

Translation



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# Outline of Financial Results for Fiscal Year 2021

April 1, 2021 – March 31, 2022



Enhancing planetary health

May 12, 2022

**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 Fiscal Year 2021, ended in March 2022.

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## Highlights

- In FY2021, profits exceeded forecasts due to solid execution and completion of EPC projects, strong performance in the Functional Materials Manufacturing segment, and benefits from the JPY depreciation
- Cost impact anticipated from the Ukraine crisis have been factored in project budgets
- Sales and profits are expected to increase in FY2022

I will begin with the highlights.

In the fiscal year 2021, EPC projects made steady progress both in Japan and overseas, and large-scale projects were completed. The Functional Materials Manufacturing segment was also a strong performer. As a result, profit figures surpassed earnings forecasts at all stages.

There are concerns that the conflict in Ukraine will affect procurement activities in particular for long-term, large-scale projects. The risk of cost impact from escalation of material and equipment before commitment is reflected in the concerned project budget to the extent that we can predict these costs at this point.

We expect higher sales and profit in Fiscal Year 2022.

Income Statement					
	FY2020	FY2021	Difference	FY2021 Forecast	(Unit: Billions of Yen) Achievement Rate
Net sales	433.9	<b>428.4</b>	△ 5.5	470.0	91%
Gross profit	43.7	<b>45.3</b>	+1.5	42.0	108%
Profit ratio	10.1%	<b>10.6%</b>	+0.5pt	8.9%	-
Operating profit	22.8	<b>20.6</b>	△ 2.1	20.0	103%
Ordinary profit	25.5	<b>30.0</b>	+4.5	24.0	125%
Profit/loss attributable to owners of parent	5.1	<b>△ 35.5</b>	△ 40.6	△ 42.0	-

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We now move to the Income Statement.

Net sales fell 5.5 billion yen over the previous fiscal year to 428.4 billion yen, undercutting the full-year forecast by about 40 billion yen.

Gross profit rose 1.5 billion yen to 45.3 billion yen.

We had anticipated the risk that the conflict in Ukraine would have an impact on project costs in the fourth quarter, but in addition to the impact of the weak yen, we posted additional income due to the elimination of construction risks in several projects in their last stages of construction, and as result, gross profit surpassed full-year forecasts by 3.3 billion yen.

Operating profit fell 2.1 billion yen over the previous year to 20.6 billion yen. Selling, general and administrative expenses (SG&A) were up 3.7 billion yen over the previous year, which lowered profit compared to the previous year. This increase in SG&A expenses can be attributed to the posting of 3.3 billion yen in provision of allowance for doubtful accounts in the fourth quarter and other factors. Operating profit came in slightly above the full-year forecast since the rise in gross profit absorbed the increase in SG&A expenses.

Ordinary income rose 4.5 billion yen over the previous year to 30.0 billion yen.

This was due to an increase in non-operating foreign exchange gains, dividends received and the share of profit of entities accounted for using the equity method. This was 6.0 billion yen higher than the full-year forecast.

Net losses attributable to owners of the parent totaled 35.5 billion yen. This was a 6.5 billion yen improvement over the full-year forecast.

## Segment Information

【Unit: Billions of Yen】

		FY2020	FY2021	Difference	
<b>Total Engineering</b>	<b>Net sales</b>	388.5	<b>377.9</b>	△ 10.5	△ 3%
	<b>Segment profit</b>	16.8	<b>13.2</b>	△ 3.6	△ 21%
<b>Functional Materials Manufacturing</b>	<b>Net sales</b>	40.7	<b>44.2</b>	+3.5	+9%
	<b>Segment profit</b>	5.8	<b>7.2</b>	+1.4	+25%
<b>Others (Including adjustments)</b>	<b>Net sales</b>	4.6	<b>6.1</b>	+1.4	+32%
	<b>Segment profit</b>	0.2	<b>0.1</b>	△ 0.0	△ 29%
<b>Total (Consolidated)</b>	<b>Net sales</b>	433.9	<b>428.4</b>	△ 5.5	△ 1%
	<b>Segment profit</b>	22.8	<b>20.6</b>	△ 2.1	△ 10%

Next is the segment information.

In the Total Engineering segment, sales and profit were down over the previous fiscal year. Net sales fell 10.5 billion yen to 377.9 billion yen. In Japan, several long-term, large-scale projects started this fiscal year and construction was in the early stages, so the posting of sales was limited. Overseas, progress was made on large-scale projects, but fell short of initial expectations. Even though the benefit of weak yen and the posting of additional profit led to an increase in gross profit, segment profit fell 3.6 billion yen over the previous year to 13.2 billion yen due to higher SG&A expenses.

In the Functional Materials Manufacturing segment, sales and income were up over the previous fiscal year.

Net sales increased 3.5 billion yen to 44.2 billion yen and segment profit rose 1.4 billion yen to 7.2 billion yen.

Sales of petroleum refining catalysts recovered, and the sale of surplus inventory of materials led to one-off income. In fine chemicals, demand was strong, particularly for abrasives, and some area of facilities utilized their full

manufacturing capacity. In fine ceramics, orders of semiconductor manufacturing equipment-related parts increased.

Results for others are as shown here.

## Balance Sheets

	[Unit: Billions of Yen]		
	As of March 31, 2021	As of March 31, 2022	Difference
<b>Current assets</b>	548.3	<b>533.3</b>	△ 15.0
<b>Non-current assets</b>	154.1	<b>160.9</b>	+6.7
<b>Total assets</b>	702.5	<b>694.2</b>	△ 8.2
	As of March 31, 2021	As of March 31, 2022	Difference
<b>Current liabilities</b>	197.0	<b>253.8</b>	+56.7
<b>Non-current liabilities</b>	87.8	<b>52.7</b>	△ 35.0
<b>Total net assets</b>	417.6	<b>387.6</b>	△ 29.9
Off Balance Sheet JV Cash JGC Portion	197.0	<b>239.6</b>	+42.5

Next are the consolidated balance sheets.

Total assets were nearly unchanged since the start of the fiscal year, at 694.2 billion yen.

Current liabilities increased 56.7 billion to 253.8 billion yen. The increase was due to the short-term transfer of corporate bonds and advance payments on projects in Japan.

Non-current liabilities decreased due to the transfer of corporate bonds.

Net assets decreased due to the posting of a final loss, and totaled 387.6 billion yen. The shareholders' equity ratio was 55.8%.

The balance of our share of cash in joint ventures, which is not posted on the balance sheet, was 239.6 billion yen. This primarily consisted of joint venture for the LNG project in Canada.



## Cash Flows

[Unit: Billions of Yen]

	FY2020	FY2021	Difference
Cash flows from operating activities	12.4	<b>19.3</b>	+6.8
Cash flows from investing activities	△ 13.5	<b>△ 7.6</b>	+5.8
Cash flows from financing activities	0.1	<b>△ 0.1</b>	△ 0.3
Net increase (decrease) in cash and cash equivalents	4.4	<b>19.4</b>	+14.9
Cash and cash equivalents at end of period	268.2	<b>288.0</b>	+19.7

Now we move on to the cash flows.

Cash flows from operating activities were 19.3 billion yen. This positive cash flow is primarily because, although a bottom-line loss was posted this fiscal year, the extraordinary loss that caused the loss did not result in cash outflows.

Cash flows used in investing activities were 7.6 billion yen. There were no significant investments.

The balance of cash and cash equivalents at the end of the fiscal year was up 19.7 billion yen, including foreign exchange conversion, to 288.0 billion yen.

## Outline of Contracts

### i) New Contracts

[Unit: Billions of Yen]

	FY2020	FY2021	FY2021 Forecast
<b>Overseas</b>	500.9	<b>145.0</b>	340.0
<b>Domestic</b>	182.1	<b>170.8</b>	160.0
<b>Total</b>	683.0	<b>315.9</b>	500.0

FY2021  
Major New Contracts

Pharmaceutical Plant (Japan)  
Dew Point Control Unit(Saudi Arabia)  
LNG Terminal Facilities(Taiwan)

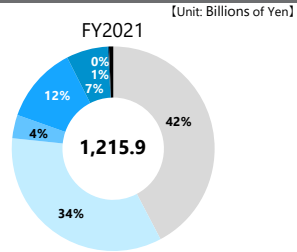
Next, I will address new contracts.

We had 145.0 billion yen in new contracts overseas and 170.8 billion yen in Japan in this fiscal year, for a total of 315.9 billion yen.

We had expected decisions on major projects at the end of the fiscal year, but the anticipated projects were delayed due to the impact of the conflict in Ukraine and other factors, and as a result, orders fell short of the 500 billion yen target.

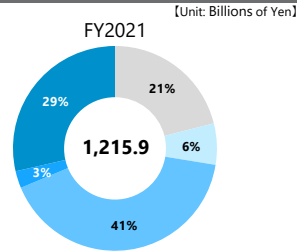
## ii) Outstanding Contracts

### By Business Area



Energy Transition	
Oil and gas	513.9
LNG	417.8
Chemical	44.9
Clean energy & Others	148.0
Healthcare & Life sciences	80.6
Industrial & Urban infrastructure & Others	2.4
Other businesses	8.0

### By Region



Japan	256.1
Asia	79.2
Middle East	500.1
Africa	32.5
Americas & Others	347.7

FY2021 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) Dew Point Control Unit(Saudi Arabia)	Gas Separation Plant (Saudi Arabia) FLNG (Mozambique) Pharmaceutical Plant (Japan) LNG Terminal Facilities(Taiwan)

Next, the order backlog as of the end of March 2022 was 1,215.9 billion yen.

By business area, orders related to oil and gas accounted for 42% and those related to LNG accounted for 34%. By region, the orders backlog was 41% for the Middle East, 29% for the Americas and 21% for Japan.

The main projects contributing to the orders backlog are the LNG project in Canada, a refinery upgrading project in Iraq, a biomass power generation project in Japan, and Dew Point Control Unit in Saudi Arabia.

## Forecasts for Fiscal Year 2022

[Unit: Billions of Yen]

	FY2021 Actual	FY2022 Forecast
New contracts	315.9	<b>840.0</b>
Net sales	428.4	<b>600.0</b>
Gross profit	45.3	<b>54.0</b>
Profit ratio	10.6%	<b>9.0%</b>
Operating profit	20.6	<b>26.0</b>
Ordinary profit	30.0	<b>30.0</b>
Profit/loss attributable to owners of parent	△ 35.5	<b>20.0</b>
Annual dividends per share	¥15.00	<b>¥24.00</b>
Forecasts based on (¥/US\$)	-	<b>¥123.00</b>

Next I will discuss the forecasts for Fiscal Year 2022.

We expect 840.0 billion yen in orders. We forecast an increase in net sales over the previous fiscal year to 600 billion yen due to progress with large projects in Canada and Iraq and projects in Japan.

We expect gross profit to be 54 billion yen due to the elimination of non-operating losses and contributions from new projects.

We forecast a 9.0% profit margin as we have reflected the risk that higher costs due to the Ukraine conflict will push down on project margin and expect the sharp rise in raw material and fuel prices to have a downward impact on the Functional Materials Manufacturing business.

We forecast 26 billion yen in operating profit.

We expect ordinary income to be unchanged over the previous fiscal year at 30 billion yen.

Profit/loss attributable to owners of parent will return to positive at 20 billion yen.

The dividend payout ratio will be 30%, and we expect to increase dividends to 24 yen per share.

An exchange rate of 123 yen to US\$1 has been used in these forecasts.

This concludes my overview of our financial results.

# Appendix

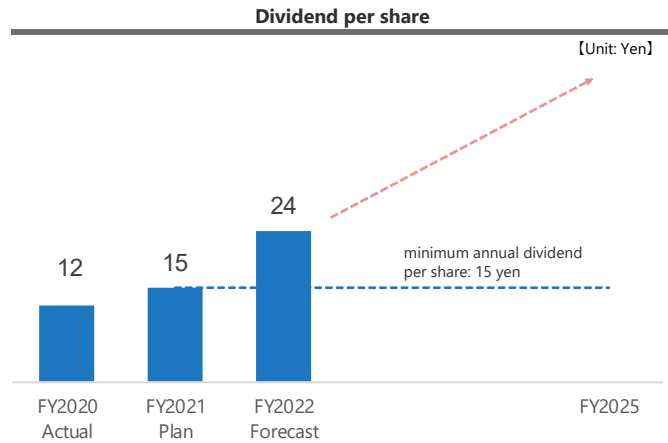
## Reference (Forecasts for Fiscal Year 2022 by Segment)

		[Unit: Billions of Yen]			
		FY2021 Actual *	FY2022 Forecast	Difference	
<b>Total Engineering</b>	<b>Net sales</b>	377.9	<b>547.0</b>	+169.0	+45%
	<b>Segment profit</b>	17.1	<b>26.1</b>	+8.9	+53%
<b>Functional Materials Manufacturing</b>	<b>Net sales</b>	44.2	<b>45.0</b>	+0.7	+2%
	<b>Segment profit</b>	7.2	<b>5.5</b>	△ 1.7	△ 25%
<b>Others</b>	<b>Net sales</b>	6.1	<b>8.0</b>	+1.8	+29%
	<b>Segment profit</b>	1.0	<b>1.4</b>	+0.3	+35%
<b>Adjustments</b>	<b>Net sales</b>	-	-	-	-
	<b>Segment profit</b>	△ 4.7	<b>△ 7.0</b>	△ 2.2	-
<b>Total (Consolidated)</b>	<b>Net sales</b>	428.4	<b>600.0</b>	+171.5	+40%
	<b>Segment profit</b>	20.6	<b>26.0</b>	+5.3	+26%

\* Holding company operating expenses were previously included in the Total Engineering segment. However, these expenses will be included in Adjustments starting FY2022 due to a change in the Group management policy. Based on this change, information on segment profits for Total Engineering and Adjustments in FY2021 have been adjusted from the GAAP disclosure content.

## Reference (Shareholders Return Policy)

- Aiming for a consolidated payout ratio of 30% per year while maintaining a minimum annual dividend per share of 15 yen
- Share buybacks will be considered where appropriate in line with our business performance forecasts and free cash flow situation

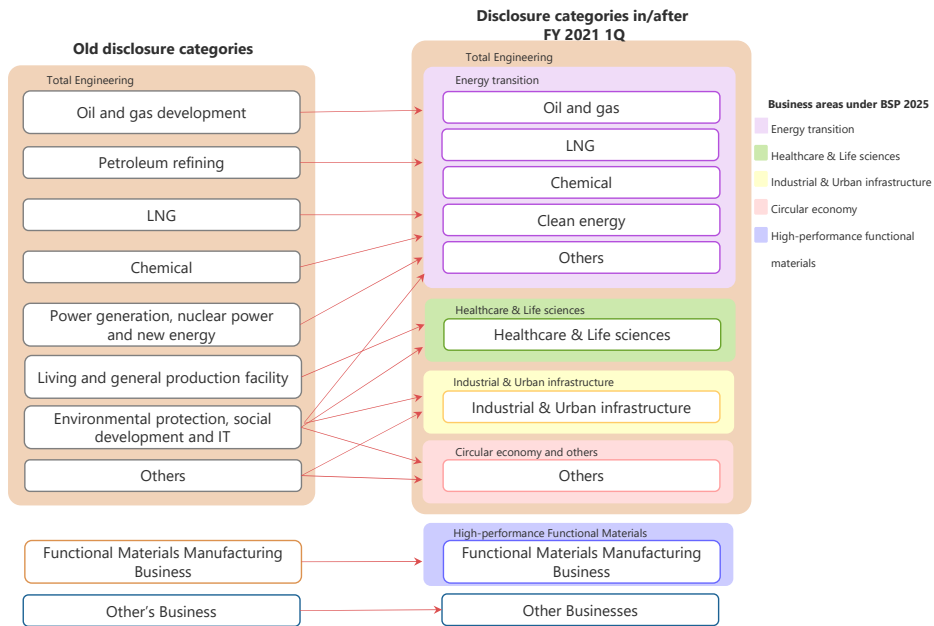




## Reference (Net sales & New Contracts by Region)

Net sales				New contracts					
	[Unit: Billions of Yen]				[Unit: Billions of Yen]				
	FY2020		FY2021		FY2020		FY2021		
<b>Japan</b>	173.9	(40.1%)	<b>137.4</b>	(32.1%)	<b>Japan</b>	182.1	(26.7%)	<b>170.8</b>	(54.1%)
<b>Asia</b>	53.3	(12.3%)	<b>40.3</b>	(9.4%)	<b>Asia</b>	9.9	(1.4%)	<b>67.9</b>	(21.5%)
<b>Middle East</b>	31.5	(7.3%)	<b>50.2</b>	(11.7%)	<b>Middle East</b>	452.1	(66.2%)	<b>63.7</b>	(20.2%)
<b>Africa</b>	48.0	(11.1%)	<b>60.1</b>	(14.0%)	<b>Africa</b>	17.3	(2.5%)	<b>2.0</b>	(0.6%)
<b>Americas &amp; Others</b>	127.1	(29.2%)	<b>140.2</b>	(32.8%)	<b>Americas &amp; Others</b>	21.5	(3.2%)	<b>11.3</b>	(3.6%)
<b>Total</b>	433.9	(100.0%)	<b>428.4</b>	(100.0%)	<b>Total</b>	683.0	(100.0%)	<b>315.9</b>	(100.0%)

## Reference (Change in Disclosure Information)



## Reference (Historical data chart)

[Unit: Billions of Yen]



## Cautionary Statement

This presentation may contain forward-looking statements that reflect JGC's plans and expectations.

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 general economic conditions, including foreign currency exchange rates, interest rates and other factors that could affect our profitability
- changes in government regulations or tax laws in jurisdictions where we conduct business

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