February 18, 2025

JGC Holdings Corporation

Q&A from the Online Earnings Release Conference (held on February 12, 2025)

On Third Quarter Financial Results for FY2024 Ending March 31, 2025

*This information is based on information available on the date of the online earnings release conference (February 12, 2025).

1. Financial Results for the third quarter of FY2024 and Revisions of Earnings Forecast

Question	Answer
In the crude oil and gas separation facility construction project and the NGL plant expansion project currently ongoing in Saudi Arabia, additional costs were recorded in FY2023. Was it not possible to foresee the current situation at that time?	In the two projects currently ongoing in Saudi Arabia, crude oil and gas separation facility construction project and the NGL plant expansion project, there is an issue with a common subcontractor who is placing orders for construction work. This issue surfaced at the end of 2024. This subcontractor recorded significant losses in projects for our Group and other companies, leading to a rapid deterioration in their financial condition and cash flow, resulting in delayed payments to workers and strikes. From the end of 2024 to early 2025, our Group considered possibility of financial support for the subcontractor and replacing the construction contractor, leading to the need to revise the plans for the two projects and record additional costs.
In the construction phase of the ongoing LNG terminal facilities project in Taiwan, was the issue of delayed handover of several parts of the construction site not foreseeable in FY2023?	This project was awarded in FY2022, with design and procurement almost completed, and construction currently underway. Delays in the handover of some construction sites related to this project, including areas occupied by tank construction work being carried out by other contractor, have been

	ongoing for a while. We have strongly requested the client to expedite the handover and have continued construction by avoiding the affected area or using alternative locations. Despite repeated requests, the client has not provided a clear timeline for the handover. Considering the worst-case scenario where the issue is not resolved until the other contractor's work is completed, we have significantly revised the construction plan.
Regarding the construction phase of the ongoing LNG plant project in Canada, despite being a project undertaken by the entire company, additional costs could not be prevented. Could you explain the factors that led to these additional costs?	The LNG plant construction project in Canada is in its final stages, with insulation work progressing towards the start of LNG production. Due to a shortage of skilled workers in Canada, we shifted to mobilizing them from outside Canada, planning to mobilize over 1,000 additional workers. Initially, the increased costs were within the risk contingency budget. However, due to the time required for the local government's mobilization permit procedures, some of the initially secured personnel changed their minds. Additionally, the resumption of the LNG project on the U.S. Gulf Coast affected the situation, resulting in a lack of progress in mobilization. It also became clear that the productivity of workers who were mobilized did not meet expectations. We have now started mobilizing skilled workers from Europe and the Middle East, requiring additional mobilization costs, leading to a slight decline in project margin. The impact of this decline, including the reversal of previously recorded profits, was reflected in the third quarter, significantly affecting this period's performance.
In the full-year earnings forecast for FY2024, gross profit was	As we are still negotiating with clients on several projects, we refrain from

revised downward by 41 billion yen. Could you explain the impact amount for each project or the project with the most significant impact?	disclosing the impact amount for individual projects.
Could you provide the planned amount of additional costs recorded in the third and fourth quarters?	The additional costs incurred are primarily reflected in the third quarter results as a downward impact on the full-year earnings forecast. Third Quarter: For the two projects in Saudi Arabia, crude oil and gas separation facility construction project and the NGL plant expansion project, although we also made provisions for losses last year, additional loss provisions were recorded in the third quarter. A new loss provision was also recorded for the LNG terminal construction project in Taiwan. Including these, there are six ongoing projects with loss provisions: two in Saudi Arabia, one in Taiwan, the chemical plant construction project in Thailand, and two projects in Indonesia (gas processing plant and gas pipeline construction project, and the LNG receiving terminal construction project). Regarding the LNG plant construction project in Canada, the reversal of previously recorded profits and other factors have been recorded as a negative impact in the third quarter. However, while the project's profitability has decreased, it has not resulted in a loss. Fourth Quarter: For the LNG plant construction project in Canada, despite a slight decline in

	profitability, profits will be recorded according to the progress rate. Other projects, such as Basrah refinery upgrading project in Iraq and the nearshore FLNG plant construction project in Malaysia, are progressing smoothly, with profits expected to be recorded as usual.
Will the additional costs recorded affect the production start schedule for the LNG plant construction project in Canada?	To adhere to the client's production start schedule, additional mobilization is being carried out, and there is no change to the current mid-2025 schedule.
Similar to the LNG plant construction project in Canada, is it necessary to consider the risk of recording additional costs in the ongoing ethylene plants project in the U.S. from the perspective of the shortage of workers in North America?	As for the progress of the ethylene plants project in the U.S., the design has already been completed, most of the equipment has begun to arrive on site, and the construction work is in its peak phase, but we do not have any major cost concerns at this time.
What are the completion dates for the project in Taiwan and two projects in Saudi Arabia that led to the downward revision?	The crude oil and gas separation facility construction project and the NGL plant expansion project in Saudi Arabia are planned to be completed in 2026. Considering the worst-case scenario, the LNG terminal facilities construction project in Taiwan is expected to be completed in 2027.
What is the expected handover date for the problematic construction site in the LNG terminal facilities construction project in Taiwan? Additionally, regarding the projects in Taiwan, Saudi Arabia, and Canada, which were the main reasons for the recent downward revision, will there be any further losses?	In the LNG terminal facilities construction project in Taiwan, the handover of part of the construction site has been delayed, and currently, there is no clear outlook on when the handover will occur. Previously, we expected the handover in the first half of 2025, but considering the worst-case scenario, where the handover will not occur until the other contractors occupying the site have mostly completed their work. As a result, we revised the completion date to 2027. Additionally, for the projects that were the main reasons for the recent downward revision, we have accounted for the foreseeable costs at this

	point.
What is the proportion of projects with loss provisions recorded in FY2023 and the third quarter of FY2024 in the sales forecast for FY2025?	As for the sales forecast for FY2025, we have not yet reviewed the forecast of progress, etc., and will explain it at the announcement of full-year financial results in May of this year.

2. Contracts and Market Environment

Question	Answer
In the recent Japan-U.S. summit, a joint venture project for LNG in Alaska was discussed. Does JGC group see this as a business opportunity?	We consider this project important for Japan's energy security and are closely monitoring the situation.
Is there a possibility of awarding the African LNG plant construction project, which has been anticipated since the beginning of the term, within FY2024?	The African LNG plant construction project is expected to be awarded within FY2024.

3. Future Actions and the New Management Structure

Question	Answer
Could you explain the background of Mr. Sato's decision to remain as both Chairman and President after Mr. Ishizuka's resignation? What are your plans for the remaining period of the current medium-term management plan, which runs until FY2025?	I (Sato) am responsible for the company's final losses for two consecutive terms, and in light of this, the Nominating Committee held various discussions on the continuity of management policy after President Ishizuka's retirement, governance, the status of succession planning, and other issues. As a result, the committee has concluded that I (Sato) remain to rebuild current performance and pave the way for medium- to long-term growth.

	The current medium-term management plan ends in FY2025, and we are preparing for the next medium-term management plan. Since we formulated the current mid-term management plan in 2021, the business environment has also changed, we have considered the current market environment and the fields in which we will conduct business in the future. In addition, the Group will consider its financial strategy and capital policy in more depth.
How do you plan to restore performance with the announced management changes? Please give us specific details of the roadmap.	President Ishizuka is stepping down from his post in order to clarify his responsibility for the revision of earnings forecast due to EPC projects for two consecutive fiscal years, but we believe that the downward revision for FY2023 and the current revision are qualitatively different. The losses in FY2023 were largely due to internal factors such as design errors caused by resource dispersion and awarding projects beyond the capacity of overseas subsidiaries. In contrast, we believe that the losses this time were largely due to external factors such as delays in the handover of construction sites from clients and financial deterioration of subcontractors. Based on the lessons learned in FY2023, we believe that the EPC execution structure has been back to be disciplined. We are also steadily reviewing the roles of our overseas subsidiaries. While we are not currently considering taking any new steps in addition to the measures we have taken since FY2023, JGC Holdings and the EPC business companies are working together to further improve the effectiveness of risk analysis and response measures as EPC execution has become more difficult than ever before.
The Tangguh EGR/CCUS project awarded in December 2024	We have awarded this project based on lessons learned from multiple loss-

is a large order and a novel area, but how will you manage it to avoid additional losses?	incurring projects in FY2023, considering project selection, estimate accuracy, contract conditions, and resource allocation.

4. Other

Question	Answer
What is the impact of this deterioration in profitability on cash flow, and what is the outlook for future operating cash flow?	For FY2024, we estimate that operating cash flow was a positive 30 billion yen around as of the end of the third quarter, mainly due to significant trade receivables collection in the first half. On the other hand, most of this loss is an estimate of construction costs that are expected to be incurred in the future, and while some of the cash outflow will occur in FY2024, most of it will occur in FY2025 or later, so operating cash flow in FY2024 is expected to be positive.
Given the continued situation where the P/B ratio is less than one, the market has expected share buybacks as one of the countermeasures. However, considering the current losses, it seems difficult to implement this. What is your current stance on share buybacks?	We are not currently considering specific plans for share buybacks. Our immediate priority is to restore our core EPC business. Once the profitability of the EPC business is recovered, we could consider share buybacks based on the liquidity and other conditions at that time. Regarding shareholder dividends, our policy remains unchanged with a payout ratio of 30% and a minimum of 40 yen per share. We plan to maintain the dividend of 40 yen per share announced at the beginning of FY2024.

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