

Q&A from the Telephone Earnings Release Conference (held on August 8, 2024)
On First Quarter Financial Results for FY2024 Ending March 31, 2025

This content is based on information available on the date of the telephone earnings release conference (August 8, 2024).

1. Financial results for the first quarter of FY2024 and forecasts for orders

Question	Answer
Regarding the performance for the first quarter, is it correct to understand that there were no variable factors such as additional cost allocations for ongoing projects or the return of contingency (profit improvement)?	Given that it was the first quarter, there were no significant changes from the initial forecast announced in May this year.
Although there were no major variable factors, considering the situation where the first quarter showed a steady progress rate against the full-year performance forecast, I think the impact on the first quarter's performance was due to the exchange rate. I would like to know what extent the impact of the exchange rate (yen depreciation) was.	The assumed exchange rate used for the full-year forecast was USDJPY145. However, at the end of the first quarter (end of June), it was USDJPY161, which resulted in a positive impact on performance due to the exchange rate. Specifically, against the full-year forecast's expected gross profit margin of 7.0%, the actual result for the first quarter was 7.6%. This increase of 0.6% points translates to approximately 1.2 billion JPY positive impact to gross profit. Of this amount, about 800 million JPY was gained from the exchange rate fluctuation which was more than expected. The remaining

Question	Answer
	<p>approximately 400 million JPY is due to the higher progress rate of the functional materials manufacturing business's first-quarter sales compared to the full-year forecast for the same business, resulting in an increase in the proportion of the high-profit-margin functional materials manufacturing business in the sales composition between segments.</p>
<p>If we exclude the impact of provision for loss on construction contracts recorded in the fiscal year 2023, it is presumed that the gross profit margin was higher compared to the same period of the previous year. Was the gross profit margin relatively high for projects that did not record provision for loss on construction contracts?</p>	<p>We do not see gross profit margin for projects other than loss position projects was particularly high. Overall, there has been no significant change compared to the same period last year. On the other hand, for new projects to be awarded in fiscal year 2024 and beyond, including those awarded in the first quarter, pricing for contracts is being made based on estimates that take into account the increased costs such as s employee salary improvements. Therefore, it is expected that these projects will contribute to the recovery of the gross profit margin in the future.</p>
<p>Regarding the order status, I would like to know the order amount for the LNG project in the United Arab Emirates (UAE) that was ordered in the first quarter. Additionally, I would like to be informed about the progress of other projects that are expected to be ordered in the fiscal year 2024.</p>	<p>The contract amount for this project is not disclosed, but the main contract was accounted for in the first quarter. Currently, negotiations with the client are underway regarding the option items of the contract, and if these are finalized, an additional increase can be expected.</p> <p>In addition, other overseas projects expected to be awarded in fiscal year 2024 are steadily progressing in negotiations with clients. While the timing of the orders cannot be stated clearly, it is hoped that they can be awarded sequentially, aiming for the second half of the fiscal year. Domestically, in the first quarter, orders were mainly for maintenance work and oil-refinery upgrade/modification projects.</p>

Question	Answer
	Moving forward, the goal is to accumulate orders for pharmaceutical manufacturing plants, hospitals, and food factories, each worth several billion yen, and to achieve the order target.

2. Situation of ongoing projects

Question	Answer
I would like to know the situation of ongoing projects which provision for loss on construction contracts were recorded in the fiscal year 2023.	<p>There are no significant changes in the profit and loss of each project. The situation of each project is as follows:</p> <ul style="list-style-type: none"> - Indonesia Gas Processing Plant and Gas Pipeline Construction Project: The construction work is almost finished. The commissioning phase is also in its final stages, and completion is planned within this year. - Indonesia LNG Receiving Terminal Construction Project: The design work is almost finished. In the procurement work, the ordering of major equipment has completed. The construction work is at its peak. - Saudi Arabia NGL Plant Enhancement Project: The design work is generally finished. At the construction site, equipment installation and piping work are underway. - Thailand Chemical Plant Construction Project: The design work is in its final stages. In the procurement work, the

Question	Answer
	<p>ordering work is almost finished. All contracts with subcontractors for the construction work have been completed. At the construction site, pile driving work is completed, steel structure and piping work are progressing, and equipment installation has begun.</p> <p>- Saudi Arabia Crude Oil and Gas Separation Facility Construction Project:</p> <p>The design work is almost finished and is responding to comments from the client. In the procurement work, the delivery of equipment has started, and the loading of equipment is expected to peak towards the end of the year. The construction work is progressing with paving work for the start of equipment installation, in addition to civil engineering and steel structuring.</p>
<p>Are there any risks of additional costs arising in the future for projects other than the projects which provision for loss on construction contracts were recorded in the fiscal year 2023? In particular, what is the situation with projects in Iraq and North America where the order backlog is large?</p>	<p>At present, there are no particularly significant problems, but we are also carefully monitoring the trends of each project and executing with caution. The Iraq oil-refinery modernization Project is progressing smoothly, and at this point, we have not heard of any risks of additional costs arising. The LNG Project in Canada is in the final stages of on-site construction towards completion. The US Ethylene Expansion Project still has a long way to go, but there are no major fluctuations in profitability at the moment.</p>

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