

Summary of Q&A at the On-line Briefing Session for Business Strategy held on December 10, 2024

Explanators:

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1. TOYO's Initiative: Building a Fuel Ammonia Value Chain and Driving Profitability

Questions	Response
<p>What is the current status of ammonia demand and inquiries? Additionally, when is TOYO expecting to see an increase in orders related to the net-zero roadmap?</p>	<p>Ammonia demand for power generation is primarily focused on Japan, while marine applications are concentrated in Singapore and Europe. Although inquiries have slightly decreased compared to the previous years, they remain linked to governments' subsidy programs. The project pipeline is still active, though somewhat reduced in volume. We are closely monitoring how many of these projects will reach Final Investment Decision (FID). Strong inquiries are also coming from private companies pursuing opportunities independent of subsidies. FIDs are expected as early as next year or the year after, with FEED and EPC contracts projected within the same timeframe.</p>
<p>How will participation in the value chain business contribute to TOYO revenues? Will revenues become volatile due to production volume fluctuations?</p>	<p>To mitigate market risks, TOYO aims to ensure stable production by securing demand through ammonia bunkering initiatives. While the current project scale is relatively small, the company is focused on establishing a steady and consistent revenue stream. TOYO plans to invest in businesses where it can contribute with its technical expertise and operational capabilities, prioritizing ventures with a high degree of predictability and stability.</p>
<p>The demand for new energy, including ammonia, seems to be slowing down. If demand falls short of expectations as outlined in the initial slides, how will TOYO adjust its resource allocation and strategy?</p>	<p>TOYO's technology and resources will not become sunk costs, and can be flexibly redirected to other areas, such as proposals and projects for ethylene and other chemical plants. The company's business model, which does not rely on fixed assets, allows for flexibility in adapting to multiple demand scenarios. This enables agile adjustments in workforce structure and resource allocation to align with evolving market needs.</p>

<p>Under the Net Zero Emissions (NZE) scenario, which countries or regions are expected to see significant growth in ammonia-related projects?</p>	<p>In blue ammonia case the most promising regions are gas-producing countries such as North America and the Middle East, where low gas prices and favorable conditions for CCS (Carbon Capture and Storage) exist. For green ammonia regions with abundant renewable energy resources, such as solar and wind, are highly promising. Countries with existing infrastructure, such as power grids and port facilities, are particularly well-positioned. Initially, hybrid green ammonia projects that utilize existing plants are seen as the most practical approach. From this foundation, TOYO plans to expand into broader green ammonia initiatives over time.</p>
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2. TOYO's Digital Transformation: Challenging six-fold productivity and sustained value creation

Questions	Response
<p>Is the DX system currently under development applicable to all projects? What challenges or bottlenecks exist in its implementation?</p>	<p>In the EPC business model, DX can be applied across a wide range of areas. Because TOYO's workflows have been standardized over 60 years, the methods remain consistent even if the project field changes - from oil refining to petrochemicals, or even carbon-neutral initiatives. However, implementing new ways of working through DX requires substantial initial support for project team members. To address this, TOYO is strengthening its global support framework and partnerships with leading IT vendors, including Hexagon, AVEVA, and Alteryx. Additionally, governance framework has been introduced to ensure that profits gained through DX-driven efficiencies are reinvested into new business areas. These efforts, initiated this fiscal year, are set to accelerate further in the next fiscal year.</p>
<p>While metrics such as gross profit per man-hour and a 20% increase in order gross profit are presented, it is difficult to see clear reflections in gross profit margin or operating profit margin, which are key metrics for investors. When can we expect tangible improvements, and what are the target KPIs?</p>	<p>EPC project schedule is long, so there is a time lag before improved profitability metrics become visible in financial results. The metrics presented earlier (e.g., Slides 3 and 5) reflect improvements at the point of project contract award. These impacts will translate into financial results over time, as indicated on Page 18, with meaningful effects expected starting in 2025. We are also working toward providing more specific and actionable KPI targets related to gross profit margin improvements through DX initiatives in the future.</p>

3. Toyo-India's Challenges and Growth Strategy: Outlook of Indian Market and Execution of Global Projects

Questions	Response
No questions	

(Note)

- In some cases, the order of the contents has been changed to make it easier for readers to understand.