

Translation

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Outline of 3rd Quarter Financial Results for Fiscal Year 2017

April 1, 2017 – December 31, 2017



February 8, 2018

My name is Takehiko Hirose, General Manager of the Finance and Accounting Department.

I am going to give you an outline of the third quarter financial results for the fiscal year ending in March, 2018.

Firstly, on page 3 of this power point presentation, we can see details of the consolidated Income and comprehensive income.

Contents

1. Income and Comprehensive Income (Consolidated)
2. Segment Information
3. Balance Sheets (Consolidated)
4. Outline of Contracts

1. Income and Comprehensive Income(Consolidated)



(Unit : Billions of Yen)

	FY2016 3Q	FY2017 3Q	Difference	Forecast
				FY 2017
Net sales	514.7	531.0	+16.2	680.0
Gross profit	13.4	38.1	+24.7	48.0
Profit ratio	2.6%	7.2%	+4.6pt	7.1%
Operating income	△ 3.7	21.6	+25.3	26.0
Ordinary income	△ 0.1	27.8	+27.9	30.0
Profit attributable to owners of the parent	△ 8.3	19.8	+28.1	21.0
Profit	△ 8.1	19.9	+28.1	
Other comprehensive income	△ 1.2	5.7	+6.9	
Comprehensive income	△ 9.3	25.7	+35.1	

P3

The net sales for the third quarter of the current fiscal year totaled 531 billion yen, with gross profits of 38.1 billion yen, operating income of 21.6 billion yen, ordinary income of 27.8 billion yen, and profit attributable to owners of the parent of 19.8 billion yen. Both revenue and profits increased compared with the same quarter of the previous fiscal year.

Further, net sales and gross profit reached almost 80% of the forecast for the fiscal year and operating income was slightly over 80% of the forecast figure while ordinary income and other items, due partly to currency fluctuations, reached over 90% of the forecast figures.

In addition, the exchange rate at the end of December was 113 yen to the dollar, a rate lower than our assumed rate of 110 yen. However, as the yen has strengthened a little since the beginning of the year, it has been decided to maintain our assumed rate as 110 yen.

Further, a change of 1 yen to the dollar in the exchange rate sensitivity translates to an effect of approximately 3 billion yen on sales, 0.6 billion yen on gross profit and on non-operating income 0.5 billion yen. In short, the exchange rate sensitivity, through its impact on gross profit and non-operating income, has an effect on ordinary income results in the region of 1.1 billion yen.

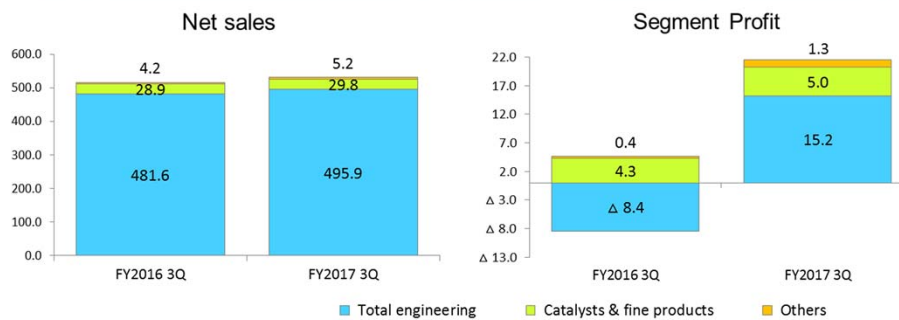
As I have noted in the past, the actual effect of variations in the exchange rates can only be known when the rates at the time of receiving payments and settling accounts are known. Hence, the figures given here should be viewed as approximations only.

2. Segment Information (Consolidated)

By business segment

(Unit : Billions of Yen)

	Net sales		Segment profit	
	FY2016 3Q	FY2017 3Q	FY2016 3Q	FY2017 3Q
Total engineering	481.6	495.9	△ 8.4	15.2
Catalysts & fine products	28.9	29.8	4.3	5.0
Others	4.2	5.2	0.4	1.3
Total	514.7	531.0	△ 3.7	21.6



P4

Page 4 shows the segment information.

All segments show increases in both revenue and profits compared to the same quarter of last fiscal year.

For Total engineering segment, because of the losses suffered by the Ethylene project in the United States of America last fiscal year, the segment profit was in the red, but as there has been no loss-making project in the present fiscal year, I believe we can say that the situation has returned to normal.

For Catalysts and fine products segment, both sales and revenue have grown as a result of increased shipments of FCC catalysts and increased sales of denitration catalysts to India, China and other countries. For fine products, exports of cosmetics ingredients to China and increase in functional coating materials used for television screens such as 4K and 8K have produced increased sales and profits.

In addition, for other business, photovoltaic power generation related business is proceeding favorably and although the amount is still small, sales and profits have increased.

3. Balance Sheets (Consolidated)



(Unit : Billions of Yen)

	FY2016	FY2017 3Q	Difference		
Current assets	480.8	531.2	*1 +50.3	*1	Cash & equivalents +19.1
Non-current assets	165.4	172.1	+6.7		Accounts receivable △4.8
Total assets	646.2	703.3	+57.0		Contract works in progress △4.6
Current liabilities	226.4	216.3	*2 △ 10.1	*2	Advances received +14.5
Non-current liabilities	36.5	85.7	*3 +49.1	*3	Provision for loss on construction contracts △15.0
Total liabilities	263.0	302.1	+39.0		Bonds payable +50.0
Total net assets	383.2	401.2	*4 +17.9	*4	Profit attributable to owners of the parent +19.8
Total liabilities & net assets	646.2	703.3	+57.0		Dividends △7.5
					Accumulated other comprehensive income +5.7

P5

Next, shown on page 5 is our consolidated balance sheets.

Current assets are 531.2 billion yen, an increase of 50.3 billion yen compared to the end of last fiscal year.

Cash and equivalents totaled 204.7 billion yen, up 19.1 billion yen compared to the end of last fiscal year.

On top of the cash and equivalents booked on the balance sheets, we have Joint Venture accounts which amount to 112.7 billion yen by our interest base.

Our non-current assets grew by 6.7 billion yen to 172.1 billion yen. There were no substantial investments or loans during the period. Our total assets increased by 57 billion yen from the end of last fiscal year to 703.3 billion yen.

Our current liabilities fell by 10.1 billion yen from the end of last fiscal year.

While advances received on construction activities increased by 14.5 billion yen, the provision for losses on construction contracts were 15 billion yen lower, and the amount on notes payable, accounts payable on contracts fell by 3.9 billion yen.

Non-current liabilities increased by 49.1 billion yen compared to the end of last fiscal year due to the issuance of company bonds.

Total net assets increased by 17.9 billion yen to 401.2 billion yen.

Profits attributable to the parent increased by 19.8 billion yen in the quarter, share dividends paid (30 yen per share) fell by 7.5 billion yen while accumulated and other comprehensive income, including the increase in share prices, increased by 5.7 billion yen.

4. Outline of Contracts



1) New Contracts(Consolidated)

(Unit : Billions of Yen)

	FY2017 3Q	FY2017 Forecast
Overseas	313.6	600.0
Domestic	92.8	150.0
Total	406.5	750.0

P6

Next, I will move on to page 6.

The total value of new contracts received up to the end of December was 406.5 billion yen.

This represented the attainment of 54% of the forecast amount for the year.

The contract received in December for a gas processing plant in Indonesia is not included in this figure.

Including this order would make the present total around 450 billion yen.

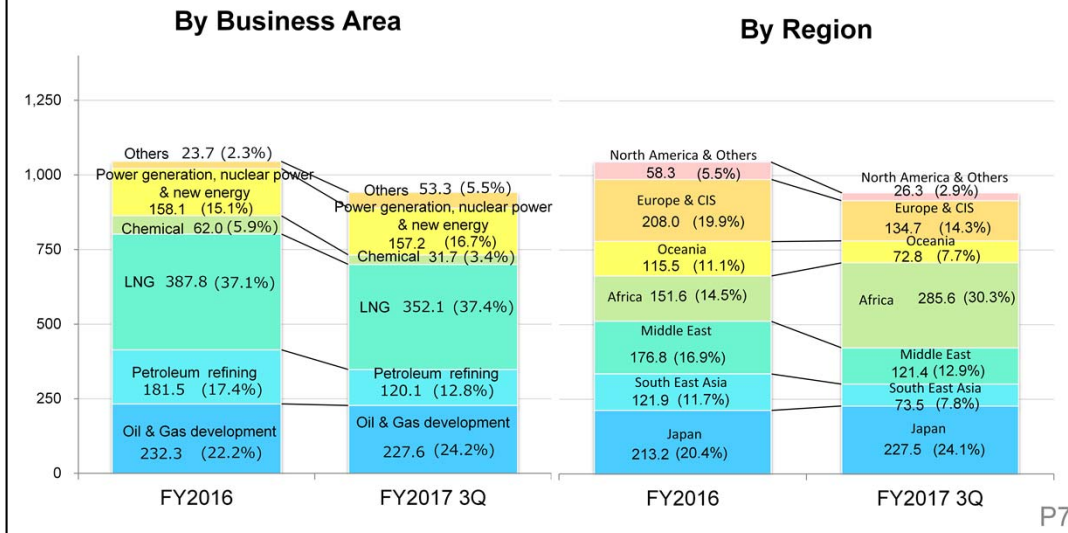
Currently, we are working toward gaining a number of contracts, but we anticipate some difficulty in reaching the forecast of 750 billion for the year.

Overseas, the principal project orders received up to December were the FLNG project in Mozambique and an crude oil gathering and processing facilities project in Algeria and domestically, a CO2 separation and recovery facility for an Integrated coal Gasification Combined Cycle (IGCC) demonstration power plant.

2) Outstanding Contracts (Consolidated)

FY2016	FY2017 3Q	Difference
1,045.6	942.2	△ 103.4

(Unit : Billions of Yen)



P7

Finally, our consolidated outstanding contracts.

As of the end of December, the value of outstanding contracts was 942.2 billion yen, 103.4 billion less than at the end of last fiscal year.

There was no significant change from the end of last fiscal year in terms of the business areas.

In addition, the receipt of orders for the FLNG project in Mozambique and an crude oil gathering and processing facilities project in Algeria mean that the total for Africa is 285.6 billion yen, representing 30% of the total and the single largest by region.

Appendix

Reference (Net Sales & New Contracts by Region)



(Unit : Billions of Yen)

【Net sales】	FY2016 3Q		FY2017 3Q	
Japan	93.1	(18.1%)	97.6	(18.4%)
South East Asia	74.8	(14.5%)	55.6	(10.5%)
Oceania	97.9	(19.0%)	115.9	(21.8%)
Africa	3.2	(0.6%)	46.3	(8.7%)
Middle East	104.8	(20.4%)	87.6	(16.5%)
Europe & CIS	114.4	(22.2%)	85.6	(16.1%)
North America & Others	26.3	(5.2%)	42.0	(8.0%)
Total	514.7	(100.0%)	531.0	(100.0%)

【New Contracts】	FY2016 3Q		FY2017 3Q	
Japan	120.7	(30.0%)	92.8	(22.8%)
South East Asia	37.5	(9.3%)	10.0	(2.5%)
Oceania	24.1	(6.0%)	74.3	(18.3%)
Africa	128.0	(31.8%)	178.5	(43.9%)
Middle East	19.6	(4.9%)	26.1	(6.4%)
Europe & CIS	60.7	(15.1%)	20.1	(4.9%)
North America & Others	11.7	(2.9%)	4.5	(1.2%)
Total	402.7	(100.0%)	406.5	(100.0%)



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