

August 9, 2017
JGC Corporation

First Quarter Financial Results for FY 2017
Q&A from the conference call (held on August 9, 2017)

※This content is based on information available on the date of the conference call (August 9, 2017).

Question	Answer
You reported 7.5% gross margin in 1Q but had a 7.1% full-year financial forecast for FY2017. Please review the causes of the difference.	The actual exchange rate at the end of 1Q was 112 yen to the dollar, while our assumed exchange rate in the full-year financial forecast was 110 yen. This factor had some impact. While other minor items contributed too, the gross margin in the 1Q was almost in line with the forecast.
Please explain the status of projects for which the company has booked provision for loss to the end of FY2017.	Projects for which we have booked provision for loss, such as the refinery in Saudi Arabia, ethylene plant in the US, and refinery in Kuwait, proceeded well. There will be no further weakening of profitability at this point.
The segment income in catalysts and fine chemicals sector outpaces period-start guidance. Was there a special factor? Four quarters at this level work out to 8 billion yen in segment income, which is well above	Our full-year financial forecast for this sector is 42 billion yen in net sales and 6 billion yen in segment income. The 1Q results outpaced this view. However, we are not raising our full-year financial forecast at this point, despite upbeat momentum in fine chemicals, because the results

the initial guidance of 6 billion yen.	included some sales in the catalysts business originally planned for 2Q that were booked sooner in 1Q.
You mentioned reasonably good progress with projects for which the company has booked provision for loss. Do you expect to complete the ethylene project in the US as scheduled?	We have spoken previously about completion around late summer to early fall. This has not significantly changed. While it might be slightly later, we do not anticipate an impact on profitability.
You previously explained your intent to conduct change order negotiations aimed at improving profitability for the ethylene project in the US. Please give an update.	We are currently engaged in the negotiations and would like to refrain from a detailed explanation at this point.
Please explain your outlook for reaching the target of 750 billion yen in orders for FY2017.	We had a good start in 1Q. There are also multiple projects for which we have already putted in tenders and are waiting for results, or will be putting in tenders. We will continue our efforts to reach the target.

END