COMPANY RESEARCH AND ANALYSIS REPORT

TOYOKOH Inc.

341A

Tokyo Stock Exchange Growth Market

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Two main pillars: the SOSEI business and the CoolLaser business; the CoolLaser business has entered a profit-generating phase and is currently driving performance growth

TOYOKOH Inc. <341A> (hereafter, also "the Company") operates the SOSEI business, which uses its own unique method to paint and waterproof roofs of aging factories and other buildings, and the CoolLaser business, which manufactures and sells processing equipment to remove rust from aging social infrastructure such as bridges and steel towers. The SOSEI business, which is the Company's original business, serves as a stable source of earnings, and with the aging of social infrastructure currently becoming a social issue, the Company has invested a lot of management resources into the growing CoolLaser business. It is currently expanding sales of products in this business, driving profit growth. As these products are also expected to contribute to maintaining social infrastructure and extending its service life, the future development of this business is being closely watched.

Net sales remained solid, while profit declined due to upfront investments for growth

1. Overview of 1Q FY3/27 results

The 1Q FY3/27 results showed higher sales and lower profit, with net sales of ¥605mn, up 24.0% year on year (YoY), and operating profit of ¥131mn, down 9.8%. Progress toward the 1H net sales forecast reached 51.1%, generally tracking in line with the plan. In the SOSEI business, steady progress in revenue recognition due to the application of the percentage-of-completion method contributed to an increase in net sales. In the CoolLaser business, two units were delivered.

In terms of profit, the gross profit margin in the SOSEI business declined slightly YoY due to soaring material prices against the backdrop of the situation in the Middle East and rising outsourcing costs. The Company is working to pass on these costs by raising unit sales prices and expects the impact of the cost increases to diminish for the full year. SG&A expenses increased due to higher personnel costs associated with an increase in the total number of company-wide employees from 49 at the end of the previous fiscal year to 54, as well as higher commission expenses, including recruiting-related costs (recruitment agency fees), in anticipation of growth in the following fiscal year and beyond. Furthermore, research and development expenses increased due to the expansion of development personnel and an increase in consumables costs.

In this way, although profit was weighed down not only by rising raw material prices and outsourcing costs but also by upfront investments for future growth, such as workforce expansion and research and development, the business as a whole maintained a certain level of profitability, and net sales progressed steadily in line with the plan.

While continuing growth investments, the Company expects net sales and profit to rise for the third consecutive year

2. FY3/27 forecasts

For FY3/27, the Company expects net sales to increase 27.6% YoY to ¥4,000mn and operating profit to increase 25.6% to ¥790mn, anticipating a third consecutive year of sales and profit growth. The factors behind the expected increase in net sales are the expansion of the CoolLaser business, a growth business, and the solid performance of the SOSEI business, a stable source of earnings. Building on the delivery results of 12 units in the previous fiscal year, the CoolLaser business will further expand domestic sales and advance shipments for overseas markets, primarily in the Middle East. Meanwhile, in the SOSEI business as well, in addition to measures to address aging factories and natural disasters, primarily in the Pacific Belt region, the Company will capture demand associated with the installation of rooftop solar panels. In both businesses, the Company has secured a project pipeline to achieve its full-year earnings forecasts, and the business foundation is in place to accomplish its plans.

In terms of profit, the Company will make upfront investments for future growth while maintaining a high gross profit margin backed by high added value. In both businesses, the Company plans to maintain a gross profit margin of approximately 40%, on par with the previous fiscal year. Regarding SG&A expenses, although increases are planned mainly in personnel and recruiting costs, the Company expects to secure profit growth through the accumulation of profits driven by higher sales.

Aiming to deliver 120 CoolLaser units in FY3/30

3. Progress of the medium-term management plan

The Company is advancing the medium-term management plan for the CoolLaser business announced on December 9, 2024. The plan sets minimum and maximum delivery volumes for each fiscal year, targeting 17 to 24 units in FY3/27, 35 to 65 units in FY3/28, and 120 units in FY3/30. For FY3/26, delivery results totaled 12 units, in line with the plan.

Given the currently procurable quantity of components, the Company's current production capacity stands at about two units per month. The Company plans to expand the procurable quantity of components and increase production capacity by around 1H FY3/28. In addition, it plans to reduce costs by ¥20mn per unit by around FY3/28.

On the technical front, initiatives aimed at enhancing technological reliability have also progressed, earning recognition such as the Innovation & Environment Bureau Director's Award in the Fiscal 2025 Industrial Standardization Project Awards organized by the Ministry of Economy, Trade and Industry (METI). Most recently, in addition to being selected by the Japan International Cooperation Agency (JICA) for the 2025 SME/SDGs Business Support Program (JICA Biz), the Company conducted an on-site verification event for NEXCO East Japan on the Kanetsu Expressway in collaboration with Yokogawa Bridge Holdings Corp. <5911>.

Going forward, alongside demand for extending the service life of approximately 12,000 pedestrian overpasses nationwide, the Company is also exploring applications of CoolLaser in the defense sector by participating in international exhibitions hosted by the Acquisition, Technology & Logistics Agency. The domestic market size is estimated to exceed ¥80.0bn, leaving significant room for business expansion through future market development. Overseas expansion is also expected to serve as a medium- to long-term growth driver. In February 2026, the Company secured its first overseas order, from the United Arab Emirates (UAE). It is also advancing business negotiations in collaboration with distributors in the ASEAN region and Taiwan.

Furthermore, in addition to strengthening recruitment, the Company is also reinforcing its foundation through measures such as developing its corporate governance system. Additionally, it is strengthening its collaboration with Mitsubishi HC Capital, a sales partner for CoolLaser.

With a profit growth rate of 20–30%, a market capitalization of ¥40.0–60.0bn is also within sight

4. Stock price

The target of 120 units sold for FY3/30, as set forth in the CoolLaser business's medium-term management plan, implies an operating profit CAGR of over 50%, even assuming that the profit margin does not change significantly. While the PER is currently over 40 times, the Company's market capitalization would still exceed ¥30.0bn even assuming a PER of 15 times, which is likely the lowest figure. If the Company can maintain a profit growth rate in the 20–30% range backed by massive demand, a market capitalization of ¥40.0–60.0bn would be well within reach.

Additionally, the Company was selected for the JPX Start-Up Acceleration 100 Index, which began publication in March 2026. It is the only company in the construction industry included in the index, and capital inflows from index funds are expected going forward. As of the end of March 2026, the investment trust ownership ratio was 10.5% (up 6.3 percentage points (pp) from the end of September 2025). It is reasonable to envision a scenario in which the stock price continues to move higher in line with strong profit growth while maintaining a high PER valuation, similar to AI-related stocks.

Key Points

- Two main pillars: the SOSEI business and the CoolLaser business; the CoolLaser business has entered a profit-generating phase and is currently driving performance growth
- For 1Q FY3/27, net sales remained solid, while profit declined due to upfront investments for future growth
- In FY3/27, while continuing growth investments, the Company expects net sales and profit to rise for the third consecutive year
- Amid aging infrastructure, demand is strong both domestically and internationally, presenting significant upside potential

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