

Translation

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## **Outline of 2nd Quarter Financial Results for Fiscal Year 2020**

April 1, 2020 – September 30, 2020

Nov 10, 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 financial results for the period of six months ended in September 2020, in other words, second quarter of fiscal year 2020, which ends in March 2021.

- 1. Highlights of Fiscal Year 2020 2Q**
- 2. Income and Comprehensive Income**
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- 7. Forecasts for Fiscal Year 2020**

## 1. Highlights of Fiscal Year 2020 2Q



- Operating results in line with the full-year forecast. Higher profit ratio due to improvements in Total Engineering segment profitability.
- Unchanged outlook concerning the impact of COVID-19 on construction profitability.
- A strong financial base maintained.
- Award of a new contract for an Oil Refinery Modernization Project in Iraq.

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

The second quarter results shows a good progress in accordance with the forecast, and we have maintained our earnings forecast for the full year. The second quarter gross margin ratio was higher than anticipated, reflecting improvement in the profitability of both domestic and overseas projects.

There has been no additional impact of COVID-19 on profitability as construction works in the ongoing projects have been progressing with measures put in place to prevent infection.

In terms of financial stability, we have maintained a robust financial base to be able to respond to possible deterioration in the business environment amid growing uncertainties in the economic situation.

We booked significant amount of inbound order for the refinery project in Iraq.

## 2. Income and Comprehensive Income



[Unit: Billions of Yen]

	FY2019 2Q	FY2020 2Q	Difference	Forecast
Net sales	218.3	<b>199.4</b>	△ 18.9	480.0
Gross profit	18.0	<b>21.5</b>	+3.5	43.0
Profit ratio	8.3%	<b>10.8%</b>	+2.5pt	9.0%
Operating income	7.2	<b>11.5</b>	+4.3	20.0
Ordinary income	10.3	<b>11.9</b>	+1.5	23.0
Profit attributable to owners of the parent	4.4	<b>3.9</b>	△ 0.5	8.0
Profit	4.5	<b>3.9</b>	△ 0.5	
Other comprehensive income	△ 8.0	<b>11.1</b>	+19.1	
Comprehensive income	△ 3.4	<b>15.1</b>	+18.5	

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

Overall, our performance is in line with initial forecasts.

Net sales was 199.4 billion yen, which was 18.9 billion yen less than in the same quarter of the previous fiscal year.

Gross profit rose 3.5 billion yen to 21.5 billion yen.

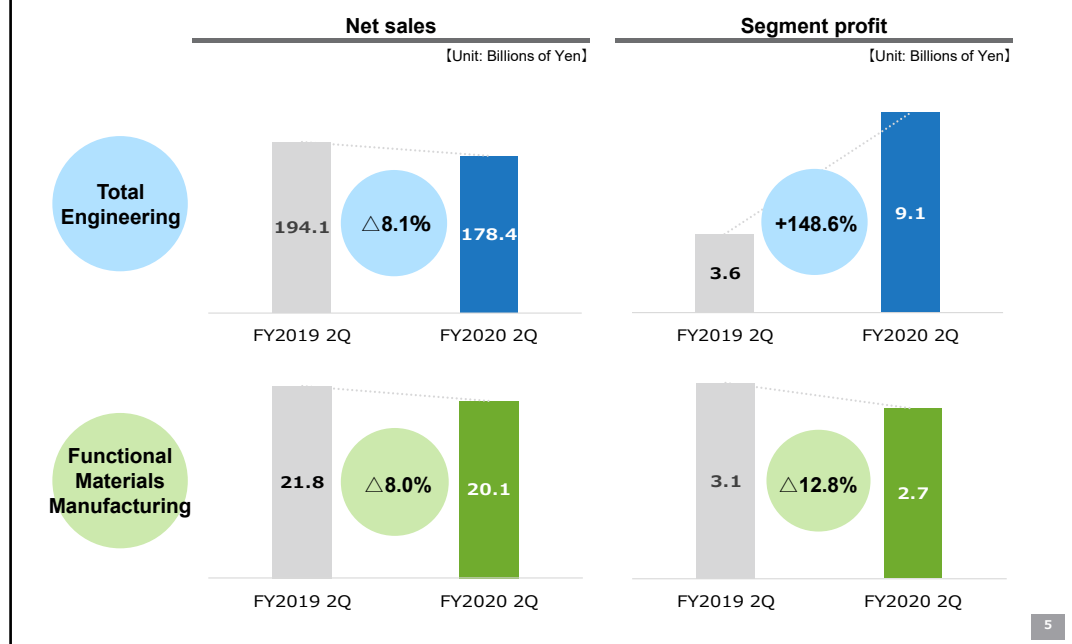
Gross profit ratio improved by 2.5 points to 10.8%. Profitability in the Total Engineering segment improved due in part to the completion of unprofitable projects. In fact, the second quarter saw gross profit ratio exceeding full-year forecast as a result of such factors as profitability improvement in domestic and overseas projects.

Operating income rose 4.3 billion yen to 11.5 billion yen.

Ordinary income rose 1.5 billion yen to 11.9 billion yen.

Profit attributable to owners of the parent decreased by 500 million yen to 3.9 billion yen.

### 3. Segment Information



Next is the segment information.

In the Total Engineering segment, while net sales decreased by 8.1% compared to the same period of the previous fiscal year, to 178.4 billion yen, segment profit increased to 9.1 billion yen. The profit increase reflects largely full contribution of sales from the LNG Canada project, as well as improvement in profitability with a number of domestic projects reaching their final stages of construction with steady progress.

Major projects included in the net sales figure are the overseas projects of LNG Canada and gas booster in Algeria, and domestic chemical projects.

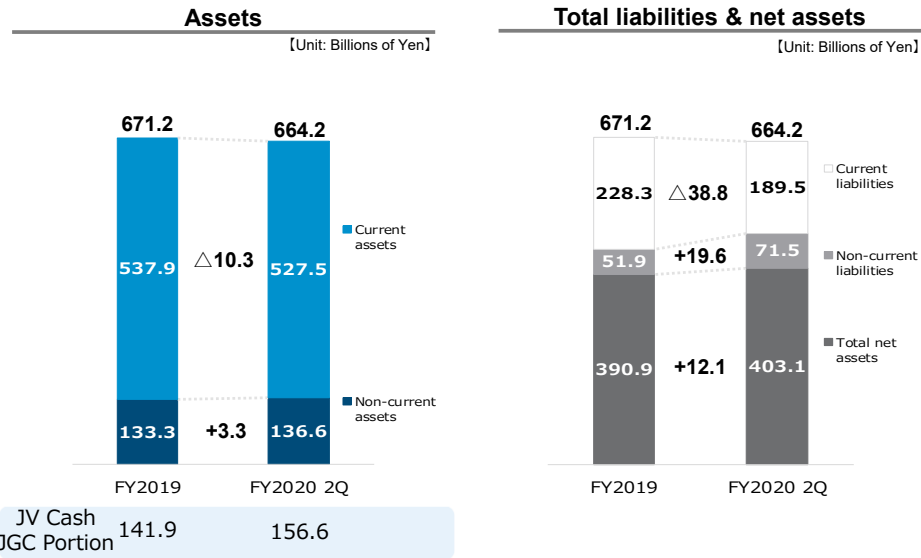
With respect to additional costs resulting from extension of construction schedule for some projects due to the spread of COVID-19, there were no further additional costs to note in the second quarter.

For Functional Materials Manufacturing segment, net sales fell 8.0% compared to the same period of the previous fiscal year to 20.1 billion yen, and segment profit declined 12.8% to 2.7 billion yen.

The halt in activities in the economy overall caused by COVID-19 has affected both catalysts and fine chemical products, leading to lower demand and resulting in lower sales and profit.

The achievement rate of net sales against the forecast for the fiscal year was 41% in the Total Engineering segment and 48% in the Functional Materials Manufacturing segment.

## 4. Balance Sheets



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Next are the consolidated balance sheets.

Total assets were 664.2 billion yen, which was almost the same compared to the end of the previous fiscal year. Current assets decreased by 10.3 billion yen, primarily due to a decrease in accounts receivable from completed construction contracts, including distribution from joint ventures.

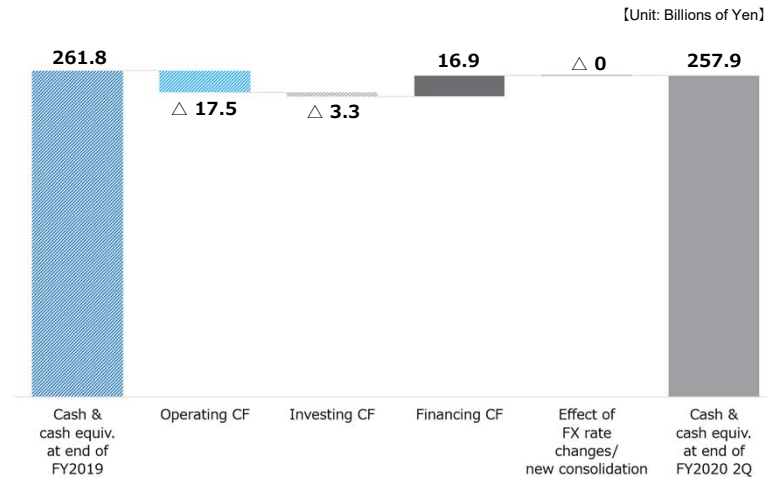
On the liabilities and net assets side, current liabilities decreased by 38.8 billion yen, due to decreases in accounts payable for construction contracts and advances received on uncompleted construction contracts affected by the progress of projects in the final stages.

The increase of 19.6 billion yen in non-current liabilities is attributable to the issuance of bonds payable in the amount of 20 billion yen. It was applied to the repayment of the previously issued bond in October.

Net assets increased by 12.1 billion yen, due largely to increase in foreign currency translation adjustment.

The shareholders equity ratio was 60%.

## 5. Cash Flows



Next are the consolidated statements of cash flows.

Cash and cash equivalents were more or less unchanged from the previous fiscal year-end, at 257.9 billion yen. Cash flows from operating activities was negative 17.5 billion yen, due to settlement of accounts payable for construction contracts of projects in their final stages.

Cash flow from financing activities was positive due to bonds payable issuance.



## 6. Outline of Contracts



### i ) New Contracts

[Unit: Billions of Yen]

	FY2020 2Q	FY2020 Forecast
Overseas	468.8	540.0
Domestic	29.3	130.0
Total	498.1	670.0

The next topic deals with new contracts.

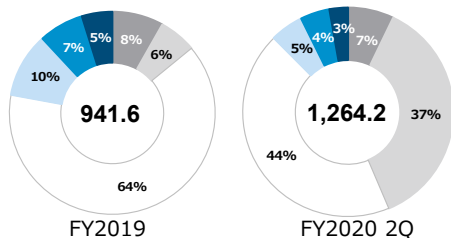
Orders received totaled 498.1 billion yen, comprising 468.8 billion of overseas projects such as the Refinery Upgrading Project in Iraq, and 29.3 billion yen of domestic projects.

With expectations for new large-scale contracts to be secured in the latter half of the fiscal year, both in Japan and overseas, we have maintained our full-year forecast of 670 billion yen.

## ii) Outstanding Contracts

### By Business Area

[Unit: Billions of Yen]

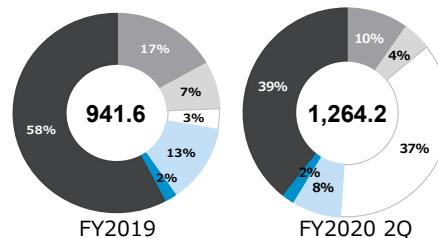


	FY2019	FY2020 2Q
Oil & Gas development	76.2	<b>89.7</b>
Petroleum refining	55.1	<b>461.9</b>
LNG	602.2	<b>555.5</b>
Chemical	96.4	<b>64.5</b>
Power generation, nuclear power	66.8	<b>57.1</b>
Others	44.6	<b>35.3</b>

	FY2019	FY2020 2Q
Over 100 Billion Yen		
LNG (Canada)		
Oil Refinery Modernization (Iraq)		
Over 50 Billion Yen		
FLNG (Mozambique)		
Over 30 Billion Yen		
Gas Separation Plant (Saudi Arabia)		
Chemicals (Thailand)		

### By Region

[Unit: Billions of Yen]



	FY2019	FY2020 2Q
Japan	158.0	<b>123.6</b>
South East Asia	70.8	<b>55.7</b>
Middle East	32.6	<b>465.3</b>
Africa	119.6	<b>98.1</b>
Oceania	18.1	<b>24.9</b>
North America & Others	542.2	<b>496.3</b>

Next, we refer to our outstanding contracts.

The order backlog as of the end of September 2020 was 1,264.2 billion yen.

By business area, LNG-related orders accounted for 44%, falling below one half of the total, and petroleum refining-related orders accounted for 37%.

In terms of region, North America & Others accounted for 39%, and Middle East accounted for 37%.

The major contracts were LNG Canada and Refinery Upgrading Project in Iraq, both exceeding 100 billion yen.

## 7. 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

※Revised from ¥107.00

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Lastly, the full-year forecast.

There is no change from the forecast announced at the beginning of the fiscal year.

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.

In the Total Engineering segment, although sales for the period up to the second quarter stayed at 41% of the forecast, larger amount of sales is expected towards the fiscal year-end on domestic projects and some other projects, due to be completed in the latter half of the fiscal year. In the Functional Materials Manufacturing segment, sales reached 48% despite the impact of decrease in catalyst-related demand. We believe that steady progress is made to achieve our full-year forecast.

For this report, exchange rate assumption has been revised to 105 yen from 107 yen to the US dollar. For reference, the effect caused by exchange rate fluctuations per yen is around 2.5 billion yen for sales, 200 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 Second 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)



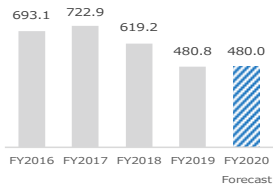
Net sales				New Contracts			
[Unit: Billions of Yen]				[Unit: Billions of Yen]			
	FY2019 2Q		FY2020 2Q		FY2019 2Q		FY2020 2Q
Japan	82.2 (37.7%)		<b>78.0</b> (39.1%)	Japan	55.1 (72.4%)		<b>29.3</b> (5.9%)
South East Asia	29.6 (13.6%)		<b>21.1</b> (10.6%)	South East Asia	12.6 (16.7%)		<b>5.2</b> (1.0%)
Oceania	6.3 (2.9%)		<b>0.9</b> (0.5%)	Oceania	0.7 (1.0%)		<b>0.1</b> (0.0%)
Africa	35.6 (16.3%)		<b>20.5</b> (10.3%)	Africa	0.3 (0.4%)		<b>1.5</b> (0.3%)
Middle East	25.5 (11.7%)		<b>15.6</b> (7.9%)	Middle East	4.1 (5.5%)		<b>448.3</b> (90.0%)
Europe & CIS	1.5 (0.7%)		$\Delta$ <b>0.1</b> ( $\Delta$ 0.1%)	Europe & CIS	0.5 (0.7%)		$\Delta$ <b>1.7</b> ( $\Delta$ 0.3%)
North America & Others	37.3 (17.1%)		<b>63.2</b> (31.7%)	North America & Others	2.4 (3.3%)		<b>15.3</b> (3.1%)
Total	218.3 (100.0%)		<b>199.4</b> (100.0%)	Total	76.0 (100.0%)		<b>498.1</b> (100.0%)

## Reference (Historical data chart)

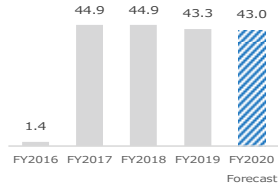


[Unit: Billions of Yen]

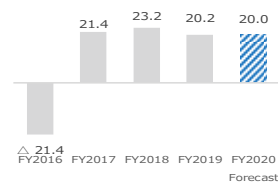
### Net sales



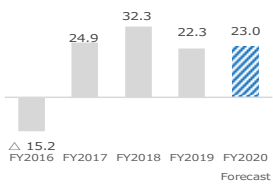
### Gross profit



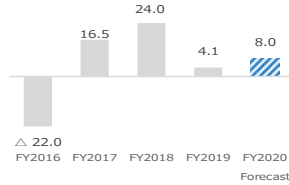
### Operating income



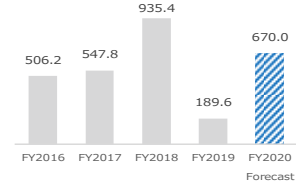
### Ordinary income



### Profit attributable to owners of the parent



### New Contracts





## **Cautionary Statement**



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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.

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

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