

Recording of Extraordinary Loss by JGC HOLDINGS—No Immediate Impact on Rating

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on JGC HOLDINGS CORPORATION (security code: 1963)'s announcement that it will record an extraordinary loss and revisions of its earnings forecast for the fiscal year ending March 2022.

- (1) JGC HOLDINGS CORPORATION (the "Company") announced today that it will record an extraordinary loss of 59.4 billion yen related to the Ichthys LNG Project in the first quarter of the fiscal year ending March 2022 (FY2021). As a result, the Company has revised its net income forecast for FY2021 to a loss of 46 billion yen (original forecast was 13 billion yen in the black). The forecast for operating income of 16 billion yen and ordinary income of 19 billion yen remain unchanged. The plant of the project has been handed over, but arbitration processes are underway among the Company, the client and subcontractor over the cost burden. This extraordinary loss is due to the review on the recoverability of costs that have not been collected based on situation including the recent progress in negotiations that have been promoted concurrently with the arbitration and change in future outlook.
- (2) Although the Company's equity capital is expected to be impaired due to the recording of the net loss, JCR considers it is not necessary to immediately revise the rating in light of the Company's strong financial base. The Company remains in a net cash position with equity capital of 417.1 billion yen and equity ratio of 59.4% as of the end of FY2020. On the other hand, future of EPC market, especially in the oil and gas sector, remains uncertain. If the Company's low operating income continues, it will increase downward pressure on the rating. JCR will also continue to follow the outcome of the arbitration and negotiation for the Ichthys LNG Project and the impact on the Company's performance and financials.

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<Reference>

Issuer: JGC HOLDINGS CORPORATION

Long-term Issuer Rating: A+ Outlook: Stable

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