

Translation

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Outline of 3rd Quarter Financial Results for Fiscal Year 2019

April 1, 2019 – December 31, 2019

Feb 13, 2020

JGC HOLDINGS CORPORATION

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

I am going to give you an outline of the third quarter financial results for Fiscal Year 2019 which ends in March, 2020.

- 1. Highlights of Fiscal Year 2019 3Q**
- 2. Income and Comprehensive Income**
- 3. Segment Information**
- 4. Balance Sheets**
- 5. Outline of Contracts**
- 6. Forecasts for Fiscal Year 2019**

1. Highlights of Fiscal Year 2019 3Q



- The pace of the progress for the quarter is in line with the forecast for Fiscal Year 2019 and there is no change in the forecasts for the full year.
- We are expecting the conclusion of the FID's for the LNG Plant Project in Mozambique and other large-scale EPC projects. At the same time, we are actively working towards attaining our target for new contracts.

I will begin with a review of the highlights for the third quarter.

The progress of operating results for the quarter are in line with the full-year forecast.

Regarding new contract orders, we have been nominated as contractor for large-scale EPC projects and other items in the second quarter, but as final investment decision by the clients are still to be made, the amounts of new contract awarded are still relatively small.

2. Income and Comprehensive Income



[Unit: Billions of Yen]

| | FY2018 3Q | FY2019 3Q | Difference | Forecast FY 2019 |
|---|-----------|--------------|------------|---------------------|
| Net sales | 424.6 | 342.2 | △ 82.4 | 500.0 |
| Gross profit | 30.8 | 29.8 | △ 0.9 | 40.0 |
| Profit ratio | 7.3% | 8.7% | +1.5pt | 8.0% |
| Operating income | 15.2 | 13.4 | △ 1.7 | 19.0 |
| Ordinary income | 22.6 | 18.3 | △ 4.2 | 26.0 |
| Profit attributable to owners of the parent | 9.9 | 4.7 | △ 5.1 | 10.0 |
| Profit | 10.0 | 4.8 | △ 5.2 | |
| Other comprehensive income | △ 5.3 | △ 2.6 | +2.6 | |
| Comprehensive income | 4.7 | 2.2 | △ 2.5 | |

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We move to the Statement of Income and the Statement of Comprehensive Income.

There was a decrease in sales and profits on a year-on-year basis, but the figures are in line with the full-year forecast.

Net sales of 342.2 billion yen fell by 82.4 billion yen from the same quarter of last year.

Gross profits fell by 900 million yen to 29.8 billion yen.

Gross profit ratio rose by 1.5 points to 8.7%.

Operating income fell by 1.7 billion yen to 13.4 billion yen.

Affected by foreign exchange losses, ordinary income experienced a drop of 4.2 billion yen to 18.3 billion yen.

Profits attributable to the owners of the parent was 4.7 billion yen.

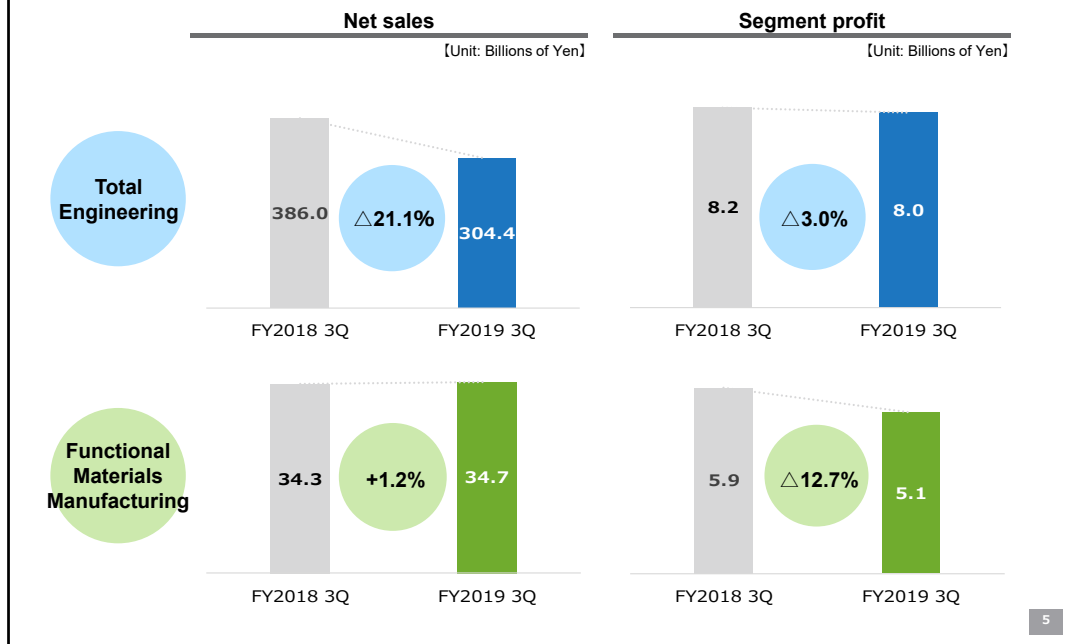
Although net sales reached only 68% of annual forecast, further growth is expected in the fourth quarter due to the forecast that sales progress for large projects is expected to rise in the second half of the fiscal year.

At levels of progress 71% for operating income and 70% for ordinary income, these are on track to reach the forecast levels.

Profit attributable to the owners of the parent, as part of the sale of assets taking place this fiscal year, the loss on sale together with the foreign tax effect is booked as part of the third quarter results and, while this bears a temporary downside, the profit on sale of other items is moved to the fourth quarter, overall effect on full-year forecasts remain unchanged is expected.

With the review of the profitability of individual projects, our profit ratio is slightly above the forecast level.

3. Segment Information



Next is the segment information.

In the Total Engineering segment, with the completion of large projects such as the Ichthys and Yamal large-scale LNG projects by last year end, net sales were 304.4 billion yen, 21.1% lower than figure for the same period of the previous year.

The main projects included in the net sales figure are the LNG Canada Project, the Mozambique FLNG Project and a domestic solar power plant project.

Segment profit showed a year-on-year drop of 3% at 8 billion yen.

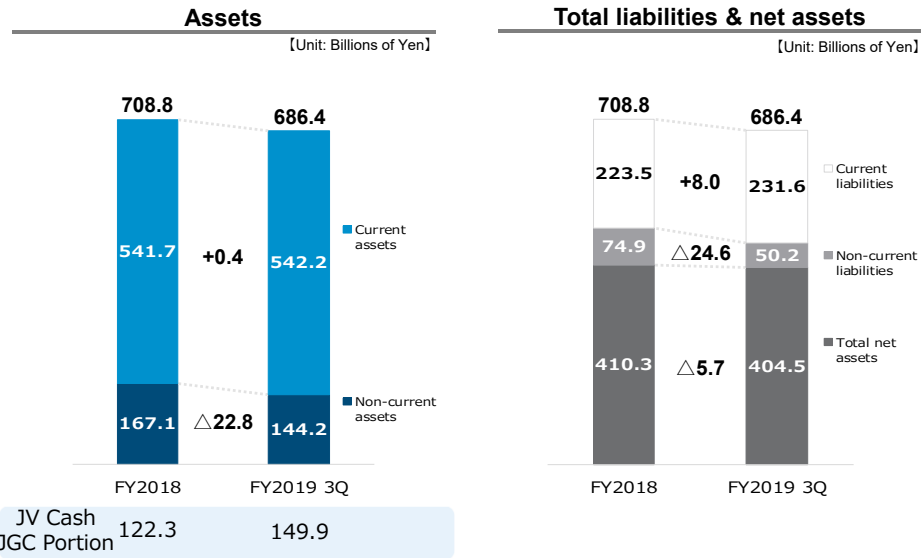
The percentage drop in profits was small relative to that of sales due to the result of improvements in the gross profit ratio.

For the Functional Materials Manufacturing segment, net sales were 1.2% higher than the same period of the previous year at 34.7 billion yen and segment profit was 12.7% lower at 5.1 billion yen.

Sales of chemicals and environmental protection catalysts, especially denitrification catalysts, were strong both domestically and overseas.

On the other hand, apart from the rising material and fuel costs for petroleum refining catalysts, exports to China of high-profit products such as functional coatings have dropped markedly as a result of the trade friction between the U.S. and China, bringing about a slight fall in the profit ratio.

4. Balance Sheets



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Next are the consolidated balance sheets.

Total assets show a fall of 22.3 billion yen from the amount recorded at the end of the last fiscal year at 686.4 billion yen.

Fixed assets fell by 22.8 billion yen as a result of the sale of power generation related business assets.

In addition, we have JV accounts which amount to 149.9 billion yen according to our interest base, but which are not booked on our balance sheets.

Principally, this reflects our JV interest in the LNG Canada Project.

On the total liabilities and net assets side, as a result of changing the straight bonds due for repayment this year to current liabilities, fixed liabilities have been reduced.

The growth of current liabilities was restricted to 8 billion yen due to the reduction of accounts payable for construction and other factors.

The Shareholders Equity Ratio was 58.9%.

5. Outline of Contracts



i) New Contracts

【Unit: Billions of Yen】

| | FY2019 3Q | FY2019 Forecast |
|----------|-----------|-----------------|
| Overseas | 38.2 | 650.0 |
| Domestic | 89.2 | 150.0 |
| Total | 127.5 | 800.0 |

The next topic deals with new contracts.

For the consolidated cumulative third quarter, the amount was 127.5 billion yen mainly for a domestic medical facility and early work for the Mozambique LNG Project.

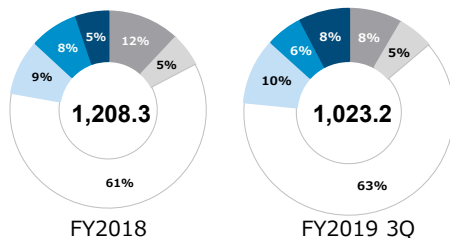
The EPC contract amount for the Mozambique LNG Project itself for which an order was secured in October of last year will not be included until the final investment decision is made by the client.

The full-year forecast is 800 billion yen but, as indicated in the initial forecast, the decision on major projects is expected toward the end of the year, we will keep to make an effort toward our target.

ii) Outstanding Contracts

By Business Area

[Unit: Billions of Yen]



| | FY2018 | FY2019 3Q |
|---------------------------------|--------|--------------|
| Oil & Gas development | 144.5 | 84.7 |
| Petroleum refining | 64.8 | 55.5 |
| LNG | 730.8 | 643.2 |
| Chemical | 109.1 | 104.9 |
| Power generation, nuclear power | 95.7 | 57.6 |
| Others | 63.2 | 77.1 |

FY2019
3Q
Major
Contracts

Over 100 Billion Yen

LNG (Canada)

Over 50 Billion Yen

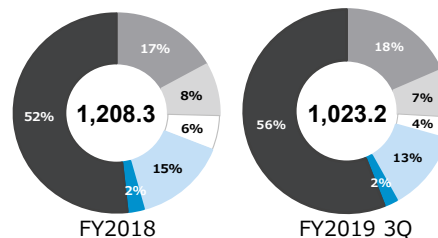
FLNG (Mozambique)

Over 30 Billion Yen

Chemicals (Thailand)
Gas Booster (Algeria)

By Region

[Unit: Billions of Yen]



| | FY2018 | FY2019 3Q |
|------------------------|--------|--------------|
| Japan | 204.4 | 188.5 |
| South East Asia | 102.6 | 76.4 |
| Middle East | 68.1 | 35.5 |
| Africa | 177.5 | 128.3 |
| Oceania | 31.2 | 21.6 |
| North America & Others | 624.2 | 572.6 |

Next, we refer to our outstanding contracts.

Outstanding contracts as of the end of December, 2019, amounted to 1,023.2 billion yen, showing a decrease of 185.1 billion yen from the previous year.

Their composition did not show any great change.

For segments, LNG accounted for the largest amount at 63%, and in terms of regions, North America accounted for 56%.

For contract amounts, the largest were the LNG Canada Project, the Mozambique FLNG Project, the Thai chemical project and the Algeria gas booster project, reflecting the same position as at the end of the last fiscal year.

6. Forecasts for Fiscal Year 2019



[Unit: Billions of Yen]

| | Forecast |
|---|----------|
| New contract | 800.0 |
| Net Sales | 500.0 |
| Gross Profit | 40.0 |
| Profit ratio | 8.0% |
| Operating income | 19.0 |
| Ordinary income | 26.0 |
| Income attributable to owners of the parent | 10.0 |
| Annual dividend per share | ¥12.00 |
| Forecasts based on (¥/US\$) | ¥110.00 |

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Regarding the outlook for the fiscal year, there is no change from our previous report.

For the total engineering segment, taking into account the boost to sales from the LNG Canada Project in the second half of the year, we have seen improved growth in the third quarter, as expected.

In spite of concerns regarding the area of functional materials manufacturing, especially functional materials and abrasives due to the effects of trade friction between China and the U.S., these effects are expected to be countered by sales expansion of chemical catalysts and environmental protection catalysts.

Forecast of dividends remain unchanged. The company's policy regarding dividends calls for an annual dividend payout ratio of 30%. Thus, the dividend of 12 yen per share for this fiscal year is reduced in line with the forecast for lower profits than last year. However, due to an upswing in our operating cash flow situation, we expect that the liquidity level at hand will see improvement for the fiscal year, combined with our outlook concerning our financial position, we could be considering additional shareholder returns through the buy-back of stock.

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 2 billion yen in terms of sales, 100 million yen in terms of

gross profit and 400 million yen terms of ordinary income.

This concludes our explanation of the Financial Results for the Third Quarter of Fiscal Year 2019.

Appendix

Reference (Net sales & New Contracts by Region)



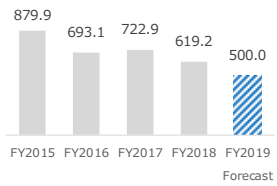
| Net sales | | | | New Contracts | | | | | |
|-------------------------|-----------|----------|--------------|-------------------------|------------------------|-----------|----------|--------------|----------|
| [Unit: Billions of Yen] | | | | [Unit: Billions of Yen] | | | | | |
| | FY2018 3Q | | FY2019 3Q | | | FY2018 3Q | | FY2019 3Q | |
| Japan | 128.7 | (30.3%) | 126.1 | (36.9%) | Japan | 95.1 | (10.8%) | 89.2 | (70.0%) |
| South East Asia | 47.1 | (11.1%) | 43.7 | (12.8%) | South East Asia | 92.2 | (10.5%) | 15.8 | (12.5%) |
| Oceania | 31.3 | (7.4%) | 6.8 | (2.0%) | Oceania | 7.3 | (0.8%) | 0.9 | (0.7%) |
| Africa | 72.0 | (17.0%) | 54.4 | (15.9%) | Africa | 1.7 | (0.2%) | 5.9 | (4.7%) |
| Middle East | 72.8 | (17.1%) | 38.1 | (11.1%) | Middle East | 38.8 | (4.4%) | 5.0 | (4.0%) |
| Europe & CIS | 55.0 | (13.0%) | 5.7 | (1.7%) | Europe & CIS | 29.6 | (3.4%) | 3.9 | (3.1%) |
| North America & Others | 17.4 | (4.1%) | 67.0 | (19.6%) | North America & Others | 613.2 | (69.9%) | 6.5 | (5.0%) |
| Total | 424.6 | (100.0%) | 342.2 | (100.0%) | Total | 878.1 | (100.0%) | 127.5 | (100.0%) |

Reference (Historical data chart)

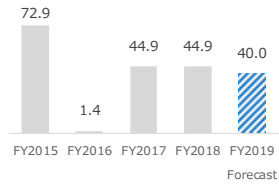


[Unit: Billions of Yen]

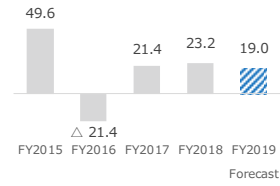
Net sales



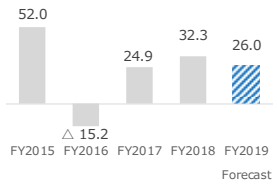
Gross profit



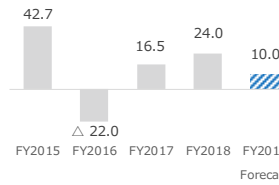
Operating income



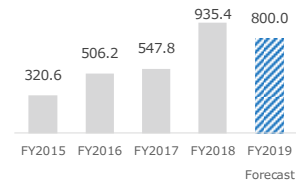
Ordinary income



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

For questions concerning this material please contact:

JGC HOLDINGS CORPORATION
Group Management Development Department
Tel: 81-45-682-1111 Fax: 81-45-682-1112
E-mail: ir@jgc.com