

**Q&A from the Online Earnings Release Conference (held on May 14, 2024)
On Financial Results for FY2023 Ended March 31, 2024**

This content is based on information available on the date of the online earnings release conference (May 14, 2024).

1. Outlook for earnings and orders in FY2024 and beyond

Question	Answer
<p>In the fiscal year 2024, approximately one-fourth of the revenue in the total engineering was attributed to loss-incurred projects from the previous year (FY 2023), which impacted the gross profit margin. Since many of these loss-making projects will continue through 2025, is it correct to say that they will have the same impact on 2025 results as they will do this year, and that the projects that are awarded in the future will have a positive effect on future results, especially on gross margin.</p> <p>Regarding order volume, averaging the 2023 actual results and the 2024 targets doesn't yield a significantly large order volume. However, is there a possibility that future revenue growth may be sluggish.</p>	<p>In the forecast for FY2024, about 1/4 of the 770 billion yen in sales in the total engineering business is accounted for by projects for which a provision for construction losses was recorded in FY2023. As you can see, although these projects are booked as sales, their gross profit margin is zero, and as a result, they will be a downward pressure on the gross profit margin, We believe that the gross profit margin will increase in FY2025 and beyond by declining zero-margin sales and ensuring the new orders expected in this fiscal year and beyond.</p> <p>Although the order target for FY2024 is relatively large, it includes projects that have been postponed from FY2023, and as you understand, it is not a figure that will lead to a large increase in future sales. At this point, we believe that for the next several years, the company's forecast will remain at a level slightly above 800 billion yen, as it did in the current fiscal year.</p>

<p>Is the 970 billion yen order target for FY2024 based on the low order performance in FY2023, or is it based on the accumulation of projects with a high probability of being awarded after scrutiny.</p>	<p>Most of the projects expected to be awarded in FY2024 are the result of projects that had been worked on as expected projects in FY2023, but were delayed. These figures are not the result of new projects, but rather the result of the accumulation of projects that have been steadily worked on for some time and have high feasibility.</p>
<p>Regarding the forecast for FY2024, the gross margin assumption seems high after subtracting projects with zero gross margin, but I would like to know if this is due to special factors such as change orders for some projects or due to profit improvement.</p>	<p>No extraordinary item has been incorporated into the FY2024 gross margin forecast in anticipation of the effect of additional change order or other factors. Part of the profit includes expected profit from new orders to be awarded in this fiscal year, but no special positive factors are taken into account.</p>

2. Future responses

Question	Answer
<p>In terms of securing resources, there was a reference to putting the brakes on the regional management structure of overseas group companies. Do you also plan to apply the brakes to JGC Corporation “seeding the future” projects?</p>	<p>JGC Corporation will carefully select, rather than halt, projects that will serve as “seeds for the future”. It plans to work on important projects that are highly feasible, have a certain order size, and can contribute to the company's current and mid-term profits.</p>
<p>When you receive an order for a lump sum EPC project, please tell us if there are any points that you are trying to make in order to secure profitability now or in the future by changing</p>	<p>We are making efforts to hedge risks for each project. Due to confidentiality obligations with the client, I cannot discuss specifics, but in the case of the LNG project for the UAE, two groups competed for the contract, and we were</p>

<p>contract clauses, negotiating with the client, etc.</p>	<p>able to win the order after incorporating various proposals into the contract, as we had the competitive advantage. In addition, some of the major equipment for this project has already been ordered by the client, which reduces our risk.</p>
<p>During the Q2 2023 Earnings release conference, it was explained that there are several FS/FEED projects in the sustainable sector that could lead to future EPC projects. It is also explained to carefully select FS/FEED projects in the sustainable sector from now, but it seems to be unable to decline ongoing FS/FEED projects. Therefore, I would like to know how you plan to hedge risks for upcoming EPC projects in the sustainable sector.</p>	<p>As you understand, it is not possible to decline projects that are already undergoing FS/FEED. However, there are times when we transition from the current FEED service and EPC estimation stage to the EPC contract negotiation stage, as in the case of sustainable projects in certain regions. For example, at such a timing, if we cannot find a partner who can reliably carry out construction work locally, we believe that we have no choice but to decline the EPC contract for this project. Also, among the projects in the sustainable sector, there are cases where clients request FS services to scrutinize content that includes various ideas. While we cannot decline these FS projects that we are already working on, we will carefully select FS projects with unclear feasibility in the future.</p>

3. Other matters

Question	Answer
<p>With inflation and other factors, including pressure from clients to reduce plant costs, changes in external factors common to the entire industry may also be behind the deterioration of</p>	<p>The impact of changes in the external environment varies by country and region, but the project that has had the greatest impact on our group is the oil and gas separation facility project in Saudi Arabia.</p>

<p>profitability in fiscal 2023?</p>	<p>Currently, in Saudi Arabia, the total amount of projects ordered amounts to around 10 trillion yen. In response to Saudi Arabia's localization policy, some equipment specified by clients is limited to being ordered from several vendors within the country. Orders have concentrated there, and from the third quarter of fiscal 2023, delays in equipment delivery in projects carried out by other companies that were ahead have become apparent, and in projects carried out by our group, equipment delivery has been significantly delayed like a domino effect. Furthermore, in response to the recent increase in tension in the Red Sea region in the Middle East situation, many transport ships are detouring via Africa. This is causing delays in the arrival of materials and equipment, and we are keeping an eye on the trends.</p>
<p>Considering risks such as rising construction costs in the United States and the delay in delivery by client-designated vendors in Saudi Arabia, it seems that the countries and regions where we can secure profitability are limited. I would like to know how you think about this.</p>	<p>In the United States, in addition to the overheated construction market, there is a concern about whether we can secure the productivity of construction workers. Therefore, if we cannot find a partner who can reliably carry out construction work, we will postpone projects in the country. In Saudi Arabia, there are large-scale projects for ammonia production and for directly converting crude oil into chemicals in the future, but considering the current market situation and competitive environment, we need to carefully select projects. In other regions such as Africa and Asia, mainly we will aim for highly feasible projects, and projects by clients like IOCs with technical capabilities.</p>

<p>I would like to know if there are any changes in financial targets and policies in the medium-term business plan. Based on the content of today's conference, I think that the strategy will be changed to some extent. Is there a possibility that the way to use cash will change accordingly</p>	<p>The strategic change explained today is mainly "how to select projects at the time of order", and the basic strategy of expanding to the five business areas set forth in the long-term management vision and medium-term business plan will be maintained. Therefore, there is no change in the way to use cash from the content of the current medium-term business plan.</p>
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