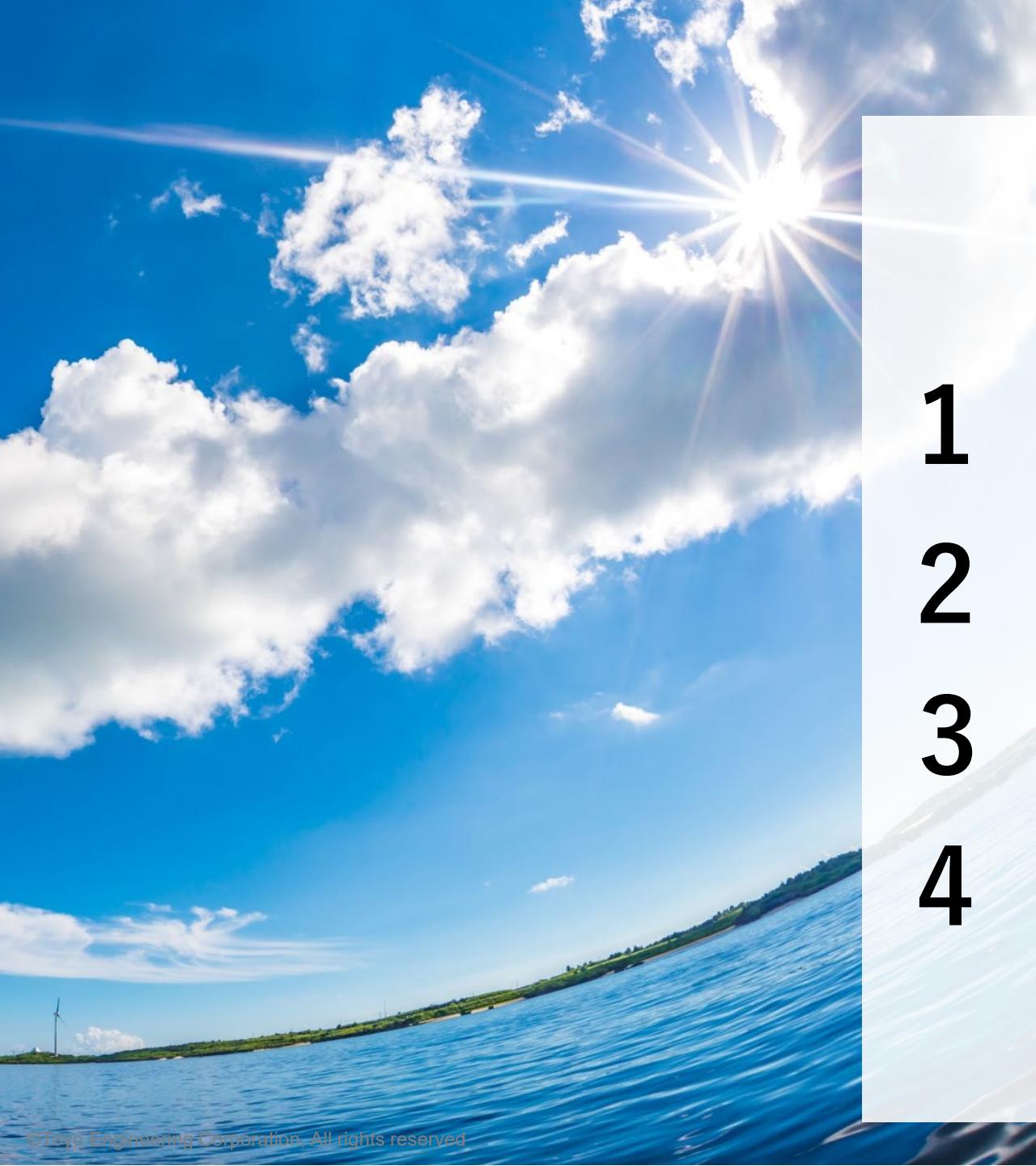




## **Third Quarter of Fiscal Year Ending March 2026 (FY2025-3Q) Revision to Consolidated Earnings Forecast**

February 12, 2026  
Toyo Engineering Corporation  
President & CEO Eiji Hosoi





- 1 Revision to FY 2025 Consolidated Earnings Forecast**
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# Revision to FY 2025 Consolidated Earnings Forecast

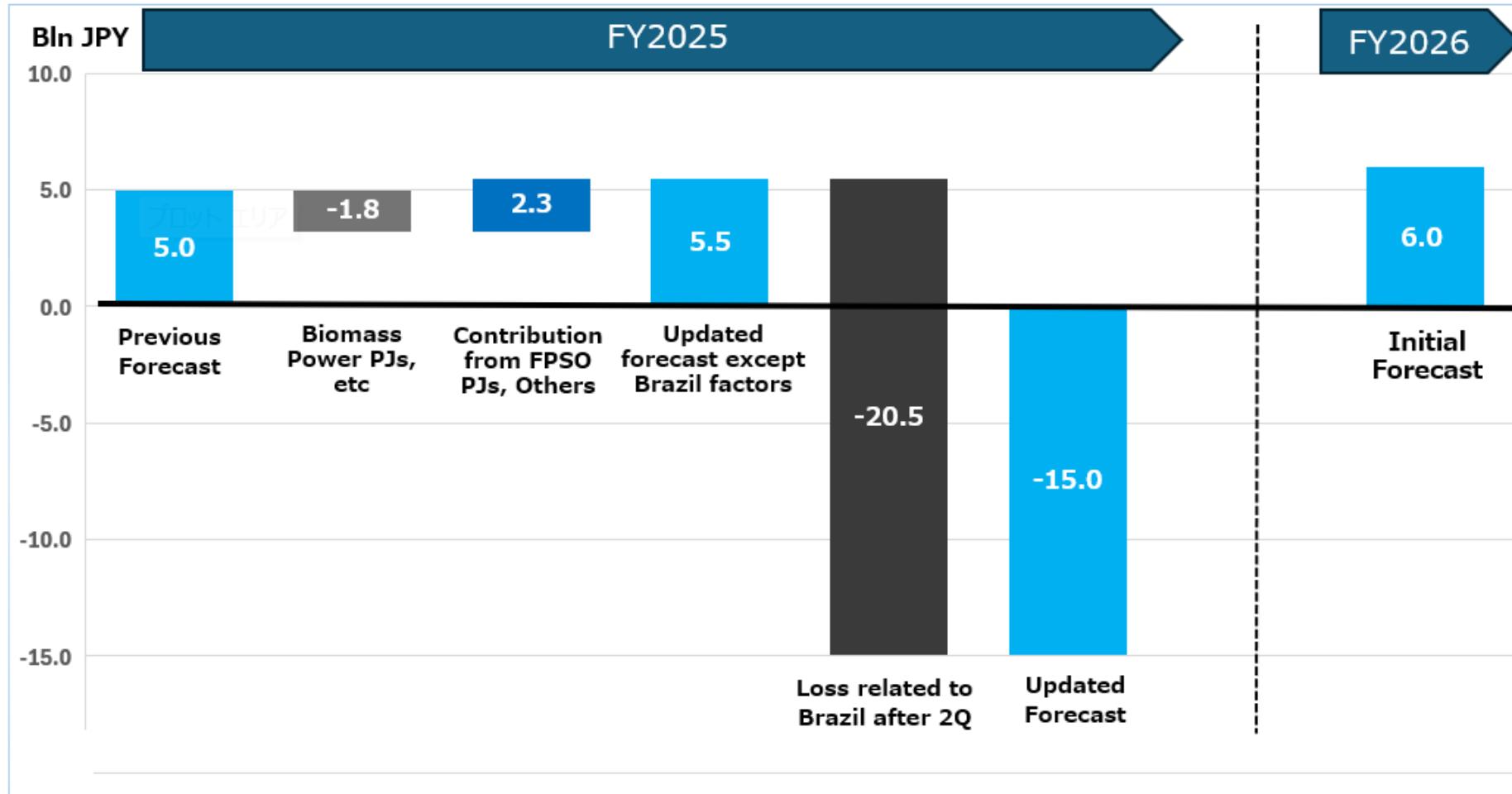


- The earnings improvement measures announced at the time of the 2Q results- JPY 2.0 billion in expense reductions and JPY 3.0 billion in profit build-up from newly awarded projects - are progressing as planned; while domestic biomass-related projects have somewhat deteriorated, the impact has been offset by stronger-than-expected equity-method investment income.
- Based primarily on the current situation with the Brazil gas-fired power generation project, related losses are now expected to reach JPY 20.5 billion.
- As a result, consolidated net profit (loss) is expected to be JPY 17.5 billion for 3Q and JPY 15 billion for the full year, representing a downward revision of JPY 20 billion from the previous forecast.
- Order intake has reached the full-year target of JPY 400.0 billion as of 3Q.
- Considering these circumstances, we have decided to suspend the year-end dividend (initially expected to be JPY 25 per share).

	Billions of Yen		2Q FY2025	3Q FY2025	a Previous FY2025 Forecast	b Revised FY2025 Forecast	b-a Difference
1	<b>Net Sales</b>		<b>94</b>	<b>131.9</b>	<b>200</b>	<b>185</b>	<b>△ 15</b>
2	Gross profit		8	△ 2.3	25	4.5	△ 20.5
3	Gross profit margin		8.5%	-1.8%	12.5%	2.4%	-10.1%
4	<b>Operating income</b>		<b>△ 4.2</b>	<b>△ 21</b>	<b>1.5</b>	<b>△ 20</b>	<b>△ 21.5</b>
5	<b>Ordinary income</b>		<b>△ 1.9</b>	<b>△ 15.8</b>	<b>6.5</b>	<b>△ 13</b>	<b>△ 19.5</b>
6	<b>Profit attributable to owners of parent</b>		<b>△ 3</b>	<b>△ 17.5</b>	<b>5</b>	<b>△ 15</b>	<b>△ 20</b>
7	New orders including equity method affiliates		364	403.6	400	400	0

\* Project-related Losses in Brazil Since 2Q (Mainly the Power Generation Project)

# Expected Changes in Net Profit from the Previous Forecast (2Q)



# Deterioration in profitability on the Brazil power project



**SUMMARY OF PROJECT:** The project is in the commissioning phase, with progress at 98.9% as of Feb 7, 2026

Conclusion of Contracts	Type of contract	Site	Scope	Contract delivery date	Latest expected delivery date
July 2022	Lump-Sum	Para, Brazil	Engineering, procurement, construction, commissioning	July 2025	April 2026

## BACKGROUND

- Delays and substantial additional costs have arisen from a combination of factors, including those attributable to the customer. We have continued change-order discussions with the customer to revise the contract price and schedule (EOT) however, no final agreement has been reached. Accordingly, we had no choice but to initiate arbitration in July 2025.
- Despite these circumstances, the customer has asserted claims for delay-related liquidated damages (LDs) and has fully suspended (withheld) contract payments since October 2025, resulting in a significant and growing balance of withheld receivables.
- We will present our case appropriately in the arbitration proceedings and take all necessary steps to protect our contractual rights. The arbitration is expected to be lengthy, with final resolution likely to take approximately 4 to 5 years.

## KEY DOWNSIDE FACTORS IN 3Q FY2025

- Considering the expected protracted arbitration process and the customer's financial situation, we reassessed the recoverability of the withheld receivables and the remaining contract balance on a conservative basis and adjusted our estimated total contract revenue downward to address future volatility risk.
- Based on the most recent project status, we have carefully reviewed the costs required to complete the project and made additional cost provisions.
- We also expect the deterioration in cash flow to lead to higher borrowings and increased interest expense.

# Action Plan and FY2026 Performance Outlook



## Action Plan (Brazil operation)

- We are dedicating all management resources of our Brazil entity to the early resolution of this project.
- We have already deployed executives, legal specialists, and a dedicated project management team, and are managing project execution and the arbitration process under direct HQ oversight.
- While closely monitoring the customer's financial situation, we will proceed rigorously with the arbitration and work to recover losses and collect outstanding receivables.
- Through additional capital contributions from headquarters, we are accelerating repayment of short-term borrowings to mitigate interest burden.

## Action Plan (Company-wide)

- We have strengthened project risk reviews company-wide (including overseas subsidiaries) under the Project Management Division, ensuring that projects with excessive risk or unfavorable contract terms are screened out before contract execution, while further enhancing monitoring of ongoing projects.
- We will incorporate lessons learned into our next medium-term management plan and implement initiatives to enhance our EPC execution capabilities.

## FY2026 Performance Outlook

- We expect to clear the key uncertainties related to the problem projects within FY2025 and to restore earnings stability as we move forward with our next medium-term plan.
- FY2025 order intake, including equity-method affiliates, has already reached the full-year target of JPY 400.0 billion as of 3Q FY2025.
- Our current order backlog is largely comprised of higher-margin projects, and through steady execution we expect consolidated net profit of JPY 6.0 billion in FY2026, with the goal of resuming dividends.



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The forecasts given above are based on information available at the time of compilation and are inherently subject to a variety of risks and uncertainties. Actual results may vary significantly from forecasts due to factors including, but not limited to, changes in the economic or business environment and exchange rate fluctuations.