

Translation



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Outline of 1st Quarter

Financial Results

for Fiscal Year 2023

April 1, 2023 – June 30, 2023



Enhancing planetary health

August 9, 2023

JGC HOLDINGS CORPORATION

My name is Taguchi, and I am General Manager of the Finance Unit.

I will be giving you an outline of 1st quarter financial results for Fiscal Year 2023.

CONTENTS

- Results for Fiscal Year 2023 1Q
- Forecasts for Fiscal Year 2023
- Appendix



I will explain the results of the 1st quarter for Fiscal Year 2023 first, then follow by the forecasts for Fiscal Year 2023.



Results for Fiscal Year 2023 1Q

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Highlights

- Total engineering sales and profits increased year on year due to steady progress on major large-scale projects.
- Overseas large-scale projects expected to be awarded later half of the fiscal year. On the other hand, steadily accumulating domestic project orders.
- Full year forecast remains unchanged.

I will begin with the highlights of the 1st quarter for Fiscal Year 2023.

In Total Engineering, we made steady progress in major large-scale projects.

Net sales and profit for this segment were increased year-on-year.

Domestic orders have steadily increased. Overseas orders are being a slow start, however, we expect that large-scale projects to be awarded later half of the fiscal year.

There are no changes to our full-year earnings forecast announced in May.

Income Statement			
	1Q FY2022	1Q FY2023	Difference
			[Unit: Billions of Yen]
Net sales	118.1	179.8	+61.6 +52%
Gross profit	16.2	17.8	+1.5 +10%
Profit ratio	13.7%	9.9%	△ 3.8pt
Operating profit	10.2	10.0	△ 0.1 △ 2%
Ordinary profit	18.5	17.7	△ 0.7 △ 4%
Profit attributable to owners of parent	12.5	10.2	△ 2.2 △ 18%
Earnings per share	¥49.57	¥42.60	

Now I move on to the income statement.

Net sales increased significantly by 61.6 billion yen over the same period of the previous fiscal year to 179.8 billion yen. Gross profit increased by 1.5 billion yen to 17.8 billion yen.

The lower profit ratio is mainly due to an increase in fixed costs, such as personnel costs from improved employee compensation. This is in line with our initial forecast.

Operating profit remained nearly unchanged at 10 billion yen, with ordinary income at 17.7 billion yen and profit attributable to owners of the parent down by 2.2 billion yen to 10.2 billion yen.

The lower profit is due to the absence of extraordinary gains this period, in contrast to the gain last year.

Segment Information		[Unit: Billions of Yen]			
		1Q FY2022	1Q FY2023	Difference	
Total Engineering	Net sales	104.0	164.5	+60.5	+58%
	Segment profit	8.5	8.7	+0.2	+2%
	Profit ratio	8.2%	5.3%	△ 2.9pt	
Functional Materials Manufacturing	Net sales	13.2	14.4	+1.2	+9%
	Segment profit	2.6	2.5	△ 0.0	△ 2%
	Profit ratio	20.0%	18.0%	△ 2.0pt	
Others	Net sales	0.9	0.8	△ 0.1	△ 15%
	Segment profit	0.2	0.3	+0.1	+42%
	Profit ratio	24.9%	41.4%	+16.5pt	
Adjustment	Segment profit	△ 1.2	△ 1.6	△ 0.4	-

Next is segment information.

In Total Engineering segment, both net sales and segment profit were higher year-on-year.

Net sales increased by 60.5 billion yen over the same period of the previous fiscal year to 164.5 billion yen, and segment profit 200 million yen to 8.7 billion yen, as significant progress was made both in the LNG Canada project and refinery modernization project in Iraq, as well as in large projects in Saudi Arabia, Malaysia, and the U.S. that were awarded in the previous fiscal year.

The significant increase in sales has offset the impact of higher fixed costs, leading to higher profit.

In the Functional Materials Manufacturing segment, net sales increased slightly on strong sales of catalysts used in oil refining, chemical, and environmental applications, but profits remained flat due to soaring material and fuel costs. Net sales were 14.4 billion yen, and segment profit was 2.5 billion yen.

Results for others and adjustment are as shown here.

Segment Information

Outline of Contracts (Total Engineering)

i) New Contracts

【Unit: Billions of Yen】

	1Q FY2022	1Q FY2023
Overseas	330.0	14.9
Domestic	30.6	60.3
Total	360.6	75.3

Next, I will talk about new contracts.

We had 75.3 billion yen in new contracts for Total Engineering.

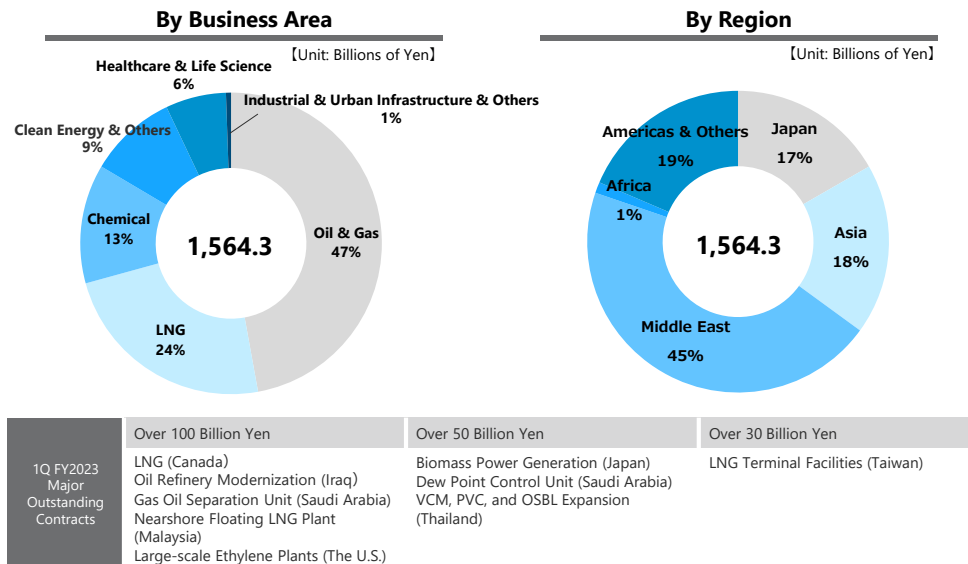
Domestic orders are being a good start with new contracts for pharmaceutical plants, commercial onshore aquaculture plants, and other projects.

Overseas, we are working to secure new contracts for several large-scale EPC projects.

These client investment decisions and contracts are expected in the second half of the fiscal year. Therefore, overseas figure shows slower start compared to domestic.

Segment Information

ii) Outstanding Contracts (As of June 30, 2023)



Next are our outstanding contracts.

The order backlog for the Total Engineering segment stood at 1,564.3 billion yen, nearly unchanged since the end of the previous fiscal year. One of the factor is the impact of yen depreciation.

Also there are no major changes in regards to the ratio of contracts in each business area and region, as well as the list of major projects since the end of last fiscal year.

Financial Position

[Unit: Billions of Yen]

	As of March 31, 2023	As of June 30, 2023	Difference
Current assets	539.4	548.4	+8.9
Non-current assets	173.6	172.3	△ 1.2
Total assets	713.1	720.8	+7.7
Current liabilities	272.2	275.2	+3.0
Non-current liabilities	42.9	44.5	+1.6
Total net assets	397.9	401.0	+3.1
Equity ratio	55.7%	55.5%	△ 0.2pt
Off Balance Sheet JV Cash JGC Portion	171.7	183.5	+11.8

Now I move on to the financial position.

Financial conditions have not changed much since the beginning of the fiscal year.

Equity ratio was 55.5%.

Our portion of off-balance sheet joint venture cash increased with the LNG Canada project as well as the joint venture for the floating LNG project in Malaysia, which started last fiscal year.



Next, I will explain forecasts for Fiscal Year 2023.

Forecasts for Fiscal Year 2023

Full year forecast remains unchanged.

[Unit: Billions of Yen]

	FY2023 Forecast	1Q FY2023 Actual	Progress Rate
New contracts *	800.0	75.3	9%
Net sales	800.0	179.8	22%
Gross profit	68.0	17.8	26%
Profit ratio	8.5%	9.9%	
Operating profit	38.0	10.0	26%
Ordinary profit	45.0	17.7	39%
Profit attributable to owners of parent	32.0	10.2	32%
Annual dividends per share	¥40.0		
Forecasts based on (¥/US\$)	¥133.00		

* Total Engineering

This is our full year forecasts for Fiscal Year 2023.

There are no changes to the full-year forecast.

1st quarter results show that net sales are slightly slow start, but gross profit and operating profit are both progressed at 26%, with ordinary income and the rest slightly higher due to the weak yen.

We didn't change the exchange rate of 133 yen to US\$1.

We estimate that each 1-yen change against the dollar will affect

net sales by 4 billion yen, gross profit by 500 million yen, and ordinary income by 800 million yen in full year.

Forecasts for Fiscal Year 2023 by Segment

Segment forecast remains unchanged.

[Unit: Billions of Yen]

		FY2023 Forecast
Total Engineering	Net sales	743.0
	Segment profit	38.5
	Profit ratio	5.2%
Functional Materials Manufacturing	Net sales	50.0
	Segment profit	5.7
	Profit ratio	11.4%
Others	Net sales	7.0
	Segment profit	1.5
	Profit ratio	21.4%
Adjustment	Segment profit	△ 7.7

Lastly, I will explain our forecasts by segment.

There are no changes to our forecasts of each segment as well.

This concludes my explanation of the 1st quarter financial results.

Appendix

Reference (Net sales & New Contracts by Region)

Net sales				New contracts (Total Engineering)					
	[Unit: Billions of Yen]				[Unit: Billions of Yen]				
	1Q FY2022		1Q FY2023		1Q FY2022		1Q FY2023		
Japan	31.9	(27.0%)	45.5	(25.3%)	Japan	30.6	(8.5%)	60.3	(80.1%)
Asia	10.0	(8.5%)	25.9	(14.4%)	Asia	18.0	(5.0%)	10.4	(13.9%)
Middle East	20.6	(17.5%)	63.5	(35.4%)	Middle East	303.4	(84.1%)	0.3	(0.5%)
Africa	10.3	(8.8%)	2.8	(1.6%)	Africa	4.2	(1.2%)	1.8	(2.4%)
Americas & Others	45.2	(38.2%)	41.8	(23.3%)	Americas & Others	4.3	(1.2%)	2.3	(3.1%)
Total	118.1	(100.0%)	179.8	(100.0%)	Total	360.6	(100.0%)	75.3	(100.0%)

Reference (Outstanding Contracts by Region & Business Area)

By Region (Total Engineering)

[Unit: Billions of Yen]

	1Q FY2023	
Japan	261.3	(16.7%)
Asia	286.3	(18.3%)
Middle East	707.7	(45.2%)
Africa	18.3	(1.2%)
Americas & Others	290.5	(18.6%)
Total	1,564.3	(100.0%)

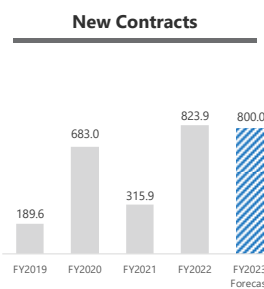
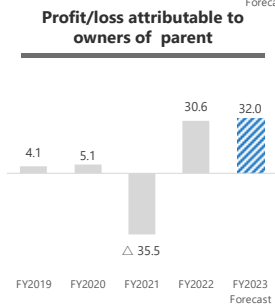
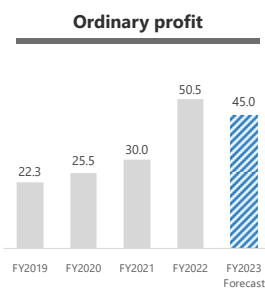
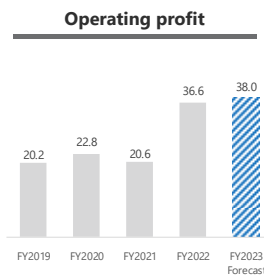
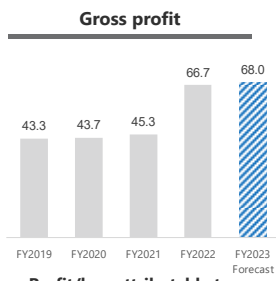
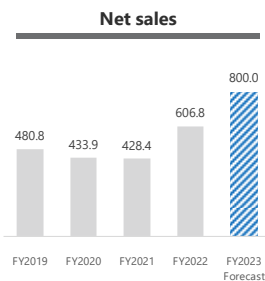
By Business Area (Total Engineering)

[Unit: Billions of Yen]

	1Q FY2023	
Energy Transition		
Oil and gas	737.1	(47.1%)
LNG	369.1	(23.6%)
Chemical	200.2	(12.8%)
Clean energy & Others	147.7	(9.5%)
Healthcare & Life sciences	101.5	(6.5%)
Industrial & Urban infrastructure & Others	8.5	(0.5%)
Total	1,564.3	(100.0%)

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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