

February 10, 2022

JGC HOLDINGS CORPORATION

Third Quarter Financial Results for FY2021 ending on March 31, 2022
Q&A from the Online Earnings Release Conference (held on February 10, 2022)

This content is based on information available on the date of the earnings release conference (February 10, 2022).

1. Financial results for the third quarter of FY2021 ending on March 31, 2022

Question	Answer
Please explain why sales for the nine months of the fiscal year are not progressing at the same pace as the full-year sales forecast. Also, what is the impact of the rebound of the coronavirus?	At the beginning of the fiscal year, we had taken view of significant growth on progress on large-scale overseas projects from the second half onwards, but it was not happened in accounting results. Although the rebound of the coronavirus has had some impact, for LNG Canada, a major project for sales, the production of modules is at its peak, and various construction works are progressing smoothly in compliance with the local government's guidelines for preventive measures. For the Iraqi oil refinery, another major project for sales, detailed design has begun, orders for major equipment are almost complete, and construction site development work is progressing smoothly.
The gross profit margin for the nine months of the fiscal year appears to be on track. Is it correct to assume that it is in line with the plan? Are there any positive or negative factors in the third quarter?	Regarding the cumulative gross profit margin, although there were profit improvements in the Total Engineering Business and the Functional Materials Manufacturing Business in the second quarter, there were no significant profit improvement or deterioration factors in the third quarter.
Some competitors have been affected in the transportation of	No projects are affected at this time.

<p>materials and equipment due to the coronavirus. Have you been affected?</p>	
<p>Please update us on the impact of the sharp rise in equipment prices.</p>	<p>There is no significant impact at this time. LNG Canada could not be affected, as orders for equipment have already been completed. For the Iraqi oil refinery project, after detailed engineering work just begun, purchase of bulk materials will begin. Although we assume that there could be no significant impact, we continue to monitor the situation closely. Domestic projects have not been particularly affected.</p>
<p>In the Functional Materials Manufacturing Business, sales and segment profit for the nine months of the fiscal year have been steady, so if you look only at the fourth quarter, it looks like there may be a slowdown in segment profit. What is your view on this? Also, what is the outlook for the performance of the Functional Materials Manufacturing Business for the next fiscal year?</p>	<p>Although it may appear that there will be a slowdown in the fourth quarter, considering net of the full-year forecast figures, this is not due to any particular factor. We are closely watching the impact of the sharp rise in raw material prices, but it is not to the extent of concern.</p> <p>As the global economy recovers, the recovery of product demand is also becoming more pronounced. In particular, demand continues to recover for cosmetics materials and eyeglass coating materials in the fine chemicals field. Regarding the outlook for the next fiscal year, although we are unable to provide specific figures at this time, we have high expectations because of the strong demand for products.</p>
<p>It looks like it may be difficult to achieve the full-year sales forecast of 470 billion yen.</p>	<p>We have left our forecast figures unchanged due to the possibility of sales growth. However, the progress of large-scale overseas projects has been slower than we expected at the beginning of the fiscal year, and there is a possibility that we will not achieve our forecast.</p>

2. Orders and the market environment

Question	Answer
<p>Are there any projects for which you expect to receive orders in the fourth quarter?</p> <p>Also, what is your target for orders in the next fiscal year?</p>	<p>Overseas subsidiaries received orders for multiple projects in the fourth quarter (October to December), totaling about 70 billion yen. We expect this to be recorded in our fourth quarter (January to March). Furthermore, we expect to receive orders for gas processing projects in the Middle East and gas chemical projects in North America toward the end of the fiscal year, and several infrastructure projects in Asia for which we have already bid are in a good position, so we believe there is a possibility of achieving our order target of 500 billion yen.</p> <p>Targets for the next fiscal year will be determined after carefully examining the status of individual projects, including projects that will be delayed from the current fiscal year, new bidding projects, and projects for which FEED (Front End Engineering and Design) services are currently underway.</p>
<p>How do you see the impact of the tensions between Russia and Ukraine on your sales activities and the plant industry?</p>	<p>In Russia, several large-scale LNG projects are underway, and we are carrying out the FEED work for some of them. We will have to monitor the situation in Ukraine and responses of Japan, the United States, and Europe to Russia.</p>
<p>As a contractor, how do you view the situation in which Mitsubishi Corporation dominated the first round of bidding for offshore wind power projects in Japan?</p>	<p>It is expected that contractors, including us, will be required to take further cost reduction measures in the future. We believe that there are aspects in which we can demonstrate our strength as an engineering company, such as optimization of the overall project, overseas procurement, and collaboration with overseas contractors with extensive EPC experience.</p>

3. Earnings forecast for the next fiscal year

Question	Answer
<p>What is your view on the performance for the next fiscal year, and</p>	<p>Although it is difficult to state a clear approach at this point, we expect LNG Canada</p>

<p>what topics, if any, are likely to affect the next fiscal year's performance?</p>	<p>and the Iraqi oil refinery to make large contributions to sales among overseas projects in the next fiscal year as well, with LNG Canada expected to be at the same level as this fiscal year and the Iraqi oil refinery expected to significantly increase sales. Sales of domestic projects are also expected to be higher in the next fiscal year than this fiscal year. In addition, we expect sales to increase depending on the success or failure of orders for large-scale projects from the fourth quarter of this fiscal year to the first half of the next fiscal year.</p>
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4. Other matters (news release related)

Question	Answer
<p>Please tell us the purpose of your investment in Kyoto Fusioneering Ltd., a start-up company in the field of nuclear fusion.</p>	<p>Investment was made through the Group's corporate venture capital (CVC). Nuclear fusion is expected to be a next-generation energy source that does not emit CO₂. The investment is expected to contribute to the realization of research facilities for nuclear fusion by combining the technology of Kyoto Fusioneering Ltd. with the engineering technology that the Group has cultivated in the fields of nuclear fusion and nuclear power, and to gain various knowledge and expertise for the commercialization of fusion reactor plants.</p>

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