

Translation



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Outline of Half Year Financial Results for Fiscal Year 2021

April 1, 2021 – September 30, 2021

Enhancing planetary health

November 11, 2021

JGC HOLDINGS CORPORATION

My name is Shinichi 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 2021, in other words, the first half of fiscal year 2021, which ends in March 2021.

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1. Highlights of Fiscal Year 2021 1H

- Raising profit ratio in Total Engineering segment due to steady execution in both domestic and overseas projects
- Higher sales and profit in Functional Materials Manufacturing segment benefitted from demand recovery
- Final settlement of the dispute with the client concerning the Ichthys LNG project

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

In the Total Engineering segment, profitability improved for several projects due to steady execution, and the profit margin was higher than initial forecasts.

In the Functional Materials Manufacturing segment, demand continued to recover, primarily in the fine chemicals area, and sales and income are on a clear upward trajectory.

In negotiations with the client on the Ichthys LNG project, we recently reached a settlement through a final agreement, and were able to reach a resolution that was within the scope of the extraordinary loss posted in the first quarter.

2. Income Statement

[Unit: Billions of Yen]

	FY2020 1H	FY2021 1H	Difference
Net sales	199.4	217.9	+18.5
Gross profit	21.5	20.8	△ 0.7
Profit ratio	10.8%	9.6%	△ 1.2pt
Operating profit	11.5	10.3	△ 1.1
Ordinary income	11.9	12.6	+0.6
Profit/loss attributable to owners of parent	3.9	△ 48.4	△ 52.4

We now move to the Statement of Income.

Net sales rose 18.5 billion yen over the same period of the previous fiscal year to 217.9 billion yen.

Gross profit decreased 700 million yen to 20.8 billion yen.

Operating profit fell 1.1 billion yen to 10.3 billion yen.

Income declined due to a substantial one-off increase in income in the same period in the previous year, but the gross profit margin stood at 9.6%, above the initial forecast of 8.1%.

Ordinary income rose 600 million yen over the previous year to 12.6 billion yen.

Income increased due to a rise in share of profit of entities accounted for using equity method and a decrease in foreign exchange losses attributable to a weaker yen.

Net losses attributable to owners of the parent totaled 48.4 billion yen.

The posting of an extraordinary loss to cover losses related to the Ichthys LNG project resulted in a bottom-line loss.

3. Segment Information

[Unit: Billions of Yen]

		FY2020 1H	FY2021 1H	Difference	
Total Engineering	Net sales	178.4	195.6	+17.1	+10%
	Segment profit	9.1	7.1	△ 1.9	△ 22%
Functional Materials Manufacturing	Net sales	20.1	21.4	+1.2	+6%
	Segment profit	2.7	3.7	+1.0	+39%
Others (Including adjustments)	Net sales	0.8	0.8	+0.0	+4%
	Segment profit	△ 0.3	△ 0.5	△ 0.2	-
Total (Consolidated)	Net sales	199.4	217.9	+18.5	+9%
	Segment profit	11.5	10.3	△ 1.1	△ 10%

Next, I will discuss segment information.

In the Total Engineering segment, we made steady progress with projects in hand. Net sales increased 17.1 billion yen over the previous year to 195.6 billion yen.

Segment profit was down 1.9 billion yen to 7.1 billion yen.

The major projects were an LNG project in Canada, a floating LNG project in Mozambique, a refinery upgrading project in Iraq, and a biomass power plant in Japan, among others.

In the Functional Materials Manufacturing segment, sales and income increased due to a recovery in demand.

Net sales rose 1.2 billion yen over the same period in the previous year to 21.4 billion yen.

Segment profit was up 1.0 billion yen to 3.7 billion yen.

Results for Others are as shown.

4. Balance Sheets

	FY2020	FY2021 1H	Difference
Current assets	548.3	496.4	△ 51.9
Non-current assets	154.1	154.6	+0.4
Total assets	702.5	651.0	△ 51.4

	FY2020	FY2021 1H	Difference
Current liabilities	197.0	204.8	+7.8
Non-current liabilities	87.8	81.5	△ 6.3
Total net assets	417.6	364.6	△ 52.9

JV Cash JGC Portion	197.0	202.6	+5.5
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Next are the consolidated balance sheets.

Total assets declined 51.4 billion yen since the start of the fiscal year to 651.0 billion yen.

The provision posted in the first quarter was liquidated as a result of the final resolution reached in negotiations with the client on the Ichthys LNG project. Due to the posting of a final loss resulting from the posting of an extraordinary loss on the Ichthys LNG project, net assets were down compared with the end of the previous fiscal year.

The shareholders' equity ratio was 55.9%, indicating that financial conditions are solid.

The Balance of our share of cash in joint ventures, which is not posted on the balance sheet, was 202.6 billion yen.

5. Cash Flows

[Unit: Billions of Yen]

	FY2020 1H	FY2021 1H	Difference
Cash flows from operating activities	△ 17.5	△ 4.8	+12.7
Cash flows from investing activities	△ 3.3	△ 3.9	△ 0.5
Cash flows from financing activities	16.9	△ 0.9	△ 17.8
Net increase (decrease) in cash and cash equivalents	△ 3.9	△ 9.1	△ 5.1
Cash and cash equivalents at end of period	257.9	259.1	+1.2

Next, I will discuss cash flow.

The balance of cash and cash equivalents is down 9.1 billion yen from the beginning of the fiscal year to 259.1 billion yen.

Cash used in operating activities amounted to 4.8 billion yen. This negative cash flow is primarily due to payments from advances received in previous fiscal year as a result of progress made with construction in the Total Engineering segment.

Cash used in investing activities was 3.9 billion yen due to investments in corporate venture capital, capital investments related to the Functional Materials Manufacturing segment, and DX-related investment.

Cash used in financing activities was 900 million yen due to dividend payments and others.

6. Outline of Contracts

i) New Contracts

[Unit: Billions of Yen]

	FY2020 1H	FY2021 1H	FY2021 Forecast
Overseas	468.8	13.4	340.0
Domestic	29.3	110.4	160.0
Total	498.1	123.9	500.0

The next topic deals with new contracts.

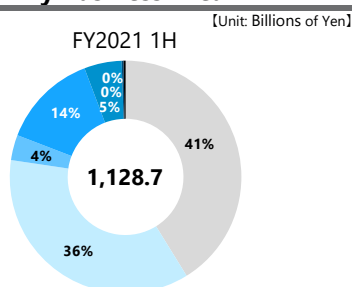
We forecasted 500 billion yen in new contracts for the full year, and have reached 123.9 billion yen in new contracts.

For overseas, clients' investment decisions on a large-scale anticipated project are expected later in the fiscal year, and new contracts only amount to 13.4 billion yen.

In Japan, orders were strong, with approximately 70% of the full-year forecast of 110.4 billion yen achieved. Major project include construction of a pharmaceutical plant.

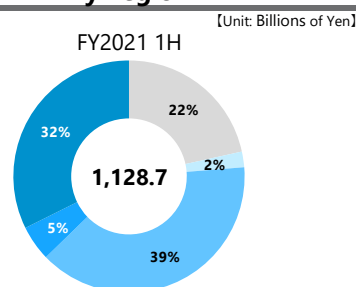
ii) Outstanding Contracts

By Business Area



Energy Transition	
Oil and gas	464.6
LNG	408.0
Chemical	39.5
Clean energy & Others	151.2
Healthcare & Life sciences	59.1
Industrial & Urban infrastructure & Others	2.8
Others' business	3.2

By Region



Japan	243.3
Asia	24.6
Middle East	440.3
Africa	55.6
Americas & Others	364.7

FY2021 1H Major Outstanding Contracts	Over 100 Billion Yen	Over 50 Billion Yen	Over 30 Billion Yen
	LNG (Canada) Oil Refinery Modernization (Iraq)	Biomass Power Generation (Japan)	Gas Separation Plant (Saudi Arabia) Biomass Power Generation (Japan) FLNG (Mozambique) Pharmaceutical Plant (Japan)

Next, we refer to our outstanding contracts.

The order backlog as of the end of September 2021 was 1,128.7 billion yen, down slightly since the end of the previous fiscal year.

By business area, orders related to oil and gas accounted for 41% and those related to LNG accounted for 36%.

By region, the orders backlog increased to 22% in Japan, but decreased to 32% in the Americas and other, where sales achieved.

7. Forecasts for Fiscal Year 2021

The full-year forecast was revised.

[Unit: Billions of Yen]

	Forecast (Original)	Forecast (Revised)	Difference	
New contracts	500.0	500.0	-	-
Net sales	470.0	470.0	-	-
Gross profit	38.0	42.0	+4.0	+11%
Profit ratio	8.1%	8.9%	+0.8pt	
Operating profit	16.0	20.0	+4.0	+25%
Ordinary income	19.0	24.0	+5.0	+26%
Profit/loss attributable to owners of parent	△ 46.0	△ 42.0	+4.0	-
Annual dividend per share	¥15.00	¥15.00	-	
Forecasts based on (¥/US\$)	¥110.00	¥113.00	+¥3.00	

In closing, I will discuss the forecasts for fiscal 2021.

We have raised our forecasts for income due to higher-than-expected income in the first half in the Total Engineering segment, and the trend for higher income due to a recovery in demand in the Functional Materials Manufacturing segment. There has been no change to our forecasts for new orders, net sales, and dividends.

An exchange rate of 113 yen to US\$1 has been used in these forecasts. We expect the impact of each 1 yen fluctuation in the exchange rate to be 3.0 billion yen for sales, 300 million yen for gross profit, and 400 million yen for ordinary income.

This concludes my overview of our financial results.

Appendix

Reference (Forecasts for Fiscal Year 2021 by Segment)

The forecast by segment was revised.

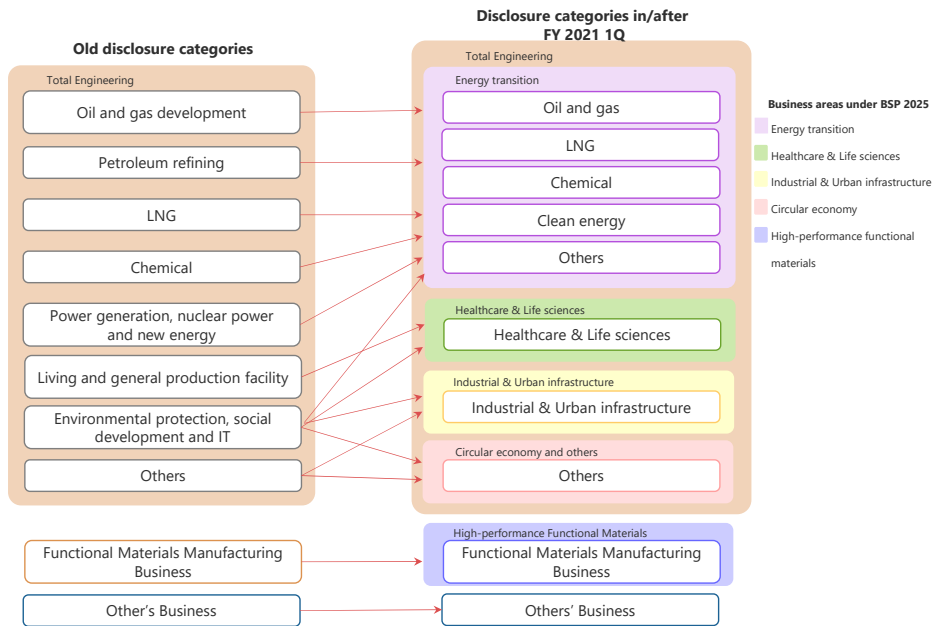
Forecast (Original)		[Unit: Billions of Yen]	
	Total Engineering	Functional Materials	Others
Net sales	424.0	40.0	6.0
Segment profit	11.0	5.0	0.0
Profit ratio	2.6%	12.5%	0.0%

Forecast (Revised)		[Unit: Billions of Yen]	
	Total Engineering	Functional Materials	Others
Net sales	421.0	43.0	6.0
Segment profit	13.0	6.6	0.4
Profit ratio	3.1%	15.3%	6.7%

Reference (Net sales & New Contracts by Region)

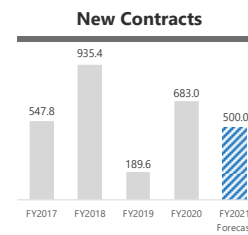
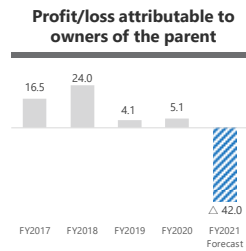
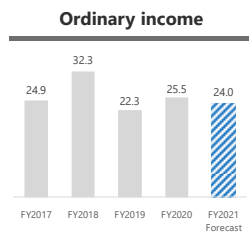
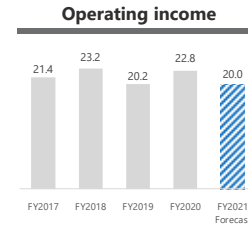
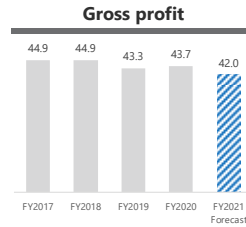
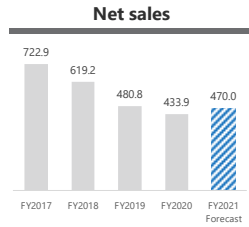
Net sales				New contracts					
	[Unit: Billions of Yen]				[Unit: Billions of Yen]				
	FY2020 1H		FY2021 1H		FY2020 1H		FY2021 1H		
Japan	78.0	(39.1%)	71.5	(32.8%)	Japan	29.3	(5.9%)	110.4	(89.1%)
Asia	23.1	(11.6%)	20.9	(9.6%)	Asia	5.2	(1.1%)	4.8	(3.9%)
Middle East	15.6	(7.9%)	15.9	(7.3%)	Middle East	448.3	(90.0%)	0.4	(0.4%)
Africa	20.5	(10.3%)	31.7	(14.5%)	Africa	1.5	(0.3%)	0.9	(0.7%)
Americas & Others	62.0	(31.1%)	77.7	(35.8%)	Americas & Others	13.6	(2.7%)	7.2	(5.9%)
Total	199.4	(100.0%)	217.9	(100.0%)	Total	498.1	(100.0%)	123.9	(100.0%)

Reference (Change in Disclosure Information)



Reference (Historical data chart)

[Unit: Billions of Yen]



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

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