

Q&A from the Online Earnings Release Conference (held on August 7, 2025)
On First Quarter Financial Results for FY2025 Ending March 31, 2026

This content is based on information available on the date of the online earnings release conference (August 7, 2025).

1. Financial results for the first quarter of FY2025 and full-year forecast of FY2025

Question	Answer
Why is the Q1 net sales progress ahead to path to the full-year forecast? Is it correct to understand that there is no significant change in the full-year sales forecast (690 billion yen)?	We recognize that there is a slight upward trend in net sales, but as this is still the situation at the end of the first quarter, we do not expect the full-year forecast to increase. After adjusting for the positive impact of yen depreciation resulting from the difference between the assumed exchange rate used for the full-year forecast (USD1=JPY140) and the actual exchange rate for the first quarter (USD1=JPY144.81), and assuming that the exchange rate will remain at the assumed rate for the second quarter and beyond, we believe there will be no significant deviation from the full-year net sales forecast of 690 billion yen.
Why is the gross profit margin rate for the first quarter of FY2025 (8.1%) higher than the gross profit margin rate forecast for the full year (7.5%)?	The timing of cost recognition, including expenses from unsuccessful bids, shifted between quarters in the Total Engineering business, resulting in a temporary increase in the gross profit margin. Additionally, the actual exchange rate for the first quarter (USD1=JPY144) was weaker than the assumed exchange rate

Question	Answer
	(USD1=JPY140), resulting in a positive impact of approximately 0.8 billion yen on gross profit (approximately 11 billion yen on net sales). Assuming that expenses will be incurred in subsequent quarters and that the exchange rate will converge toward the assumed rate in the future, we expect the full-year results to be in line with the forecast.
Excluding the impact of projects with provisions for loss on construction contracts, gross profit margin rate appears to be progressing steadily. Were there any upward factors such as improved profitability in ongoing projects?	<p>In the first quarter, there were no significant benefits or charges of ongoing projects.</p> <p>The sales from ongoing projects with provisions for loss on construction contracts (sales with zero margin recognized) accounts for approximately 20% of the net sales forecast of FY2025, and the same proportion applies to net sales for the first quarter.</p> <p>The reason for the higher gross margin rate in the first quarter compared to the full-year forecast is due to the timing of expense recognition shifting between quarters and foreign exchange effects.</p>

2. Market environment and orders

Question	Answer
It was explained that FEED services are actively underway. I would like to know more specifically about the current order trends. For example, regarding the Proposed second phase LNG Canada Facility Expansion Project, for which the FEED update services have already been awarded to the company, and the African Floating LNG (FLNG) project which the company indicated at the beginning of the fiscal year was expected to be awarded in the second half of this fiscal	<p>Regarding the proposed Second phase LNG Canada Facility Expansion Project, as announced in a press release yesterday (August 6), we have been awarded and are currently executing the FEED update services.</p> <p>Regarding the Africa FLNG Project, as announced in a press release on July 22, we have been awarded and are currently executing the preliminary activities. We are awaiting the client's final investment</p>

Question	Answer
year. What is the status of these projects?	<p>decision (FID). At this time, the specific timing of the FID has not been determined.</p> <p>Within Japan, we have also been awarded and are executing FEED services for sustainable-related projects, with preparations for the client's FID progressing.</p>
Regarding the contract form for FEED update services for the proposed Second phase LNG Canada Facility Expansion Project, the press release states that it will be on a cost reimbursement contract. Will this also apply to future EPC services of this project?	<p>Cost reimbursement contract is limited on the FEED update services, and the contract form for future EPC services will be determined through negotiations with the client.</p>
How will the company be involved in the Abadi LNG project planned in Indonesia and the Alaska LNG project under consideration in the United States?	<p>Regarding the Abadi LNG Project, we are participating in a bid for FEED services for an onshore LNG plant and Floating Production, Storage and Offloading system (FPSO), but have not yet entered a contract with the client.</p> <p>Regarding the Alaska LNG Project, we recognize that it is an important project for Japan's energy security, and our group is closely monitoring the situation.</p>
Are there regional or sectoral differences in the tendency for clients to postpone capital investment decisions?	<p>Clients are taking a cautious stance toward capital investment due to factors such as rising CAPEX and persistently high interest rates. We recognize that this is not a trend limited to specific regions or sectors, but rather a common challenge for clients in general.</p> <p>However, looking at specific sectors, there are cases in the LNG sector where clients' plans are progressing smoothly. On the other hand, in the sustainable-related sector, we recognize that there are certain challenges to be overcome to realize plans due to issues such as economic rationality and institutional design.</p>

3. Others

Question	Answer
I would like to know if the current situation in the Middle East is affecting any ongoing projects.	At present, with the ceasefire between Israel and Hamas being maintained, there have been no significant changes in the projects currently being carried out by our group in Saudi Arabia, Iraq and the United Arab Emirates, and construction work is proceeding smoothly. We are continuing to gather information through our Crisis Management Office and are prepared to take necessary actions should the situation change suddenly.
Regarding NuScale Power, a US company in which the company has invested, I have heard that some companies has received orders to conduct feasibility studies for business development in Africa and Southeast Asia. Are there any projects that the company is currently working on?	Regarding the project of NuScale Power, Fluor, parent company of NuScale and our partner, is taking the lead in planning. We have supported Fluor in conducting feasibility studies and some basic design services, but we believe that it will take some time before the project progresses to EPC.

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