Revisions to the forecasts for Fiscal Year 2019

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My name is Taguchi, General Manager of the Group Finance and Accounting Department.

I am going to give you an explanation of the revisions to the forecasts for Fiscal Year 2019 which ends in March, 2020.

1. Revisions to the Forecast for Fiscal Year 2019

(Unit: Billions of Yen)

	Previous Forecast	Revised Forecast	Difference	%
Net Sales	500.0	480.0	△20.0	△4.0%
Gross Profit	40.0	43.0	+3.0	+7.5%
Profit ratio	8.0%	9.0%	+1.0pt	–
Operating income	19.0	20.0	+1.0	+5.3%
Ordinary income	26.0	22.0	△4.0	△15.4%
Income attributable to owners of the parent	10.0	4.0	△6.0	△60.0%
Annual dividend per share	¥12.00	¥12.00	—	—

There has been a delay in accounting and auditing operations as a result of the spread of COVID-19, so the date of announcement of the financial results has been postponed by one week to May 19, 2020.

Although this work is still ongoing, we have decided to make an announcement today because of the need to revise our earnings forecast.

Net sales will decrease by 4% to 480 billion yen.

Gross profit will increase by 7.5% to 43 billion yen.

Operating income will increase by 5.3% to 20 billion yen.

Ordinary income will decrease by 15.4% to 22 billion yen.

Income attributable to owners of the parent will decrease by 60% to 4 billion yen.

The annual dividend forecast remains unchanged at ¥12 per share, as announced at the beginning of the fiscal year.

2. Highlights of the revision

Net Sales	↓	• Due to the spread of COVID-19 and the drop in crude oil prices, FID's were postponed. As a result, sales of new projects were less than expected.
Gross Profit Operating income	↑	• Profitability was improved on several projects both domestic and overseas due to steady progress in construction. • Regarding construction projects in progress, additional costs from COVID-19 impact were included in this forecast.
Ordinary income	↓	• Allowance for doubtful debts was recorded due to deteriorating business conditions of a joint venture partner in Southeast Asia. • Foreign exchange losses increased.
Income attributable to owners of the parent	↓	• Extraordinary income was recorded for the sales of cross-shareholding policy shares and business investment assets according to the review of the significance of holding assets. • The effective tax rate rose due to an increase in foreign tax in some overseas projects.

Next, we will explain the details for each item.

The spread of the novel coronavirus and the plunge in crude oil prices have led to a significant review of the investment plans of energy-related clients. As a result, final investment decisions on some projects expected to be made in the fiscal year, such as a large LNG project in Mozambique, were postponed, and sales from new orders fell short of expectations. Net sales are expected to fall below the initial forecast.

In terms of profit, the Company recorded additional charges of approximately 8 billion yen for some ongoing projects as a result of the spread of the novel coronavirus infection. However, the profitability of several projects in Japan and overseas has improved significantly due to steady progress in construction, and as a result, both gross profit and operating income are expected to exceed the initial forecast.

Ordinary income is expected to fall below the initial forecast. The main reason for this was the recording of an allowance for doubtful accounts in relation to a completed project in Southeast Asia. This project was conducted by forming a joint venture with a local company. A loan was made to the partner company as working capital required for the execution of the work during the project period. As this company's financial condition deteriorated, we determined that it was necessary to record the allowance after reviewing the collectability of the loan.

Income attributable to owners of the parent is expected to fall below the initial forecast. Although extraordinary income in the fourth quarter from the sale of cross-shareholdings and business investment assets following the review of the significance of holding assets compensated for the decline in ordinary income, the tax burden increased. As we are in a position where foreign tax credits will not be available for this fiscal year, we have forecasted the after-tax income based on the assumption to bear double taxation of foreign and Japanese taxes. The impact of the double taxation is expected to be higher than the initial forecast following significant improvement in the profitability of some of the overseas projects.

Here we end the explanation of the revision to the earnings forecast for Fiscal Year 2019. The finalized figures will be announced on May 19.

Cautionary Statement

This presentation may contain forward-looking statements that reflect JGC's plans and expectations.

Such statements are based on currently available information and current assumptions of future events which may not prove to be accurate. Such statements are also subject to various risks and uncertainties that could cause actual results to differ materially from those forward-looking statements.

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•changes in government regulations or tax laws in jurisdictions where we conduct business

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