Management Messages

Message from the Chairman and CEO

CEO Message

Critical phase for achieving sustainable growth

Masayuki Sato

Representative Director, Chairman, and Chief Executive Officer (CEO)

Has worked in finance and accounting since joining JGC in 1979, overseeing finance for the Middle East, North Africa, Southeast Asia, and CIS projects.

Appointed as a director in June 2010, CFO and Managing Director, Senior General Manager of the Corporate Administrative & Financial Affairs Division in July 2011, and Executive Vice President in June 2012. Has served as Representative Director and Chairman as of June 2014 and additionally CEO as of June 2017.

Significant boost to ROE in fiscal 2022

In JGC Report 2022, the previous fiscal year's integrated report, I outlined the fact that we are facing the challenge of having to address the two seemingly contradictory issues of responding to today's growing global demand for energy and accelerating decarbonization efforts toward building a sustainable society.

As we work toward enhancing the five business areas ("Energy transition," "Healthcare & life sciences," "High-performance functional materials," "Circular economy," and "Industrial & urban infrastructure") required by society and by industry as set forth in the 2040 Vision, through the processes for achieving a sustainable society, I outlined how the JGC Group, based on its technical expertise, needs to be an equal partner—a collaborator—providing realistic solutions, whether to countries, clients, or a range of other stakeholders who face these contradictory issues.

Looking back at fiscal 2022, I felt that it was a year marked by significant moves worldwide toward addressing these two pressing issues. Demand for LNG development soared in the wake of the Russia-Ukraine situation, and there was major progress with new construction plans and expansion plans for existing LNG plants in the U.S., the Middle East, Africa and other regions. As energy demand recovers in the wake of COVID-19, efforts are being made for looking into restarting LNG plans that had been temporarily put on hold, while oil and gas development plans are starting to take shape in Middle East oil-producing countries in response to growing demand for energy. There are signs of new production plans for hydrogen/fuel ammonia and sustainable aviation fuel (SAF) becoming evident worldwide like the U.S., Australia and the Middle East, and progress has also been made here in Japan.

With such international moves to respond to growing energy demands and accelerate efforts toward decarbonization, the JGC Group fulfilled its role of playing an active role toward achieving these plans as a corporate group providing truly realistic solutions.

Specifically, the JGC Group secured contracts including a floating LNG (FLNG) plant in Malaysia, an ethylene plant in the U.S., and a gas and oil separation plant in Saudi Arabia, as well as a hydrogen production plant and SAF production plant in Japan, resulting in a high ¥824 billion in new contracts for the Total Engineering Business. The business had significantly higher sales and earnings compared to fiscal 2021 levels, as a result of ensuring proper risk management for projects already underway in Japan and overseas, as well as market recovery in the Functional Materials Manufacturing Business. Above all, net profit attributable to owners of the parent recovered to ¥30,665 million, following low figures in fiscal 2019 and 2020, and the net loss posted in fiscal 2021, while return of equity (ROE) improved to 7.8% from the low levels posted over the past several years.

Setting our sights on achieving the financial targets of BSP 2025

Fiscal 2023 marks the third year of the BSP 2025 medium-term business plan covering the five-year period from fiscal 2021 to 2025, positioned as the first phase of the 2040 Vision. Over the past two years, we have made steady progress toward the three key BSP 2025 strategies of transforming EPC operations, expanding manufacturing business for high-performance functional materials, and establishing future engines of growth. This is bringing about a shift in our business portfolio, which had been centered on the oil and gas sector, toward the five business areas set for expansion in the 2040 Vision.

Meanwhile, we secured ¥824 billion in contracts in fiscal 2022, and set our fiscal 2023 forecasts to net sales of ¥800 billion, operating profit of ¥38 billion and net profit attributable to owners of the parent of ¥32 billion. This means we are well on the way to achieving the financial targets of BSP 2025 of net sales of ¥800 billion, operating profit of ¥60 billion and net profit attributable to owners of the parent of ¥45 billion. We are anticipating ROE of around 7.8% for fiscal 2023, which also brings the BSP 2025 target of 10% into sight.

I feel that we are fulfilling our role of "Enhancing planetary health" that the JGC Group redefined as purpose in the long-term management vision, 2040 Vision, and we are now approaching a critical phase for achieving sustainable growth.

The current issues faced worldwide are those for which the JGC Group's 2040 Vision set out to develop solutions—balancing energy stability with decarbonization and reducing the environmental impact of resource consumption. In order to achieve steady, ongoing growth, I firmly believe that the JGC Group needs to significantly increase corporate value into the future, as an engineering company wholeheartedly committed to expanding the five mentioned business areas, diversifying its business models, and providing realistic solutions with its technical expertise, on the course charted in the 2040 Vision.

The Russia-Ukraine situation has brought about sudden increases in demand for LNG, and markets in the sustainability sector are being developed at a rapid pace to create a sustainable society. Instead of viewing any unexpected changes like these that may arise going forward—or changes that are more intense than anticipated—as risks that adversely affect corporate value in markets closely associated with the JGC Group's business strategies, I feel that it will be vital to fully embrace such changes into our business strategies as opportunities to achieve sustained growth.

Resources for sustainable growth —Further strengthening human capital

In addition to pushing ahead with business strategies by expanding business areas and diversifying business models, the JGC Group recognizes that reinforcing management resources that support these strategies is essential for achieving sustainable growth.

I view strengthening human capital as the most important issue to address among management resources that have a major impact on achieving sustainable growth for the JGC Group. Our existing efforts toward improving human capital involved systematic and ongoing training for design engineers and human resources associated with projects, such as project managers supervising the execution of projects under our main Total Engineering Business segment. I am confident that these human resources formed the linchpin of the JGC Group's prowess in the Total Engineering Business.

Implementing measures will be essential for securing more skilled human capital to expand into a broad range of business areas beyond the oil and gas sector and diversifying business models that had been centered on the EPC Business under the 2040 Vision. With this in mind, we are currently clarifying the required human resources portfolio and developing diverse human resources training policies and specific training programs.

We are also working to ensure those human resources remain highly motivated, developing a workplace environment that brings growth in the human resources required by the Company. In fiscal 2022, the personnel system was changed to one based on the Pay for VALUE concept, where each individual's compensation reflects their roles and job responsibilities, and in fiscal 2023, compensation of employees at JGC Holdings Corporation, JGC Corporation and JGC Japan Corporation was increased by an average of 10%. We are also making a concerted effort toward inclusion and diversity, enhancing engagement with our employees, and implementing a wide array of measures to enable diverse human resources to make the most of their own capabilities.

I am acutely aware that human capital is the most important management foundation with which the JGC Group can achieve sustainable growth, and I intend to make further improvements in this area going forward.

Wrapping up

I have worked for the JGC Group for more than 40 years, since joining the Company in 1979 and being appointed director in 2010, as well as in my capacity as Chairman and CEO starting from 2017.

The JGC Group has long been engaged in the EPC Business for plants in the oil and gas sector as its core operations in the Total Engineering Business, and has achieved close to consistent growth by constantly expanding markets and diversifying our targeted plants. I view the key corporate values created by the JGC Group to be its contributions toward the stable supply of energy, economic growth and employment opportunities in resource-rich countries, and the advancement of human resources.

As the world currently moves toward a sustainable society, I believe the corporate value that will be generated by the JGC Group will vastly and broadly exceed our past corporate value by providing realistic solutions for expanding the five business areas that includes energy transition, as a corporate group contributing to a healthy future for people and the planet by redefining the purpose of the 2040 Vision as "Enhancing planetary health."

Looking back over the past 95 years of the JGC Group, I strongly feel that fiscal 2023 represents a critical phase for the JGC Group in achieving sustainable growth for the future as a corporate group. As CEO, I am committed to fulfilling my responsibilities with the goals of sustainable growth and further increased corporate value.

I sincerely request the continued support of all our shareholders.

Management Messages

Message from the President and COO

COO Message

Changes in the market environment considered to be a tailwind

Tadashi Ishizuka

Representative Director, President and Chief Operating Officer (COO)

Managed numerous projects outside of Japan after initially working in the Domestic Project Construction Division in 1972. Appointed Managing Director and Senior General Manager of the Project Operation Services Division in June 2008, Senior Managing Director in 2010, Executive Vice President and Board Director in June 2011, Senior Executive Vice President and CPO in February 2017, President and COO in June of that year.

Overview of fiscal 2022 — Second-highest level of new contracts recorded

As recovery of the post-pandemic resources market became evident, we made sure to tap into the increasing capital investments by oil majors and national oil companies in oil-producing countries, and secured contracts including a gas and oil separation plant in Saudi Arabia, an FLNG plant in Malaysia, and an ethylene plant in the U.S. As a result, we recorded the second-highest level of new contracts ever in fiscal 2022 for the Total Engineering Business, amounting to ¥824 billion—around 2.5-fold that of fiscal 2021—made up of ¥696 billion in the overseas sector and ¥128 billion in the domestic sector, against target contracts of ¥840 billion. Fiscal 2022 was also the year we made a concerted effort to carve out a market in the sustainability sector such as hydrogen/fuel ammonia and SAF, where we secured orders for EPC projects in Japan, as well as feasibility studies (FS) and front-end engineering and design (FEED) contracts overseas.

In terms of business performance, both net sales and profits for each quarter exceeded the business forecasts at the beginning of the year. In particular, we achieved an 11.0% gross profit ratio—which indicates the potential profitability of an engineering company—two points higher than the 9.0% forecast at the start of the fiscal year. This was due to factors that included the impact of a weaker yen, greater profitability for projects underway in the Total Engineering Business, and the recovery of demand in the chemical catalyst and fine chemical markets in the Functional Materials Manufacturing Business. Ever since I was appointed President, I feel that the seeds of transformation have well and truly taken hold in the Total Engineering Business. This has been achieved by carefully examining and analyzing the risks of target projects and selecting those guaranteed to deliver profits, as well as ensuring the utmost risk management for projects that have been secured. Going forward, we will continue monitoring the various developments related to our projects, and continue focusing on curbing project risks to the extent possible.

Steadily engaging in key BSP 2025 strategies

During fiscal 2022, the second year of the medium-term business plan BSP 2025, we continued to work on the three key BSP 2025 strategies—transformation of EPC operations, expansion of manufacturing business for high-performance functional materials, and establishment of future engines of growth—in order to achieve the numerical targets of BSP 2025, as well as expanding the five business areas and diversifying business models. I commend the results we have accomplished.

For the transformation of EPC operations, we established JGC INDIA EPC PRIVATE LIMITED in August 2022 as a new operations center in Chennai, India, and added staff with a view to increasing capacity to work on EPC contracts that respond to the sudden growth in the market for LNG and other plants. From the stance of enhancing our EPC execution capabilities, the use of our proprietary J•I•Module™ (JGC Integrated Module) construction method in the LNG Canada Project currently in progress in Canada was successful for completing the modules forming part of the project. With an increase in projects calling for modular construction anticipated in the future, I feel that our advanced EPC execution capabilities left a strong positive impression amongst our customers. Fiscal 2023 marked the first year that EPC DX was rolled out of full-scale deployment, and it is already being used in projects underway in regions such as Canada, Iraq and Saudi Arabia, with further plans in place for use in newly secured projects going forward. In pharmaceuticals where there remains a high level of capital investment, we secured numerous contracts in fiscal 2022 and established a strong position as an engineering company specializing in sectors where strong demand is anticipated in the future, such as vaccines and biopharmaceuticals. In light of this, the construction project for a facility for the manufacture of small and mid-size molecule drugs for Chugai Pharmaceutical Co., Ltd. was selected as the Category Winner for Innovation in the Facility of the Year Awards of the International Society for Pharmaceutical Engineering (ISPE), reinforcing our position as a top contractor in the pharmaceutical sector.

To address the objective of "expansion of manufacturing business for high-performance functional materials" the holding company JGC Holdings Corporation appointed a new Chief Manufacturing Officer (CMO) and highlighted our commitment to the Functional Materials Manufacturing Business. We developed systems for rolling out measures such as rapidly made capital investments in this business that is prone to significant changes. In the Catalysts and Fine Chemicals sector, we began full-scale investments in fiscal 2023 by acquiring new land in Fukuoka and Niigata prefectures with a view to achieving growth by 2030. In Fine

Ceramics sector, we made decisions on capital investments for increasing production of high thermal conductivity silicon nitride substrates for EV power semiconductors, and also acquired land for a new plant in Miyagi Prefecture. In this way, we are moving ahead with capital investments with an eye firmly on meeting growing demand in the future.

Toward "establishing future engines of growth," we accurately identified the rapid pace of growth of the market in the hydrogen/fuel ammonia and SAF sectors, and played a significant role as the leader in these sectors, by securing a contract for the blue hydrogen and ammonia production pilot facility for INPEX CORPORATION, establishing SAFFAIRE SKY ENERGY LLC with Cosmo Oil Co., Ltd. and Revo International Inc. to start the SAF project, as well as securing a contract for a SAF production plant planned at the Sakai Refinery of Cosmo Oil Co., Ltd. Overseas. In fiscal 2023, we secured a contract for a hydrogen production plant in Australia planned by Sumitomo Corporation and other partners, helping Japanese trading companies to achieve sustainable projects planned for overseas.

During fiscal 2023, we will continue to build on efforts toward the three key strategies.

Fiscal 2023 order target and earnings forecast

We are targeting the same ¥800 billion level of orders as in fiscal 2022 for the Total Engineering Business in fiscal 2023, made up of ¥620 billion for the overseas EPC Business and ¥180 billion for the domestic EPC business, based on the continued strong appetite for investment by oil majors and national oil companies in oil-producing countries, as well as progress with plans for hydrogen/fuel ammonia and SAF in the sustainability sector in Japan and overseas, and the ongoing capital investment forecast in the pharmaceuticals sector for vaccine production and biopharmaceuticals in Japan.

For Energy Solutions of the overseas EPC business, we are aiming to secure LNG contracts in regions such as the Middle East and Africa, with a primary focus on the LNG sector, where demand is soaring.

I attended "LNG2023," the largest global LNG industry conference and exhibition held in Vancouver, Canada from July 10 to 13, where I had the opportunity to meet with numerous clients from oil majors and national oil companies in oil-producing countries. Clients planning investments in LNG developments to tap into the soaring demand for LNG highly praised the technical expertise and project execution capabilities of the JGC Group. With many requesting our cooperation to achieve their plans, I gained a keen sense of anticipation going forward.

In Sustainable Solutions, we are aiming to secure FEED and other contracts for hydrogen/fuel ammonia projects planned by Japanese trading companies and local subsidiaries in regions that include the U.S., Australia, the Middle East, and Southeast Asia, and I hope to leverage these orders to secure EPC contracts in fiscal 2024 and beyond. For Facility Solutions, we are looking to secure contacts for renewable energy, semiconductors and chemical-related projects in the Middle East and the U.S. Following on from fiscal 2022, we are aiming to secure additional contracts for pharmaceuticals plants, hydrogen/fuel ammonia facilities and battery projects in the domestic EPC business.

Forecasts for fiscal 2023 are net sales of ¥800 billion, gross profit of ¥68 billion, operating profit of ¥38 billion, ordinary profit of ¥45 billion, and net profit attributable to owners of the parent of ¥32 billion. We recorded new contracts exceeding ¥824 billion in fiscal 2022, and as net sales are expected from these projects, we anticipate significantly higher sales compared to fiscal 2022, with increased profits forecast for each stage with the exception of ordinary profit.

Meanwhile, the gross profit ratio is forecast to drop 2.5 points to 8.5% from the 11% recorded in fiscal 2022. It is possible that this figure will rise going forward owing to factors such as greater profitability of projects underway and the weakening yen; however, the transient effects of employee benefits in the Total Engineering Business and worsening semiconductor market conditions in the Functional Materials Manufacturing Business are some of the factors behind the forecasted drop in the profit ratio.

In the Total Engineering Business, we will continue to examine and analyze the risks of target projects and move ahead with selecting contracts, as well as ensure the utmost risk management for secured projects in order to generate profits.

Despite less favorable market conditions for general-purpose chemical catalysts and semiconductor manufacturing equipment that spearheaded business performance in fiscal 2022, the net sales results for the Functional Materials Manufacturing Business is forecast to increase slightly in fiscal 2023 thanks to other product groups, but operating profit is expected to remain flat throughout the year. In the Catalysts sector, we will expand our business to overseas clients, with a focus on oil-related catalysts for which there is strong demand, as well as the advanced development of low-carbon and carbon-free products. In the Fine Chemicals sector, we will accelerate our efforts toward diversifying sources of income by expanding applications. We will be revising production plans and systems for fine ceramics in anticipation of recovery in the semiconductor market from fiscal 2024. With the continuing strong demand for high thermal conductivity silicon nitride substrates for power semiconductors, we will be pressing ahead with our plans to increase production capacity as scheduled.

Fiscal 2025 will be the final year of BSP 2025 and, to achieve the set numerical targets, we recognize that it will first be essential to achieve the target orders and earnings forecasts for fiscal 2023. We will be doing our utmost to accomplish these goals.

Making every effort to build a framework capable of responding to market changes

As COO, I am aware that the JGC Group needs to implement measures with a sense of speed to respond to changes in the market environment, such as the sudden growth in the market for plants and the rapid pace of development of markets in the sustainability sector. Accordingly, we have made every effort to increase our project execution capacity in response to the increase in projects following the sudden growth in the market for plants, as well as continuing to appropriately allocate resources in the sustainability sector where markets are being generated at a rapid pace while coordinating efforts with industry peers.

We implemented measures to increase our project execution capacity, including personnel increase at the aforementioned JGC INDIA EPC PRIVATE LIMITED located in Chennai, India from fiscal 2022. Plans are in place to raise the present approximate 400 staff to around 1,000 as soon as possible. Following on from the alliance we forged with Toyo Engineering Corporation in fiscal 2021 in the hydrogen/fuel ammonia sector in anticipation of market changes and growth in the sustainability sector, in fiscal 2022 we concluded another alliance with Toyo Engineering Corporation in the domestic SAF sector as part of measures to improve competitiveness in securing orders and reinforce project execution capacity.

To allocate suitable ongoing resources to the sustainability sector, in fiscal 2022 we established the "Sustainable Solutions" division to serve the sustainability sector of the overseas EPC operating company JGC Corporation. Further, we established the Renewable Energy Solutions department at the domestic EPC operating company JGC Japan Corporation, as part of ongoing initiatives for the sustainability sector. New developments that are expected to have a significant impact on the status of future manufacturing industries include biomanufacturing. With this mind we began operations of the Integrated Biofoundry® business together with Bacchus Bio Innovation, Co., Ltd. Biomanufacturing is considered an area that could become a future growth engine for our company, and we are therefore planning to ramp up investments in this area.

We will continue to carefully monitor changes in the market environment of our company, and we will implement suitable measures with a sense of urgency.

Wrapping up

We recognize that fiscal 2023 is a pivotal year for the JGC Group for achieving sustainable growth. As COO, I will be putting forth every effort toward achieving the fiscal 2023 order target and earnings forecast, while also viewing changes in the market environment of the JGC Group as an impetus for us. I will be implementing measures in a speedy manner to achieve the numerical targets of BSP 2025 and pressing ahead with business strategies.

More than simply focusing on fiscal 2025, the final year of BSP 2025, I will be fulfilling my responsibilities by setting my sights even further ahead. Thank you for your continued support.

Message from the CFO

CFO Message

Driving financial strategies aimed at further enhancing capital efficiency

Kiyotaka Terajima

Director, Senior Executive Vice President, and Chief Financial Officer (CFO)

After joining JGC in 1981, established business alliances and developed contracts for domestic and overseas projects in the Legal Department. Appointed Executive Officer and Deputy General Manager of the Corporate Administrative & Financial Affairs Division in 2014, Director, Executive Officer, and Senior General Manager of the division in 2016 (Senior Executive Officer in 2017), Executive Vice President and CFO in April 2018, and Senior Executive Vice President in April 2020.

Overview of fiscal 2022

In fiscal 2021, we formulated the 2040 Vision and commenced the medium-term business plan BSP 2025 as the first phase covering the span from fiscal 2021 to 2025. Since then, I have been actively focusing on my responsibility of implementing growth strategy investments for boosting net profit attributable to owners of the parent, considered crucial for maintaining a sturdy financial foundation, strategic capital policies for enhancing capital efficiency, and increasing ROE deemed essential for keeping the Total Engineering Business as the main business. During fiscal 2022, I feel that we moved ahead with effective financial strategies in all of these aspects.

As resource markets underpinning the Total Engineering Business showed signs of recovery in fiscal 2022 and clients began moving ahead in earnest with their capital investments, we recorded our second-highest level of new contracts of ¥824 billion. In terms of business performance, consolidated net sales and profits at each stage exceeded the business forecasts at the beginning of the year, with significantly higher sales and earnings achieved compared to fiscal 2021 levels.

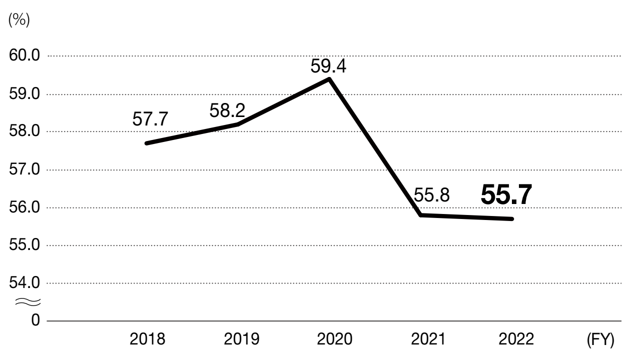
Going forward, we will continue to press ahead with a steady financial strategy while monitoring changes in the market environment, in order to achieve medium- to long-term growth for the JGC Group.

Equity capital conditions

We believe that maintaining sound finances is essential for the Total Engineering Business, one of the JGC Group's core businesses, for business continuity and earning client trust from the standpoint of ensuring risk resilience, for continually expanding business. To achieve this, we are working in line with the approach of maintaining the equity ratio at a stable 50% or higher. The equity ratio as of March 31, 2023 was 55.7%, as we continued to maintain a sound financial foundation.

In BSP 2025, the numerical target for fiscal 2025 had been set at net sales of ¥800 billion, but there is the possibility that we will exceed this figure based on the potential growth of the future market for plants. Accordingly, we are aware of the growing need to maintain an equity ratio of 50% or higher by further concentrating on our equity capital.

Equity ratio



Utilizing capital in an effective manner

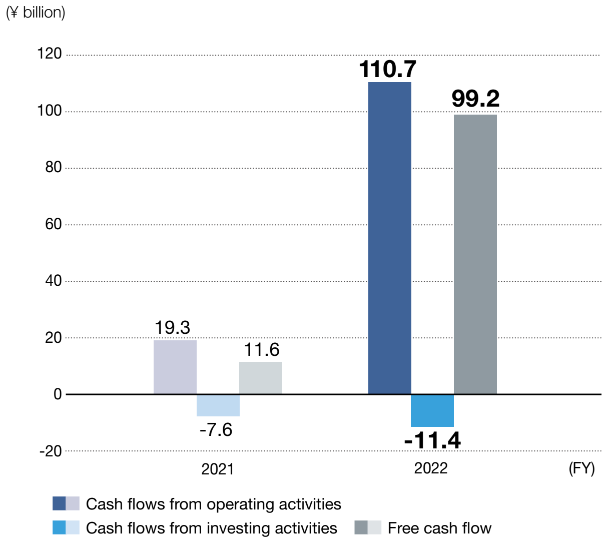
Cash and deposits as of March 31, 2023 was ¥332.9 billion, an increase of ¥44.7 billion from the beginning of the year due to collecting receivables following the settlement of disputes related to projects completed in the past.

The normal practice in our core operations of Total Engineering Business is to allocate cash received as advances from clients to projects that are already underway, meaning the amount of capital on hand varies depending on the contract conditions or degree of progress of current projects. To ensure steady operation of current projects even when subjected to changes in external factors such as sudden turmoil hitting financial markets, we ensure that we have working capital of around two months of annual net sales in addition to the cash received as advances. We view cash exceeding these advances and working capital as being positioned as capital that can be allocated to growth strategy investments.

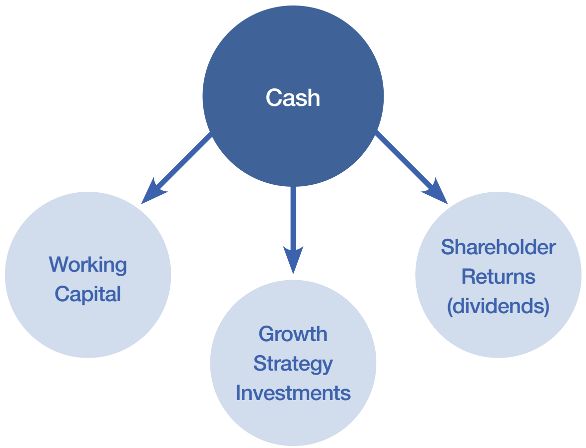
Message from the CFO

We utilize cash flows from operating activities in addition to cash on hand for both expanding existing businesses and growth strategy investments, but in addition to the outlook for the business environment and medium-term cash flow, financing with the optimum amount and timing in line with trends in financial markets is also deemed to be a key option that is available. The main use of proceeds will be investments in SAF, biomanufacturing and high thermal conductivity silicon nitride substrates for EV power modules, and going forward, we will consider interest-bearing debt financing if necessary, similar to the Green Bonds issued in September 2023.

Free cash flow



Cash allocation

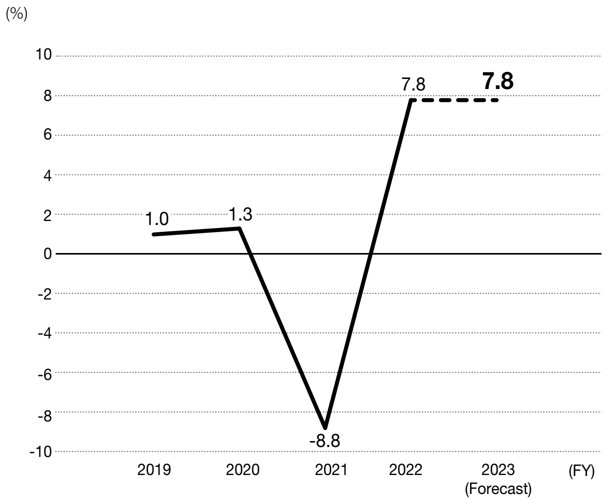


Toward raising ROE

Capital efficiency is essential for expanding businesses and growth strategy investments, and we are targeting ROE of 10% or higher over the medium- to long-term span relative to capital costs. For the JGC Group with the Total Engineering Business as its core area of operations, as mentioned earlier, it will be vital to determine ways of increasing profit attributable to owners of the parent to maintain further equity capital while increasing ROE, and there is a priority on maximizing operating profit, the results of business activities.

In fiscal 2021, the first year of BSP2025, we recorded a net loss attributable to owner of the parent of ¥35.5 billion due to the extraordinary loss recorded for the LNG project in Australia, but this rebounded back into the black to the tune of ¥30.6 billion in fiscal 2022, leading to a significant improvement in our ROE from -8.8% to 7.8%. A figure of around 7.8% is anticipated for fiscal 2023 based on the business forecasts at the beginning of the year.

ROE



By expanding the five business areas and diversifying business models under BSP 2025, we have set ourselves the numerical targets of ¥800 billion in net sales, ¥60 billion in operating profit, ¥45 billion in net profit attributable to owners of the parent, and 10% ROE. From fiscal 2021 that marked the beginning of BSP 2025, we have been working on the three key strategies of transforming EPC operations, expanding high-performance functional materials manufacturing, and establishing future engines of growth in order to achieve these numerical targets.

As CFO, I am seeking to increase ROE by working toward these key strategies with a credible and tactical financial approach. We are also planning growth strategy investments amount to around ¥200 billion over the five-year span of BSP 2025 from fiscal 2021 to fiscal 2025, and we have already invested around ¥32 billion over the two years of fiscal 2021 and fiscal 2022. The amount of investment by key strategy is around ¥5 billion for transforming EPC operations, around ¥17 billion for expanding high-performance functional materials manufacturing, and around ¥10 billion for stabilizing future engines of growth. Together with around ¥68 billion in investment projects for which decisions have already been made, growth strategy investments will amount to around ¥100 billion.

In selecting growth strategy investment projects, we are acutely aware of the sudden market changes that have occurred after fiscal 2021 when BSP 2025 began—such as future growth in the market for plants and the rapid pace of development of markets in the sustainability sector. We also invested in projects such as establishing an overseas operation center for increasing our project execution capacity, and getting the SAF business off the ground.

The Group Investment and Loan Committee established under the holding company JGC Holdings Corporation conducts quantitative analyses that factor in capital costs when making investment decisions, and also carefully and cautiously deliberates research and development projects based on their potential to lead to future business expansion. The Committee also monitors the progress of projects after investments are made, as part of a system that can properly study whether to withdraw from certain businesses.

Greater shareholder returns

We view shareholder returns as a key management issue for the Company, and the shareholder return policy seeks a payout ratio of about 30% of net profit attributable to owners of the parent during the BSP 2025 period. Cash dividends are generally once per year, with a minimum annual dividend of ¥15 per share. The Company considers share buyback when needed, factoring aspects such as the business outlook and state of free cash flow.

Cash dividends per share were increased due to improvements in business performance after fiscal 2021, the first year of BSP 2025. I hope to move ahead with effective financial strategies toward achieving net profit attributable to owners of the parent of ¥45 billion in fiscal 2025, and achieve an even greater increase in cash dividends per share.

With this in mind, in February 2023 we purchased 12 million treasury shares totaling ¥20 billion for the first time in 20 years, after comprehensively taking into consideration aspects such as the current state of cash flow from operating activities and future outlook, as well as the future market environment and business outlook. The purchase of treasury shares is viewed by our Company as a crucial initiative for shareholder returns akin to shareholder dividends, and we will continue examining the feasibility of purchasing treasury shares based on the future outlook and cash flow outlook including growth strategy investments.

Thank you for your continued support.

Cash dividends per share