

TOYO Corporation

(TSE Prime: 8151)

Presentation for financial results for Q2 FY9/24

May 15, 2024

 **TOYO Corporation**

Quest for Precision

- 1. Financial results for Q2 FY9/24**
- 2. Orders & order backlog**
- 3. Full-year forecast for FY9/24**
- 4. Recent initiatives to enhance corporate value**
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1. Financial results for Q2 FY9/24

Net sales: +31.5% YoY

- **Physics / Energies remained strong** due to booking of several large projects in the brisk carbon neutrality field
- **Mechatronics / Noise & Vibration / Sensors** saw a large US AD/ADAS* project booked in Q1, and **a large project in Japan scheduled for Q3 booked ahead of plan**
- **Around ¥1.5bn sales** booked early in other segments for several large projects planned for Q3 and later

Operating profit: +121.5% YoY

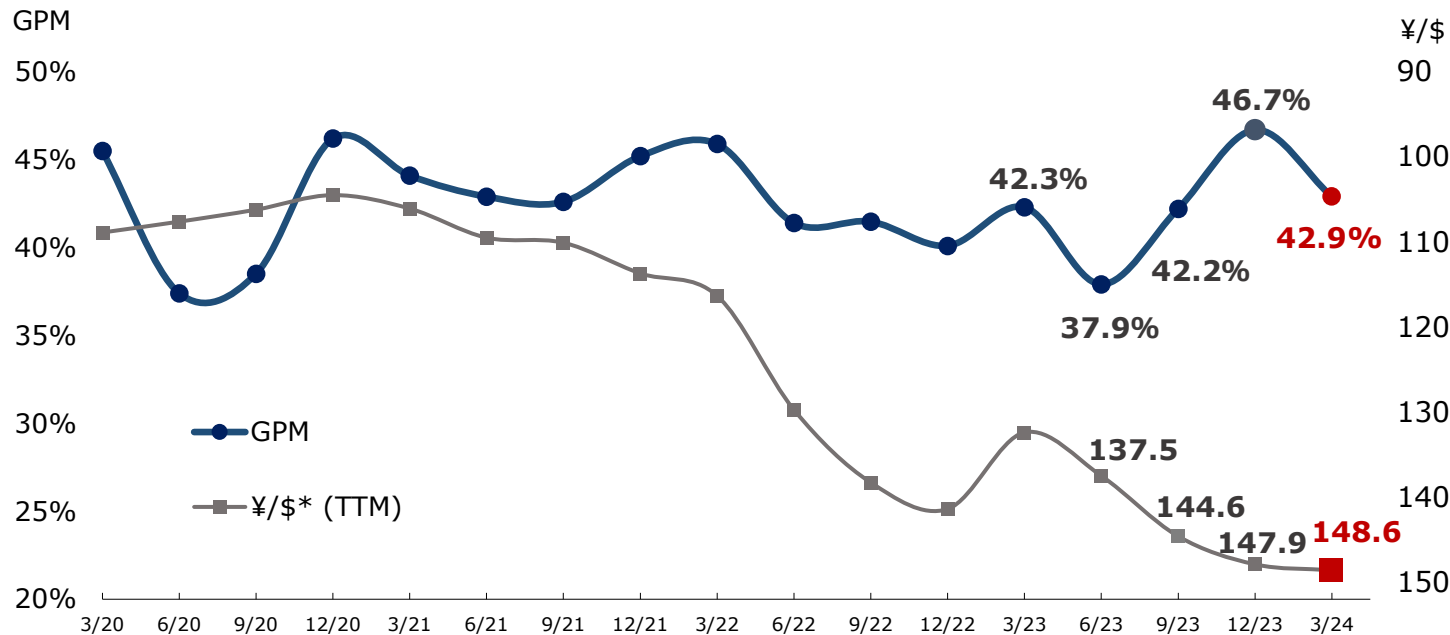
- In addition to top line growth, price hikes etc led to **more high margin projects**

(¥bn)	Q2 FY9/23 Actual	Q2 FY9/24 Actual	YoY	
			(amount)	(%)
Net sales	15.48	20.36	+4.88	+31.5%
Operating profit	1.50	3.33	+1.83	+121.5%
OPM	9.7%	16.3%	-	-
Ordinary profit	1.59	3.36	+1.77	+110.9%
Profit attributable to owners of parent	1.14	2.47	+1.33	+117.2%

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

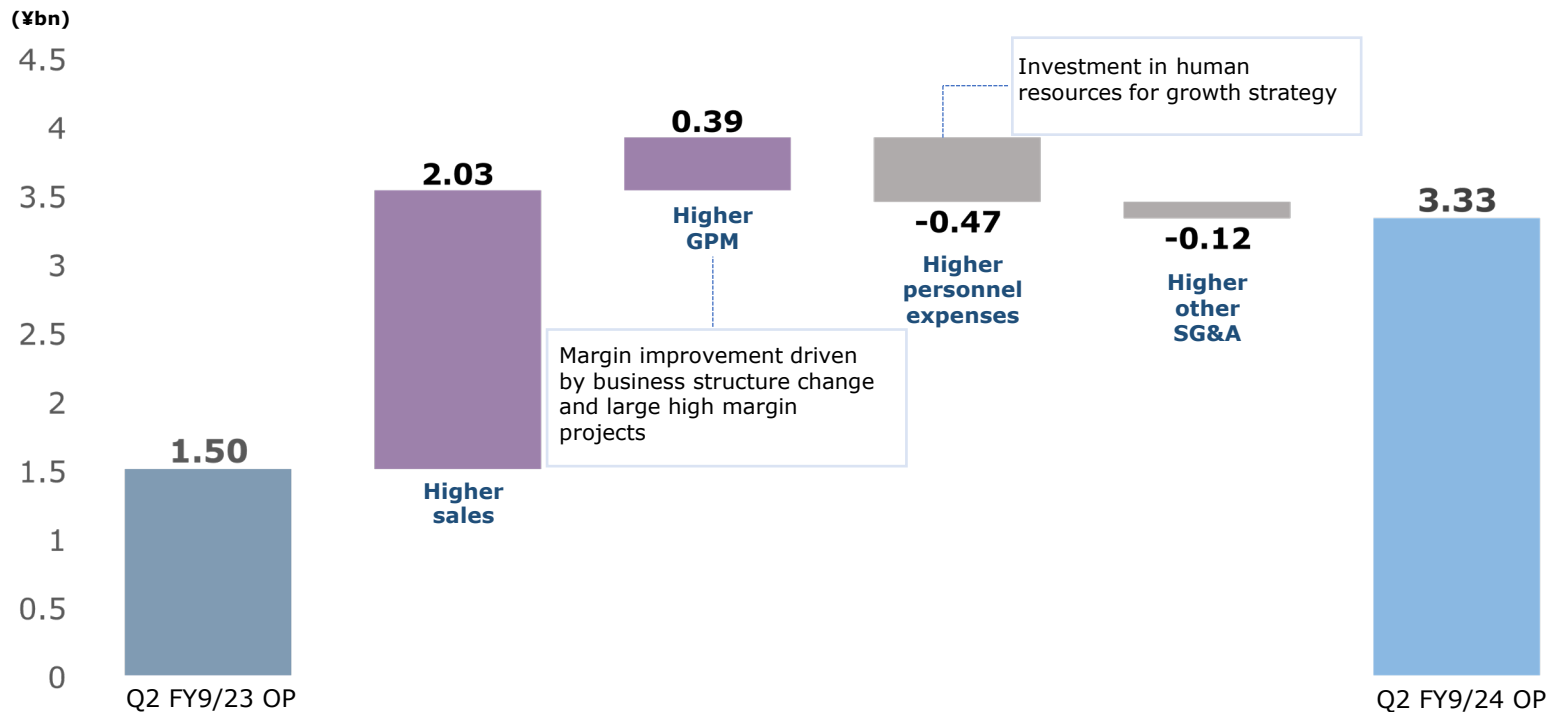
Q1: Margins high due to large US project

Q2: Despite ongoing yen depreciation, margins maintained 42.9%

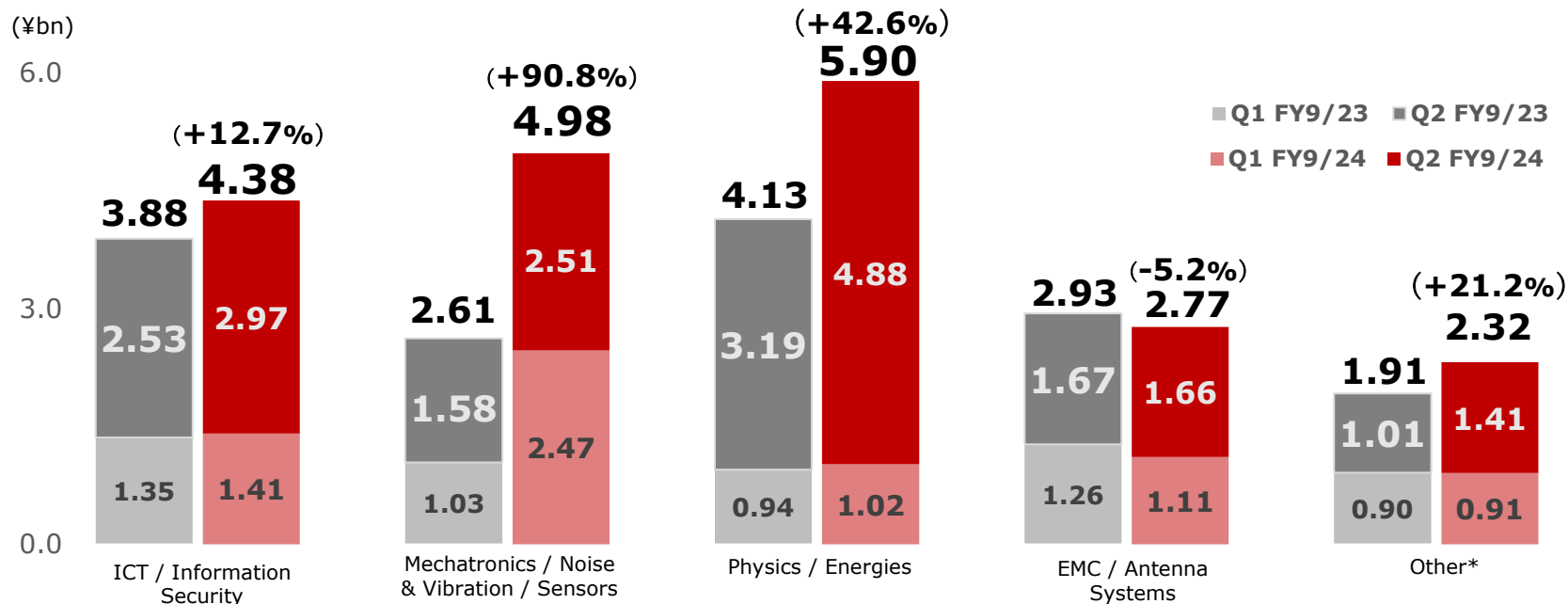


*3-month average forex rate

Sharp rise in OP due to sales growth, higher GPM



Net sales by segment



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

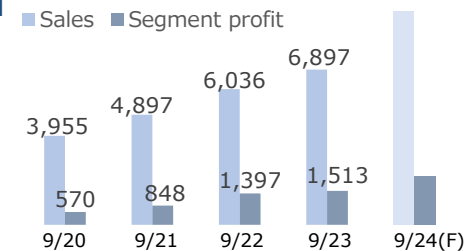
Analysis: Net sales and profit by segment

(¥bn)		Q2 FY9/23 Actual	Q2 FY9/24 Actual	YoY		Notes
				change	%	
ICT/ Information Security	Net sales	3.88	4.38	+0.50	+12.7%	<ul style="list-style-type: none"> ■ Growth in network performance testing and new business for major carriers in the ICT field ■ Service provider projects were solid in the cybersecurity field
	Segment profit	0.32	0.44	+0.12	+37.1%	
	Margin	8.2%	10.0%	+1.8ppt	–	
Mechatronics / Noise & Vibration / Sensors	Net sales	2.61	4.98	+2.37	+90.8%	<ul style="list-style-type: none"> ■ Large AD/ADAS development project in the US delivered in Q1 + large domestic project scheduled for Q3 was booked early ■ Several other projects booked ahead of schedule in Q2, margins up on price hikes, leading to sharp growth in sales and profit
	Segment profit	0.35	1.53	+1.18	+337.5%	
	Margin	13.4%	30.7%	+17.3ppt	–	
Physics / Energies	Net sales	4.13	5.90	+1.77	+42.6%	<ul style="list-style-type: none"> ■ Segment performance extremely solid on booking of several large battery measurement system projects and large basic electrochemical measurement system project ahead of plan ■ Significant growth in sales and profit
	Segment profit	1.13	1.59	+0.46	+40.2%	
	Margin	27.4%	26.9%	-0.5ppt	–	
EMC / Antenna Systems	Net sales	2.93	2.77	-0.16	-5.2%	<ul style="list-style-type: none"> ■ Some projects booked ahead of plan, but sales fell YoY as year earlier China shipments increased as COVID infections eased ■ Segment profit rose on improved margins in domestic EMC systems
	Segment profit	0.24	0.37	+0.13	+54.4%	
	Margin	8.2%	13.4%	+5.2ppt	–	
Other	Net sales	1.91	2.32	+0.41	+21.2%	<ul style="list-style-type: none"> ■ In the Software Quality & Productivity segment, license sales of game version management tools still brisk. Sales, segment profit rose ■ In the Ocean/Defense & Security segment, sales rose YoY due to large projects and projects booked ahead of plan.
	Segment profit	0.28	0.42	+0.14	+47.9%	
	Margin	14.7%	18.1%	3.4ppt	–	

Sales & profit growth on brisk carbon neutral field

We provide high-precision measurement and evaluation systems in a wide range of fields. Energy infrastructure is undergoing major changes, due to factors like the spread of renewable energies, including hydrogen where next generation expectations are high, and electric vehicles, and to this end our clients are developing batteries and inverters, in addition to basic research on materials and devices, such as power semiconductors and organic electronics.

Sales & segment profit (¥mn)



EV battery test lab



Electrochemical measurement system SP-300

Topics

Acquired distribution rights for Bio-Logic battery test equipment in southern China

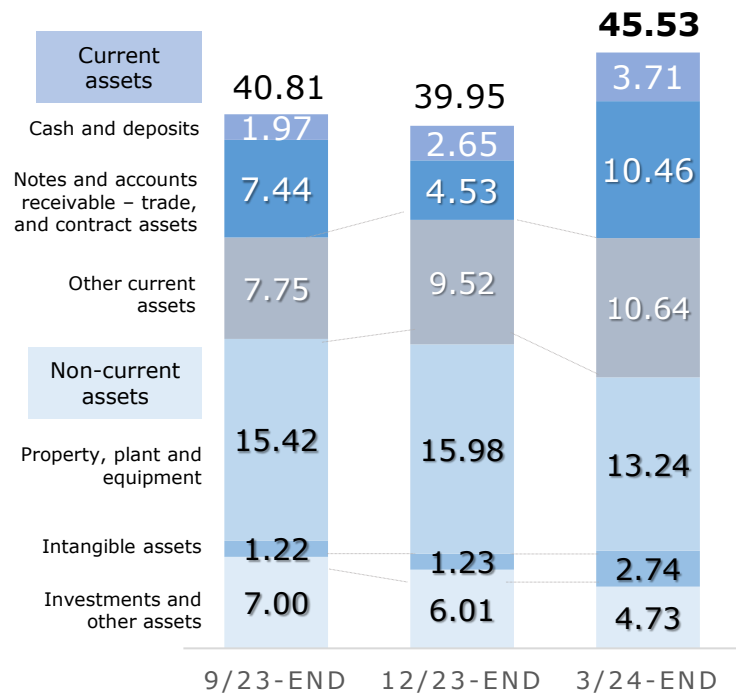
■ From Jan '24, acquired distribution rights for battery charging test equipment in southern China for product sales for France's Bio-Logic Science Instruments, a global supplier of electrochemical measurement systems & battery charging equipment

■ Aim to further expand sales in southern China, where many global battery manufacturers and EV manufacturers have development bases

Consolidated balance sheet: Major items

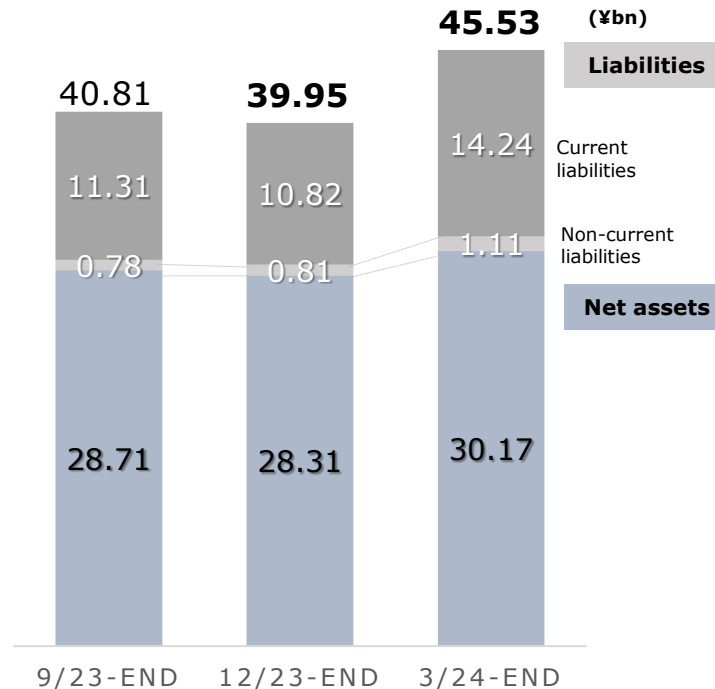
Assets

- **Current assets:** Increase in receivables & contract assets
- **Non-current assets:** Decrease in buildings & structures and land, increase in goodwill



Liabilities and net assets

- **Liabilities:** Increase in short-term borrowings
- **Net assets:** Increase in retained earnings



2. Orders & order backlog

New orders

- Sharp order growth in the **Mechatronics / Noise & Vibration / Sensors and Ocean / Defense & Security**

Order backlog

- Order backlog largely flat YoY, **due to booking of sales in Q2 ahead of schedule**

(¥bn)	Q2 FY9/23 Actual	Q2 FY9/24 Actual	YoY	
			Change	%
New orders	15.70	17.62	+1.92	+12.2%
Order backlog	15.76	15.72	-0.04	-0.2%

Orders & order backlog by segment

(¥bn)		Q2 FY9/23 Actual	Q2 FY9/24 Actual	YoY		Notes
				change	%	
ICT/ Information Security	Orders	4.32	4.49	+0.17	+3.9%	■ In the ICT field, orders from major communications carriers remained strong, both orders and the order backlog grew
	Backlog	3.09	3.16	+0.07	+2.3%	■ In the information security field, orders for service providers fell slightly YoY
Mechatronics / Noise & Vibration / Sensors	Orders	3.43	4.22	+0.79	+23.0%	■ Orders rose on repeat order for large AD/ADAS development project in the US
	Backlog	3.33	2.88	-0.45	-13.5%	■ Backlog fell as sales booked for several projects, of which part large
Physics / Energies	Orders	4.02	3.93	-0.09	-2.2%	■ Orders for basic electrochemical measurement systems remained steady, but orders decreased slightly
	Backlog	3.70	3.99	+0.29	+7.8%	■ Sales for large projects were booked ahead of schedule, but backlog increased YoY due to strong orders received to date
EMC & Antenna Systems	Orders	1.95	1.78	-0.17	-8.7%	■ Orders decreased due to stiff competition in power amplifier market
	Backlog	3.38	2.15	-1.23	-36.4%	■ Backlog decreased YoY as year earlier included a large China order scheduled for delivery Q3 FY9/23
Other	Orders	1.95	3.19	+1.24	+63.6%	■ Solid orders in the Ocean / Defense & Security, Software Quality & Productivity and Life Science orders also grew
	Backlog	2.24	3.52	+1.28	+57.1%	■ Backlog rose due to solid orders in Ocean / Defense & Security segment

3. Full-year forecast for FY9/24

Full-year forecast for FY9/24

- Raised forecasts for net sales, OP, ordinary profit, profit attributable to owners of parent based on Q2 results and recent order trends
- Expect H2 profits slightly above breakeven as several large projects planned for Q3 booked early

(¥bn)	FY9/23 Actual	FY9/24 Initial forecast	FY9/24 Revised forecast	YoY		Vs. initial forecast	
				Change	%	Change	%
Net sales	28.17	32.00	34.50	+6.33	+22.5%	+2.50	+7.8%
Operating profit	1.47	3.00	3.35	+1.88	+127.5%	+0.35	+11.7%
OPM	5.2%	9.4%	9.7%	+4.5ppt	–	+0.3ppt	–
Ordinary profit	1.80	3.20	3.40	+1.60	+88.8%	+0.20	+6.3%
Profit attributable to owners of parent	1.53	2.30	2.50	+0.97	+63.0%	+0.20	+8.7%
ROE	5.3%	8.0%	8.7%	+3.4ppt	–	–	–

4. Recent initiatives to enhance corporate value

Acquisition of 100% of shares in L.Tail Co., Ltd.

(Date of acquisition: March 29, 2024)



Physics / Energies segment

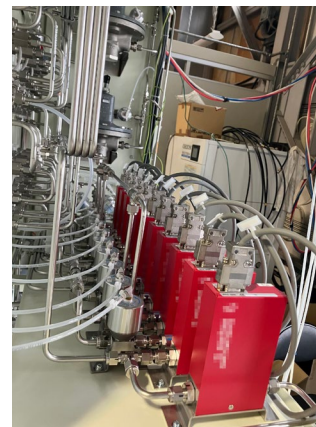
■ Founded in 1997, L. Tail **manufacturers and installs fluid control devices** utilizing proprietary technology and used by **research institutions and major gas firms**

■ L.Tail became more involved with manufacturing of our fuel cell evaluation system and can handle **fuel cell durability tests and electrochemical tests**

■ After making L.Tail a subsidiary, we will proceed with capex to raise production of fuel cells & water electrolysis evaluation systems, creating a **production structure to respond to demand in Japan and overseas**

■ To expand R&D of hydrogen core technology, which will become more active in future, we will **expand hydrogen related businesses** and new development of our **proprietary fuel cell/water electrolysis evaluation solutions**

Water electrolysis evaluation system
'Auto EFC series'



Precision flow control
mechanism for mixed gases

Further details from our news release (March 4, 2024)
https://ssl4.eir-parts.net/doc/8151/ir_material7/225500/00.pdf

Rototest International AB



Mechatronics / Noise & Vibration / Sensors

▶ Earnings consolidation from Q2

Strengthen in-house solution DMTS and expand sales in global market

- Had a distributor agreement since 2016 to sell hub coupled chassis dynamometer systems
- By combining this system with simulators, we developed our DMTS (driving & motion test system) product
- By bringing Rototest, with its strong sales track record in China & Europe, into our Group, we look to actively expand our automotive development and testing solutions to the global market



ROTOTEST® Energy™ (hub coupled chassis dynamometer)

TOYO EMC Engineering

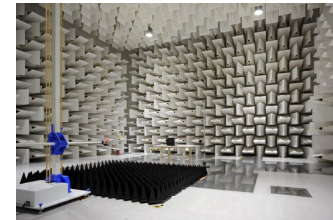


EMC & Antenna Systems

▶ Earnings consolidation from Q2

3 measurement centers in Japan with radio anechoic chambers Expand EMC business with knowledge, technical capabilities

- Core support services for overseas certification of products, including EMC testing services
- Three measurement centers in Japan (Tsukuba, Kawasaki, Hyogo), with large 10m anechoic chambers
- Acquisition aims to bring together knowledge, technical capabilities of both companies, promote development of advanced solutions in radio wave measurement, expand certified calibration services.



Radio anechoic chamber at Tsukuba measurement center

Achieved a B score from CDP in its Climate Change Report 2023

■ We were **certified as a B** by CDP*¹ in its **Climate Change Report 2023**, the third highest score out of eight levels*²

■ We have identified addressing climate change as one of our key management issues, and are strengthening efforts to address climate change by proposing/supporting development of products that contribute to decarbonization through the reduction of CO₂

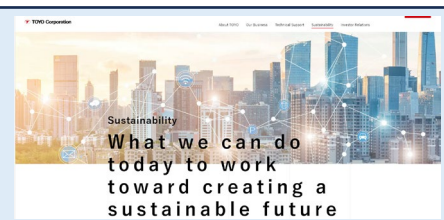
■ Our efforts to enhance disclosure in line with TCFD recommendations and have also been recognized



Please see our sustainability site

In addition to a redesigned site, we enhanced the content to include ESG initiatives and explain our sustainability management

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



*¹ CDP : Carbon Disclosure Project. A UK NGO based in London established in 2000.

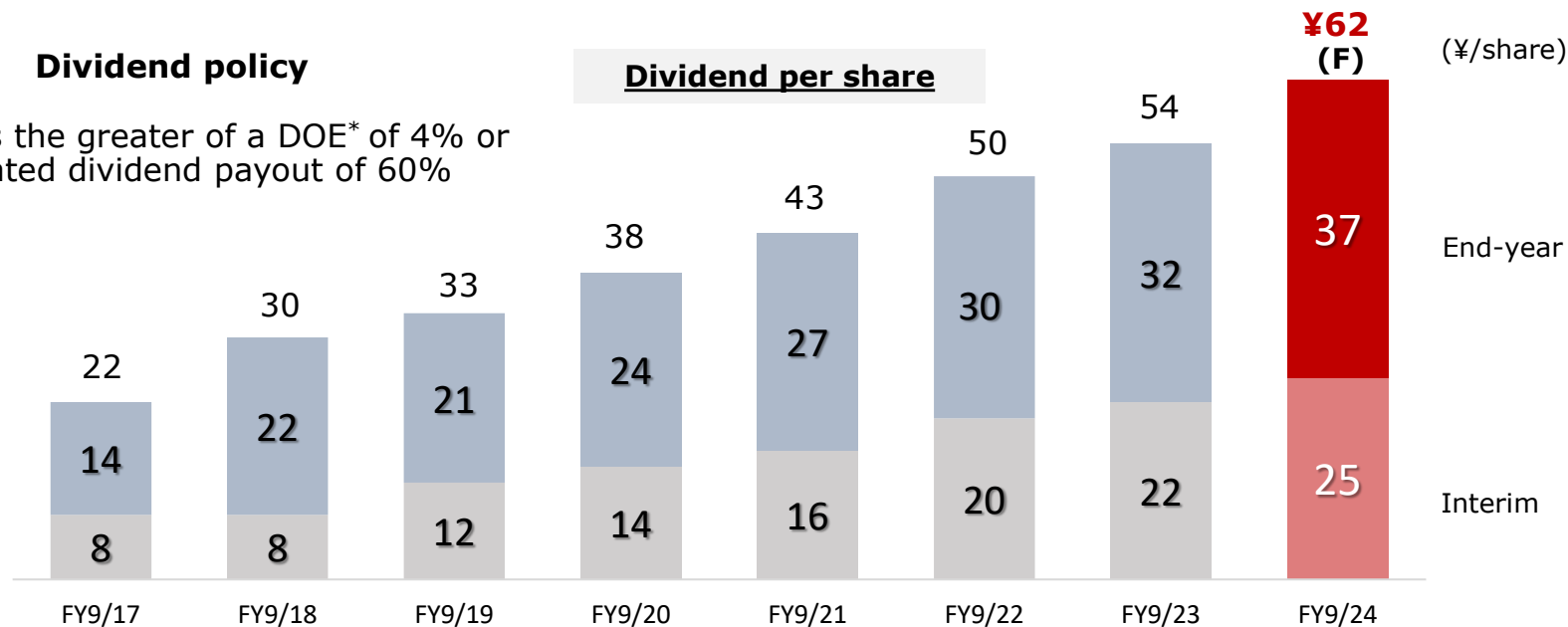
*² 8 levels of scores possible (A, A-, B, B-, C, C-, D, D-)

5. Shareholder returns

Achieving sustained dividend growth, record-high dividend forecast in FY9/24

Dividend policy

Dividend is the greater of a DOE* of 4% or a consolidated dividend payout of 60%



*DOE = Annual dividend / shareholders' equity

6. Formulation of the next medium-term management plan

Focus for the next medium-term management plan

Set capital policies such as investment plans

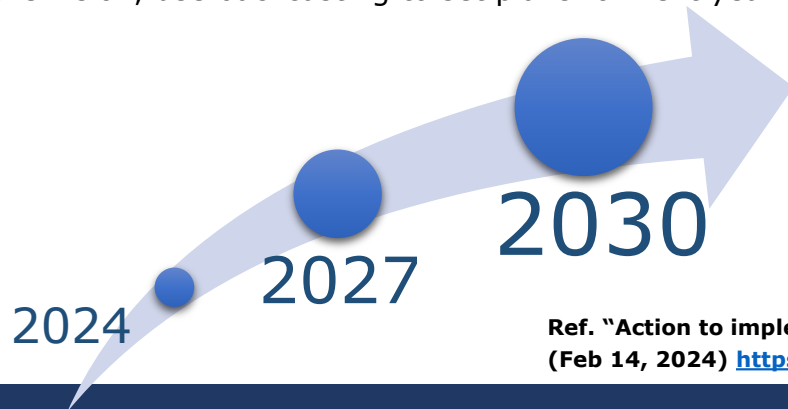
- Consider and disclose management resource allocation including use of interest-bearing debt

Set plans based on priority areas

- Priority areas defined as businesses key in strategy

Disclosure of a vision from a long-term perspective

- Define future vision, use backcasting to set plans for next year



Proposed priority measures (excerpt)

- ***Decarbonization, climate change, other environmental businesses**
- ***Advanced mobility business**
- ***Original solutions & products**
- ***Growth via M & A**

Ref. "Action to implement management that is conscious of cost of capital and stock prices"
(Feb 14, 2024) https://ssl4.eir-parts.net/doc/8151/ir_material7/223724/00.pdf

7. Appendix

**Action to implement management that is
conscious of cost of capital and stock prices
(Repeat of February 14, 2024 disclosure)**

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.

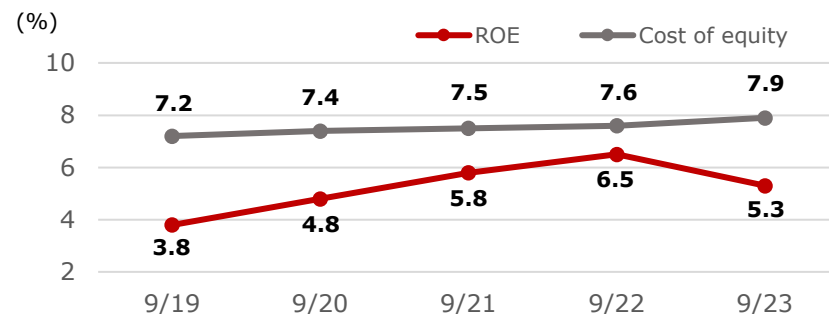
KPI for FY9/24

ROE 8.0% or above

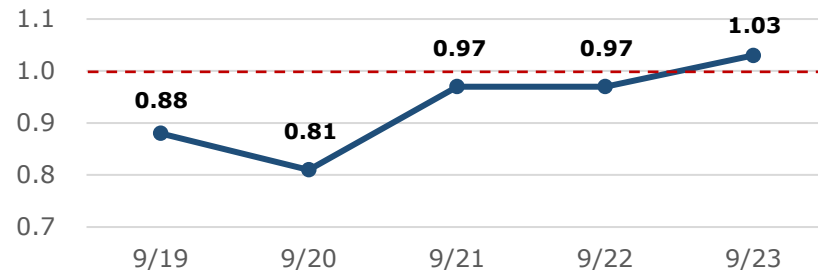
We will achieve ROE 8.0%, which is an indicator of "TY2024" medium-term management plan, and aim for ROE exceeding the cost of equity.

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.

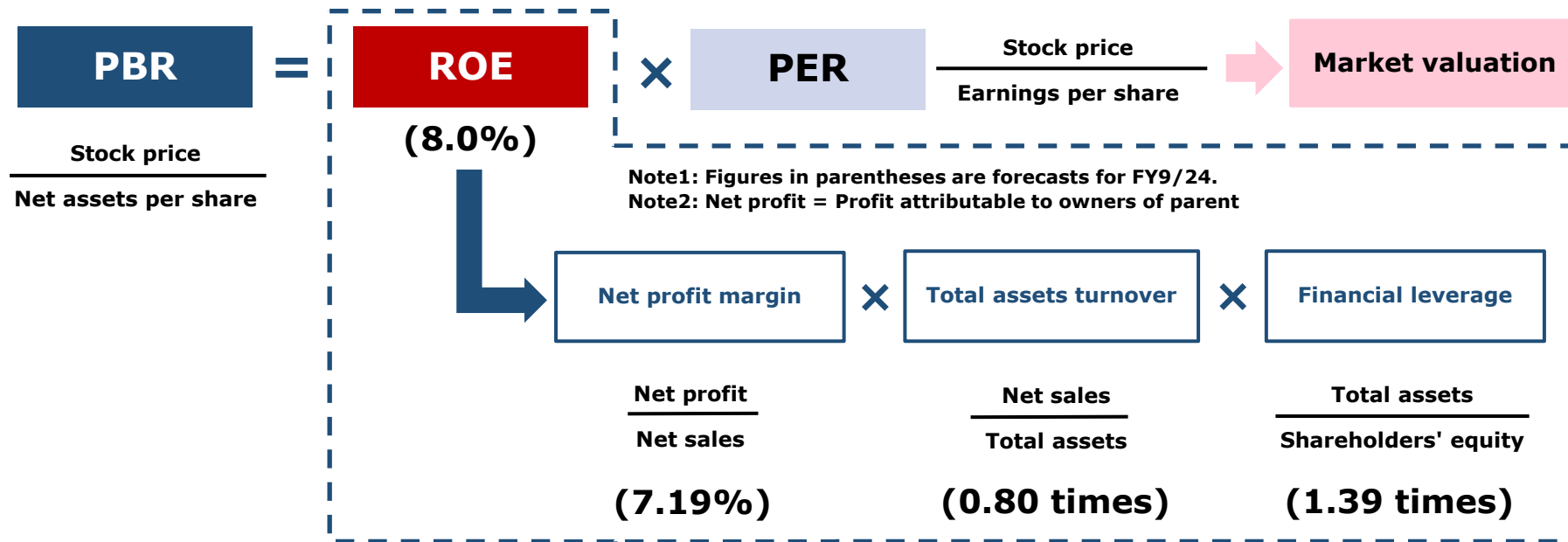
ROE and Cost of equity



PBR trends



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

Initiatives to enhance corporate value

The following measures will be implemented for respective components.

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

IR News Alerts

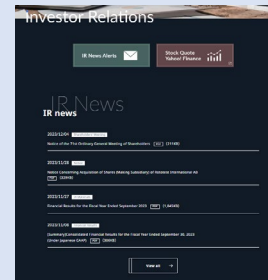
<https://www.toyo.co.jp/english/ir/mail-magazine/>

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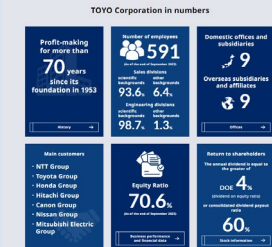
We send IR information by e-mail in a timely manner.
Please be sure to register.

IR Website

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



Improved English disclosure



The data and future forecasts disclosed in this document are based on judgments made as of the date of publication of this document and available information, and are subject to change for a variety of reasons, including changes in economic conditions and market trends. Accordingly, this document is not a guarantee of the achievement of the stated targets, forecasts, or of future performance.

Contact Information:
Corporate Planning Division, TOYO Corporation
<mailto:toyo-ir@toyo.co.jp>