JGC

Revision of Earnings Forecast FY2023

Enhancing planetary health

April 30, 2024
JGC HOLDINGS CORPORATION

My name is Taguchi, general manager of the Finance Unit.
I will be giving you an explanation regarding of revisions of earnings forecast for fiscal year 2023.

Revision of Earnings Forecast

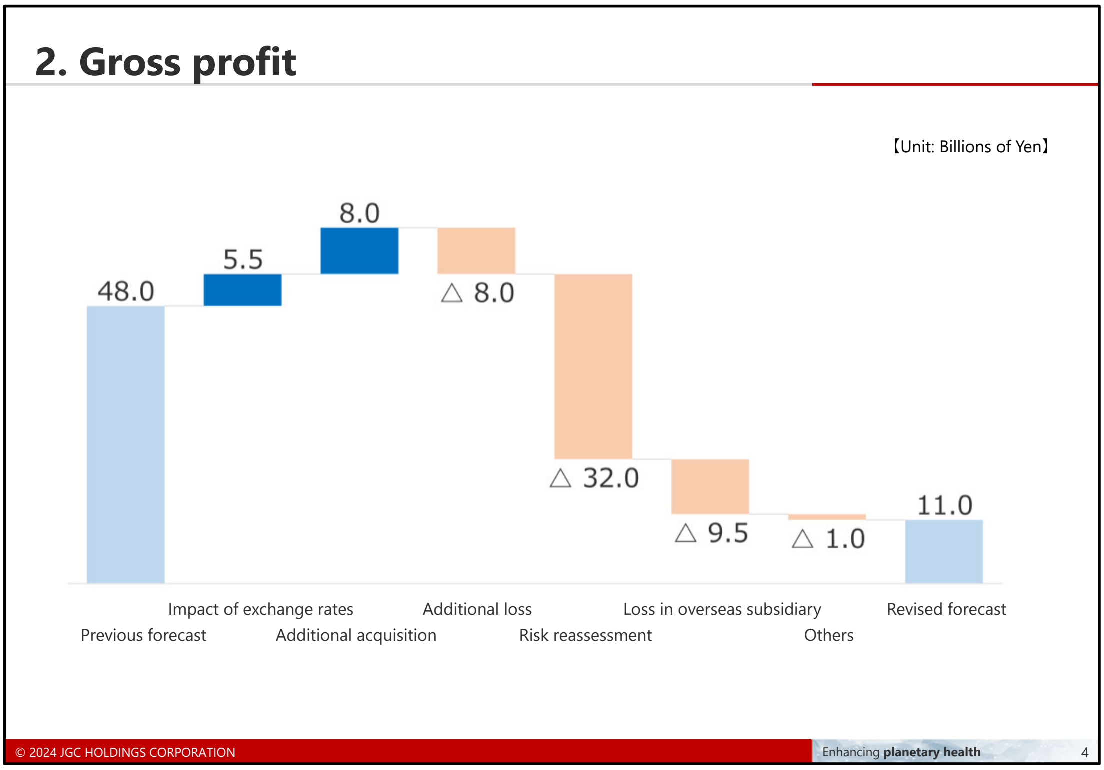
Enhancing planetary health

1. Updated forecast for fiscal year 2023

【Unit: Billions of Yen】

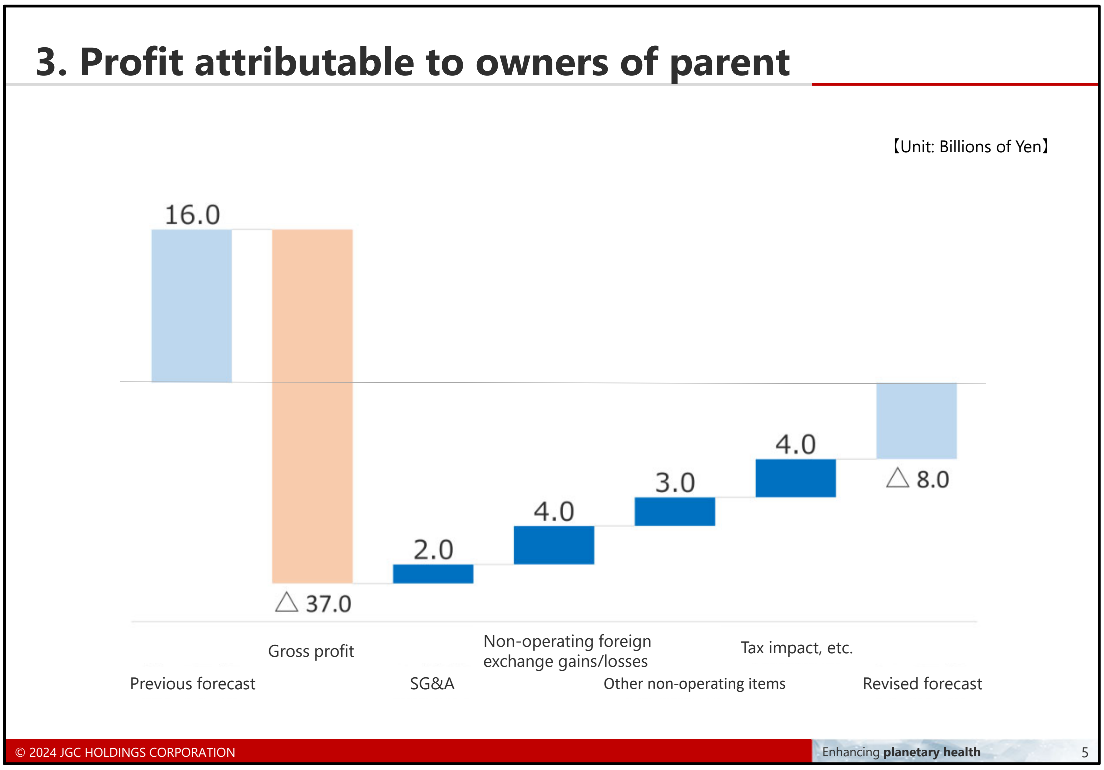
	Previous	Revised	Difference	
Net sales	800.0	**830.0**	+30.0	+3.8%
Gross profit	48.0	**11.0**	△ 37.0	△ 77.1%
Profit ratio	6.0%	**1.3%**	△ 4.7pt	
Operating profit	16.0	**△ 19.0**	△ 35.0	-
ordinary profit	28.0	**0.0**	△ 28.0	-
Profit attributable to owners of parent	16.0	**△ 8.0**	△ 24.0	-
Annual diviends per share	¥40	**¥40**		

As a result of the need to record additional charges in Total Engineering segment, it has become necessary to revise the forecast for fiscal year 2023. We announced this today.
Net sale is expected to increase by 3.8% to 830.0 billion yen.
Our revised gross profit forecast is 11.0 billion yen, a decrease of 37.0 billion yen.
Operating profit is to declines by 35.0 billion yen, and be a loss of 19.0 billion yen.
Ordinary profit is expected to decrease by 28.0 billion yen and be close to zero.
Profit attributable to owners of parent is to be, decreasing 24.0 billion, a loss of 8.0 billion yen.
Considering current liquidity and others, we have not changed the forecast for the dividend amount, which remains at 40 yen per share.



Now I move on explaining the revised forecast for gross profit.
The depreciation of the yen against the US dollar towards the end of the forecast period, with the exchange rate reaching the 151 yen range, resulted in an upside effect of approximately 5.5 billion yen compared to the initial forecast 140 yen.
The successful acquisition of Change Order in a large-scale overseas project during the fourth quarter resulted in a profit increase of approximately 8.0 billion yen.
On the other hand, due to the need for a reassessment of design and procurement costs in chemical plant EPC project in Thailand, which recorded a loss in the third quarter, an additional loss of approximately 8.0 billion yen has been recognized.
Furthermore, in light of the recent situation, a reassessment of risks was conducted for major overseas projects, resulting in significant decrease of project profit of 32.0 billion yen. As a result, a loss has been recognized for the Saudi Arabia oil and gas project.
Similarly, a reassessment was conducted for the projects of overseas subsidiaries. In the case of the NGL plant expansion project in Saudi Arabia subsidiary, additional expenses were incurred due to delays in equipment delivery, and in the case of LNG terminal project in Indonesia subsidiary, provision was made for risk response costs, resulting in a loss of 9.5 billion yen.
As a result, the overall gross profit is expected to decrease by 37.0 billion yen,

resulting 11.0 billion yen.



Next, I will explain the revised forecast for profit attributable to owners of parent.
As explained in the previous slide, the gross profit decreased by 37.0 billion yen.
Due to a decrease in personnel expenses and other factors, SG&A decreased by 2.0 billion yen.
In non-operating items, there was an upward impact of 4.0 billion yen from foreign exchange due to the weakening of the yen, and an upward impact of 3.0 billion yen from factors such as interest on corporate tax refund in an overseas subsidiary.
There were also other tax effects and others, and as a result, profit attributable to owners of parent decreased from the original forecast of 16.0 billion yen to a loss of 8.0 billion yen, decreasing 24.0 billion yen.

This is end of the explanation about the revision of earning forecast.

From now, I, Terajima, Senior Executive Vice president and CFO, explain the future outlook.

4. Future Outlook

Situation

- Reviewing progress, plan and budget in major projects executed, in response to the deteriorating profitability in multi projects.
- Reflecting necessary additional risk costs
- Two additional deficit projects

Issues

- Executing designing work with proper engineering resources allocation and ensuring quality
- Approaching projects based on the capacity of overseas subsidiary

Countermeasures

- Addressing strong projects market opportunity with focusing on profitability and proper engineering resource allocation
- Revising the business management framework
- Rethinking roles of overseas subsidiary

In response to the situation where profitability decreased three quarters in a row, we have reviewed the progress, schedule and budget of major projects in overseas.

As a result, we had to reflect additional necessary risk costs, and two additional projects in Saudi Arabia and Indonesia turn to be deficit.

Although the reasons of deterioration of profitability in projects are different each other, but we are analyzing the situation and the root causes are becoming clearer.

Today we will give an explanation about two issues to address.

At first, in designing work, the allocation of human resources cannot be done in some projects in proper and timely manner. The reason is there has been dispersion of human resources for designing because we have been expanding to various business sectors such as Energy solutions, Sustainable solutions, and Facility solutions. In addition, we have allocated resources to exploring domains like sustainability related areas.

We have perceived the business expansion and exploration as a growth opportunity for executing designing work and has been actively pursuing business operations despite the trials and errors, with expansion of the scope of utilization of overseas subsidiary, assigning growing talent and so on. However, the expected effect was not achieved in large projects and resulted in a delay in the progress of projects and need additional works to catch up with the schedule. In executing projects, our issues to address is to execute designing work as schedule with allocating human resources properly while ensuring quality.

In overseas subsidiary, we have been aiming to be awarded and execute projects in local market actively with the policy of regional management, but it is undeniable that the ability of execution and establishment of the structure of subsidiaries were not enough. If small size projects are dominant like before, the executing ability was good enough. However, the ability and system of the subsidiaries were not enough to be awarded and execute mid-size projects. We have to assess the capability of overseas subsidiary and focus on projects which are suitable scale and content the subsidiary can handle.

Based on the situation above, we will address strong projects market, primarily related to LNG, while focusing on profitability and allocating human resources properly especially at designing phase. Furthermore, we are now reviewing our way to manage overseas EPC business and role of overseas subsidiary. We would like to explain the progress of discussion about the countermeasures at the online briefing on financial results for fiscal year 2023 on May 14th.
We are taking the fact that the profits decreased significantly very seriously. We work together as a group to recover the performance by improving profitability in ongoing projects.

This concludes our explanation.

Cautionary Statement

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