August 10, 2021

JGC HOLDINGS CORPORATION

First Quarter Financial Results for FY2021 ending on March 31, 2022

Q&A from the Online Earnings Release Conference (held on August 10, 2021)

This content is based on information available on the date of the earnings release conference (August 10, 2021).

1. Financial results for the first quarter of FY2021 ending on March 31, 2022

Question	Answer
Please share your view on progress in the gross profit ratio in the first quarter. If there are any positive or negative factors, please describe them.	Progress is generally as expected, with no notable positive or negative factors to mention.
In EPC business, sales grew while profit declined, year on year. What are the main factors for this?	It is within the range as forecasted. There is no significant change in projects under progress.
As we understand it, steady progress is being made toward the consolidated results forecast for EPC sales. Please tell us if there is anything to keep in mind about this progress.	We are aware that sales are as expected, as steady progress is made in each project. This includes LNG Canada, which contributes significantly to sales, as well as others such as an FLNG facility in Mozambique and chemical project in Thailand.
In EPC business, is there any difference in sales details between the first and second half?	In the second half, we expect more contribution from meaningful progress in the refinery modernization project in Iraq.

2. Orders received, market environment

First-quarter orders outside of Japan were subdued. Developments are expected in the second half, but is it possible that results will not reach the initial forecast?	As you indicate, most promising large overseas projects in FY2021 are in the second half. First quarter progress was generally in line with expectations. Although we cannot comment at present on any possibility of falling short of the initial forecast, we do expect progress in large overseas projects through the second half.
Please tell us the reason for lower orders in the first quarter year on year. Also, compared to the previous quarter, do you see any difference in client stances on investment decisions?	In EPC orders, the timing of investment decisions varies from year to year and from one project to another. This makes it difficult to generalize by comparing orders year on year. Compared to the previous quarter, we received more FEED inquiries, and positive signs for progress in projects are beginning to emerge. We attribute this to higher crude oil prices and, as economic activity starts returning to normal, a recovery in energy demand.
Please tell us specific details about projects you expect to receive in the second half.	A non-ferrous metal refining project in Indonesia and petrochemical project in the United States are among the larger projects. Other potential industrial and urban infrastructure projects include LNG thermal power generation in Indonesia and storage tanks in Taiwan. Domestic prospects include large-scale pharmaceutical manufacturing facilities, as well as chemical, hospital, and maintenance projects.
Please tell us about any updates regarding offshore wind power initiatives or projects.	Eventually the Group intends to participate as a prime contractor, but initially, we will participate by providing support in equipment procurement and shipping to the general contractors and others who are awarded projects as prime contractors, as we focus on acquiring expertise in offshore wind power projects.
LNG plant investment decisions are based on long-term demand,	Although there are no near-term projects with investment decisions expected soon,

but will recent increases in crude oil prices affect these decisions?	several projects may start emerging from FY2022.

3. Recording of extraordinary loss in the Ichthys LNG project

When and how will Ichthys LNG provisions be reversed?	Mainly two elements of provisions apply. One is provision for recovery of contract assets, trade receivables, etc. Another is provisions for future losses with final sales recognition after settlement of the dispute. The latter part will be cleared out just after final sale fairly soon, but other portions will remain for some time.
Can you tell us why the extraordinary loss will not alter the medium-term business plan, or specifically, the growth strategy investment policy described in the plan?	There will be no change to the medium-term business plan or specifically to the growth strategy investment policy because the extraordinary loss will have limited impact on the Group's cash flow, and we will be able to maintain sound finances.
Does the extraordinary loss in any way affect your intention to maintain an equity ratio of 50% or higher? Now that risk has been addressed so completely, might the Group consider setting this ratio slightly lower?	There are no plans to revise our policy of target ratio at present. Adhering to an equity ratio of 50% or higher is viewed as a necessary precaution in case of unforeseen circumstances, as long as Group business remains focused on EPC for large-scale projects. It is also essential in maintaining the trust of clients and other business partners.

4. Other

Have rising material costs affected current projects or projects with bids already submitted?	In current projects, material and equipment manufacturers have not expanded capacity utilization, and higher costs have not yet been passed on in higher prices. If the Group is eventually awarded projects for bids already submitted – especially for projects that are greatly affected by costs of large-scale material and equipment, for example – the timing of the orders will be within the period in which the original material prices quoted by vendors still apply.