

## Summary of Q&A at the online Briefing Session for 2<sup>nd</sup> Quarter of Fiscal Year Ending March 2022 held on November 11, 2021

### TOYO explainers:

**Haruo Nagamatsu, President & CEO**

**Kensuke Waki, CFO**

#### 1. Performance for 2<sup>nd</sup> Quarter of Fiscal Year Ending March 31, 2022 (FY2021)

Questions	Answers
What was the results of the sales for the 1 <sup>st</sup> half compare to the forecast?	The cost-proportional method for calculating sales and profits, which is the ratio of the cost incurred to the total cost of the project, has slightly changed in the first half of the fiscal year in view of the cost of equipment materials and construction costs, but it is within the assumption in the fiscal year. The full-year target of 240 billion yen in sales is expected to be achieved.
Is it Indonesia's plant that completed some of the top-quality projects that had been cited as a reason for the profit increase in the first half of the year?	Indonesia, Nigeria, domestic projects, etc.
Did the profit increase in the first half not be attributed to a single project, but rather to the profitability of the completed projects?	That is true.
The composition ratio of non-EPC and new business areas in the first half is shown on page 9 of the Management Policy Document. What is the sales ratio?	Only the composition of gross profit is calculated. Since non-EPC is a service, gross profit is more important than sales. As indicated in the medium-term management plan, we regard gross profit as a priority rather than sales.
Is the sales ratio of the new business higher or lower than 17% of gross profit composition ?	EPC accounts for 17% of new business gross profit in the first half. However, as indicated in the outlook for new orders in the second half of the management policy document, many new businesses are non-EPC for the time being. Waste PET recycling and pharmaceuticals are EPCs, but the rest are service-type.

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

Questions	Answers
Is the reason the full-year outlook remains unchanged despite good earnings progress due to increased investment in R&D and large-scale software development for DX in the second half?	DXoT and R&D are investments for the future, which are based on annual plans in five-year plans. In particular, DXoT is essential to strengthen the EPC business. It took some time to finalize the basic specifications, and the cost in the first half was sluggish. SG&A expenses in the second half are expected to be used. The company maintains that development for future projects will be carried out thoroughly within the scope of the budget.
The gross profit margin is expected to decline in the second half compared to the first half. Why?	In the first half of the year, the company had a gross margin of 11% on completion of good projects. It looks somewhat lower in response to the end of good deals in the first half. In addition, due to the high cost of materials and transportation and the renewable energy projects that have come to the end of construction, we are looking at the cost of risk countermeasures slightly higher.
The impact of the shortage of semiconductors, the increase in logistics costs, and the sharp rise in steel prices have been observed in recent years, but is it within the scope of the initial plan?	All counter measures to current problems have been incorporated into the figures presented here.
Feasibility Study (FS) of fuel ammonia and ammonia receiving facility are mentioned in major expected new orders. What kind of projects are they?	We have already announced the FS of establishment of a fuel ammonia value chain between East Siberia and Japan, but we have also introduced several projects and received requests for consideration from customers. The FS of fuel ammonia is overseas project and the ammonia receiving facility is a project in Japan, but we believe that there is a possibility that we will award more projects.
The outlook for orders for biomass power generation is high. What do you think about the future of biomass power generation? Can large-scale biomass power generation be expected in the long term?	FIT will be cut off in 2024. The company sees 50 MW size projects will be until this year or the first half of next year. On the other hand, large-scale biomass power plant inquiries have been received on the assumption that FIT is no longer available. Biomass power projects are expected to grow in size in the future. Customers are judged to be economically viable if the scale exceeds 100 MW, so we would like to cooperate with it.

<p>The projects in the second half of the year are shown by category of existing business and new business. Please tell us about large-scale projects.</p>	<p>Major projects expected in existing business areas include chemicals in China and Southeast Asia, refinery in India, biomass power generation in Japan, geothermal power generation in Indonesia, and gas-fired power generation in Brazil (equity method companies).</p>
<p>I understand TOYO lost large-scale polymer projects in India in the first half, but are there any prospects for recovery? Are 280 billion yen new orders achieved in the full year?</p>	<p>India's petrochemical business is booming, so we are trying to recover from other projects. Since there are promising projects in the second half, we believe that the full-year target is achievable.</p>
<p>Is it correct understanding that the arbitration risk of the U.S. ethylene plant has been eliminated and that there will be no impact on earnings in the future?</p>	<p>As you understand.</p>
<p>When considering sales for FY ending March 2023, in the next fiscal year, can we expect an increase based on the results of orders in the first half and the plan of new orders in the second half?</p>	<p>First, we are focusing on getting new orders in the second half. As indicated in the medium-term management plan, we will focus on generating profits rather than sales in the future.</p>
<p>For FY ending March 2023, are there large-scale projects that are expected to have a high gross profit margin?</p>	<p>The outlook for the coming fiscal year and beyond will be prepared in the future. We intend to conduct rigorous project reviews from Lesson Learned, a large-scale project in the past, without aiming for excessive sales and broaden the scope of service-oriented orders.</p>

### 3. Management Policy and Medium-term Management Plan

Questions	Answers
<p>TOYO is advancing the medium-term plan by focusing on new businesses and non-EPC. What is the internal response? Is there anything difficult, such as changing mindsets?</p>	<p>Instead of suddenly launching a new business under the medium-term management plan, the company started a Next-G Technology &amp; Application division called T-NEXT in 2019. The company has started new businesses such as SAF and fuel ammonia between East Siberia and Japan, and its employees are seeing their goals.</p>

	<p>Employees are motivated to implement the Blue (Advanced EPC operation) strategy and the Green (New Technologies and Business Development) strategy.</p> <p>It should be noted that the DXoT is important under the blue strategy. Employees understand that this must be done thoroughly, and everyone is aware that we must work together not only Japan but also with overseas group companies.</p>
I would like to hear about the progress of the commercialization of fuel ammonia.	<p>In the case of Eastern Siberia project, we had a meeting with trading companies to discuss further issues with customers toward commercialization. Based on this, it is said that a commercialization plan will be formulated with the start of operation in 2026 as a premise, and that FEED will be started. In the value chain, we discuss with customers in Japan, such as electric power companies, and have discussions with companies that use, manufacture, and transport companies at a considerable frequency.</p>

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

Questions	Answers
There was an explanation that some workers were returned to the Indian projects, but was there any other impact of the Covid-19 in the first half?	The Covid-19 is not heavily affected.
The economy is resuming with the convergence of the Covid-19. I think the company had been withholding overseas and domestic business trips, but what do you think about SG&A expenses in the future as the economy moves?	Travel expenses are included in SG&A expenses for proposals and cost of sales for projects. Travel expenses are budgeted when awarding orders for projects. SG&A expenses were restrained due to the impact of the Covid-19, but even after the Covid-19, SG&A expenses can be fully implemented within the budget framework. We think the number of business travel opportunities is expected to decrease even in Post Covid-19 because of useful tools such as Teams, Zoom, etc.

#### 5. Others

Questions	Answers
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Do you consider to change in the way you make announcements and how you disclose information by extension of the trading hours of the Tokyo Stock Exchange?	I do not think there is any impact.
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(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.