

November 10, 2020

JGC HOLDINGS CORPORATION

**Second Quarter Financial Results for FY2020 ending on March 31, 2021**  
**Q&A from the Online Earnings Release Conference (held on November 10, 2020)**

※ This content is based on information available on the date of the online earnings release conference (November 10, 2020).

**1. Financial results for the second quarter of FY2020 ending on March 31, 2021**

Question	Answer
The gross profit ratio for the second quarter (July–September) was 12%, which was higher than the full-year forecast (gross profit ratio of 9%). Please tell us the main factors for this.	Gross profit in the second quarter was up by about 3 billion yen. This was due to improved profitability from factors including a drawdown of contingency reserve on overseas project, decreased work volume and securing change orders on several projects at final stage.

**2. Impact of COVID-19**

Question	Answer
Are there any concerns that the impact of COVID-19 will affect performance in the second half of this fiscal year?	We are monitoring the situation carefully, because infection appears to be spreading again in Europe and elsewhere. At present, we do not have a definitive view.
Please tell us about the impact on major ongoing projects.	The situation in domestic projects are under control. Refinery projects in Saudi Arabia and Kuwait are nearly complete, so we do not anticipate impacts in

	<p>particular. For several ongoing projects in Algeria, since last month, our staff who had temporarily returned to Japan from the construction sites have been gradually remobilizing, and the situation is under control. The LNG Canada project is generally progressing steadily, although the impact of COVID-19 has slowed the progress. Production of some equipment ordered from European manufacturers has been delayed, but we are working with the client on this matter as we move ahead. In the refinery upgrading project in Iraq, we will be making the most of remote work in the engineering that is scheduled to begin early next year, as planned.</p>
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**3. Order for refinery upgrading project in Iraq**

Question	Answer
<p>Could you tell us how profitable this project is expected to be?</p>	<p>We would prefer not to disclose profitability of particular projects. We have little experience in Iraq, and various risks are accounted for in our contracts and estimates, but as of now, we are giving careful thought to the profitability of this project.</p>

**4. Other**

Question	Answer
<p>As the direction of the long-term vision and new medium-term business plan being formulated, could you tell us which do you envision: a policy of continuing to seek out orders for lump-sum</p>	<p>From a medium- to long-term perspective, we envision a shift to a business portfolio centered on new business areas that can address a variety of social issues, but in consideration of current conditions such as growing energy demand in</p>

<p>projects in oil &amp; gas sector, or focusing management resources on exploring new business areas?</p>	<p>emerging economies and elsewhere, the role of fossil fuels remains substantial, and projects progress on oil &amp; gas sector can be expected, which we will actively pursue.</p>
<p>In the long-term vision being formulated, please tell us if any of the six segments* identified as candidates for new business seem especially promising.</p>	<p>Although we will refrain from detailed comments because this is still being studied, we believe environmental segments such as New energy and low-carbon/decarbonized engineering are promising, in view of the scale of the market, among other considerations.</p>
<p>As the absolute number of companies engaging in lump-sum projects declines, can we expect a higher gross profit ratio in the future? Moreover, has the competitive environment already changed?</p>	<p>We cannot comment at this point on future gross profit ratio, but we do view the decline in competitors as an opportunity. On the other hand, clients are still taking a hard stance on initial investment, due to factors such as stagnant crude oil prices. Regarding the competitive environment, we are watching this situation carefully, because fewer projects may lead to increased competition. An overall assessment of the market environment suggests that attaining a higher gross profit ratio will not be easy, though we will make an effort to do so.</p>
<p>How profitable are biomass power and other renewable energy projects expected to be?</p>	<p>No sector in particular offers any special profitability. We believe it is consistent with the general gross profit ratio we set.</p>

\*The six segments of low-carbon/decarbonized engineering, resource recycling, new energy, functional materials supporting carbon reduction and conserving environment, infrastructure/industrial innovation, and healthcare/life sciences

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