

February 8, 2018
JGC Corporation

Third Quarter Financial Results for FY2017
Q&A from the conference call (held on February 8, 2018)

※This content is based on information available on the date of the conference call (February 8, 2018).

Question	Answer
Could you please tell us the gross profit level for Q3 (Oct-Dec) of FY2017 ending on March 31, 2018?	The gross profit ratio for Q3 (Oct-Dec) was 7.2%. This is roughly in line with the 7.1% gross profit ratio in the full-year financial forecast. From a profitability perspective, there were no particular changes, either positive or negative, concerning each of the projects currently being executed.
Could full-year net sales for FY2017 ending on March 31, 2018 exceed the forecast of 680 billion yen?	Q3 net sales slightly outpaced the full-year financial forecast due to the impact of additional work for multiple projects with cost reimbursement contracts. However, we are currently not at the stage to make any clear statement concerning the full-year financial forecast.
There have been recent announcements of deterioration in profitability by other companies in the same industry regarding EPC projects in the US. Do you have any concerns about profitability deterioration for the project currently being undertaken by JGC in the US?	The ethylene project we are implementing in the US achieved mechanical completion at the end of last year. In addition, the customer has agreed to bear the costs incurred because of the schedule delay and increased costs caused by Hurricane Harvey, which made landfall on the coast of Texas, United States, last summer. Therefore, we do not anticipate another deterioration in profitability of this project.
Please tell us about the expected orders for Q4 FY2017.	The order for the gas processing project in Indonesia received last December is scheduled to be recorded in Q4. There are currently multiple promising projects in Japan and overseas, and we forecast orders of more than 500 billion yen. We are making an all-out effort to further increase orders to achieve the full-year orders target of 750 billion yen.

<p>Do you think conditions are gradually improving for the plant EPC market?</p>	<p>Amid the recent rise in the price of crude oil exceeding \$60 a barrel, we have the impression that the number of projects is increasing, and that conditions are improving towards FY2018. In addition, there are also developments in terms of large-scale LNG projects in North America.</p>
<p>LNG Canada has announced that it has short-listed contractors for its planned LNG plant construction project. The JGC Group has also been short-listed. Do you anticipate receiving the EPC order during FY2018 (the year ending on March 31, 2019)?</p>	<p>LNG Canada has announced that it will select the contractor for its planned LNG plant construction during 2018. We also hope this will be achieved during 2018.</p>
<p>LNG Canada has announced that the EPC contract for its planned LNG plant construction is being negotiated based on a lump-sum turnkey contract. Do you have any concerns about receiving an order and executing a project with a lump-sum turnkey contract in North America?</p>	<p>Given that Japanese EPC contractors are struggling in North America, we understand the concerns surrounding the risk associated with receiving an order and executing a project with a lump-sum turnkey contract in North America. However, we have obtained considerable know-how in executing projects in North America through the implementation of the ethylene project with Fluor Corporation, which we are also partnering with for this project. Furthermore, we plan to adopt measures such as a module method to mitigate the volume of local construction works. It is difficult to give a clear response since we have not yet received the order, but we believe the risk can be minimized and appropriately managed through these responses.</p>
<p>You announced executive personnel changes at the same time as you announced the Q3 FY2017 results as of today. These are the first executive personnel changes since President Ishizuka has been appointed.</p>	<p>The company has been under the management of Chairman and Chief Executive Officer Sato and President and Chief Operating Officer Ishizuka for more than six months. Ishizuka is a business expert, and the personnel changes were made with the idea of strengthening the practical business structure. In addition, there is also an intent to bring in younger</p>

Would you please explain if there is any particular trait?

executives.