

Translation

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Outline of 1st Quarter Financial Results for Fiscal Year 2018

April 1, 2018 – June 30, 2018

Aug 9, 2018
JGC CORPORATION

My name is Shinichi Taguchi, General Manager of the Finance and Accounting Department.

I am going to give you an outline of the first quarter financial results for Fiscal Year 2018 which ends in March, 2019.

- 1. Income and Comprehensive Income**
- 2. Segment Information**
- 3. Balance Sheets**
- 4. Outline of Contracts**
- 5. Forecasts for Fiscal Year 2018**

1. Income and Comprehensive Income



[Unit: Billions of Yen]

	FY2017 1Q	FY2018 1Q	Difference	Forecast FY 2018
Net sales	153.0	146.1	△ 6.8	700.0
Gross profit	11.5	10.9	△ 0.5	45.0
Profit ratio	7.5%	7.5%	△ 0.0pt	6.4%
Operating income	6.2	5.5	△ 0.6	23.0
Ordinary income	9.0	8.6	△ 0.3	29.0
Profit attributable to owners of the parent	5.5	2.6	△ 2.9	10.0
Profit	5.6	2.7	△ 2.9	
Other comprehensive income	0.3	△ 2.6	△ 3.0	
Comprehensive income	6.0	0.0	△ 5.9	

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To begin with, I'd like to mention the Statement of Income and the Statement of Comprehensive Income.

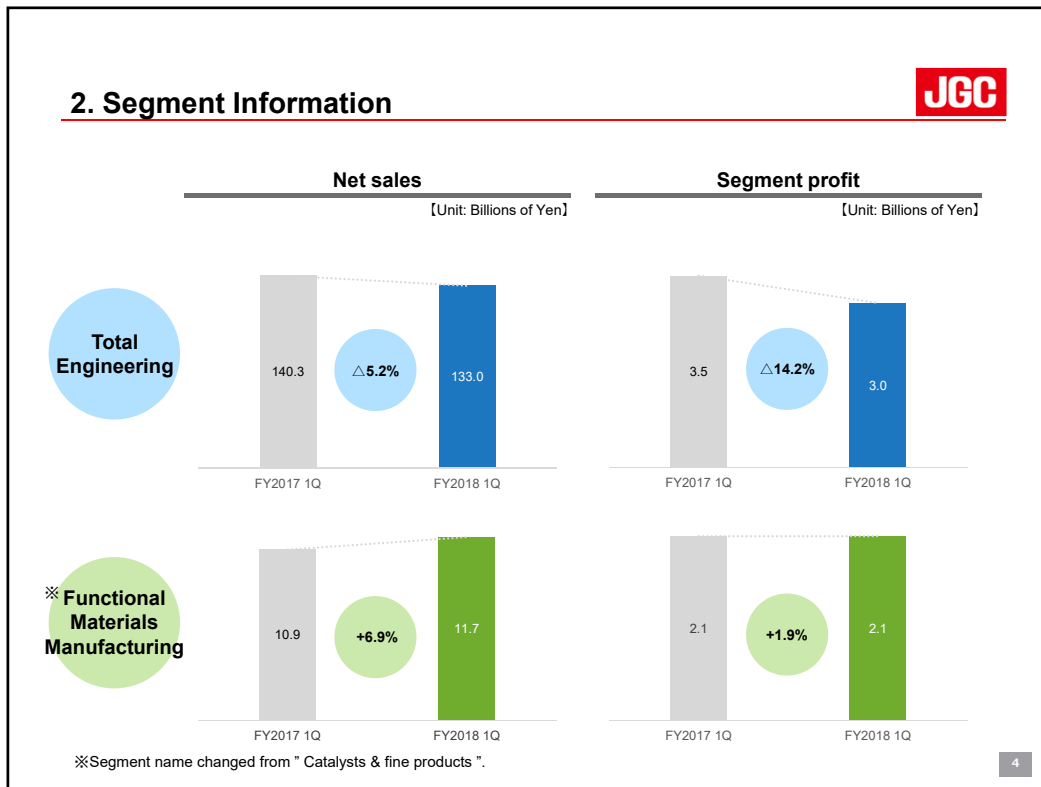
The net sales for the first quarter of the current fiscal year totaled 146.1 billion yen, slightly below the results for the same quarter in the previous fiscal year.

The lower net sales resulted in a reduction in profits with Gross Profit of 10.9 billion yen, Operating Income of 5.5 billion yen and Ordinary Income of 8.6 billion yen.

Due to the expected increase in the effective tax rates to be applied, profit attributable to the owners of the parent showed a fall of 2.9 billion yen from the same period in the previous year to 2.6 billion yen.

Net sales progress against the full year outlook announced in May is 21%, which is slightly below a quarter. However, the figures for profits showed generally favorable results, with each progress around 25~30%. We can say that the result is generally in line with the outlook.

2. Segment Information



Next is segment information.

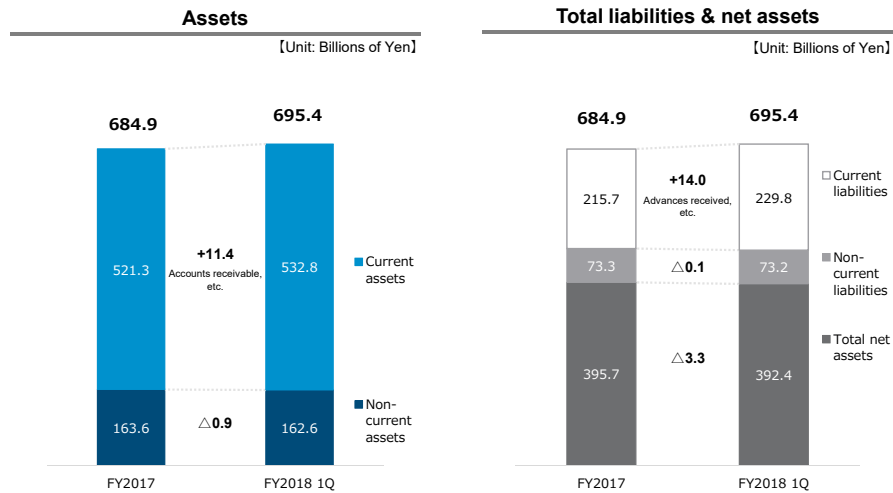
We have two reporting segments.

The net sales for the total engineering segment amounted to 133 billion yen, resulting in segment profit of 3 billion yen and showing a slight fall from the same quarter of last fiscal year. The slight drop is attributed to the reduction in orders received in the past few years.

The Functional Materials Manufacturing business is showing positive growth, especially in the area of hydrogenation catalysts and other catalysts as well as materials for semiconductors and abrasives, resulting in improved revenue and profits. Total sales for the segment reached 11.7 billion yen with 2.1 billion yen profit.

The naming of this segment has been changed to “Functional Materials Manufacturing” from “Catalysts and Fine Chemicals”. The change has been made to better reflect the actual content of the business segment, but there is no impact to the reported figures.

3. Balance Sheets



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The next topic deals with the consolidated balance sheets. There has been no large-scale change in our financial position since the end of last fiscal year.

The figure for total assets shows little change from the end of the last fiscal year at 695.4 billion yen.

Net assets stood at 392.4 billion yen after payment of dividends ($\blacktriangle 6.3$ billion yen) and quarterly net profits (+2.6 billion yen) and other factors, resulting in a net reduction of 3.3 billion yen.

The Shareholders Equity Ratio was 56.3% (57.6% at the end of last fiscal year).

4. Outline of Contracts



i) New Contracts

[Unit: Billions of Yen]

	FY2018 1Q	FY2018 Forecast
Overseas	53.8	850.0
Domestic	25.9	150.0
Total	79.7	1,000.0

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The next topic deals with new orders received.

During this quarter, in May we received an order for a large-scale LNG plant construction project in Canada. However, as the owner is yet to make a final investment decision, this order is not included in our results for the first quarter.

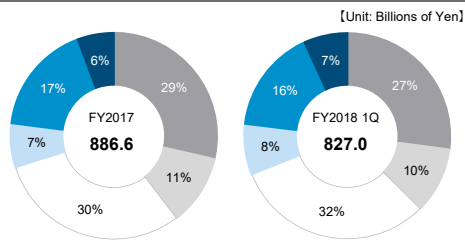
Of the orders received during the first quarter, 53.8 billion yen was for overseas projects and 25.9 billion yen for domestic projects, giving a total of 79.7 billion yen. The contents consist of additional work on ongoing projects and petrochemical related facilities overseas, and hospitals and other facilities in Japan.

Looking past the present quarter to the period from July, we are in a favorable position to expect orders in the region of 150 billion yen.

This is still well below the prediction made for the full year, but investment decisions on large-scale projects, including the LNG project in Canada, are expected in the latter half of the year.

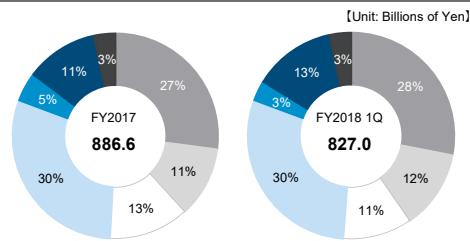
ii) Outstanding Contracts

By Business Area



	FY2017	FY2018 1Q
Oil & Gas development	253.4	224.1
Petroleum refining	97.9	85.6
LNG	270.4	260.4
Chemical	61.0	65.8
Power generation, nuclear power and new energy	153.7	134.8
Others	50.0	56.0

By Region



	FY2017	FY2018 1Q
Japan	240.3	231.8
South East Asia	98.1	102.0
Middle East	112.3	89.7
Africa	264.5	243.1
Oceania	40.5	26.2
Europe & CIS	101.2	106.5
North America & Others	29.3	27.3

FY2018 1Q Major Contracts	Over 100 Billion Yen	Over 50 Billion Yen	Over 30 Billion Yen
	Yamal LNG (Russia)	FLNG (Mozambique)	Crude Oil Gathering, Processing (Algeria)
	Gas Booster (Algeria)	Oil Refining (Kuwait)	
		Mega Solar (Japan)	

Next, backlog of the orders.

The value of orders received as of the end of June, 2018 was 827 billion yen, representing a fall of 59.6 billion yen from the end of the previous quarter.

The distribution by business area and region is almost unchanged.

By business area, LNG related jobs accounted for 32%, while petroleum, gas, and resource development accounted for 27%.

By region, Africa was the largest market with 30%, followed by Japan with 28%.

5. Forecasts for Fiscal Year 2018



[Unit: Billions of Yen]

	Forecast
Net sales	700
Gross profit	45
Profit ratio	6.4%
Operating income	23
Ordinary income	29
Income attributable to owners of the parent	10
New contracts	1,000
Annual Dividend per share	¥12.00
Forecasts based on (¥/US\$)	¥108.00

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Finally, the outlook for the fiscal year.

There is no change from the forecast for the fiscal year announced in May of this year.

The rate used for forming this forecast was 108 yen to the dollar.

For purposes of reference only, we assess the effect of a change of 1 yen in the exchange rate to affect sales figures by 3 billion yen, gross profit by 600 million yen, and ordinary profit by 800 million yen.

This concludes the explanation of the Financial Results for the First Quarter of Fiscal Year 2018.

Appendix

Reference (Net sales & New Contracts by Region)

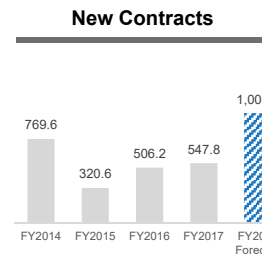
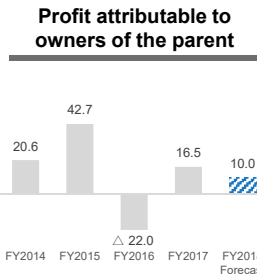
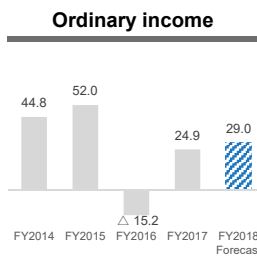
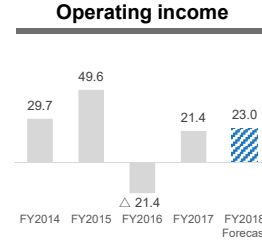
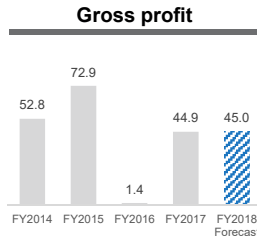
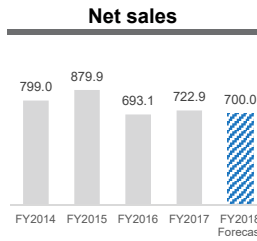


Net sales				New Contracts					
[Unit: Billions of Yen]				[Unit: Billions of Yen]					
	FY2017 1Q		FY2018 1Q			FY2017 1Q		FY2018 1Q	
Japan	28.1	(18.4%)	42.0	(28.7%)	Japan	47.9	(18.1%)	25.9	(32.5%)
South East Asia	20.0	(13.1%)	11.5	(7.9%)	South East Asia	4.1	(1.6%)	16.4	(20.6%)
Oceania	35.3	(23.1%)	25.2	(17.3%)	Oceania	17.2	(6.5%)	10.5	(13.2%)
Africa	4.7	(3.1%)	25.8	(17.7%)	Africa	178.8	(67.4%)	1.9	(2.5%)
Middle East	31.6	(20.7%)	22.8	(15.6%)	Middle East	14.5	(5.5%)	0.4	(0.6%)
Europe & CIS	18.3	(12.0%)	11.6	(8.0%)	Europe & CIS	0.7	(0.3%)	21.9	(27.5%)
North America & Others	14.8	(9.6%)	7.0	(4.8%)	North America & Others	1.9	(0.6%)	2.5	(3.1%)
Total	153.0	(100.0%)	146.1	(100.0%)	Total	265.5	(100.0%)	79.7	(100.0%)

Reference (Historical data chart)



[Unit: Billions of Yen]



Cautionary Statement



This presentation may contain forward-looking statements that reflect JGC's plans and expectations.

Such statements are based on currently available information and current assumptions of future events which may not prove to be accurate. Such statements are also subject to various risks and uncertainties that could cause actual results to differ materially from those forward-looking statements.

JGC Corporation undertakes no obligation to update any forward-looking statements after the date of this presentation. These potential risks and uncertainties include, but are not limited to:

- changes in general economic conditions, including foreign currency exchange rates, interest rates and other factors that could affect our profitability
- changes in government regulations or tax laws in jurisdictions where we conduct business

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