February 13, 2019

JGC Corporation

Third Quarter Financial Results for FY 2018 ending on March 31, 2019
Q&A from the Earning Release Conference (held on February 13, 2019)

※This content is based on information available on the date of the earning release conference (February 13, 2019)

Question	Answer
Net sales up to Q3 have been low compared to the 640 billion yen in net sales in the financial forecast for FY 2018 ending on March 31, 2019 (hereinafter "this fiscal year"). Is it still possible to achieve the net sales forecast?	Net sales up to Q3 remained at approximately 66% against the full-year forecast. However, considering various factors including projects to be completed in Q4, we have maintained our full-year forecast.
Do you mean that each profit item will reach the full-year forecast even if net sales do not reach the full-year forecast?	We would like to refrain from answering hypothetical questions. Our forecast remains unchanged.
If 640 billion yen in net sales for this fiscal year can be achieved, it would mean that the gross profit ratio for Q4 will be significantly lower (when the results up to Q3 is subtracted from the figure in the forecast financial results), would it not?	It would depend on the balance between the total engineering business and the functional materials manufacturing business as well as other factors. However, the gross profit ratio in Q4 might become slightly lower than the ratio up to Q3.
Please give us the level of net sales in FY 2019 ending on March 31, 2020 (hereinafter "the next fiscal year").	We would like to refrain from commenting on it at this point.
The consolidated Q3 gross profit ratio appears to be doing well in comparison to the full-year forecast. How is the state of progress in the main projects? More specifically, what is the state of the Refinery Project in Kuwait, whose profitability has declined in Q2	Q3 saw a profit improvement in the Yamal LNG Project and the recognition of additional costs on the risks of the Ichthys LNG Project. However, they are within the anticipated fluctuations in the full-year financial forecast, and both projects are generally on track.

this fiscal year?	As for the Refinery Project in Kuwait, there has been no further deterioration from Q2 in profitability. On the other hand, we believe that we still need to watch its progress towards completion.
Regarding the projects in Saudi Arabia and Algeria (projects in the past for which the company booked provisions for losses), can you tell us the circumstances?	There have been no additional losses arising from those Saudi Arabian and Algerian projects. They are planned to be completed in the 1st half of 2019 and in FY 2020 respectively.
Regarding the tax rate, you stated in your financial forecast at the beginning of the year that you expected it to be in the mid-60s percentage point-wise, but it has remained in the mid-50s up to Q3 of this fiscal year. Is it likely to end up at the mid-50s level for the full year? Also, what are your expectations for the tax rate in the next fiscal year?	There still remain some uncertainties as for the Q4 tax rate. However, it might be the same level as the rate up to Q3. We would like to refrain from commenting on the effective tax rate for the next fiscal year at this point since it is too early.
Your quarterly net profits up to Q3 for this fiscal year have already come close to a 100% achievement rate for the full-year financial forecast. If the full-year net profit surpasses the full-year financial forecast (at 10 billion yen), will you raise your dividend per share?	Though the dividend payout ratio is 30% in our current policy, we cannot comment further to your question at this moment.
Is it possible to achieve your 1-trillion yen new contract forecast for this fiscal year?	New contracts have reached a total of around 900 billion yen as of today. There are many projects to which we have submitted bids including through consolidated subsidiaries, and we continue to work under our current forecast.
The accounts receivable have increased by approximately 15 billion yen since the end of Q2 of this fiscal year. Is my understanding correct that the main cause for this is the payments on behalf of the	That is correct.

subcontractor concerning the construction of the combined-cycle power generation plant in the Ichthys LNG Project?	
Will the accounts receivable for the Ichthys LNG Project increase in Q4 of this fiscal year as well? If so, by about how much? When do you expect the construction of the combined-cycle power generation plant to be completed?	There is a possibility that it will increase by about 10 billion to 20 billion yen (including accounts receivable from completed construction). The construction of the combined-cycle power generation plant is to be completed within this year.
The value of your contracts in the LNG Canada Project was initially reported to be around 630 billion yen, but it appears that your contracts in this project are in the 600 billion to 610 billion range as far as can be seen from the amounts of contracts outstanding by sector in your summary of financial results. Is my understanding correct that this is caused by the difference in the exchange rates used and not by other factors such as changes in the scope of contracts with your clients?	That is correct.
Does today's announcement of your management arrangements have a transition to holding company system in mind?	Though it is subject to the approval at our annual shareholders meeting to be June, we plan to increase the number of outside directors by one while three inside directors are to retire. As a result, the composition of our board of directors will be six inside directors and three outside directors. We would like to add that the arrangement is based on our planned transition to a holding company system.