May 19, 2025

JGC Holdings Corporation

Q&A from the Online Earnings Release Conference (held on May 14, 2025)

On Financial Results for FY2024 Ended March 31, 2025

*This content is based on information available on the date of the online earnings release conference (May 14, 2025).

1. Regarding FY2024 Full-Year Results and FY2025 Forecast

Question	Answer
Regarding the mid-term business plan BSP2025, the targets of net sales is 800 billion yen as of the final year 2025. On the other hand, the net sales forecast for FY2025 announced today is 690 billion yen. Why does the company evaluate this as "roughly achieving the target"?	Annual sales can fluctuate depending on the timing of large-scale EPC project orders. While the FY2025 forecast falls short of the mid-term target, actual results were 832.5 billion yen in FY2023 and 858.0 billion yen in FY2024. Therefore, over the entire mid-term period, we evaluate that we have "roughly achieved the target."
Net sales for FY2025 are expected to decline compared to FY2024 (858 billion yen). Can FY2025 be considered a transitional period?	The LNG plant construction project in Canada and the refinery modernization project in Iraq, which contributed to the increase in sales in FY2024, are nearing completion. Sales from these projects are expected to decline in FY2025. For large-scale EPC projects awarded in FY2024, design work will be the focus in FY2025, so sales from these projects will not grow significantly. Additionally, large-scale EPC projects expected to be awarded in FY2025 are anticipated mainly in the second half, and thus their revenues are not included in the FY2025 forecast. For these reasons, net sales are expected to decline in FY2025.

How should we understand the changes in provisions for loss on construction contracts from the beginning of the fiscal year?	Provisions temporarily increased in Q3 due to additional losses, but provisions have decreased compared to the beginning of the year as projects progressed.
The current gross profit margin is being pushed down by projects with provision for loss on construction contracts. Excluding these effects, what is the underlying gross profit margin considering the current market environment?	Projects with provision for loss on construction contracts account for just under 20% of the net sales forecast for FY2025. Excluding these, the gross profit margin is around 9–10%. As we have stated before, we aim for a consolidated gross profit margin of over 10%.

2. Regarding Orders and Market Environment

Question	Answer
What is the current status of negotiations with the client for the Africa LNG project, which is expected to be awarded in FY2025?	Due to confidentiality agreements with the client, we refrain from commenting on the progress of discussions and negotiations.
Considering factors such as recent surge in plant construction costs, contingency for increasing various risks, and others, do you expect the order value for future LNG projects to rise? How much would the order value per project need to increase to balance price competitiveness and profitability?	Conditions vary by project, such as location and plant capacities, and associated EPC risks differ. Therefore, it is difficult to generalize how much the order value will increase.
Will U.S. tariff policies affect future orders or the profitability of ongoing projects?	The impact on future orders is still unclear, but currently, we do not expect any orders in the U.S. as of now. As for ongoing projects, we are executing an ethylene plant expansion project in the U.S., but procurement of materials and equipment has already been completed, so we do not expect any impact.

Given the continued awarding of EPC projects under lump-sum contracts, isn’t it difficult to balance the quantity and quality of orders in the medium to long term? What is your current policy on contract types and project selection?	One of the reasons for additional costs in FY2023 was the inability to properly allocate engineering resources as JGC Corporation expanded its business areas. Based on this, the company is now more selective in project acquisition. Specifically, JGC Corporation is visualizing its human resource availability and only accepting projects that are feasible as EPC projects and expected to be profitable. Additionally, a multi-step review process involving experienced project personnel has been introduced to carefully evaluate each project.
For projects expected to be awarded in the future, is there room to increase net sales beyond FY2025 while maintaining profitability?	We would like to increase net sales further, but this depends on the availability of engineering resources at the time. When accepting new projects, the key is whether we can allocate sufficient resources. We do not make order decisions solely to meet order targets.

-END-