innovation) Fund.Profits increased due to differentiation from competitors by providing total solutions.
	Segment profit	13.4	15.1	+1.7	+12.7%	
	Profit ratio	21.3%	21.9%	+0.6P	-	
EMC & Antenna Systems	Net sales	43.2	54.2	+11.0	+25.6%	<ul style="list-style-type: none">Delivery completion of the Chinese order backlog in EMC sector and early delivery of large-scale projects contributed to a sharp increase in sales.Profit margin returned to normal in the fourth quarter, despite the impact of low-margin Chinese projects in the third quarter. On the other hand, the profit declined due to increased personnel expenses and additional investments for in-house developed products.
	Segment profit	2.8	2.7	(0.1)	(4.8%)	
	Profit ratio	6.5%	5.0%	(1.5P)	-	
Other *	Net sales	41.3	44.9	+3.6	+8.7%	<ul style="list-style-type: none">Large-scale projects in the Defense & Security field contributed to the sales increase following a market recovery.Strong performance was achieved in such fields as game development, application security, and in-vehicle software development.Profit margin decreased due to a higher proportion of low-margin project sales as a result of exchange rate fluctuations.
	Segment profit	7.2	7.2	0	0	
	Profit ratio	17.4%	16.0%	(1.4P)	-	

* [Other] includes three business segments: Ocean / Defense & Security, Software Quality & Productivity, and Life Science.

Major items of Consolidated Balance Sheets

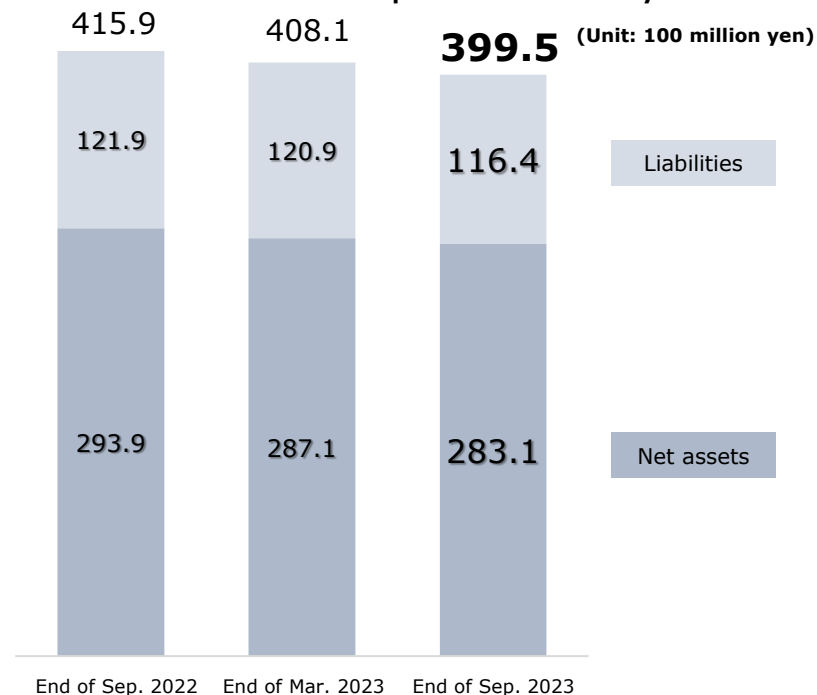
Total assets

- Increase in "Merchandise and finished goods"
- Decrease in "Securities" and "Investment securities"



Liabilities and Net Assets

- Decrease in "Notes and accounts payable-trade" and "Contract liabilities"
- Decrease in net assets due to purchases of treasury shares

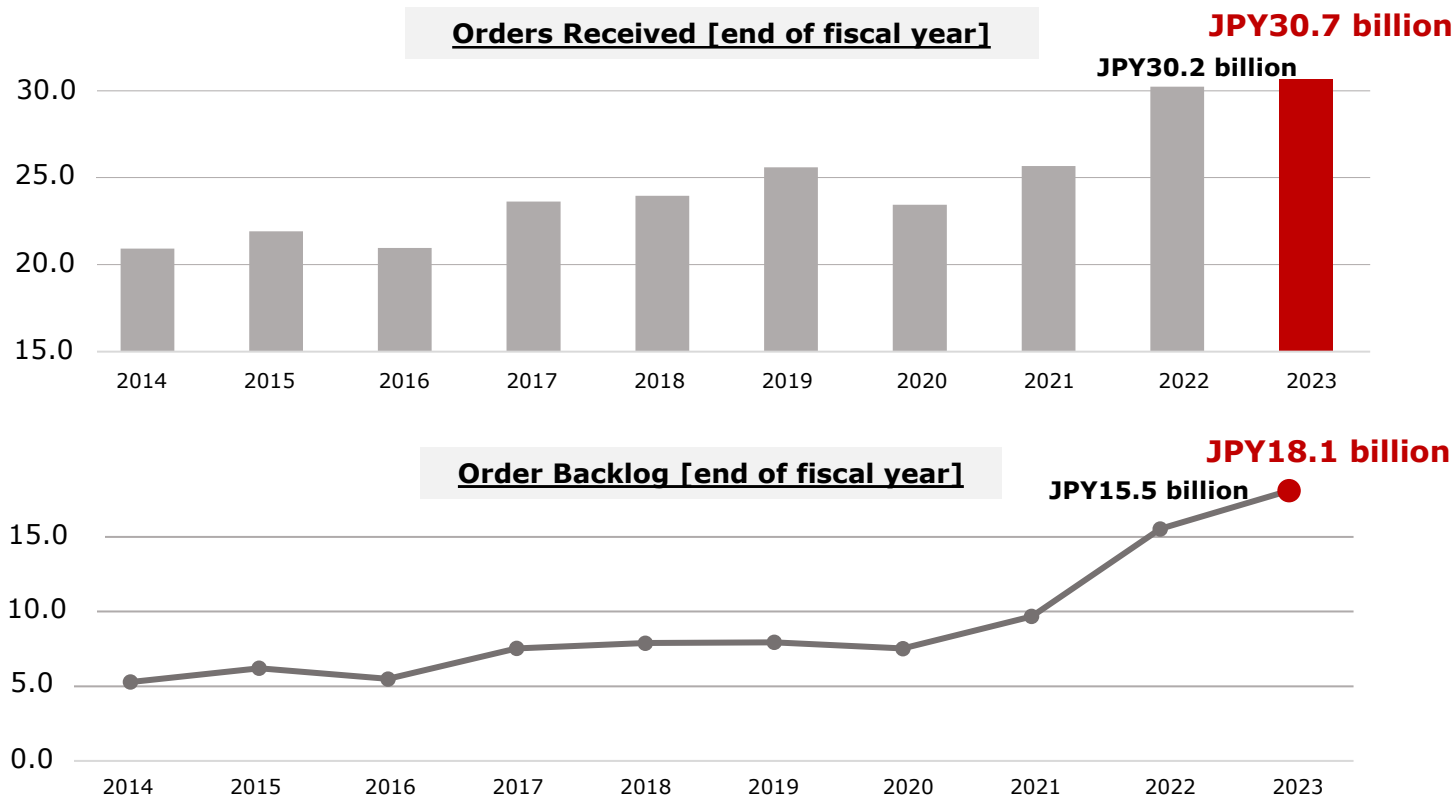


2. Orders Received and Order Backlog

- ✓ **Orders received :**
 - Steady sales growth **in the Physics / Energies (carbon neutral) and Ocean / Defense & Security fields**
- ✓ **Order Backlog :**
 - **Year-on-year increase in all business segments** except the EMC & Antenna Systems

(Unit: 100 million yen)	Fiscal year ended September 2022 Actual	Fiscal year ended September 2023 Actual	Change from the previous FY	
			Amount of change	Rate of change
Orders received	302.2	307.7	+5.5	+1.8%
Order backlog	155.4	181.5	+26.1	+16.8%

Trends in Recent Years - Orders Received and Order Backlog [Comparison at the end of each fiscal year]








Orders Received/Order Backlog Analysis by Business Segment

(Unit: 100 million yen)		Fiscal year ended September 2022 Actual	Fiscal year ended September 2023 Actual	Change from the previous FY		■ Review of Operations
				Amount of change	Rate of change	
ICT/ Information Security	Orders received	71.6	70.5	(1.1)	(1.5%)	■ Amid a slowdown in test demand for 5G commercial services in the ICT field, the amount of orders declined because of a lack of appropriate measures to expand product offerings in line with demand. However, the order backlog increased year-on-year partly due to delayed projects. ■ In the cloud services field, both orders received and order backlog increased year-over-year due to strong demand.
	Order Backlog	26.4	30.5	+4.1	+15.5%	
Mechatronics / Noise & Vibration / Sensors	Orders received	61.2	55.1	(6.1)	(10.0%)	■ Orders received in the conventional noise and vibration field decreased due to a shift to electrification in the automobile industry. ■ Order backlog increased due to a large-scale order received in the first quarter for AD/ADAS evaluation testing.
	Order Backlog	25.0	33.2	+8.2	+32.8%	
Physics / Energies	Orders received	79.0	90.4	+11.4	+14.4%	■ Both orders received and order backlog continued to increase because of new orders in the air-mobility related business and in the materials evaluation field, in addition to growing testing demand for next-generation battery developments and charge/discharge equipment.
	Order Backlog	38.2	59.6	+21.4	+56.0%	
EMC & Antenna Systems	Orders received	52.6	42.2	(10.4)	(19.8%)	■ Orders received and order backlog decreased due to a lack of special demand in the fiscal year ended Sep 2023, in contrast to the previous fiscal year in which a large supplementary budget resulted in large-scale antenna projects. ■ Since the market is flat, we will focus on finding new opportunities in the next fiscal year.
	Order Backlog	43.6	31.5	(12.1)	(27.8%)	
Other *	Orders received	37.7	49.4	+11.7	+31.0%	■ A large year-on-year increase was observed in orders received and order backlog due to market recovery in the Ocean / Defense & Security business fields. ■ Orders received and order backlog increased in the robust game-related business.
	Order Backlog	22.0	26.5	+4.5	+20.5%	

* [Other] includes three business segments: Ocean / Defense & Security, Software Quality & Productivity, and Life Science.

3. Forecast for the Fiscal Year ending September 2024

Business Strategies

Promotion of Decarbonized Society		<ul style="list-style-type: none"> ■ Corporate investment including that related to the Green Innovation Fund is active. ■ Launched an in-house developed EV charging evaluation service to address demand for quick recharging.
Realization of High-speed Communication Environment		<ul style="list-style-type: none"> ■ 5G testing demand is hovering due to weak infrastructure investment.
Recurring Business		<ul style="list-style-type: none"> ■ Recurring business is increasing in the ICT and software development sectors. ■ Electric vehicle (EV) charging evaluation service launched. ■ Expanding EMC-related services through M&A.
Continued Investment in R&D		<ul style="list-style-type: none"> ■ Joint-developed the "TN-Twin Tracker" road surface property measurement system with NEXCO East Japan Engineering. ■ In-house developed the integrated controller system "DMTS" for AD/ADAS evaluation and other testing.
Business Expansion Through M&A		<ul style="list-style-type: none"> ■ Acquired 100% ownership of LEXI Co., Ltd. in March 2023 – our first M&A acquisition of a domestic company. ■ Resolved in November 2023 to acquire 100% ownership of Tokin EMC Engineering Co., Ltd.

Management Base Reinforcement

- Foster diverse and competitive talent: Year-on-year increase in female and non-Japanese manager ratio
- Establish a strong and management base: Risk Compliance and 7 other committees in operation

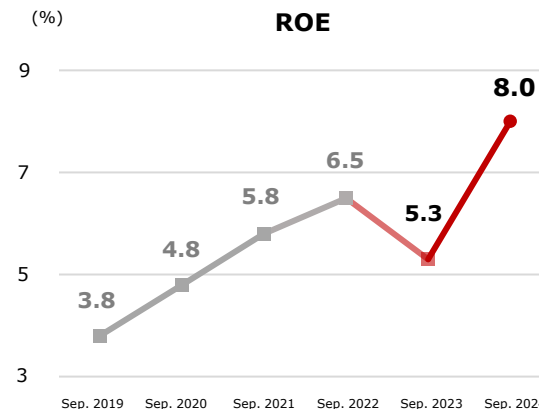
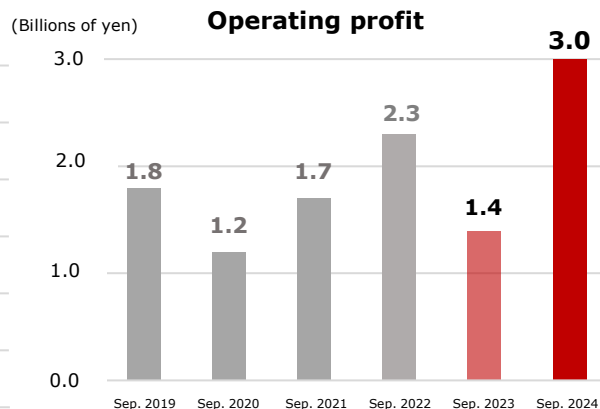
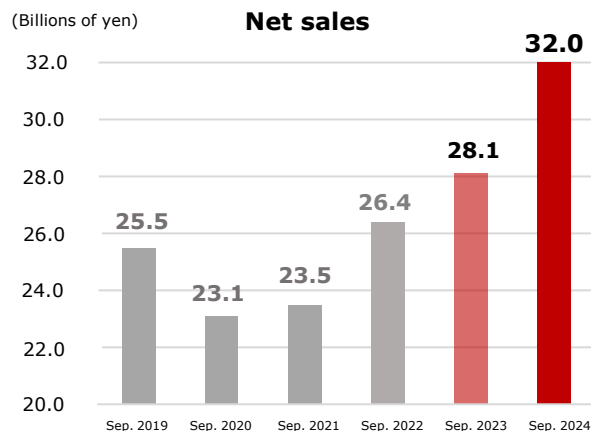
Forecast for Fiscal Year ending September 2024

We forecast increases in net sales, operating profit, ordinary profit, and profit attributable to owners of parent compared to the previous fiscal year.

(Unit: 100 million yen)	Fiscal year ended September 2022 Actual	Fiscal Year ended September 2023 Actual	Fiscal Year ending September 2024 Earnings 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%	-	-

Achieving the Forecast for the Fiscal Year ending September 2024

- ✓ **Medium-Term Management Plan "TY2024" Target revised up to JPY32 billion in net sales**
 - We forecast further expansion of the robust Physics/Energies business and sales growth through active M&A.
- ✓ **Operating profit forecast to double year-on-year despite (likely) missing 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.



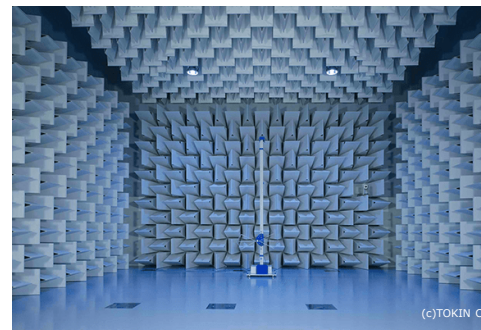
Acquiring the ownership of Tokin EMC Engineering Co., Ltd.

[EMC & Antenna Systems]

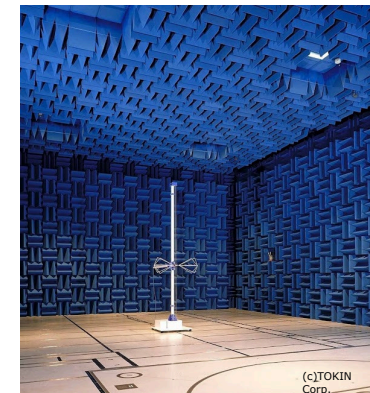
- Tokin EMC Engineering and TOYO have been **involved in the EMC business for about 40 years now.**
- Tokin EMC Engineering deploys **3 domestic measurement centers equipped with radio wave anechoic chambers,** along with anechoic chambers for testing on-vehicle products.
- This acquisition enables **further expansion of recurring business through synergy of EMC-related services,** such as certification testing/calibration and pre-compliance testing.



Tsukuba Measurement Center



Kansai Measurement Center



Kawasaki Measurement Center

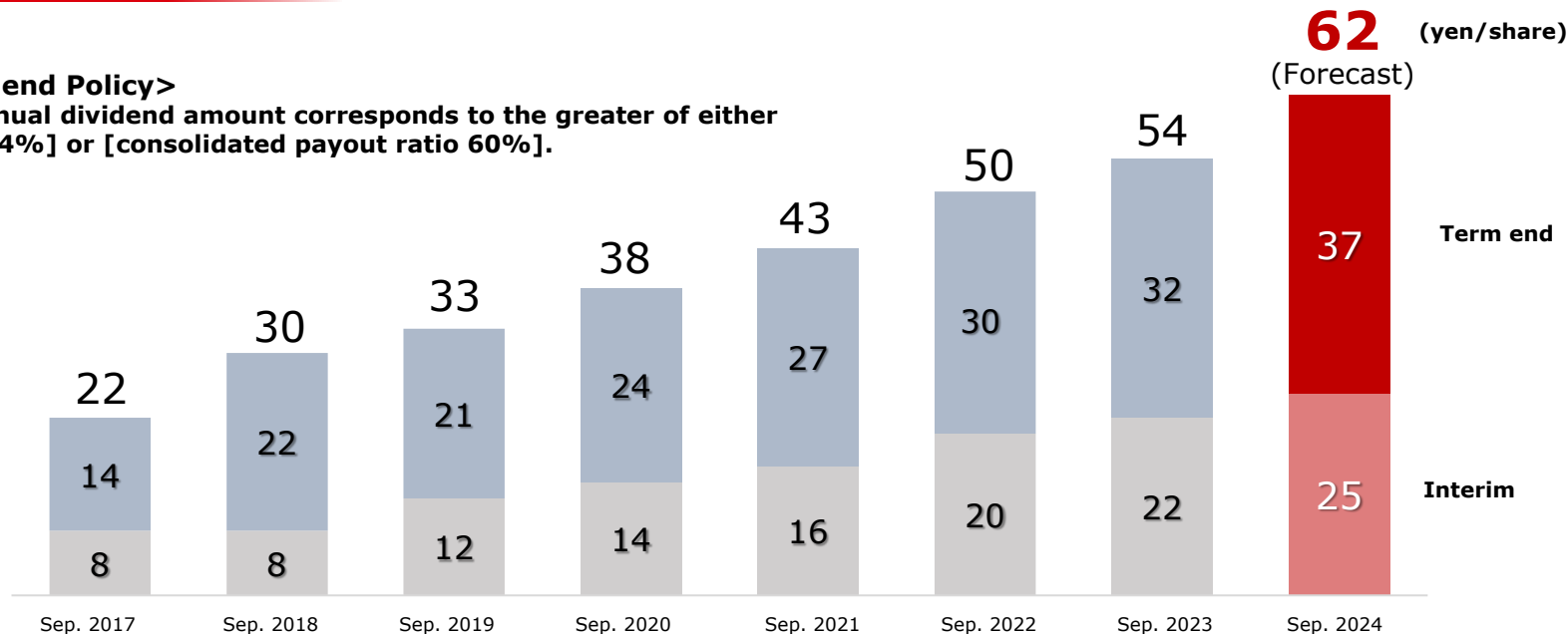
4. Capital Policy, Shareholder Returns, and Initiatives for Sustainability

Capital Policy and Shareholder Returns: Fluctuations and Forecast of Dividends

We expect to achieve dividend increases for eight consecutive fiscal years and pay the highest dividend on record in the current fiscal year (ending September 2024).

<Dividend Policy>

The annual dividend amount corresponds to the greater of either [DOE* 4%] or [consolidated payout ratio 60%].



*DOE (Dividends on equity ratio) = Total annual dividends / equity

TOYO Corporation has been selected as a constituent of ESG Index "FTSE Blossom Japan Sector Relative Index" for the first time.

- The Index is calculated by a global index provider FTSE Russell and reflects the stock performance of the Japanese companies that are relatively highly rated in terms of ESG (environmental, social, and governance) in various sectors.
- TOYO Corporation has been selected as a constituent of FTSE Blossom Japan Sector Relative Index for the first time.
- We continue to promote initiatives to resolve the environmental and social issues through our business activities and work to disclose relevant information proactively.

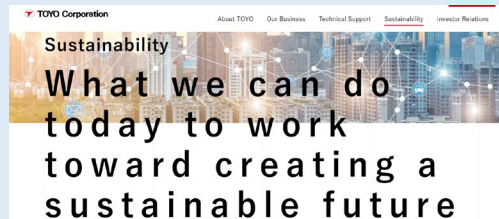


FTSE Blossom Japan Sector Relative Index

Our sustainability website has been revised completely.

Our sustainability management is explained along with enhanced ESG and other initiatives in a new format.

<https://www.toyo.co.jp/english/sustainability/>



5. Initiatives for “Measurement” Technologies to Open a New Era

Launched Electric Vehicle (EV) Charging Evaluation Service at the EV Charging Test Laboratory of the R&D Center

[Physics / Energies]

- EV charging evaluation service is now available in cooperation with TUV Rheinland Japan.
- EV Charging Test Laboratory has opened in our Kiba R&D center. Charging evaluation of actual electric vehicles is also possible.
- “One-stop” charging evaluation tests are available in compliance with various charging standards.
- We aim to expand this business as one of the “recurring businesses” in TY2024 (medium-term management plan).



EV Charging Test Laboratory

In addition to a license for general construction contractor, we have now obtained a license for "specific construction contractor" in order to directly provide large-scale systems involving installation work.

[EMC & Antenna Systems] [Physics / Energies]

- TOYO Corporation was certified as a specific construction contractor (machinery and equipment installation contractor) in September 2023.
- In response to the need for increasingly complex measurements on a large scale in recent years, we have become able to provide one-stop solutions for large-scale measurement and testing system involving installation work and electrical work by concluding purchase agreements directly with end users.
- In the future, we will explore the possibility of obtaining a license for construction contractor in the telecommunications and other sectors. We expect sales to expand due to the provision of such one-stop solutions.

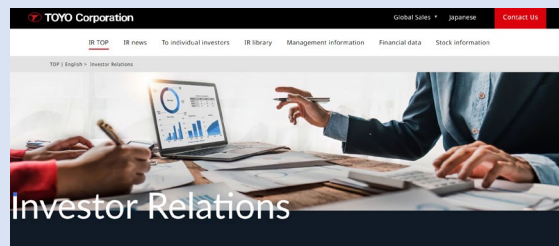


Specific construction contractor licenses will be useful for various measurement solutions such as one-stop provision of parabolic antenna systems.

IR website

Recently revised

<https://www.toyo.co.jp/english/ir/>



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