Translation

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Outline of 3rd Quarter Financial Results for Fiscal Year 2020

April 1, 2020 – December 31, 2020

Feb 12, 2021
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 financial results for the period of nine months ended in December 2020; in other words, the Third Quarter of Fiscal Year 2020, which ends in March 2021.

Contents

1. Highlights of Fiscal Year 2020 3Q

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- Steady progress made in ongoing projects despite the impact of COVID-19
- Profit recorded at each stage in line with the full-year forecast
- Secured over 80% of the full-year target for new orders
- A strong financial base maintained

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

Although we are facing various restrictions due to the spread of COVID-19, we are making steady progress with various measures in our ongoing projects.

In terms of business performance, we are generally making steady progress toward the earnings forecast for the full year announced at the beginning of the fiscal year.

We had secured more than 80% of the full-year target for orders by the third quarter and will continue to make efforts to achieve the target.

We have maintained a robust financial base and all projects are well funded.

2. Income and Comprehensive Income

【Unit: Billions of Yen】

	FY2019 3Q	FY2020 3Q	Difference	Forecast
Net sales	342.2	**304.9**	△ 37.3	480.0
Gross profit	29.8	**32.7**	+2.8	43.0
Profit ratio	8.7%	**10.7%**	+2.0pt	9.0%
Operating income	13.4	**17.3**	+3.8	20.0
Ordinary income	18.3	**18.5**	+0.1	23.0
Profit attributable to owners of the parent	4.7	**6.9**	+2.2	8.0
Profit	4.8	**7.0**	+2.1	
Other comprehensive income	△ 2.6	**14.3**	+17.0	
Comprehensive income	2.2	**21.3**	+19.1	

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

Sales decreased and profit increased from the same quarter of the previous fiscal year.

Net sales was 304.9 billion yen, which was 37.3 billion yen less than in the same period of the previous fiscal year.

Gross profit rose 2.8 billion yen to 32.7 billion yen.

Gross profit ratio improved by 2 points to 10.7%. It is also exceeding the earnings forecast for the full year due to the improved profitability of ongoing projects.

Operating income rose 3.8 billion yen to 17.3 billion yen.

Ordinary income rose 100 million yen to 18.5 billion yen.

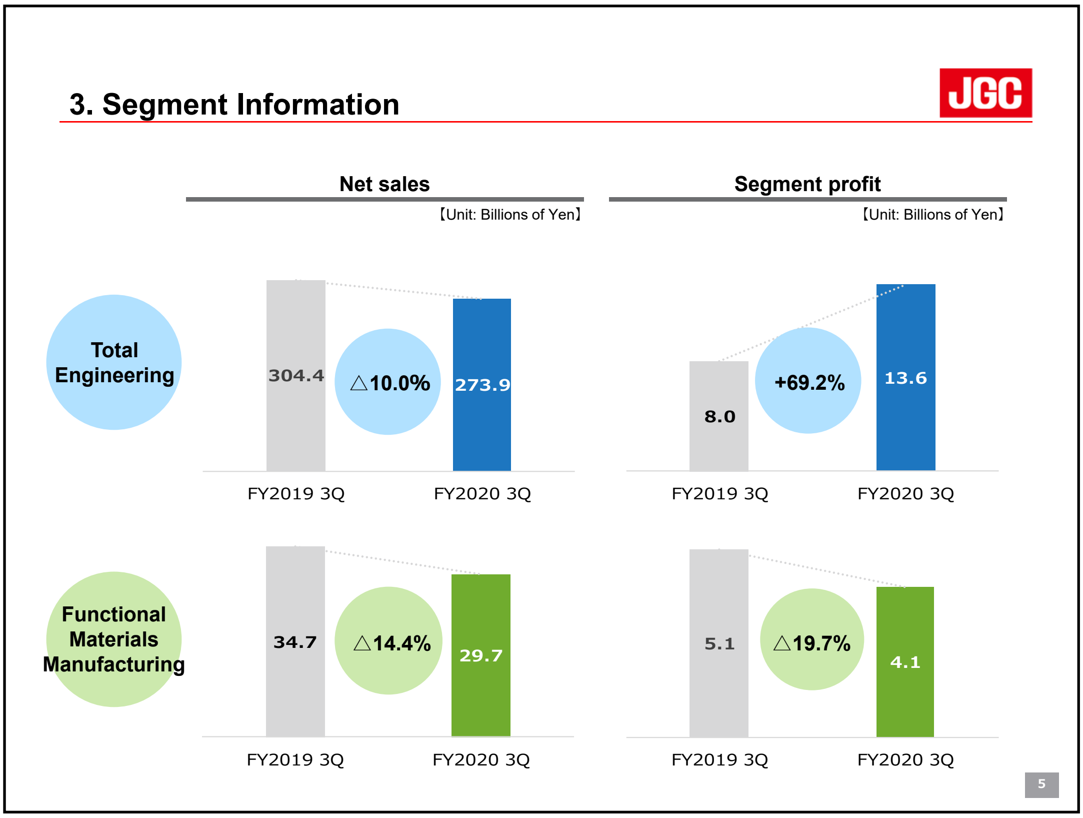
Profit attributable to owners of the parent increased by 2.2 billion yen to 6.9 billion yen.

In non-operating income, there was a decrease in equity in earnings of affiliates, and in extraordinary income, there was a gain on the sale of cross-shareholdings.

The rate of progress toward the earnings forecast for the full year remained 63%

for net sales. This is due to the continued impact of the spread of COVID-19, resulting in a lack of significant improvement in the progress of construction even in the third quarter, as well as lower-than-expected sales at overseas subsidiaries.

On the other hand, each stage of profit is progressing at around 80%, which is generally favorable.



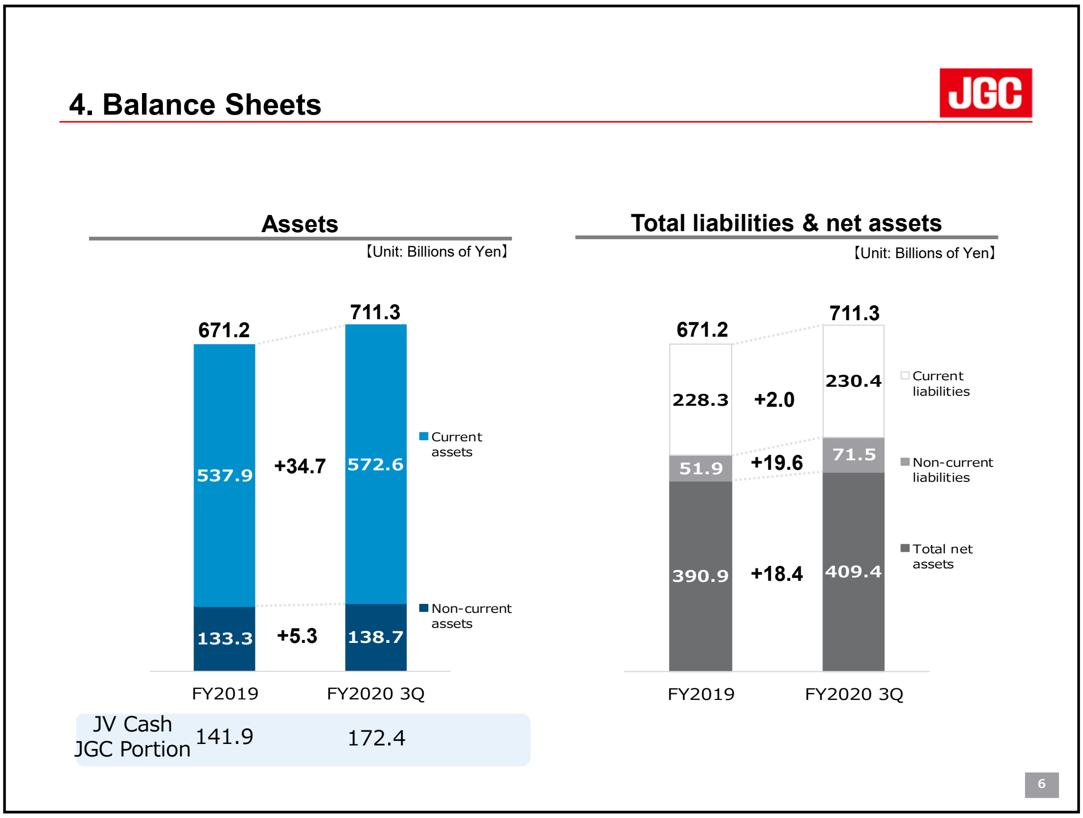
Next is the segment information.

In the Total Engineering segment, while net sales decreased by 10% compared to the same period of the previous fiscal year, to 273.9 billion yen, segment profit increased by 69.2% to 13.6 billion yen partly because of a decrease in the number of unprofitable projects.

Major projects included in the net sales figure are the overseas projects of LNG Canada and chemical project in Thailand, and domestic chemical projects.

In the Functional Materials Manufacturing segment, sales and profits decreased due to a drop in demand caused by the impact of COVID-19.

Net sales fell 14.4% compared to the same period of the previous fiscal year, to 29.7 billion yen, and segment profit declined 19.7% to 4.1 billion yen.



Next are the consolidated balance sheets.

Total assets increased by 40.1 billion yen to 711.3 billion yen compared to the end of the previous fiscal year.

Current assets increased by 34.7 billion yen due to factors including an increase in cash and deposits.

The Company’s share of cash and deposits of joint ventures not reported on the balance sheet is 172.4 billion yen.

On the liabilities and net assets side, non-current liabilities increased due to the issuance of straight bonds in the amount of 20 billion yen.

The increase of 18.4 billion yen in net assets is attributable to factors including the posting of profits and an increase in foreign currency translation adjustments.

The shareholders equity ratio was 57.5%.

5. Outline of Contracts

ⅰ）New Contracts

【Unit: Billions of Yen】

	FY2020 3Q	FY2020 Forecast
Overseas	473.7	540.0
Domestic	86.8	130.0
Total	560.6	670.0

The next topic deals with new contracts.

Orders received for the period of 9 months ended in December 2020 totaled 560.6 billion yen, comprising 473.7 billion of overseas projects, and 86.8 billion yen of domestic projects.

In the overseas, we received an order for a Refinery Upgrading Project in Iraq in the second quarter, and although there were no subsequent large-scale projects, we received FEED contracts for gas and petrochemical-related projects.

In Japan, we received an order for a large-scale biomass power plant in the third quarter.

We are struggling due to the postponement of large-scale projects in the overseas infrastructure field, however in Japan, some projects are expected to be secured in the fourth quarter. We will continue to strive to achieve our forecasts and targets for the full year.

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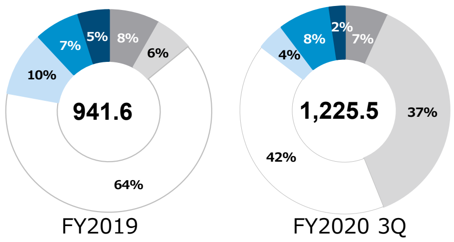
ⅱ) Outstanding Contracts

By Business Area

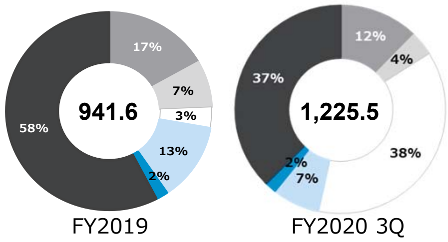
【Unit: Billions of Yen】



	FY2019	FY2020 3Q
Oil & Gas development	76.2	**83.3**
Petroleum refining	55.1	**455.0**
LNG	602.2	**509.4**
Chemical	96.4	**52.2**
Power generation, nuclear power	66.8	**97.6**
Others	44.6	**27.9**

By Region

【Unit: Billions of Yen】



	FY2019	FY2020 3Q
Japan	158.0	**150.3**
South East Asia	70.8	**45.1**
Middle East	32.6	**459.4**
Africa	119.6	**89.3**
Oceania	18.1	**21.4**
North America & Others	542.2	**459.7**

FY2020 3Q Major Contracts	Over 100 Billion Yen	Over 50 Billion Yen	Over 30 Billion Yen
	LNG（Canada） Oil Refinery Modernization（Iraq）		FLNG（Mozambique） Gas Separation Plant (Saudi Arabia) Biomass Power Generation (Japan)

Next, we refer to our outstanding contracts.

The order backlog as of the end of December 2020 was 1,225.5 billion yen.

By business area, LNG-related orders accounted for 42%, and petroleum refining-related orders accounted for 37%.

In terms of region, the Middle East accounted for 38%, and North America & Others accounted for 37%.

The major contracts were LNG Canada, Refinery Upgrading Project in Iraq, FLNG Project in Mozambique, Gas Separation Project in Saudi Arabia, and Biomass Power Generation Project in Japan awarded in the third quarter.

6. Forecasts for Fiscal Year 2020

【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$)	¥105.00

Lastly, for the full-year forecast, there is no change from that announced previously.

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

Looking back at the situation after the third quarter, with the reemergence of COVID-19, the business environment has not yet recovered.

In this situation, we are working on projects on hand while responding to various constraints such as regulations in various countries as well as measures to prevent the spread of infection.

As a result, the Total Engineering segment has not seen the significant recovery in sales in the latter half of the fiscal year as we had expected.

In the Functional Materials Manufacturing segment, although there are signs of a recovery in demand in some areas of the Fine Chemicals sector, overall sales conditions remain sluggish.

Considering these circumstances, it remains uncertain whether sales will reach the full-year forecast.

Meanwhile, in terms of profits, profitability has improved in the Total Engineering segment due to factors including a decrease in risks by steady progress in domestic and overseas projects. In addition, due in part to the effects of cost reduction efforts, we can claim steady progress toward our full-year forecast as of the end of the third quarter.

Risks in the fourth quarter include the further impact of COVID-19 on ongoing projects, the trend of negotiations with clients on cost sharing, as well as the valuation of business assets such as the oil and gas production business in North America, and we will continue to closely monitor these risks.

The exchange rate used for this forecast is 105 yen to the US dollar.

For reference, the effect caused by exchange rate fluctuations per yen is around 2 billion yen for sales, 100 million yen for gross profit, and 300 million yen for ordinary income.

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

Appendix

Reference（Forecasts for Fiscal Year 2020 by segment）

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【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 3Q		FY2020 3Q	
Japan	126.1	(36.9%)	**114.6**	(37.6%)
South East Asia	43.7	(12.8%)	**35.4**	(11.6%)
Oceania	6.8	(2.0%)	**0.3**	(0.1%)
Africa	54.4	(15.9%)	**29.3**	(9.6%)
Middle East	38.1	(11.1%)	**22.8**	(7.5%)
Europe & CIS	5.7	(1.7%)	**0.3**	(0.1%)
North America & Others	67.0	(19.6%)	**101.9**	(33.5%)
Total	342.2	(100.0%)	**304.9**	(100.0%)

New Contracts

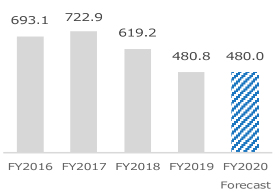
【Unit: Billions of Yen】

	FY2019 3Q		FY2020 3Q	
Japan	89.2	(70.0%)	**86.8**	(15.5%)
South East Asia	15.8	(12.5%)	**8.0**	(1.4%)
Oceania	0.9	(0.7%)	**0.2**	(0.1%)
Africa	5.9	(4.7%)	**1.9**	(0.3%)
Middle East	5.0	(4.0%)	**450.1**	(80.3%)
Europe & CIS	3.9	(3.1%)	**0.5**	(0.1%)
North America & Others	6.5	(5.0%)	**12.7**	(2.3%)
Total	127.5	(100.0%)	**560.6**	(100.0%)

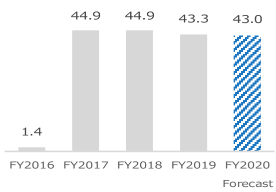
Reference（Historical data chart）

【Unit: Billions of Yen】

Net sales



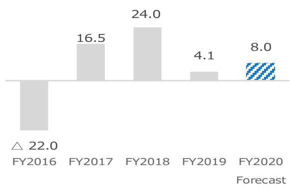
Gross profit



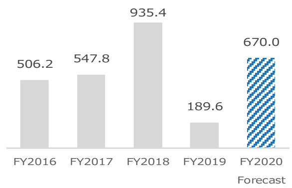
Operating income

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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