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Outline of 1st Quarter Financial Results for Fiscal Year 2020

April 1, 2020 – June 30, 2020

Aug 12, 2020
JGC HOLDINGS CORPORATION

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

I will be giving you an outline of the first quarter financial results for Fiscal year 2020, which ends in March 2021.

Contents

1. Highlights of Fiscal Year 2020 1Q

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Points of the Financial Results

- Improved gross profit margin year on year.
- Continued maintenance of a strong financial base.

Impacts on business from the spread of COVID-19

- For the Total Engineering segment, the projects are moving forward with the implementation of infection prevention measures in accordance with the regulations and situation existing in each country.
- For the Functional Materials Manufacturing segment, the impact of reduced demand due to production cuts by our customers have remained within the range foreseen in our estimation at the beginning of the fiscal year.

I will begin with a review of the highlights of the first quarter.

On the operations performance front, we achieved a higher gross margin ratio compared with the same period of the previous fiscal year, thereby maintaining the initially forecasted level.

We also maintained the same strong financial base as at the end of fiscal 2019.

In reference to the impact of the COVID-19 outbreak, as for the Total Engineering segment, the ongoing projects are moving forward with the implementation of measures to prevent infection at our construction sites and offices in accordance with the regulations and conditions existing in each country. At our Yokohama headquarters, we are continuing remote work in part, even after the state of emergency declaration was lifted.

As for the Functional Materials Manufacturing segment, the impact of reduced demand due to production cuts by our customers has remained within the range foreseen in our estimation.

2. Income and Comprehensive Income

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【Unit: Billions of Yen】

	FY2019 1Q	FY2020 1Q	Difference	Forecast FY2020
Net sales	107.4	**96.8**	△ 10.5	480.0
Gross profit	8.2	**9.1**	+0.8	43.0
Profit ratio	7.7%	**9.4%**	+1.7pt	9.0%
Operating income	2.8	**4.2**	+1.3	20.0
Ordinary income	5.3	**4.3**	△ 0.9	23.0
Profit attributable to owners of the parent	2.1	**1.4**	△ 0.6	8.0
Profit	2.1	**1.4**	△ 0.7	
Other comprehensive income	△ 3.6	**9.3**	+12.9	
Comprehensive income	△ 1.4	**10.7**	+12.1	

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

This fiscal year started slowly due to the impact of COVID-19, however overall our performance is in line with initial forecasts.

Net sales was 96.8 billion yen, which is 10.5 billion yen less than in the same quarter of the previous fiscal year.

Gross profit rose 800 million yen to 9.1 billion yen.

The gross profit ratio improved by 1.7 points to 9.4%, due to improved profitability in the Total Engineering segment.

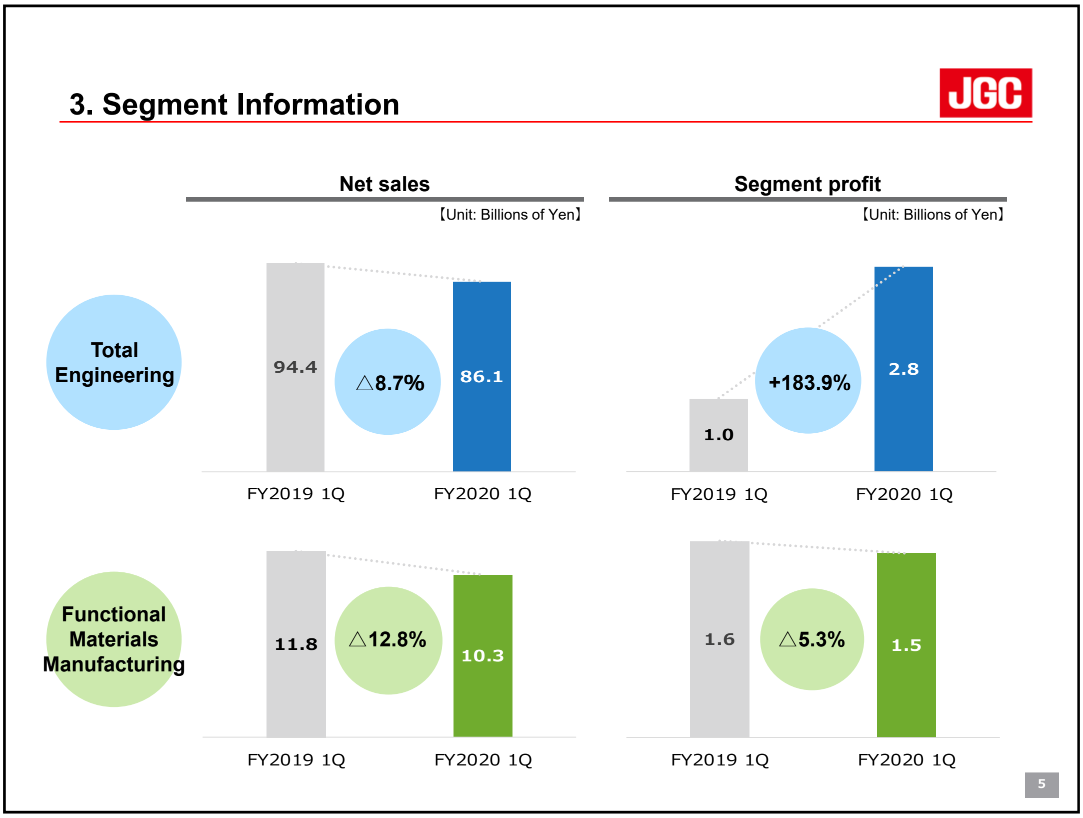
Operating income rose 1.3 billion yen to 4.2 billion yen.

Ordinary income was 4.3 billion yen, which represents a decrease of 900 million yen due to the impact of a drop in non-operating income and foreign exchange losses.

Profit attributable to owners of the parent was 1.4 billion yen.

The effective tax rate remains high in this fiscal year as well, due to the impact of double taxation from foreign income taxes.

The 9.3 billion yen in other comprehensive income is attributable to valuation differences on available-for-sale securities and foreign currency translation adjustment. Comprehensive income for the quarter totaled 10.7 billion yen.



Next is the segment information.

In the Total Engineering segment, net sales decreased by 8.7% compared to the same period of the previous fiscal year, to 86.1 billion yen. Segment profit was 2.8 billion yen. The profit increase benefitted from the increase in sales from the LNG project in Canada and lower progress of SG&A expenses in the quarter.

Major overseas projects in terms of sales included the LNG in Canada, the gas booster in Algeria, chemicals in Thailand, FLNG in Mozambique, and oil refining in Kuwait.

Major domestic projects included chemicals, hospitals, and biomass power generation plants, among others.

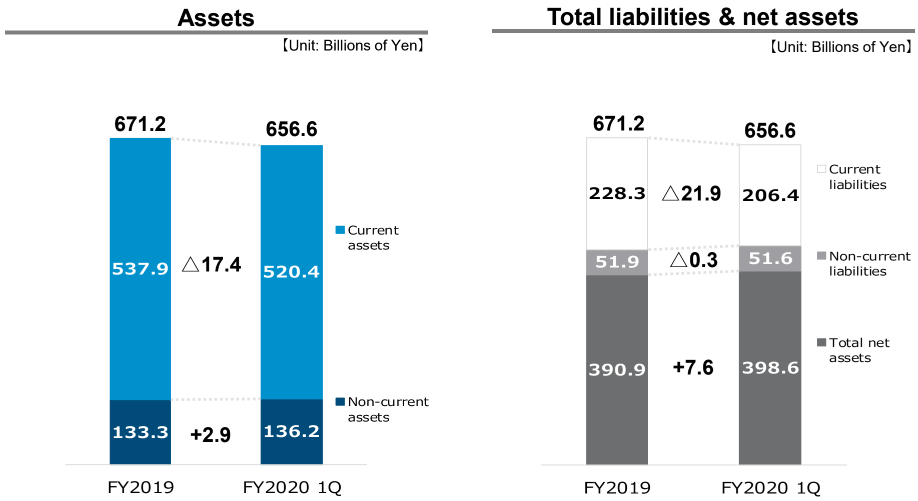
As a result of the spread of COVID-19, construction schedules for some projects were able to be extended due to a decline in productivity resulting from increased remote work, temporary evacuation from regions in which COVID-19 has spread, and restrictions on worker movement and the transport of goods, among other factors. We have carefully estimated the resulting additional costs for each project, taking into account the terms and conditions in each client contract, and have reflected to the earnings results in the previous fiscal year.

For the Functional Materials Manufacturing segment, net sales fell 12.8% compared to the same period of the previous fiscal year to 10.3 billion yen, and segment profit declined 5.3% to 1.5 billion yen.

The halt in activities in the economy overall, caused by COVID-19, has affected both catalysts and fine chemical products, resulting in lower sales and profit. The impact, however, has been within our initial forecasts at this point.

The achievement rate of net sales against the forecast for the fiscal year was 20% in the Total Engineering segment and 25% in the Functional Materials Manufacturing segment.

4. Balance Sheets



	FY2019	FY2020 1Q
JV Cash JGC Portion	141.9	142.2

Next are the consolidated balance sheets.

Total assets decreased by 14.6 billion yen, to 656.6 billion yen. Current assets decreased by 17.4 billion yen, primarily due to a decrease in accounts receivable from completed construction contracts, including distribution from joint ventures. The balance of cash and cash equivalents fell slightly to 253.3 billion yen.

Our stake of JV cash balance not booked on our balance sheet, was 142.2 billion yen, almost unchanged from the beginning of the year.

On the liabilities and net assets side, current liabilities decreased by 21.9 billion yen, primarily due to decreases in accounts payable for construction contracts and advances received on uncompleted construction contracts affected by the progress in the final stages of projects.

Net assets increased by 7.6 billion yen, predominantly due to the increase in foreign currency translation adjustment through recovery of AUD depreciated in the previous fiscal year.

The Shareholders Equity Ratio was 60%.

5. Outline of Contracts

ⅰ) New Contracts

【Unit: Billions of Yen】

	FY2020 1Q	FY2020 Forecast
Overseas	65.2	540.0
Domestic	14.7	130.0
Total	79.9	670.0

The next topic deals with new contracts.

Orders received totaled 79.9 billion yen, comprising 65.2 billion yen of overseas projects such as the gas processing facility in Saudi Arabia and 14.7 billion yen of domestic projects.

There is no change to our full-year forecast of 670 billion yen.

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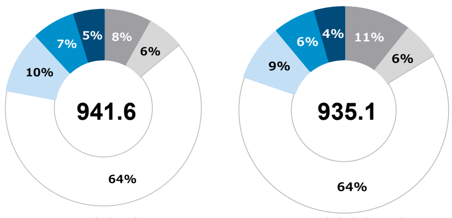
ii) Outstanding Contracts

By Business Area

【Unit: Billions of Yen】

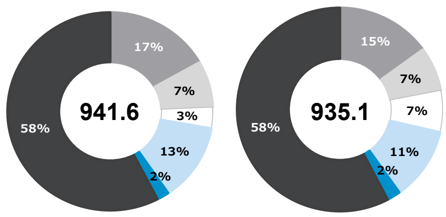


FY2019 FY2020 1Q

	FY2019	FY2020 1Q
Oil & Gas development	76.2	**98.9**
Petroleum refining	55.1	**52.1**
LNG	602.2	**599.9**
Chemical	96.4	**82.0**
Power generation, nuclear power	66.8	**61.2**
Others	44.6	**40.7**

By Region

【Unit: Billions of Yen】



FY2019 FY2020 1Q

	FY2019	FY2020 1Q
Japan	158.0	**140.1**
South East Asia	70.8	**65.3**
Middle East	32.6	**62.1**
Africa	119.6	**108.4**
Oceania	18.1	**19.8**
North America & Others	542.2	**539.2**

FY2020 1Q Major Contracts	Over 100 Billion Yen	Over 50 Billion Yen	Over 30 Billion Yen
	LNG（Canada）	FLNG（Mozambique）	Gas Separation Plant (Saudi Arabia) Chemicals (Thailand) Biomass Power Generation（Japan）

Next, we refer to our outstanding contracts.

The order backlog as of the end of June 2020 declined slightly from the end of the previous fiscal year, to 935.1 billion yen.

By business area, LNG-related orders accounted for the majority, at 64%, and by region, North America & Others accounted for the majority, at 58%.

The principal contracts in terms of value were LNG Canada and Mozambique FLNG. The contract for the gas processing facility in Saudi Arabia received in this fiscal year has been added to our major contracts over 30 billion yen.

6. Forecasts for Fiscal Year 2020

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【Unit: Billions of Yen】

	Forecast
New contract	670.0
Net Sales	480.0
Gross Profit	43.0
Profit ratio	9.0%
Operating income	20.0
Ordinary income	23.0
Income attributable to owners of the parent	8.0
Annual dividend per share	¥12.00
Forecasts based on (￥/US$)	¥107.00

Lastly, the forecast for fiscal 2020.

There have been no changes from the previous forecast.

This forecast has been prepared on the assumption that the impact from the spread of COVID-19 will not significantly worsen, and that the Group's business environment will gradually recover until the end of this fiscal year.

In the Total Engineering segment, projects have been implemented taking measures to prevent infection of COVID-19, which has affected the progress of some projects; however we expect net sales to recover from the second half of the fiscal year.

Our forecasts are based on an exchange rate of 107 yen to the US dollar. The effect caused by exchange rate fluctuations per yen is 2.5 billion yen for sales, 100 million yen for gross profit and 400 million yen for ordinary income.

This concludes our explanation of the outline of the financial results for the First Quarter of Fiscal Year 2020.

Appendix

Reference（Forecasts for Fiscal Year 2020 by segment）

【Unit: Billions of Yen】

	Total engineering	Functional Materials	Others
Net sales	432.0	42.0	6.0
Segment profit	15.0	5.0	0.0
Profit ratio	3.5%	11.9%	0.0%

Reference（Net sales & New Contracts by Region）

Net sales

【Unit: Billions of Yen】

	FY2019 1Q		FY2020 1Q	
Japan	37.1	(34.6%)	**40.1**	(41.5%)
South East Asia	15.7	(14.6%)	**9.1**	(9.4%)
Oceania	4.3	(4.1%)	**0.3**	(0.4%)
Africa	20.2	(18.8%)	**11.3**	(11.7%)
Middle East	12.2	(11.4%)	**8.7**	(9.1%)
Europe & CIS	0.9	(0.9%)	**△ 0.9**	(△1.0%)
North America & Others	16.7	(15.6%)	**27.9**	(28.9%)
Total	107.4	(100.0%)	**96.8**	(100.0%)

New Contracts

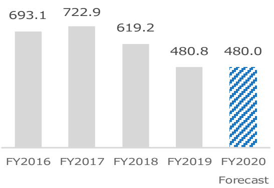
【Unit: Billions of Yen】

	FY2019 1Q		FY2020 1Q	
Japan	39.8	(77.4%)	**14.7**	(18.5%)
South East Asia	7.2	(14.2%)	**3.4**	(4.3%)
Oceania	0.4	(0.9%)	**0.0**	(0.0%)
Africa	0.3	(0.7%)	**2.2**	(2.8%)
Middle East	2.2	(4.3%)	**38.1**	(47.7%)
Europe & CIS	0.3	(0.6%)	**△ 1.7**	(△2.1%)
North America & Others	0.9	(1.9%)	**22.9**	(28.8%)
Total	51.4	(100.0%)	**79.9**	(100.0%)

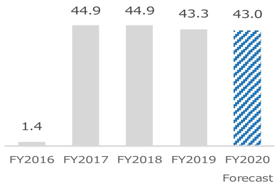
Reference（Historical data chart）

【Unit: Billions of Yen】

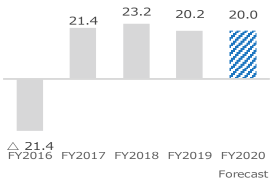
Net sales



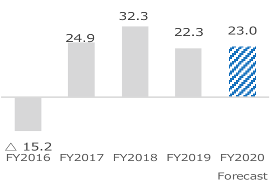
Gross profit



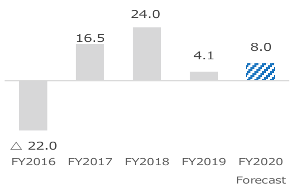
Operating income



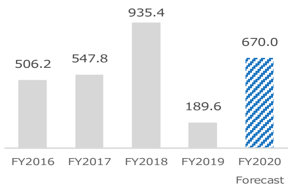
Ordinary income



Profit attributable to owners of the parent



New Contracts



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