

February 12, 2021

JGC HOLDINGS CORPORATION

Third Quarter Financial Results for FY2020 ending on March 31, 2021
Q&A from the Online Earnings Release Conference (held on February 12, 2021)

This content is based on information available on the date of the earnings release conference (February 12, 2021).

1. Financial results for the third quarter of FY2020 ending on March 31, 2021

Question	Answer
<p>The cumulative gross profit ratio for the third quarter was 10.7%, which is higher than expected at the beginning of the fiscal year. Please let us know if there were any positive or negative factors. Also let us know about any additional costs due to the impact of COVID-19 in the third quarter.</p>	<p>There were no major additional costs or losses in particular due to the impact of COVID-19. Positive factors included improvement of profitability resulting from projects at the final stage of construction, as well as a drawdown of project contingency reserve for completed projects.</p>
<p>Please tell us about the outlook for EPC sales growth. It seems that EPC sales have been slower than expected to recover from the impact of COVID-19.</p>	<p>Without a clear view on when the pandemic ends, we are not able to make a definitive comment. In the LNG Canada project that represents a large share of sales, progress is slow but steady as we continue to follow strict provincial guidelines at site in Canada. One of the major activities of the project is module production in China. We are currently concentrating on preparation for the peak of the production work at the module yard in China. In other projects as well, we are making steady progress despite various restrictions, and currently, we do not expect conditions to worsen further.</p>

<p>One potential fourth-quarter risk that has been mentioned is a revision of North American oil and gas production business assets. Can you please elaborate?</p>	<p>These are assets with a book value of about 5 billion yen in Texas that we plan to evaluate based on crude oil and gas prices and reserves as of the end of December.</p>
<p>Has the impact of COVID-19 led to lower profitability due to delays in procurement of materials and equipment in Europe?</p>	<p>Although we did switch some material and equipment orders from European manufacturers to companies elsewhere, the impact of this has already been accounted for in fiscal 2019 financial results. It has no new repercussions at present.</p>
<p>Third-quarter sales in functional materials manufacturing declined against the first half. What is the reason for this? We would also like to know why the profit margin decline seems insignificant in comparison. Is there any possibility that full-year segment profit may reach higher than expected at the beginning of the fiscal year?</p>	<p>In consideration of the scale of business, we consider the fluctuation in functional materials manufacturing sales is within expectations. At present we are not in a position to comment on the probability of change in full-year segment profit.</p>
<p>A gain on sale of investment was recorded in the third quarter. Please tell us about the background to this.</p>	<p>We sold cross-holdings after considering the significance of such holdings on a case-by-case basis. We are taking a stance of reducing our cross-holdings.</p>
<p>Cash and deposits stood at nearly 300 billion yen as of the third quarter. Please tell us how you intend to use these funds.</p>	<p>The increase in cash and deposits in the third quarter was mainly due to advance payments received from clients and will be used for construction. We will introduce our liquidity and strategic investment policy in the new medium-term business plan to be announced in May.</p>

2. Orders received, market environment

Question	Answer
<p>Are there any project awards outside of Japan expected in the fourth quarter? Please also tell us about the outlook for fiscal 2021. Will you continue to see new LNG projects?</p>	<p>The capital investment tendency among clients remain quite uncertain. Especially outside of Japan, development of investments generally delays. In the fourth quarter, we expect new orders in Japan such as large biomass power projects. Regarding the market outlook for fiscal 2021, we are not in a position to make a definitive statement at present. However, over the mid to long term, LNG projects can be expected as LNG demand rises, especially in emerging markets.</p>
<p>Please tell us the reason for decrease of cumulative third-quarter consolidated new orders for overseas LNG business, identified as 13.3 billion yen on page 8 of the financial results summary, compared to the second quarter.</p>	<p>The estimated amount of changed orders mainly in the LNG Canada project is recorded as orders received, and the difference from cost is updated each quarter. The figure was revised in the third quarter as well, and accordingly, although the amount involved was small, it was lower than before.</p>