Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

August 7, 2024

Consolidated financial results for the nine months ended June 30, 2024 (Japanese GAAP)

Company name: TOYO Corporation
Listing: Tokyo Stock Exchange
Securities code: 8151
URL: https://www.toyo.co.jp/english/
Representative: Toshiya Kohno, President & CEO
Inquiries: Toshiaki Matsui, Director, Senior VP
Telephone: +81-3-3279-0771

Scheduled date to commence dividend payments: -
Preparation of supplementary material on quarterly financial results: Yes
Holding of quarterly financial results briefing: No

(Yen amounts are rounded down to millions)

1. Consolidated financial results for the nine months ended June 30, 2024 (October 1, 2023 to June 30, 2024)

(1) Consolidated operating results (accumulated total)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2024	25,920	22.5	2,972	160.0	3,100	127.6	2,320	140.8
June 30, 2023	21,154	11.5	1,143	(34.7)	1,362	(35.5)	963	(34.1)

Note: Comprehensive income For the nine months ended June 30, 2024: ¥2,557 million [123.8%]
For the nine months ended June 30, 2023: ¥1,143 million [(15.2)%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
June 30, 2024	103.66	103.20
June 30, 2023	42.16	41.93

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
June 30, 2024	38,593	29,667	76.7
September 30, 2023	39,954	28,313	70.6

Reference: Equity
As of June 30, 2024: ¥29,589 million
As of September 30, 2023: ¥28,219 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended September 30, 2023	–	22.00	–	32.00	54.00
Fiscal year ending September 30, 2024	–	25.00			
Fiscal year ending September 30, 2024 (Forecast)			–	42.00	67.00

(Note) Revisions to the forecast of cash dividends most recently announced: Yes

3. Consolidated financial result forecasts for the fiscal year ending September 30, 2024 (October 1, 2023 to September 30, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	34,500	22.5	3,350	127.5	3,400	88.8	2,500	63.0	111.53

(Note) Revisions to the financial results forecast most recently announced: None

* Notes

(1) Significant changes in scope of subsidiaries during the nine months ended June 30, 2024: None

(2) Adoption of specific accounting methods for quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2024	26,085,000 shares	As of September 30, 2023	26,085,000 shares

(ii) Number of treasury shares at the end of the period

As of June 30, 2024	3,668,545 shares	As of September 30, 2023	3,734,499 shares

(iii) Average number of shares outstanding during the period

Nine months ended June 30, 2024	22,387,187 shares	Nine months ended June 30, 2023	22,857,568 shares

* This financial results report is out of scope of review by certified public accountants or an audit firm.

* Explanation related to the appropriate use of financial result forecasts and other specific matters

The financial result forecasts and other forward-looking statements herein are based on information currently available to the Company and certain assumptions deemed reasonable by the Company at the time of this document's disclosure. Actual results may differ materially from the forecast figures due to various factors. For matters related to the financial results forecast, please refer to "Consolidated financial results forecast and other forward-looking information" on page 3 of the consolidated financial results (attachments).

Table of Contents

1. Qualitative information on quarterly financial results 2
(1) Operating results 2
(2) Financial position 3
(3) Consolidated financial results forecast and other forward-looking information 3

2. Quarterly consolidated financial statements and principal notes 4
(1) Quarterly consolidated balance sheet 4
(2) Quarterly consolidated statement of income and statement of comprehensive income 6
Quarterly consolidated statement of income 6
Quarterly consolidated statement of comprehensive income 7
(3) Notes to quarterly consolidated financial statements 8
(Notes on going concern assumption) 8
(Notes in case of significant changes in shareholders' equity) 8
(Segment information, etc.) 8
(Notes on consolidated statement of cash flows) 10
(Revenue recognition) 10
(Significant subsequent events) 10

1. Qualitative information on quarterly financial results

(1) Operating results

In the fiscal year ending September 30, 2024, TOYO Corporation ("the Company") is pursuing growth strategies to achieve its financial results forecasts (net sales of ¥34.5 billion and operating profit of ¥3.35 billion) in the final year of the medium-term management plan "TY2024" as well as an ROE of 8.0% or higher, one of the management targets set out in the plan.

During the nine months ended June 30, 2024, the Physics / Energies segment remained solid thanks to R&D activities in the brisk carbon neutrality field such as next-gen batteries and EVs. Furthermore, the Mechatronics / Noise & Vibration / Sensors segment saw a sharp year-on-year rise in sales as the Company booked large-scale projects for AD (autonomous driving)/ADAS (advanced driving assistance system) development in the US and Japan. As a result, consolidated sales totalled ¥25,920 million (up 22.5% YoY). This broke down as domestic sales of ¥23,283 million (up 20.8%) and overseas sales (mainly to the US and China) of ¥2,637 million (up 40.8%).

In terms of profit, in addition to a boost from top line growth, price revisions and change in sales mix contributed to a substantial year-on-year increase. Operating profit came to ¥2,972 million (up 160.0% YoY), ordinary profit was ¥3,100 million (up 127.6%) and profit attributable owners of parent was ¥2,320 million (up 140.8%).

New orders taken totalled ¥24,599 million (up 5.6% YoY) following large increases in the Mechatronics / Noise & Vibration / Sensors segment and the Ocean / Defense & Security segment. However, the order backlog was ¥17,307 million (down 2.1%) due to declines in the EMC & Antenna Systems segment.

The results by segment were as follows:

(ICT / Information Security)

In the ICT / Information Security business, sales increased thanks to growth in network performance testing for major communications carriers in the ICT field and new business in mobile mapping systems. Furthermore, sales were brisk from service providers in the cyber security field. As a result, sales increased by 9.8% year-on-year to ¥5,489 million and segment profit was ¥294 million (up 81.9%).

(Mechatronics / Noise & Vibration / Sensors)

In the Mechatronics / Noise & Vibration / Sensors segment, sales and profit rose sharply thanks to the booking of sales for a large-scale AD/ADAS development project in Japan and overseas and margin improvement following price revisions. As a result, sales rose by 73.4% YoY to ¥5,966 million and segment profit was ¥1,424 million (up 413.9%).

(Physics / Energies)

In the Physics / Energies segment, both net sales and segment profit increased significantly as both basic electrochemical measurement systems and battery charging measurement system projects were very brisk thanks to tailwinds from investments driven by the Green Innovation Fund. As a result, sales rose 41.1% YoY to ¥7,312 million and segment profit was ¥1,713 million (up 39.6%).

(EMC & Antenna Systems)

In the EMC & Antenna Systems segment, despite the boost to sales from the consolidation of Toyo EMC Engineering, sales in the segment declined compared to the same period of the previous year given the year earlier booking of sales for a large-scale project in China. However, segment profit rose YoY thanks to an improvement in margins. As a result, sales declined by 18.1% to ¥3,565 million and profit was ¥288 million (up 19.5%).

(Ocean / Defense & Security)

In the Ocean Defense & Security segment, sales increased year-on-year thanks to the booking of sales for a large project and upfront booking of sales for other projects. Furthermore, segment profit rose due to higher sales and price revisions. As a result, sales increased 7.0% YoY to ¥1,212 million and segment profit was ¥175 million (up 35.8%).

(Software Quality & Productivity)

In the Software Quality & Productivity segment, both sales and segment profit rose due to solid sales to game companies such as version control tools for game development. As a result, net sales increased by 11.9% YoY to ¥1,664 million and segment profit was ¥330 million (up 6.5%).

(Life Science)
In the Life Science segment, both sales and segment profit increased despite sluggish sales of medical imaging analysis tools as orthopedic digital planning tools sales were brisk, while expenses were also curbed. As a result, net sales increased by 27.5% YoY to ¥709 million and segment profit was ¥73 million (up 82.6%).

(2) Financial position
Total assets on June 30, 2024 were ¥38,593 million, a decrease of ¥1,361 million compared to the end of the previous fiscal year. The main positive factors were an increase of ¥1,494 million in goodwill, an increase of ¥1,286 million in securities, and an increase of ¥875 million in construction in progress. Meanwhile, the main negative factors were declines of ¥1,902 million in buildings and structures (net), a decrease of ¥1,822 million in land assets, and a decrease of ¥1,511 million in notes and accounts receivable - trade and contract assets.

Total liabilities decreased by ¥2,714 million compared to the end of the previous fiscal year to ¥8,926 million. The main positive factors were an increase of ¥898 million in contract liabilities, and an increase of ¥309 million in other current liabilities. Meanwhile, the main negative factor was a decrease of ¥4,060 million in advances received.

Net assets increased by ¥1,353 million compared to the end of the previous fiscal year to ¥29,667 million. The main component behind the increase was an increase of ¥1,052 million in retained earnings, an increase of ¥157 million in valuation difference on available-for-sale securities, and an ¥128 million in foreign currency translation adjustment. Meanwhile, the main decrease factor was a decrease of ¥41 million in deferred gains or losses on hedges.

(3) Consolidated financial results forecast and other forward-looking information
Our consolidated financial results forecast for the year ending 30 September 2024 remains unchanged from that announced on May 15, 2024.

2. Quarterly consolidated financial statements and principal notes

(1) Quarterly consolidated balance sheet

(Thousands of yen)

	Prior fiscal year (As of September 30, 2023)	Current third quarter (As of June 30, 2024)
Assets		
Current assets		
Cash and deposits	2,659,402	3,089,366
Notes and accounts receivable - trade, and contract assets	4,534,727	3,023,194
Electronically recorded monetary claims - operating	478,318	389,872
Securities	1,367,886	2,654,404
Merchandise and finished goods	4,554,835	5,081,584
Other	3,123,836	3,694,194
Allowance for doubtful accounts	(2,700)	△1,460
Total current assets	16,716,306	17,931,157
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,342,783	2,963,693
Accumulated depreciation and impairment	(1,663,757)	(2,187,064)
Buildings and structures, net	2,679,025	776,628
Vehicles	10,936	27,829
Accumulated depreciation	(6,764)	(24,525)
Vehicles, net	4,171	3,303
Tools, furniture and fixtures	4,280,167	5,288,796
Accumulated depreciation and impairment	(3,489,211)	(4,399,403)
Tools, furniture and fixtures, net	790,956	889,392
Land	6,808,541	4,985,869
Construction in progress	5,701,970	6,577,166
Total property, plant and equipment	15,984,666	13,232,360
Intangible assets		
Goodwill	267,691	1,762,568
Software	707,159	706,213
Software in progress	189,840	185,492
Other	72,516	121,758
Total intangible assets	1,237,208	2,776,033
Investments and other assets		
Investment securities	3,531,680	2,395,920
Retirement benefit asset	628,570	652,546
Deferred tax assets	725,242	481,704
Long-term time deposits	700,000	700,151
Other	464,494	456,777
Allowance for doubtful accounts	(33,328)	(33,186)
Total investments and other assets	6,016,659	4,653,912
Total non-current assets	23,238,533	20,662,307
Total assets	39,954,840	38,593,464

(Thousands of yen)

	Prior fiscal year (As of September 30, 2023)	Current third quarter (As of June 30, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,666,125	1,728,296
Short-term borrowings	—	33,378
Income taxes payable	427,615	409,704
Contract liabilities	2,855,790	3,754,109
Advances received	4,060,080	—
Provision for bonuses	772,094	536,588
Provision for bonuses for directors (and other officers)	66,000	48,885
Other	977,583	1,287,206
Total current liabilities	10,825,289	7,798,168
Non-current liabilities		
Retirement benefit liability	672,063	814,369
Other	143,536	313,699
Total non-current liabilities	815,600	1,128,068
Total liabilities	11,640,890	8,926,237
Net assets		
Shareholders' equity		
Share capital	4,158,000	4,158,000
Capital surplus	4,603,500	4,603,500
Retained earnings	23,995,345	25,048,122
Treasury shares	(4,496,633)	(4,416,573)
Total shareholders' equity	28,260,212	29,393,049
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(53,726)	103,562
Deferred gains or losses on hedges	129,858	87,885
Foreign currency translation adjustment	(125,467)	2,607
Remeasurements of defined benefit plans	8,494	2,123
Total accumulated other comprehensive income	(40,841)	196,179
Share acquisition rights	94,580	77,998
Total net assets	28,313,950	29,667,227
Total liabilities and net assets	39,954,840	38,593,464

(2) Quarterly consolidated statement of income and statement of comprehensive income

Quarterly consolidated statement of income

Nine months ended June 30, 2024

(Thousands of yen)

	Prior third quarter (October 1, 2022 to June 30, 2023)	Current third quarter (October 1, 2023, to June 30, 2024)
Net sales	21,154,284	25,920,119
Cost of sales	12,571,683	14,428,192
Gross profit	8,582,600	11,491,927
Selling, general and administrative expenses	7,439,506	8,519,700
Operating profit (loss)	1,143,094	2,972,226
Non-operating income		
Interest income	67,680	41,321
Dividend income	29,245	15,236
Gain on investments in investment partnerships	—	7,566
Share of profit of entities accounted for using equity method	4,014	—
Foreign exchange gains	49,201	7,991
Settlement income	118,845	—
Surrender value of insurance policies	9,396	25,231
Other	48,629	47,264
Total non-operating income	327,012	144,611
Non-operating expenses		
Interest expenses	379	4,253
Commission for purchase of treasury shares	33,063	—
Loss on investments in investment partnerships	71,735	—
Share of loss of entities accounted for using equity method	—	11,659
Other	2,715	706
Total non-operating expenses	107,894	16,619
Ordinary profit (loss)	1,362,211	3,100,219
Extraordinary income		
Gain on sale of non-current assets	19,774	3,429,551
Gain on sale of investment securities	70,789	10,054
Total extraordinary income	90,564	3,439,606
Extraordinary losses		
Loss on disposal of non-current assets	858	20,554
Loss on reduction in value of non-current assets	—	3,400,997
Total extraordinary losses	858	3,421,552
Profit (loss) before income taxes	1,451,917	3,118,273
Income taxes – current	321,245	584,722
Income taxes – deferred	166,884	212,963
Total income taxes	488,130	797,686
Profit (loss)	963,787	2,320,586
Profit (loss) attributable to owners of parent	963,787	2,320,586

Quarterly consolidated statement of comprehensive income
Nine months ended June 30, 2024

(Thousands of yen)

	Prior third quarter (October 1, 2022 to June 30, 2023)	Current third quarter (October 1, 2023 to June 30, 2024)
Profit (loss)	963,787	2,320,586
Other comprehensive income		
Valuation difference on available-for-sale securities	135,954	157,289
Deferred gains or losses on hedges	8,518	(41,972)
Foreign currency translation adjustment	(28,236)	123,970
Remeasurements of defined benefit plans, net of tax	35,036	(6,370)
Share of other comprehensive income of entities accounted for using equity method	28,002	4,104
Total other comprehensive income	179,274	237,021
Comprehensive income	1,143,062	2,557,607
(Comprehensive income attributable to)		
Owners of parent	1,143,062	2,557,607
Non-controlling interests	—	—

(3) Notes to quarterly consolidated financial statements

(Notes on going concern assumption)

None.

(Notes in case of significant changes in shareholders' equity)

None.

(Segment information, etc.)

[Segment information]

I. For the nine months ended June 30, 2023 (October 1, 2022 to June 30, 2023)

1. Information on net sales and profits (losses) by reportable segment and breakdown of revenues

(Thousands of yen)

	Reportable segments			
	ICT / Information Security	Mechatronics / Noise & Vibration / Sensors	Physics / Energies	EMC & Antenna Systems
Net sales				
Goods or services transferred at a point in time	3,704,202	3,100,841	5,174,425	4,212,317
Goods or services that are transferred over a period of time	1,296,964	339,417	7,585	140,041
Revenue from contracts with customers	5,001,166	3,440,259	5,182,011	4,352,359
Other revenue*	—	—	511	—
Net sales	5,001,166	3,440,259	5,182,522	4,352,359
Segment profit (loss)	161,782	277,133	1,227,412	241,680

(Thousands of yen)

	Reportable segments			Total
	Ocean / Defense & Security	Software Quality & Productivity	Life Science	
Net sales				
Goods or services transferred at a point in time	980,131	749,399	452,713	18,374,033
Goods or services that are transferred over a period of time	153,016	738,938	103,775	2,779,740
Revenue from contracts with customers	1,133,148	1,488,337	556,489	21,153,773
Other revenue*	—	—	—	511
Net sales	1,133,148	1,488,337	556,489	21,154,284
Segment profit (loss)	129,522	310,469	40,415	2,388,416

* "Other revenue" includes revenue related to leases, etc.

2. Differences between the total amount of profit (loss) of reportable segments and the amount in the consolidated statement of income and major breakdown of such differences (reconciliation)

(Thousands of yen)

Reconciliation of profit (loss)	Amount
Total of reportable segments	2,388,416
Corporate expenses*	(1,245,322)
Operating profit in the Consolidated Statements of Income	1,143,094

* “Corporate expenses” mainly include operating expenses that are not attributable to the reportable segments and differences due to the method of reporting provisions, etc.

II. For the nine months ended June 30, 2024 (October 1, 2023 to June 30, 2024)

1. Information on net sales and profit (loss) by reportable segment and breakdown of revenues

(Thousands of yen)

	Reportable segments			
	ICT / Information Security	Mechatronics / Noise & Vibration / Sensors	Physics / Energies	EMC & Antenna Systems
Net sales				
Goods or services transferred at a point in time	4,013,428	5,572,854	7,244,203	3,486,520
Goods or services that are transferred over a period of time	1,475,852	393,430	34,727	78,559
Revenue from contracts with customers	5,489,280	5,966,284	7,278,930	3,565,079
Other revenue*	—	—	33,938	—
Net sales	5,489,280	5,966,284	7,312,869	3,565,079
Segment profit (loss)	294,254	1,424,085	1,713,893	288,773

(Thousands of yen)

	Reportable segments			Total
	Ocean / Defense & Security	Software Quality & Productivity	Life Science	
Net sales				
Goods or services transferred at a point in time	1,049,340	779,369	578,429	22,724,146
Goods or services that are transferred over a period of time	162,692	885,582	131,189	3,162,034
Revenue from contracts with customers	1,212,032	1,664,952	709,619	25,886,180
Other revenue*	—	—	—	33,938
Net sales	1,212,032	1,664,952	709,619	25,920,119
Segment profit (loss)	175,909	330,501	73,800	4,301,220

* “Other revenue” includes revenue related to leases, etc.

2. Differences between the total amount of profit (loss) of reportable segments and the amount in the consolidated statement of income and major breakdown of such differences (reconciliation)

(Thousands of yen)

Reconciliation of profit (loss)	Amount
Total of reportable segments	4,301,220
Corporate expenses *	(1,328,993)
Operating profit in the Consolidated Statements of Income	2,972,226

* “Corporate expenses” mainly include operating expenses that are not attributable to the reportable segments and differences due to the method of reporting provisions, etc.

3. Information related to impairment charge or goodwill of non-current assets in each reportable segment

(Significant changes in goodwill)

In the Mechatronics / Noise & Vibration / Sensors segment, Rototest International AB has been included in the scope of consolidation from the first quarter of this fiscal year following acquisition of all shares in the company. The increase in goodwill following the acquisition was ¥1,276,875 thousand in the third quarter of the fiscal year ending September 31, 2024. Note that the amount of goodwill is a provisional estimation as purchase price allocations have not yet been finalized.

(Notes on consolidated statement of cash flows)

No quarterly statement of cash flows has been prepared for the third quarter of this fiscal year. Depreciation (including amortisation of intangible assets excluding goodwill) and goodwill amortisation for the nine months ended June 30, 2024 are as shown in the following table.

	Prior third quarter (October 1, 2022 to June 30, 2023)	Current third quarter (October 1, 2023 to June 30, 2024)
Depreciation	589,997 thousand yen	714,936 thousand yen
Goodwill amortisation	25,280 thousand yen	114,057 thousand yen

(Revenue recognition)

The breakdown of revenue from contracts with customers is as stated in Notes (“Segment information, etc.”).

(Significant subsequent events)

(Acquisition of own shares)

TOYO Corporation resolved at a meeting of its Board of Directors held on August 7, 2024 to repurchase shares of its common stock pursuant to Article 156 of the Companies Act of Japan (the “Companies Act”) as applied pursuant to Article 165, Paragraph 3 of the Companies Act.

1.Reason for acquisition of shares

To improve shareholder returns and capital efficiency and to implement a flexible capital policy in response to changes in the business environment.

2. Details of matter relating to acquisition

（1） Type of shares : Common shares

（2） Number of shares : 1.2 million shares (maximum)

（3） Acquisition cost : ¥1.5billion (maximum)

（4） Acquisition period : August 8, 2024 to July 31, 2025

（5） Acquisition method : Market purchases including advance notification type (ToSTNeT-3) on the TSE