

**Q&A from the Online Earnings Release Conference (held on May 12, 2022)  
On Financial Results for FY2021 Ended March 31, 2022**

This content is based on information available on the date of the online earnings release conference (May 12, 2022).

1. Financial results for FY2021 ended March 31, 2022

Question	Answer
Please tell us the reasons for the gain in gross profit ratio (13.1%) in the fourth quarter, from January to March 2022.	This was the result of a weaker yen and improved profitability of domestic and overseas projects in the final stage of construction.
How have higher material and equipment costs affected profitability of current projects?	Project profitability is reviewed each quarter, but besides our regular fourth-quarter review, risks of sharply higher material and equipment costs have been taken into account.
Please explain the factors inhibiting sales growth in FY2021, relative to the previous year (FY2020). Have sales been affected by the lower order volume over the past 1–2 years?	The fact that there are fewer new projects is a background factor, although several large projects have just been completed and two remain at present—the LNG Canada project and the Basra refinery modernization project in Iraq.

2. Orders received, market environment

Question	Answer
Please tell us about developments among clients in FY2022, especially concerning LNG projects.	The importance of natural gas and LNG has been underscored by a recovery in energy demand and by energy security policies. For LNG

	<p>projects, this has led to an increase in FS and FEED inquiries and orders. A genuine return to EPC orders for large LNG projects can be expected from the latter half of 2022 to 2023.</p> <p>Business trips during the recent holidays brought us to Europe and the U.S. Face-to-face client meetings in Europe revealed no changes on the path to decarbonization, but one European customer asked that we consider innovative ways to accelerate project deliveries, in order to meet an urgent need to find alternatives to Russian natural gas. In the U.S., a customer indicated that off-takers for a planned LNG project had been decided and that there was also a request from the government, signaling a willingness to start construction soon.</p>
<p>Please describe progress in LNG projects outside of North America.</p>	<p>Although we are hoping for an FID soon for the Area 4 project in Mozambique, it will probably come in 2023 or later, after construction site safety has been ensured. An FID is expected before the end of FY2022 for a Malaysian FLNG project for which FEED is currently underway by the JGC Group. Progress is also expected in LNG projects in Papua New Guinea and elsewhere.</p>
<p>Is it accurate that when the company concludes contracts for new projects, the negotiations account for the impact of higher material and equipment costs? And have there been any changes in the competitive environment with other companies in the industry—particularly in the LNG sector?</p>	<p>This understanding is correct. Negotiations with clients include escalation clauses in contracts and other measures for higher material and equipment costs. As for the competitive environment, qualified contractors in the LNG sector have always been limited, and these have been further narrowed down in recent years. Companies can readily distinguish themselves from competitors in technical expertise or other capabilities.</p>
<p>Past projects in North America ultimately faced delays or higher expenses due to labor shortages and higher costs for local workers. With planning now underway for projects there, how is the company</p>	<p>Contracts vary from one project to the next, but in the case of one North American project, we have considered steps such as including adjustment clauses to address hourly rates of local workers, and we</p>

responding to local construction risks?	are taking special measures to minimize risk. A key element in North American projects is the selection of local partners. We plan to work with reliable partners who maintain a large pool of workers with experience in North American LNG projects.
North America is also reportedly facing port congestion that prevents container vessels from docking, among other issues. Are there any concerns about these port and transportation issues, considering that some North American projects involve modular construction?	Execution of each project will be reviewed. For one, we are considering using a local partner's U.S.-based construction yard for some modules, and for another, we are considering stick-built construction instead of modules.
It was mentioned that the company has received many client requests to accelerate delivery schedules, but would clients bear the increased execution risks?	Yes, that is essentially the case. Conditions vary widely depending on national energy needs, but we can observe that the more a country depends on Russian natural gas, the more urgent their scheduling needs tend to be.
How will business performance be affected by the weak yen?	We have estimated that a weaker yen will have a positive impact on sales and profit. Although this is intended only as a rough guide, under the exchange rate sensitivity assumed for the FY2022 earnings forecast, each 1-yen move against the dollar corresponds to 3.5 billion yen in sales, 400 million yen in gross profit, and 900 million yen in ordinary profit.

### 3. Forecast for FY2022

Question	Answer
With significant year-on-year sales growth (600 billion yen) projected, what level of sales growth can be expected for the major projects of LNG Canada and Basra refinery modernization in Iraq?	LNG Canada and the Basra refinery modernization project still represent a large share of sales. The latter in particular is expected to see a large increase in sales compared to FY2021.

What is the sales forecast for new orders to be received in FY2022?	Among the projects expected in FY2022, we do intend to record the sales for some projects this fiscal year, but these sales are not expected to be on the level of 100 billion yen.
Please tell us why SG&A expenses have increased from the previous fiscal year.	As a variety of measures in line with the medium-term business plan (BSP 2025) are implemented, higher expenses have been anticipated for purposes such as new businesses exploration (for business development, among other activities), establishment of regional overseas headquarters, and R&D. We do not expect to record a provision for doubtful accounts, as was done in FY2021.

#### 4. Other matters

Question	Answer
In the event that LNG projects and others all start moving toward FID one after another, would the JGC Group's framework for project execution alone be sufficient to respond?	We believe this will depend on the extent to which Europe switches from imported Russian natural gas to LNG from other suppliers. It is difficult to speculate in detail about this on the level of JGC execution capabilities because many points remain unclear at present, such as which LNG projects will proceed and matters of timing.