

Summary of Q&A Session at the Online Briefing for the Fiscal Year Ended March 31, 2023 Held on May 12, 2023

TOYO Presenters

Eiji Hosoi, Executive Vice President

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1. Forecasts for the Fiscal Year Ended March 31, 2023 (FY2023)

Questions	Response
<p>SG&A expenses increased in FY2021 and FY2022 through investment in DX. And in FY2023, it was assumed that investment would be recouped, but SG&A expenses are expected to increase.</p> <p>Why are SG&A expenses expected to increase?</p>	<p>DX investment and development will continue until FY2025, but because it is an intangible asset, it will be evenly depreciated over five years after the development is completed and operating expenses will be incurred. As assets are recorded annually, DX-related costs are expected to increase to a certain extent.</p> <p>By increasing the number of new projects using DX tools from the current term, TOYO expects to contribute to a reduction in costs and construction periods and to have an investment effect in the form of an increase in gross profit.</p> <p>The increase in SG&A expenses other than DX is due to multiple factors, including (1) investment in new fields of R&D, (2) improvement of education investment and reward, (4) increase in the value of SG&A expenses at overseas subsidiaries due to the depreciation of the yen, and (5) increase in total fixed costs due to the expansion of business in India and China.</p>
<p>Does the gross margin for this fiscal year also reflect the effects of DX?</p> <p>Or should we expect effects from FY2025 onwards (the final year of the medium-term management plan)?</p>	<p>The profit effects of DX will gradually emerge as the number of projects benefiting from DX increases from this fiscal year onward.</p>
<p>I understand that DX will increase profits from this fiscal year, but to what extent is it contributing to results?</p>	<p>Recently, the company has received an order for a lubricating oil production plant in India and is applying AWP as a model case. We will apply this system to EPC projects that are larger than the medium-sized ones that will be awarded orders in the future, and measure what cost savings we can expect with DX. By doing so, DX is expected to improve profitability.</p>

<p>The new order target is high at 320 billion yen, including the equity method affiliates. However, on a consolidated basis, it is 120 billion yen, indicating that the backlog of contracts will shrink in the FY2023. Although there are FPSO jobs, we have the impression that the volume of work will decrease in FY2024. What are your thoughts on this?</p>	<p>Because FPSO is a very large project, a large number of employees must be dispatched to Singapore where an equity-method company is located. Orders other than FPSO may seem small, but TOYO will take orders focus on high-margin, high-quality projects considering available human resources. The profit attributable to owners of parent will not decrease.</p>
<p>As a result of the selection of excellent projects, in FY2024, the profit margin will improve, and the equity method affiliates will work positively in non-operating profit. Is it correct to understand that there is no cause for excessive anxiety?</p>	<p>That is correct.</p>
<p>FPSO has already received two orders. What will be the balance between the amount of orders in the first half and the second half for other projects?</p>	<p>It's going to be in the middle.</p>
<p>Of the 320 billion target, we understand that the equity method target of ¥200 billion has already been secured through two FPSO orders. Is there a possibility of further building up the target for orders, depending on the market environment in the future?</p>	<p>There are no more orders for FPSO in this fiscal year. In addition to FPSO, the remaining 120 billion yen is considered to be achievable because of a variety projects, including FS, FEED and EPC. However, we will not adopt an expansion strategy, and we will try to ensure that the quality of our resources does not deteriorate, maintaining a level that ensures the management of our resources.</p>
<p>I would like to know how you adjust the workload, including engineering for FPSO. How do you distribute personnel when you want to receive orders for other ethylene projects, for example?</p>	<p>To receive two FPSO projects were foreseen from last year. In the future, TOYO will continue to conduct proposal activities that enable orders to be received at systematic intervals. With regard to the two orders received, we have dispatched personnel to Singapore since last year for FEED, and so we do not think it will be necessary to mobilize more in the future. Although several additional</p>

	personnel will be dispatched, but the joint venture will also hire directly from neighboring countries to effectively manage personnel.
The FPSO projects you received this time are larger than before, but will you be able to demonstrate added value as a company? Should we view this as a risk?	While these are big projects, basic operations such as engineering and procurement remain unchanged. Since firm contracts have been concluded with the modular manufacturer to ensure that there are no major changes or additions, they are not considered high risk because they are large.
I would like to ask about the status of biomass projects in Japan from the viewpoint of cost control.	Four of the twelve orders have already been completed. The remaining eight projects have been implemented, reflecting feedback from the preceding projects. Costs are being managed in a way that ensures the initial profit is achieved, with a balance of budget and performance.

2. Management Policy

Questions	Response
In JGC's session, it was said that several SAF projects will be realized at the end of this fiscal year and next fiscal year. Do JGC and TOYO share a common understanding of the business environment, and are all projects implemented jointly?	Multiple projects are being considered in Japan at the same time. The FEED, which is a preliminary step, will be implemented on a case-by-case basis depending on the resources, and EPC will work together.
I think the fuel ammonia projects will be slower than SAF, but will you collaborate with JGC in the same way as SAF?	For ammonia, one or two FEEDs are scheduled to be implemented this year. We would like to carry out this project in cooperation with JGC and proceed to EPC as it is.
I've heard that TOYO will work on ammonia as an area of focus. What strengths do you have? We also want to know how profitable it is.	Our strengths lie in 86 construction projects experience. TOYO has extensive know-how in engineering, procurement, and construction. In addition to the construction of ammonia plants, many inquiries have been received from customers regarding safety considerations in Japan. Depending on the location of construction, the amount of order will be 100-200 billion for one plant which production size is one million ton/year.
Despite the announcement of an FPSO project being awarded in Brazil, your share price declined following	TOYO has been developing its overseas affiliates as autonomous profit centers, and its bases in India, China, Brazil, and Indonesia have been able to win orders on their own, making it profitable. Since our overseas and

<p>today's earnings announcement. Your dependence on other companies for business development and your dependence on overseas group bases is high.</p> <p>It seems that the method of generating profit based on orders and sales by the equity method affiliates has not been well received. It may be a business development with low equity ratios and limitations, but I would like to ask once again where this approach is justified.</p>	<p>corporate strategies have been producing results, we will continue to pursue them vigorously in the future. In Japan, the number of projects for SAF, synthetic fuels, and high-performance chemicals is increasing with the carbon neutral response of customers in Japan, and we will steadily respond to customer needs.</p> <p>Although it was described as being dependent on other companies, we dispatches our engineers to FPSO projects and work with MODEC to achieve results. It is same in case of collaboration with JGC, too. We are seeking more diversity in earnings than before.</p>
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In some cases, the content has been reordered to facilitate reader understanding.