

CEO Message

The JGC Group
Collaborating in Solving
Global Challenges and
Heightening its
Corporate Value

Masayuki Sato

Representative Director, Chairman,
President, and CEO

Sato joined the Company in 1979. He worked in finance, serving as a finance officer for projects in the Middle East, North Africa, Southeast Asia, and CIS countries. In July 2010, he was appointed as Director. After serving as Executive Director and General Manager of Corporate Management Headquarters and CFO in July 2011, Sato was appointed to Executive Vice President and Director in June 2012. In June 2014, he was appointed Representative Director and Chairman. After serving as Representative Director, Chairman and CEO from June 2017, Sato assumed his current position in April 2025.

CEO Message

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The Growing Importance of Natural Gas and LNG in the Pursuit of Affordability

Global energy demand is widely anticipated to increase steadily over the medium to long term, with emerging and developing countries at the center of this growth. Economic growth and population increase are expected to drive energy demand. In developing countries, about 2.1 billion people currently lack reliable access to energy, and demand will further increase as energy access improves. Additionally, in recent years, there has been a growing view that electricity demand will surge in both developed and emerging countries due to the rapid expansion of generative AI and the significant increase in data centers. As global energy demand continues to expand, there is a common global challenge: can we supply and secure the necessary energy stably and at affordable prices to meet that demand? While decarbonization and carbon neutrality are important, we recognize that, as a realistic solution to the immediate challenges of affordability and increasing energy demand, the importance of natural gas and LNG, which are cleaner and relatively inexpensive types of fossil fuels, continues to rise. Significantly, there are now people who refer to natural gas and LNG not as “transition energy” but as “destination energy.”

The general image of the term “energy transition” tended to be a somewhat radical one, where existing mainstream fossil fuels would be rapidly replaced by other advanced and clean non-fossil fuel energy sources.

However, it is now increasingly recognized that such a change is not easy. Rather, existing energy sources will maintain their importance and, while balancing affordability, the increase in energy demand will mainly be met by expanding the supply of clean energy—a shift described as “energy addition.” In this context, we believe it is essential to utilize all available energy sources and technologies and to take a comprehensive and realistic approach to the future of global energy, with flexible responses tailored to the circumstances and energy resources of the respective developed, emerging and developing countries.

The JGC Group is working to realize a sustainable society as outlined in our long-term management vision, “Vision 2040,” and in doing so expand five business domains required by society and industry: (1) energy transition, (2) healthcare and life sciences, (3) high-performance functional materials, (4) resource circulation, and (5) industrial and urban infrastructure. I am confident that the JGC Group is well positioned to serve as a collaborative partner in providing realistic solutions based on our technological capabilities, tailored to the circumstances and energy resources of each country and client, while remaining close to stakeholders, such as countries and clients, who are facing various challenges. I feel that expectations from stakeholders are high.

Review of Fiscal Year 2024

Regarding the business environment for fiscal year 2024, although there is uncertainty about the global economic outlook, it remains steady and energy demand is on the rise. The demand for natural gas and LNG is expected to expand in the medium to long term as a transition, so-called destination, energy, and many LNG projects have steadily progressed toward realization. On the other hand, rising interest rates and increased CAPEX (capital expenditures) have begun to cause some clients to delay their investment decisions. This trend is particularly evident in sustainable fields such as hydrogen, fuel ammonia, and SAF (Sustainable Aviation Fuel) both domestically and internationally. In response to increased CAPEX, clients are taking longer to secure subsidies and review budgets, and there are growing calls from businesses for governments to establish systems that promote the use of

sustainable products. As a result, some investment plans have been postponed. While some clients have delayed their final investment decisions (FIDs) to fiscal year 2025 and beyond, our Group carefully selected projects that would reliably progress to FID and actively pursued sales activities to achieve our order targets. As a result, we achieved approximately 920 billion yen in total engineering orders for fiscal year 2024 (overseas: about 830 billion yen, domestic: about 90 billion yen), close to our target of 970 billion yen.

The large-scale, low-carbon LNG plant construction project for the United Arab Emirates, for which we received the EPC (Engineering, Procurement, and Construction) contract in June 2024, will adopt an “E-Drive” system that uses electric motors powered by clean electricity to drive the compressors that compress the natural gas feedstock, instead of conventional gas turbines. This will make it the first low-carbon LNG plant in the Middle East and North Africa region, and one of the few such examples worldwide, with maximum consideration given to reducing CO₂ emissions during plant operation.

Furthermore, in the EPC project for onshore facilities for the Indonesia Tangguh LNG EGR/CCUS project, awarded in November 2024, our Group is responsible for the design and construction of natural gas booster facilities to increase the pressure of natural gas produced from existing wells, as well as compression facilities to collect and compress acid gas from existing acid gas removal units, all to be installed within the existing Tangguh LNG plant site. This project will recover CO₂ emitted during natural gas production and reinject and store it in the gas field, thereby reducing CO₂ emissions while simultaneously improving production efficiency and increasing output of natural gas. These two projects are truly flagship initiatives that balance growing energy demand with the realization of low and zero-carbon solutions, and our Group employees feel both pride and motivation in being part of such projects.

Regarding our Group’s consolidated results for fiscal 2024, in the total engineering business, we recorded operating and net losses for the second consecutive year, following fiscal year 2023, due to idling time losses from delayed FIDs on expected projects and worsened profitability forecasts for four EPC projects being executed by JGC Corporation and its overseas subsidiaries.

The factors that led to the Group needing to record additional costs and risk response expenses in fiscal year 2024, as well as our company-wide countermeasures, are described in the section “Causes, Issues, and Responses for Losses Recorded in Fiscal Year 2023 and 2024 (□□ P.44)” in the medium-term business plan “BSP 2025”. In addition to measures taken in response to lessons learned from fiscal year 2023, JGC Corporation is currently working as one team to rebuild and strengthen EPC execution capabilities through both individual project initiatives and cross-organizational efforts. We at JGC Holdings Corporation are committed to leading and supporting JGC Corporation as it overcomes these challenges and builds an even stronger organization than before.

Risks associated with EPC projects have changed significantly over the past five years. Moreover, each EPC project is unique, and risks vary depending on order timing, clients, and construction sites. Additionally, over the four- to five-year project execution period, conditions change constantly, like a living being. Therefore, I believe that there is no magic bullet for strengthening EPC execution systems; rather, I believe it is important to persistently and repeatedly reinforce and improve our traditional approaches.

Some shareholders and investors have asked whether our Group will shift from lump-sum contract business to reimbursable contract business, given the current management environment characterized by high uncertainty and difficulty in forecasting the future. In responding, I explain that clients often realize their capital investments through project finance, and lenders require a certain degree of visibility into total investment amounts, which leads clients to prefer lump-sum contracts. Furthermore, rather than choosing between lump-sum and reimbursable contracts, I convey that the optimum approach



is to establish contracts that appropriately share risks with clients, even in the case of lump-sum contracting.

In the LNG sector, only a limited number of contractors can design and build these large and complex plants. With the growth of LNG as a transition energy, I believe that our Group’s mission is to support the realization of plant construction. The Group will pay even closer attention to contract terms to ensure that contracts appropriately address risks, and we will work to establish agreements that appropriately share risks with clients. In addition, the JGC Group’s financial base currently maintains an equity ratio of around 50%, which is sufficient for the risks of the lump-sum contract business.

Order Outlook for Fiscal Year 2025

In fiscal year 2025, the market environment for the total engineering business is expected to be similar to fiscal year 2024, with CAPEX high due to rising interest rates and inflation. While some clients remain cautious about making final investment decisions, investment plans are expected to materialize in overseas LNG sectors as well as in domestic fields such as food, pharmaceutical manufacturing, and sustainability. In fiscal year 2025, we will also focus on securing FEED (Front-End Engineering Design) contracts for projects that will become EPC contracts from fiscal year 2026 onward, making it the year to build up pipeline of future order prospects. As we receive inquiries from clients for various projects, our Group will continue to carefully select orders by considering the appropriate number of projects, thoroughly examining and analyzing the risks of target projects, and allocating resources in the most effective way.

Based on these factors, our order target for the total engineering business in fiscal year 2025 is 650 billion yen both domestically and internationally (500 billion yen for overseas EPC business and 150 billion yen for domestic EPC business). You may feel that the order target for fiscal year 2025 is low



compared to the actual orders achieved in fiscal year 2024, but considering the characteristics of our Group, we believe that, when viewed over multiple years including the actual orders in fiscal year 2024 (approximately 920 billion yen) and not just the single-year orders for fiscal year 2025, the workload is at a sufficiently high level.

In the overseas EPC business, we aim to secure EPC contracts for FLNG projects in Africa and LNG projects in Papua New Guinea. In regard to FEED services, we have been awarded the FEED update services for Phase 2 of the LNG Canada expansion project planned by LNG Canada, as well as the FEED services for the onshore LNG plant and offshore production and shipping facility (FPSO) for the Abadi LNG project in Indonesia planned by INPEX Corporation. Additionally, in collaboration with Germany's Exyte GmbH, we have launched the new EPC brand, Nixyte, and are working to secure early orders for advanced industry projects such as data centers and semiconductor manufacturing facilities in Southeast Asia. In the domestic EPC business, we aim to secure orders for projects including maintenance work, food-related facilities, pharmaceutical manufacturing plants, and SAF production plants.

Steadily Expanding Our Functional Materials Manufacturing Business

In our medium-term business plan and long-term management vision, our Group is committed to diversifying non-EPC businesses as part of our business model transformation and is working to expand the Functional Materials Manufacturing Business as a major pillar.

In fiscal year 2024, JGC Catalysts and Chemicals Ltd., our business company in the catalyst and fine chemicals field, completed facilities for increased production of silica sol utilizing its nanotechnology for applications such as semiconductor polishing materials, in response to growing customer demand. In addition, we are considering capital investment plans at the business site acquired in 2023 to meet the growing demand for new fine chemical products such as catalysts for carbon-neutral fuels (synthetic

fuels), catalysts and adsorbents for chemical recycling, high-speed communications materials, and functional polishing particles for semiconductors. We plan to invest a total of approximately 20 billion yen in facilities, including acquisition of business sites, from 2023 to 2030.

At Japan Fine Ceramics Co., Ltd., our business company in the fine ceramics field, the high thermal conductivity silicon nitride substrates for power semiconductors produced by the company feature not only high thermal conductivity but also excellent mechanical properties and insulation. In response to repeated requests for increased production from automobile manufacturers and power semiconductor circuit manufacturers, we advanced the construction of a new plant. The new plant building was completed in February 2025, with operations scheduled to begin in the fall of 2025. In doing so, we are steadily promoting capital investment to expand production capacity.

The performance outlook for the Functional Materials Manufacturing Business in fiscal year 2025 is that sales will remain almost flat compared to the previous year, but segment profit is expected to decrease year-on-year due to increased depreciation costs and soaring raw material and fuel prices. In the catalyst field, as fuel demand recovers, demand for catalyst replacement is increasing, and demand for FCC catalysts as well others is expected to remain strong overseas. On the other hand, although there are signs of a bottoming out in the market for electronic materials and semiconductor related markets, which are the mainstay of the fine chemicals and fine ceramics fields, we expect that a full-scale recovery will still take some time.

Status of BSP 2025, the Medium-Term Business Plan

The medium-term business plan "BSP 2025", which covers the five years from fiscal year 2021 to fiscal year 2025 as the first phase of our long-term management vision, will reach its final year in fiscal year 2025. Regarding the expansion into the five business domains set forth in the "2040 Vision," over the past four years we have steadily implemented the three key strategies of "further advancement of EPC business," "expanding the High Performance Materials Manufacturing Business," and "establishment of future growth engines" as outlined in "BSP 2025". As a result, our Group's business portfolio, which had previously focused on the Oil & Gas sector, is steadily shifting toward the five business domains.

Specifically, we are beginning to see results in the form of strengthening construction capabilities in domestic EPC and maintenance businesses through a capital and business alliance with TAKADA CORPORATION expansion of the Functional Materials Manufacturing Business, the start of supply in the SAF business, and the commencement of construction of R&D bases in the Biomanufacturing Business.

Although we have recorded additional costs from ongoing EPC projects over the past two years, our overall direction remains unchanged. We will continue to diversify our business into the five business areas, including "Energy Transition," as outlined in our medium-term business plan and long-term management vision, driving our own transformation and achieving sustainable growth. In the meantime, we recognize that stabilizing earnings in the EPC business is the first issue to be addressed going forward.

On the other hand, due to the impact of EPC projects with deteriorated profitability in fiscal years 2023 and 2024, the profit items in the fiscal year 2025 performance outlook have been pushed down. Therefore, although we have achieved the sales target set in "BSP 2025" (sales of 800 billion yen, operating profit of 60 billion yen, net profit attributable to parent company shareholders of 45 billion yen) in fiscal years 2023 (832.5 billion yen) and 2024 (858 billion yen), achieving the profit targets unfortunately remains difficult.

Human Resources are Our Greatest Asset, and We Nurture the People Who Build Plants

For the JGC Group to achieve sustainable growth, it is essential not only to steadily execute our business strategies of expanding business domains and diversifying our business model, but also to simultaneously strengthen the management foundation that supports these strategies.

Among these, we consider human capital to be an extremely important asset that greatly influences the realization of sustainable growth for the JGC Group. Accordingly, in this “JGC Report 2025,” we have devoted more pages than before to the message from CHRO Hanada (□□ CHRO Message P.59). For engineering companies, human capital and human resources are their greatest assets, and it can be said that engineering companies nurture the people who build plants. Our strategy of nurturing people is embodied in our “Human Resource Grand Design 2030,” and the medium- to long-term direction of the “Human Resource Grand Design 2030” remains unchanged.

I believe that the key to the success and development of the JGC Group can be expressed as: “individual power × organizational power.” Furthermore, I believe that individual power can be broken down into “technology × animal spirit,” and organizational power can be broken down into “strategy × corporate culture.”

In an external survey in 2024 that collects and publishes reviews and evaluations by current employees of domestic companies, our company ranked first in “openness” and second in “teamwork.” The corporate culture of the JGC Group has been fostered through the repeated completion of EPC projects, where people freely and openly exchange opinions regardless of age or position, involve internal and external stakeholders, and work together to achieve the single goal of project delivery. I believe that a truly “open company” is one where organizational power, namely, team strength, is fully demonstrated. It is, where individuals, based on trust, speak up without fear, listen humbly to others’ opinions, and both parties are committed to achieving results.

Conversely, in our Group, as mid-career hires increase, I believe it is necessary to constantly re-examine whether we are truly “open” and whether results are being achieved, and we are currently conducting a re-evaluation within JGC Corporation.

New Management Structure and Strengthening of Corporate Governance

After discussions in the Nomination Committee, JGC Holdings Corporation implemented a new management structure effective April 1, 2025, in which I, Masayuki Sato, serve as Representative Director, Chairman, President and CEO, overseeing the overall management of the JGC Group. Additionally, as of the same date, Mr. Kiyotaka Terajima, Director, Executive Vice President, and CFO, was newly granted representative authority. My top priority is to stand at the forefront to restore the JGC Group’s performance and pave the way for medium- to long-term growth, and I am fully committed to dedicating my utmost efforts to this goal.

In addition, Mr. Shigeru Endo, who has served as an outside director for 12 years, retired at the conclusion of the Annual General Meeting of Shareholders held in June 2025. As a result, the Board of Directors now consists of four internal directors and four outside directors. To achieve our medium-term business plan and long-term management vision, we select directors based on individual merit from both inside and outside the Company, considering factors such as progress in transforming our business domains and promoting diversity at that time, while leveraging our unique network.

Overcoming the challenges faced in our overseas EPC business is currently an urgent issue. The Board of Directors of JGC Holdings Corporation is involved in key matters related to the EPC business, while strengthening collaboration with the executive side, especially with operating companies, and deepening monitoring of execution by receiving detailed reports on outstanding issues. Furthermore, in the current situation where our stock price is below a PBR (Price-to-Book Ratio) of 1, both the Board of Directors and I, as the top executive, feel a strong sense of urgency. Alongside efforts to improve and stabilize profitability in the EPC business, we are also broadly discussing capital policy from the manager level up to the Board of Directors.

In Closing

The JGC Group has long focused on plant EPC business in the Oil & Gas sector as its main business within the Total Engineering Business. The primary corporate value created by the JGC Group has been not only contributing to the stable supply of energy, but also supporting economic development, job creation, and human resource development in resource-rich countries. We have achieved growth by continually expanding our markets and areas of focus in response to changing times.

Now, as the world moves toward realizing a sustainable society, I believe that the corporate value created by the JGC Group—as a collaborator providing practical solutions in five business domains including energy transition while guided by our purpose of “Enhancing planetary health” and aiming to contribute to a healthy future for people and the planet—will evolve to become broader and deeper, far surpassing the value we have created thus far.

In fiscal year 2025, we are determined to promptly rebuild our EPC execution system and restore the trust of shareholders and investors in our Group’s EPC capabilities, and to steadily and reliably achieve our performance outlook for 2025 through the solid execution of current EPC projects.

We aim to reestablish a firm foundation for our EPC execution so that each EPC Group company can leap forward, recognize major trends in the current plant market, and build momentum toward the next medium-term business plan.

The Functional Materials Manufacturing Business has begun to steadily grow as a stable source of revenue for the JGC Group. The semiconductor market, which is a key market for fine chemicals and fine ceramics, is currently somewhat sluggish but expected to expand to one trillion US dollars by 2030. JGC Holdings Corporation will continue to firmly support the efforts of both functional materials companies in these growth markets.

Just as we have had to overcome many major obstacles since our founding, we will once again overcome current difficulties, further strengthen the JGC Group’s earning power, and fulfill our role as a collaborator in solving issues by providing practical solutions. As CEO of the JGC Group, I am committed to leading the Group forward.

I sincerely ask shareholders and investors for your continued support.



CFO Message

Promoting Group Profitability for Improved ROE



Kiyotaka Terajima

Representative Director and
Senior Executive Vice President and CFO

Terajima joined the Company in 1981 and was engaged in legal matters including business alliances and contract work for domestic and international projects. After serving as Acting General Manager of the Corporate Management Division in 2014, Terajima was appointed as Director and Executive Officer, General Manager of the Corporate Management Division in 2016. Subsequently, he served as Director and Senior Executive Officer, General Manager of the Corporate Management Division in 2017, Director and Executive Vice President, CFO and General Manager of the Corporate Management Division in 2018, and Director, Executive Vice President, and CFO in April 2020. Terajima assumed his current position in April 2025.

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Summary of Fiscal Year 2024 and Outlook for Fiscal Year 2025

The consolidated results for fiscal year 2024 were net sales of 858 billion yen, gross profit of 18.9 billion yen, operating loss of 11.4 billion yen, ordinary profit of 11.3 billion yen, and net loss of 300 million yen. By segment, the Total Engineering Business recorded net sales of 794.9 billion yen and a segment loss of 14.5 billion yen. Although revenue increased year-on-year due to progress in large-scale EPC projects, unfortunately, as in fiscal year 2023, the segment loss was recorded as a result of additional costs and necessary risk response expenses for certain overseas plant construction projects. The factors behind the additional costs recorded in fiscal year 2024 were largely external, but we are once firmly strongly advancing initiatives to organizationally strengthen our EPC execution capabilities.

Net sales in the Functional Materials Manufacturing Business were ¥54.6 billion, with segment profit of ¥8.1 billion. In the fine chemicals and fine ceramics sectors, as the semiconductor and electronics markets gradually recover, net sales reached a record high for the third consecutive year, and segment profit also achieved a record high. The Functional Materials Manufacturing Business has begun to steadily grow as a stable source of revenue for the JGC Group and as the core of our non-EPC business. To further expand this business, we have established a dedicated organization within JGC Holdings Corporation to support the growth of JGC Catalysts and Chemicals Ltd. and Japan Fine Ceramics Co., Ltd.

The consolidated business outlook for fiscal year 2025 is for net sales of 690 billion yen, gross profit of 52 billion yen, operating profit of 21 billion yen, ordinary profit of 22 billion yen, and net profit attributable to owners of the parent of 15 billion yen. The decrease in revenue compared to the previous fiscal year is mainly due to lower sales in the Total Engineering Business. While several large overseas EPC projects, which have been the main source of sales, are reaching their final stages and sales are declining, the new EPC projects received in fiscal year 2024 are still in the early stages of progress and are expected to make only a limited contribution to sales.

Equity Ratio as a Financial Foundation

In our Group's Total Engineering Business, which is one of our main businesses, liquidity must be secured to ensure stable business continuity, as cash flow can fluctuate significantly

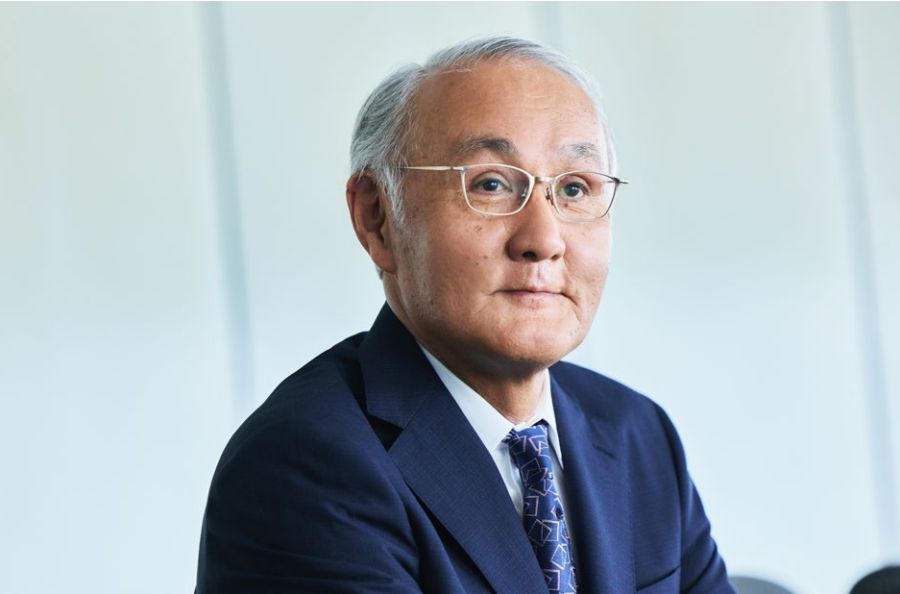
On the profit side, although EPC projects in the Total Engineering Business for which loss provisions were made due to deteriorating profitability in fiscal years 2023 and 2024 will be recorded as sales in line with construction progress, the profit recorded will be zero (zero margin). However, with the profit contributions from other ongoing projects both inside and outside Japan, we expect to return to profitability in fiscal year 2025. Of the projected net sales for fiscal year 2025, zero-margin projects will account for about 20%. However, as these projects gradually move toward completion and delivery from fiscal year 2025 to 2026, their proportion of total net sales will decrease year by year and, accordingly, the gross profit margin is expected to improve.

Net sales in the Functional Materials Manufacturing Business are expected to remain almost flat, and segment profit is projected to decrease due to higher depreciation, raw material costs, and fuel costs. Nevertheless, we expect profit to remain at a high level.

In fiscal year 2025, not only will we ensure the achievement of the business outlook announced at the beginning of the year but, as CFO, I am committed to strongly supporting the Total Engineering Business and the Functional Materials Manufacturing Business, striving to further increase profits and expand earnings.

In addition, the medium-term management plan "BSP 2025," the first phase of our long-term management vision "Vision 2040," will reach its final year in fiscal year 2025. The five-year capital policy under "BSP 2025" is based on the three key principles of "maintaining a strong financial base to support large-scale lump-sum EPC business," "responding flexibly to growth investments," and "steadily implementing shareholder returns." We plan to formulate and execute our financial strategy for fiscal year 2025 in line with these principles. At the same time, we are working on formulating the next medium-term management plan and, along with developing business strategies with a full focus on capital efficiency and capital cost, we intend to review our financial strategy to align with our business strategy.

due to country risk, sudden changes in economic conditions, financial market turmoil, and payment terms in contracts with customers. In addition, to respond flexibly to growth strategy



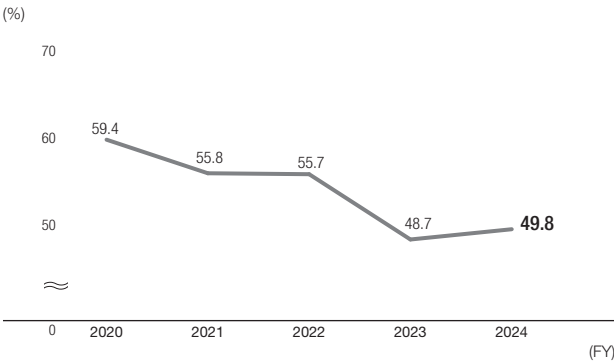
investments, we need to maintain a firm financial base to ensure funding capacity.

Furthermore, when being awarded and executing large-scale lump-sum EPC projects, it is essential not only to secure client trust but also maintain the necessary level of equity capital to preserve our credit rating and facilitate smooth debt financing, even in the event of unavoidable large losses, as well as maintain credibility with financial institutions and business partners. We believe these measures solidify the foundation for business continuity and as one of our important goals we aim to consistently maintain an equity ratio of at least 50%. Although we posted a net loss for two consecutive fiscal years, our equity ratio as of the end of March 2025 was 49.8%, which is almost at our target level, and we believe we have secured the desired financial base.

Effective Use of Funds

For lump-sum EPC projects in the Total Engineering Business, our aim is to receive advance payments at the time of order and to have contract terms and execution plans that allow project execution without the need for having to make advance payments in the project period. We will conduct order activities based on this premise. Therefore, when there are many projects progressing smoothly under favorable contract terms, cash balances tend to be temporarily high.

Equity Ratio Trends

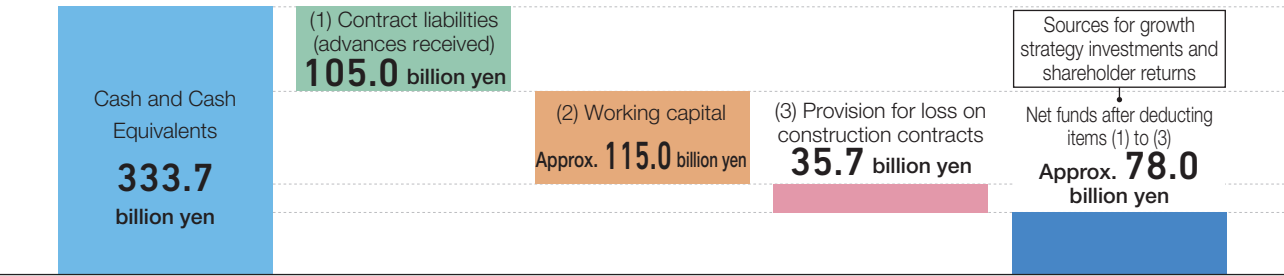


As of the end of March 2025, cash and cash equivalents stood at 333.7 billion yen, of which 105 billion yen is reserved for contract liabilities such as project advances. In addition, approximately 115 billion yen, equivalent to two months of net sales, is needed as working capital to respond flexibly to project execution risks and to cope with sudden changes in external environments such as financial market turmoil. Furthermore, the 35.7 billion yen as provision for construction

losses as of the end of March 2025 is expected to eventually result in cash outflows as deficit projects progress. After deducting these amounts, net funds of approximately 78 billion yen are positioned as resources for growth strategy investments and shareholder returns under “BSP 2025.” For growth strategy investments, we will prioritize allocating this amount plus future cash flow from operating activities, and any shortfall will be supplemented by interest-bearing debt financing.

In the area of debt financing, we issued our first green bond of 10 billion yen in September 2023. For growth strategy investments, we have several programs under way for the development of businesses and technologies that contribute to low-carbon and decarbonization. The purpose of the green bond is to allocate funds to green projects such as sustainable aviation fuel (SAF), biomanufacturing, and high thermal conductivity silicon nitride substrates for EV power modules. The 10 billion yen straight bond issued in July 2025 is intended for the redemption of straight bonds that are maturing.

Status of cash and cash equivalents as of the end of March 2025



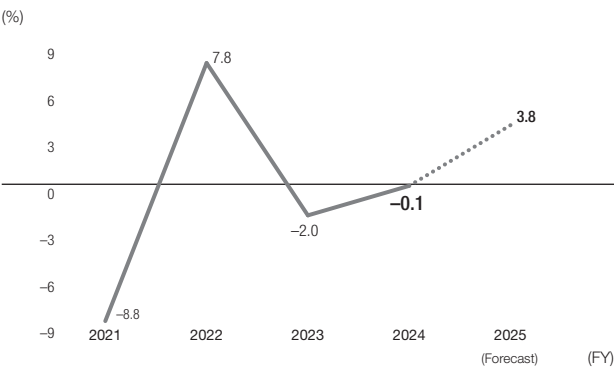
Improving ROE: Profitability Comes First

Based on the capital asset pricing model, we estimate our cost of equity at between 8 and 10%, and we aim to maintain ROE of 10% or higher over the medium to long term. To improve ROE while strengthening and maintaining equity capital as the financial foundation supporting our Group’s lump-sum EPC business model, securing net profit attributable to owners of the parent, is crucial, and currently improved profitability is our top priority.

In fiscal year 2025, as we are still in the process of restoring profitability in the Total Engineering Business, ROE is expected to remain at around 3.8% based on the initial business outlook. Going forward, we will steadily work to stabilize earnings in the EPC business and improve overall Group profitability to achieve capital efficiency with ROE exceeding 10%.

To enhance the profitability of the entire Group, we are actively pursuing the three key strategies in “BSP 2025” of “further advancement of EPC business,” “expansion of the high-performance materials manufacturing business,” and “establishment of future growth engines.” I am committed to executing these key strategies in a financially sound and

ROE trends



strategic manner to achieve medium- to long term ROE improvement. In particular, under “BSP 2025” we planned growth strategy investments totaling 200 billion yen over five years and have already executed approximately 91 billion yen in investments over the four years from fiscal year 2021 to 2024. Breakdowns of investments by key strategy include approximately 10 billion yen for “further advancement of EPC business,” approximately 40 billion yen for “expansion

Progress of growth strategy investments

	Accumulated results for fiscal year 2021 to fiscal year 2024	
Further advancement of EPC business	<ul style="list-style-type: none">EPC DX and execution technology-related investmentsEstablishment and operation of India operations centerAcquisition of pharmaceutical business from IHI Plant Services Corporation, and others.	
Expansion of high-performance materials manufacturing business	<ul style="list-style-type: none">Capital investment in high thermal conductivity silicon nitride substrate facilitiesAcquisition of land for factoriesRenewal and expansion of production facilities, R&DM&A of Showa Denko Materials Co., Ltd., etc.	
Establishment of future growth engines	<ul style="list-style-type: none">Integrance VRAdditional investment in healthcare-related fieldsBiomanufacturing	<ul style="list-style-type: none">Food tech relatedDDR commercializationSAF manufacturing business, etc.

of the high-performance materials manufacturing business,” and approximately 40 billion yen for “establishment of future growth engines.” Furthermore, including future cash outflows for projects already approved for investment, as of fiscal year 2024 we expect to have invested approximately 115 billion yen in growth strategy investments.

When determining growth strategy investment projects, we have been keenly aware of the rapid market changes since fiscal year 2021, when “BSP 2025” was launched, in addition to factors such as future expansion of the plant market, efficiency improvements in EPC operations through DX, market creation in the sustainable sector, and seeds for future business. We have invested in projects such as the establishment of JGC India EPC Private Limited to expand project execution capacity, in DX, in TAKADA CORPORATION in the launch of the SAF business, and in the establishment of a biomanufacturing research and development base.

Notably, biomanufacturing is a modality that utilizes microorganisms for product manufacturing across a wide range of fields, including pharmaceuticals, materials, energy, and foods. The “Organisation for Economic Co-operation and Development” (OECD) has announced that the global market size of biomanufacturing is estimated to reach approximately ¥150 trillion by 2040, signaling a strong potential for future business expansion. Our Group is promoting the “Integrated Biofoundry® Business,” which provides one-stop services from the development and improvement of microorganisms to the development of production processes. The

biomanufacturing research and development base newly established on Kobe Port Island is currently under construction, with the aim for it to become a key hub in promoting the implementation of biomanufacturing from Kobe to the world through industry-academia-government collaboration.

In the “establishment of future growth engines,” we are making a wide range of investments, including those expected to create new businesses and drive growth from a long-term perspective, as well as opportunities to win EPC projects, and we consider returns from a more long-term and diverse perspective. In the “expansion of high-performance materials manufacturing business,” we are making significant asset acquisitions for business expansion, some of which are expected to yield returns in a relatively short period, while also making upfront investments such as land acquisition and research and development for future business expansion. In the “further advancement of the EPC business,” we are making investments to strengthen order-winning competitiveness and improve the efficiency of EPC services through DX.

When making investment decisions, our Group Investment and Loan Committee conducts quantitative analyses that take capital costs into account. For R&D-related projects, the Committee also carefully deliberates their potential to contribute to future business expansion. The Committee also monitors the status of projects after investments are made, establishing a system for appropriate consideration to be given as well as business withdrawal if demand necessary.

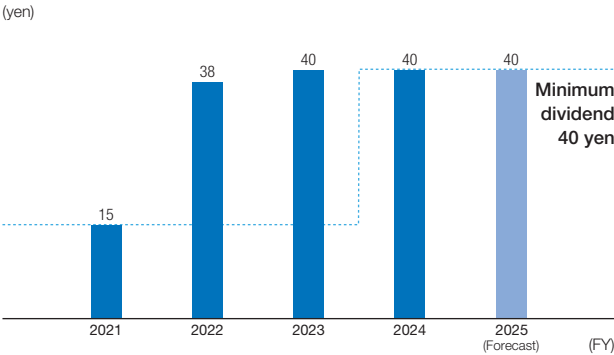


Improvement of Shareholder Returns

We recognize shareholder returns as an important management issue, and our dividend policy during the “BSP 2025” period is to aim as our basic approach for a payout ratio of 30%, with cash dividends paid once a year. In addition, we have set a minimum annual dividend per share and in 2024 we reviewed this from the perspective of our current financial position and future business outlook, increasing the dividend from the previous 15 yen to 40 yen. Based on this policy, the dividend forecast for fiscal year 2025 is 40 yen per share. Regarding the acquisition of treasury stock, our policy is to consider implementation as appropriate, taking account of business outlook and the status of free cash flow. Depending on future business performance, order trends, and cash on hand, we will once again consider the possibility of acquiring treasury stock.

We also recognize the shareholder returns policy as an important consideration in the review of the next medium term management plan. Based on our business strategy and cash allocation in the next medium-term management plan period, we plan to once again review our shareholder return policy.

Cash dividends per share



As CFO, I am committed to supporting efforts to rebuild the EPC execution system and improve profitability in fiscal year 2025, ensuring the achievement of the fiscal year 2025 business outlook and striving for greater results. In addition, by steadily increasing dividends per share through business expansion, my firm goal is to enhance shareholder value from a medium- to long-term perspective and meet the expectations of our shareholders. To our shareholders I ask for your continued understanding and support.