

Summary of Q&A session at the on-line Briefing Session for the FY2021 Management Policy held May 13, 2021

TOYO explainers:

Haruo Nagamatsu, President & CEO

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1. Performance in Fiscal Year Ended March 31, 2021 (FY2020)

Questions	Answers
<p>Operating income was the loss in the net 4th quarter. Provision for loss on construction contracts is increasing. Was there any special reason?</p>	<p>Because this quarter was the fiscal year-end settlement, we take some conservative factors into the consideration such as the risk of the projects at the end of the fiscal year, the assessment of bad debts in accounts receivables, and the collectability of deferred income tax. In addition, SG&amp;A expenses rose in the 4th quarter because of the peak of investment in DX and R&amp;D. SG&amp;A expenses were at the expected level at the beginning of the year. It doesn't mean that problems have occurred in a particular project.</p> <p>Provision for loss on construction contracts is about 300 million yen only, we can see that there are no major problems in ongoing projects.</p>

2. Forecast for Fiscal Year Ended March 31, 2022 (FY2021)

Questions	Answers
<p>It was explained that some new orders have been slipped to FY 2021. Tell us how much percentage of new orders do you expect to award in the first half of FY 2021?</p>	<p>We expect 50% in the first half, namely 140 billion yen which is half of the 280 billion yen for the target.</p>
<p>What is the reason for an increase in net sales and profits in FY 2021?</p>	<p>Firstly, depending on the increase of revenue, gross profit is expected to increase by 4.5 billion yen. Second, there are some projects close to the end, and they may not use contingencies because risks would have been well managed.</p>

<p>Tell us the reason why ordinary income in the current fiscal year will be decreased.</p>	<p>Ordinary income is expected to decline by 0.2 billion yen. It is because there were large foreign exchange gains and the profit from the equity method company in the last fiscal year. There will be no such factors in this fiscal year.</p>
<p>You have been bidding for FPSO since the previous fiscal year and have experience on the top side. What do you think about risk hedging?</p>	<p>Ongoing projects are for the top side. It can be managed with more than 10 years of experience of TOYO. In the future, we will also handle the hull by bidding with partners who have the knowledge and employing knowledgeable people. We will continue to focus on FPSO.</p>
<p>Regarding recycling of waste plastics, tell us a practical plan if any, and assurance of receiving an order.</p>	<p>The name and region cannot be disclosed because of a confidentiality obligation. We are cooperating with customers to realize EPC in Japan.</p>
<p>How many new orders for new business areas indicated on page 7 of the management policy are expected?</p>	<p>In these fields, we don't expect much on the numeric volume of the new order because those are the fields to be grown-up for a few years. And we are concentrating on profit amount from the new business area. As for the timing, we will award some jobs within this fiscal year.</p>
<p>Regarding KPIs shown on page 11 of the outline of financial results, what are the results for FY 2020 for gross profit composition of non-EPC and new business areas, and what is the outlook for FY 2021?</p>	<p>FY2020: Non-EPC was 24% of the gross profit of 18.5 billion yen, and new business areas was 5%. FY2021: Non-EPC is 16% of the gross profit of 23.0 billion yen, and new business areas is 5%.</p>
<p>In FY2020, the gross profit margin exceeded the forecast of 8.3% at the beginning of the fiscal year to 10.1%. Can we expect the gross profit margin to exceed the forecast in FY 2021, too?</p>	<p>In the previous fiscal year, several completed projects did not use contingency. The gross profit margin is 9.6% for the current fiscal year, and we believe it is possible to achieve the target. However, it is not clear at this time whether the gross profit margin will increase or not. Although it may seem conservative, this figure is based on factors such as Covid-19 and market conditions.</p>

### 3. Management Policy

Questions	Answers
Concerning the business alliance with Taisei Corporation who has many experiences in the field of pharmaceuticals, what is the recent situation?	Utilizing TOYO's know-how related to processes, we are working with Taisei Corporation, who has many experiences and customers, to award new orders.
It is mentioned that HERO contracts were signed. Are they in Japan or overseas? Is it a one-time diagnosis, or continuous service?	<p>There are projects both in Japan and abroad.</p> <p>There are several phases and some customers go to the phase to apply SUPERHIDIC<sup>®</sup>, Innovative Energy Saving Distillation System after HERO, whole plant analysis &amp; energy saving total optimization proposals. In addition to energy saving, it also contributes to the reduction of CO2 emissions, which has attracted the attention of customers.</p> <p>We expect the number of customers going to the next phase will increase in the future.</p>
What is the most recent situation of the alliance with Nippon Steel Engineering (NSE)? I understand one of the reasons is to get O&M knowledge.	<p>We have cooperated with NSE for O&amp;M proposals in biomass, but there are no orders yet.</p> <p>The project is being implemented in a joint venture in the field of renewable energy. Since there are several proposals in the same way, we would like to further advance the alliance.</p>
Other companies also announced their medium-term vision and plan. There are many overlaps such as waste plastics and CCUS, as indicated in the new business domain of Management Policy page 7. I wonder the profitability is affected if everyone gets together in the same place. What are TOYO's strong points?	<p>SAF, carbon-free ammonia, and hydrogen are trillions of yen market for 2030 and 2040. We have a record of 86 ammonia plants projects, and IOR/EOR business which is close technology of CCS was started in the 1980s. We would like to collaborate with our partners by utilizing these strong points.</p> <p>SAF is co-developed with our partner Velocys of the United States company. We would like to be able to differentiate ourselves from other companies by utilizing our conventional synthetic gas technology. T-Next (Next Generation Technology &amp; Application Division) and sales division are working together. Since both markets are big, we do not believe that only one company will dominate the market.</p>
Mr. Yamamoto has become the new president of Integral, who supports TOYO and is an outside director of your company. Is there any change in the relationship?	There is no change. Mr. Yamamoto's position as an outside director remains unchanged.

#### 4. The impact of Covid-19

Questions	Answers
<p>What is the impact of Covid-19? In India and Russia, the impact is reported in your explanation. What impact on the progress of net sales in this fiscal year?</p>	<p>Progress in the previous fiscal year was delayed due to Covid-19 and other reasons. Such a delayed part will be reflected in net sales in FY2021. Indian LNG regasification and refinery projects are both in the middle of the progress and construction work will reach a peak from now on. Therefore, we will take action to mobilize construction personnel and talk with our customers and sub-contractors for a countermeasure.</p> <p>We are not very anxious about Russia because progress in our scope has been almost done and well.</p>
<p>There was an explanation that Indian projects are difficult because of Covid-19. How about customer's willingness to invest in an uncertain situation?</p>	<p>The willingness to invest of both private and state-owned and companies in India is high even under the Covid-19 crisis. Inquiries and orders for projects are proceeding as planned. We recognize that the number and schedule of new projects will proceed smoothly.</p>
<p>In other countries, are there any changes in the investment of customers?</p>	<p>I think there are no countries that suffer a decline in investment because of Covid-19. Customers have been restrained from investing significantly last year and two years ago, but their financial performance has been recovering and they are willing to invest.</p> <p>We also believe that carbon neutral related projects will increase in the future.</p>

(Note)

- On the same day, we held 2 different briefing sessions, one is for media, and the other is for analysts and institutional investors. We combined Q&A from those 2 sessions.
- In some cases, the contents have been reordered to help readers to naturally be understood.