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Outline of 3rd Quarter Financial Results for Fiscal Year 2018

April 1, 2018 – December 31, 2018

Feb 13, 2019
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 third quarter financial results for Fiscal Year 2018 which ends in March, 2019.

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1. Income and Comprehensive Income

【Unit: Billions of Yen】

	FY2017 3Q	FY2018 3Q	Difference	Forecast FY 2018
Net sales	531.0	**424.6**	△ 106.4	640.0
Gross profit	38.1	**30.8**	△ 7.3	43.0
Profit ratio	7.2%	**7.3%**	+0.1pt	6.7%
Operating income	21.6	**15.2**	△ 6.4	22.0
Ordinary income	27.8	**22.6**	△ 5.1	29.0
Profit attributable to owners of the parent	19.8	**9.9**	△ 9.9	10.0
Profit	19.9	**10.0**	△ 9.9	
Other comprehensive income	5.7	**△ 5.3**	△ 11.1	
Comprehensive income	25.7	**4.7**	△ 21.0	

Firstly, the statements of consolidated income and comprehensive income.

Due to the drop in the amount of backlog up to the last fiscal year, there was a reduction in both revenue and profit on a year-on-year basis, but profit items are in line with the full-year forecast.

The net sales for the third quarter of the current fiscal year totaled 424.6 billion yen, with gross profits of 30.8 billion yen.

Sales have progressed to 66% of the full-year forecast thus far, but gross profits have shown high progress of 72% supported by higher profit ratio than expected.

Operating income was 15.2 billion yen and ordinary income was 22.6 billion yen.

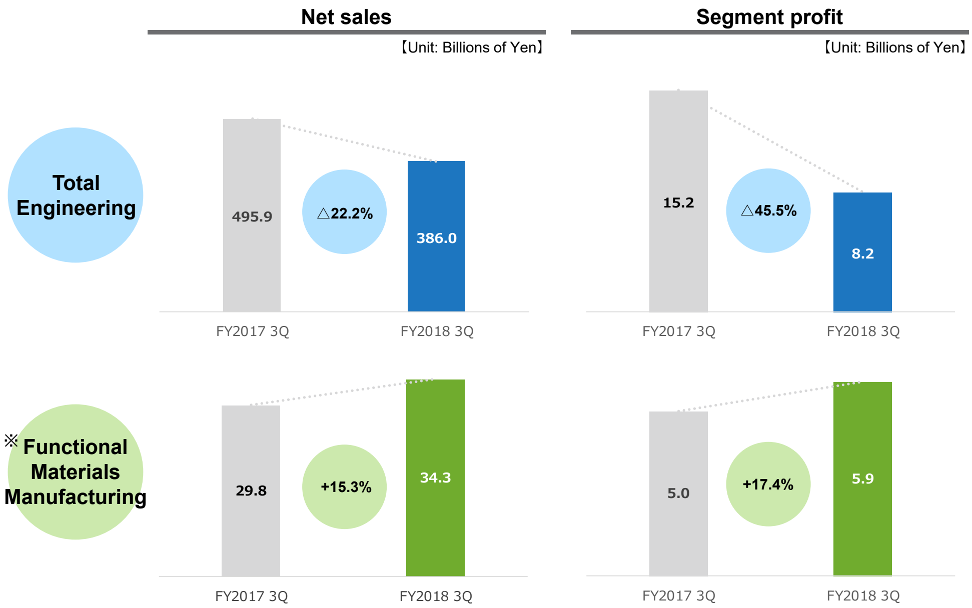
Profit attributable to the owners of the parent was 9.9 billion yen for the quarter, close to the full-year forecast.

For this fiscal year, an increase in tax expenses was projected at the beginning of the year, but through the introduction of tax consolidation and other improvement efforts, a slight decrease in the effective tax rate is expected.

For this reason, an improvement in net income to this quarter is achieved.

For other comprehensive income, the fall in share prices combined with unrealized gains in other securities has resulted in a minus result of 5.3 billion yen.

2. Segment Information



※Segment name changed from " Catalysts & fine products ".

Next is the segment information.

The total engineering segment, because of the reduction in the amount of backlog, has suffered lower revenue and profits when compared with the same period in the previous year.

Total revenue was 386 billion yen and the segment profit was 8.2 billion yen.

The functional materials segment continues to perform well. Hydrogenation catalysts and other materials such as chemical catalysts have continued to perform well, and both revenue and profits have shown good growth. Total sales were 34.3 billion yen, with a segment profit of 5.9 billion yen.

3. Balance Sheets

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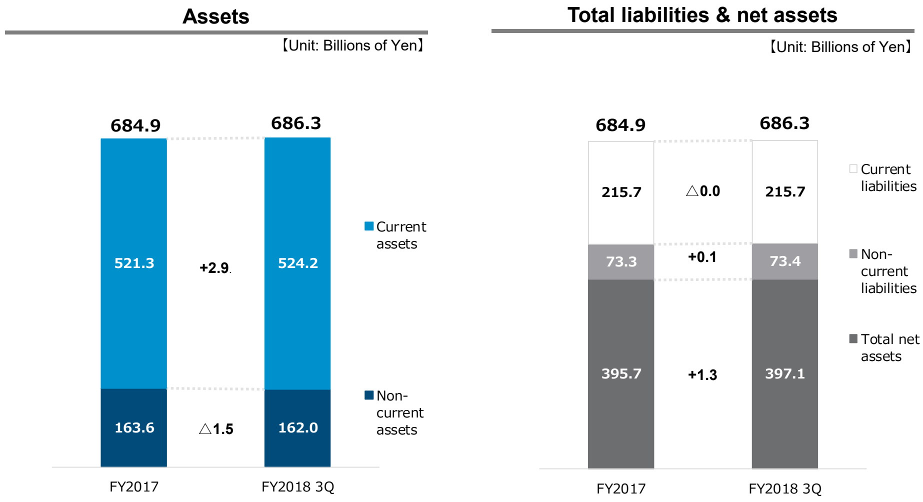

Next are the consolidated balance sheets which show little change from those at the end of last fiscal year.

Total assets remain almost unchanged from the amount recorded at the end of the last fiscal year at 686.3 billion yen.

Net assets grew by 1.3 billion yen to total 397.1 billion yen with a capital adequacy ratio of 57.7% compared with 57.6% at the end of last fiscal year.

The account balance was 120.8 billion yen in cash and bank deposit, and together with short term investment balance on loans receivable, this shows a total cash and cash equivalent of 140.8 billion yen which represents a decrease of 94.5 billion yen from the balance at the beginning of the year.

The major reasons for the decrease were the payment conditions for equipment costs for projects in Algeria, the advance payments made for the Ichthys LNG project and short-term debt repayments.

In addition, we have Joint Venture accounts which amount to 102.1 billion yen according to our interest base, but which are not booked on our balance sheets.

4. Outline of Contracts

ⅰ） New Contracts

【Unit: Billions of Yen】

	FY2018 3Q	FY2018 Forecast
Overseas	783.0	850.0
Domestic	95.1	150.0
Total	878.1	1,000.0

Next, we introduce the amount of new contracts.

With the award of a large-scale LNG plant construction project in Canada, the total cumulative value of new contracts for the period to the end of the third quarter reached 878.1 billion yen.

We intend to focus strongly on obtaining new contracts to reach our full-year forecast of 1 trillion yen in orders.

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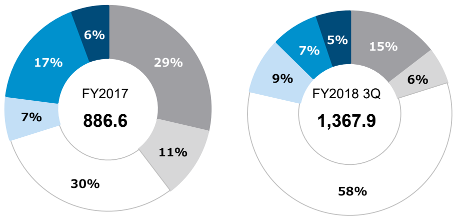
ii) Outstanding Contracts

By Business Area

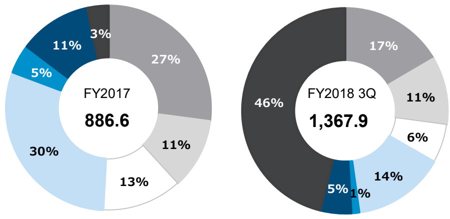
【Unit: Billions of Yen】



	FY2017	FY2018 3Q
Oil & Gas development	253.4	**199.2**
Petroleum refining	97.9	**75.7**
LNG	270.4	**799.6**
Chemical	61.0	**121.1**
Power generation, nuclear power and new energy	153.7	**101.7**
Others	50.0	**70.3**

By Region

【Unit: Billions of Yen】



	FY2017	FY2018 3Q
Japan	240.3	**226.2**
South East Asia	98.1	**144.9**
Middle East	112.3	**84.5**
Africa	264.5	**198.4**
Oceania	40.5	**16.6**
Europe & CIS	101.2	**66.7**
North America & Others	29.3	**630.4**

FY2018 3Q Major Contracts	Over 100 Billion Yen	Over 50 Billion Yen	Over 30 Billion Yen
	LNG（Canada）	FLNG（Mozambique） LNG（Russia） Gas Booster（Algeria）	Chemicals (Thailand) Crude Oil Gathering, Processing（Algeria）

Next, we refer to our consolidated outstanding contracts.

Outstanding contracts as of the end of December, 2018, amounted to 1 trillion 367.9 billion yen.

With the award of the contract for project involving the construction of a large-scale LNG plant in Canada, the largest business area was LNG at 58% of the total, and in terms of regions, North America accounted for the largest amount at 46%.

5. Forecasts for Fiscal Year 2018

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【Unit: Billions of Yen】

	Forecast
Net Sales	640
Gross Profit	43
Profit ratio	6.7%
Operating income	22
Ordinary income	29
Income attributable to owners of the parent	10
New contract	1,000
Annual dividend per share	¥12.00
Forecasts based on (¥/US$)	¥110.00

In conclusion, regarding the outlook for the fiscal year there is no change from our previous report.

Although the sales for the third quarter was limited to 66% of the forecast, the forecast for the fiscal year remains unchanged in the light of the projects expected for completion in the fourth quarter.

At the same time, while having been able to achieve 99% progress in our profits after tax by the end of the third quarter due to a decrease in the effective tax rate, we have left our profits after tax forecast unchanged because of the presence of factors subject to change, such as currency exchange rates, etc.

Our forecasts are based on an exchange rate of 110 yen to the US dollar. For reference purposes only, we assess the effect of a 1 yen change in the exchange rate to be 3 billion yen in terms of sales, 900 million yen in terms of gross profit and in terms of operating income.

This concludes our comments on the financial results for the third quarter of the current fiscal year.

Appendix

Reference（Net sales & New Contracts by Region）

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Net sales

【Unit: Billions of Yen】

	FY2017 3Q		FY2018 3Q	
Japan	97.6	(18.4%)	**128.7**	(30.3%)
South East Asia	55.6	(10.5%)	**47.1**	(11.1%)
Oceania	115.9	(21.8%)	**31.3**	(7.4%)
Africa	46.3	(8.7%)	**72.0**	(17.0%)
Middle East	87.6	(16.5%)	**72.8**	(17.1%)
Europe & CIS	85.6	(16.1%)	**55.0**	(13.0%)
North America & Others	42.0	(8.0%)	**17.4**	(4.1%)
Total	531.0	(100.0%)	**424.6**	(100.0%)

New Contracts

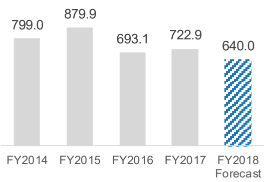
【Unit: Billions of Yen】

	FY2017 3Q		FY2018 3Q	
Japan	92.8	(22.8%)	**95.1**	(10.8%)
South East Asia	10.0	(2.5%)	**92.2**	(10.5%)
Oceania	74.3	(18.3%)	**7.3**	(0.8%)
Africa	178.5	(43.9%)	**1.7**	(0.2%)
Middle East	26.1	(6.4%)	**38.8**	(4.4%)
Europe & CIS	20.1	(4.9%)	**29.6**	(3.4%)
North America & Others	4.5	(1.2%)	**613.2**	(69.9%)
Total	406.5	(100.0%)	**878.1**	(100.0%)

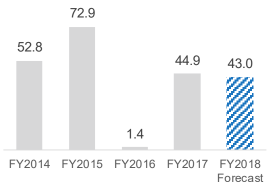
Reference（Historical data chart）

【Unit: Billions of Yen】

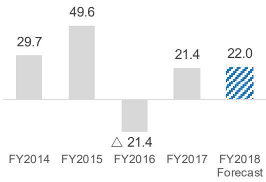
Net sales



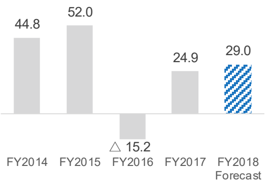
Gross profit



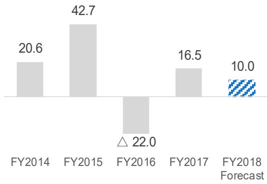
Operating income



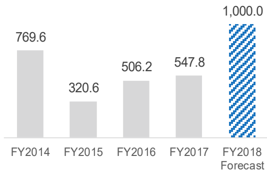
Ordinary income



Profit attributable to owners of the parent



New Contracts



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•changes in government regulations or tax laws in jurisdictions where we conduct business

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