

Translation



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## **Outline of Half Year**

## **Financial Results**

## **for Fiscal Year 2023**

April 1, 2023 – September 30, 2023



Enhancing planetary health

November 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 half year financial results for  
fiscal year 2023.

# CONTENTS

- Results for Fiscal Year 2023 H1
- Forecasts for Fiscal Year 2023
- Appendix



I will explain the results of the 1st half of fiscal year 2023 first, then follow by the forecasts for fiscal year 2023.



# Results for Fiscal Year 2023 H1

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## Highlights

- Sales increased year on year due to steady progress on major large-scale projects.
- Profitability decreased due to risk reviews of the on going projects executed by overseas subsidiaries.
- Steadily accumulating domestic project orders.

This is the highlights for the 1st half of fiscal year 2023.

Large-scale projects made progress as planned, and net sales were up over the same period of the previous fiscal year.

Some projects, mainly executed by our overseas subsidiaries, required risk reviews, which temporarily lowered the profit ratio in the 2nd quarter of the fiscal year.

Overall results in new contracts remain sluggish, as we generally expect overseas projects to be awarded later in the fiscal year, while domestic project orders are steadily accumulating.

## Income Statement

[Unit: Billions of Yen]

	H1 FY2022	H1 FY2023	Difference	
<b>Net sales</b>	267.2	<b>403.2</b>	+136.0	+51%
<b>Gross profit</b>	32.0	<b>28.4</b>	△ 3.6	△ 11%
<b>Profit ratio</b>	12.0%	<b>7.1%</b>	△ 4.9pt	
<b>Operating profit</b>	18.9	<b>13.0</b>	△ 5.9	△ 31%
<b>Ordinary profit</b>	30.4	<b>25.4</b>	△ 5.0	△ 17%
<b>Profit attributable to owners of parent</b>	20.7	<b>12.5</b>	△ 8.1	△ 39%
<b>Earnings per share</b>	¥82.10	<b>¥52.29</b>		

Next, I will explain the Consolidated Income Statement.

Sales rose but profit fell over the previous year.

Net sales rose by 51% over the previous year to 403.2 billion yen.

Gross profit fell by 11% to 28.4 billion yen.

Profit ratio declined by 4.9 points to 7.1%. This was due to lower profit in the Total Engineering segment.

Operating profit decreased 31% to 13.0 billion yen.

Ordinary profit fell 17% to 25.4 billion yen.

Due to an increase in interest income, the rate of decrease in ordinary profit was smaller than that of operating income.

On the other hand, net income decreased 39% to 12.5 billion yen due to a higher effective tax rate resulting from the tax impact of losses incurred by overseas subsidiaries.

## Segment Information

		[Unit: Billions of Yen]			
		H1 FY2022	H1 FY2023	Difference	
<b>Total Engineering</b>	<b>Net sales</b>	241.8	<b>375.5</b>	+133.7	+55%
	<b>Segment profit</b>	17.3	<b>12.2</b>	△ 5.0	△ 29%
	<b>Profit ratio</b>	7.2%	<b>3.3%</b>	△ 3.9pt	
<b>Functional Materials Manufacturing</b>	<b>Net sales</b>	23.4	<b>25.7</b>	+2.2	+10%
	<b>Segment profit</b>	3.8	<b>3.7</b>	△ 0.1	△ 3%
	<b>Profit ratio</b>	16.6%	<b>14.6%</b>	△ 2.0pt	
<b>Others</b>	<b>Net sales</b>	1.9	<b>1.9</b>	-	-
	<b>Segment profit</b>	0.3	<b>0.6</b>	+0.2	+90%
	<b>Profit ratio</b>	17.4%	<b>33.0%</b>	+15.6pt	
<b>Adjustment</b>	<b>Segment profit</b>	△ 2.5	<b>△ 3.6</b>	△ 1.0	-

Next are segment results.

In the Total Engineering segment, net sales rose 133.7 billion yen over the previous year to 375.5 billion yen due to the progress of domestic projects related to clean energy and life science, and overseas large-scale projects in Saudi Arabia and Iraq, but segment profit decreased 5.0 billion yen over the previous year to 12.2 billion yen. Profit ratio also declined by 3.9 % points.

I will explain this decrease in profit.

The profit ratio temporarily declined because we have reflected additional costs and risks identified in the execution of two midsize projects at overseas subsidiaries as a result of a project profitability review in the 2nd quarter.

One is an Indonesian subsidiary's project to build a new natural gas processing plant and gas pipeline, which was awarded in 2022. Due to

worse-than-expected soil conditions at the construction site, we have had to anticipate additional costs including piling and soil improvement. In addition, we expect the project workload to increase due to the disruption of internal design work caused by significant design change requests and a delay in the delivery of the pipeline site. Given the status of the project, we have judged it necessary to include the risk of additional costs.

The other is a Saudi Arabian subsidiary's project to expand the NGL plant, which was awarded in 2021. The design schedule for this project was delayed due to design verification processing, and there have been concerns about the impact on the procurement and construction schedule and cost. In addition, the design delay resulted in additional orders and change orders, and we decided to anticipate the possibility of additional costs to ensure delivery dates in addition to the risk of a surge in material and equipment prices.

These two projects caused a provision for loss on construction contracts to be recorded in the 2nd quarter, resulting in a downward pressure on gross profit.

We are aware that the reason for this deterioration in profitability is that systems for analyzing and responding to the risks involved in estimation for projects at overseas subsidiaries were still in the process of being developed, with an increase in orders worth tens of billions of yen for projects led and managed by overseas subsidiaries.

Next is the Functional Materials Manufacturing segment.

Net sales increased slightly to 25.7 billion yen, but profit was unchanged at 3.7 billion yen.

Sales volumes of catalyst products declined despite price revisions that secured higher sales, and fine chemical products were impacted by declining demand, particularly for semiconductor-related products, which resulted in a lower profit ratio.

Results in other segments are shown here.

## Segment Information

### Outline of Contracts (Total Engineering)

#### i) New Contracts

[Unit: Billions of Yen]

	H1 FY2022	H1 FY2023
<b>Overseas</b>	416.1	<b>44.0</b>
<b>Domestic</b>	47.2	<b>114.8</b>
<b>Total</b>	463.4	<b>158.9</b>

H1 FY2023  
Major New Contracts

ATMPs and mRNA Vaccine Ingredients Facility (Japan)  
Bio API Manufacturing Facility (Japan)

Next, I will explain new contracts in the Total Engineering segment.

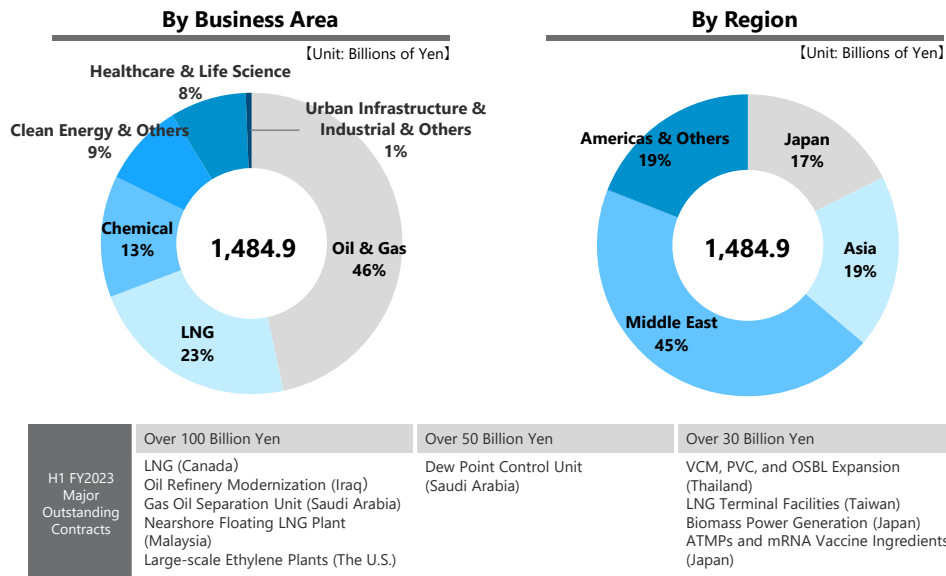
Results in new contracts for the 1st half of the fiscal year totaled 158.9 billion yen.

Major projects include those related to biopharmaceuticals in Japan.



## Segment Information

### ii) Outstanding Contracts (As of September 30, 2023)



Next are our outstanding contracts.

The order backlog totaled 1,484.9 billion yen, a decrease of 79.0 billion yen from the end of the previous quarter. There were no major changes in the composition of orders either by sector or region.

Major projects include a new construction project of more than 30.0 billion yen for a manufacturing facility for biopharmaceutical and mRNA vaccine ingredients in Japan, which was added in the 1st half.

## Financial Position & Cash Flows

[Unit: Billions of Yen]

	As of March 31, 2023	As of September 30, 2023	Difference
<b>Total assets</b>	713.1	<b>754.2</b>	+41.1
<b>Total net assets</b>	397.9	<b>404.5</b>	+6.6
<b>Equity ratio</b>	55.7%	<b>53.5%</b>	△ 2.2pt
Off Balance Sheet JV Cash JGC Portion	171.7	<b>170.5</b>	△ 1.1
	H1 FY2022	H1 FY2023	Difference
<b>Cash flows from operating activities</b>	88.9	<b>16.2</b>	△ 72.6
<b>Cash flows from investing activities</b>	△ 4.9	<b>△ 13.3</b>	△ 8.3
<b>Cash flows from financing activities</b>	△ 10.5	<b>△ 11.6</b>	△ 1.0
<b>Cash and cash equivalents at end of period</b>	371.6	<b>333.6</b>	△ 37.9

Now I move on to the financial position.

There were no significant changes in our financial position from the beginning of the fiscal year.

Equity ratio was virtually unchanged at 53.5%.

The balance of our share of cash in joint ventures, which is off the balance sheet, was 170.5 billion yen.

Cash provided by operating activities was 16.2 billion yen.

In the same period of the previous year, the significant upward trend was due in part to the collection of receivables resulting from the settlement of past project disputes.

Cash flow used in investing activities was 13.3 billion yen due to the acquisition of property and equipment and other factors.

Cash flow used in financing activities totaled 11.6 billion yen due to dividend payments and other factors.

Cash at the end of the 2nd quarter was 333.6 billion yen, mostly unchanged from the beginning of the fiscal year.



# Forecasts for Fiscal Year 2023

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## Forecasts for Fiscal Year 2023

Full year forecast remains unchanged.

[Unit: Billions of Yen]

	FY2023 Forecast	H1 FY2023 Actual	Progress Rate
New contracts *1	800.0	158.9	20%
Net sales	800.0	403.2	50%
Gross profit	68.0	28.4	42%
Profit ratio	8.5%	7.1%	
Operating profit	38.0	13.0	34%
Ordinary profit	45.0	25.4	56%
Profit attributable to owners of parent	32.0	12.5	39%
Annual dividends per share	¥40.0		
Forecasts based on (¥/US\$)	¥140.00*2		

\*1 Total Engineering

\*2 Exchange rate of forecast for H2 FY2023

Lastly, this is our full-year forecasts for fiscal year 2023.

The full-year forecast is unchanged.

The forecast for the exchange rate against the dollar has changed from 133 yen to 140 yen.

The progress rate of new contracts through the 2nd quarter stands at 20% of the total, as expected timing of overseas projects award is concentrated in the later half to the end of the fiscal year.

Net sales has progressed well, but operating profit was 34%, reflecting the additional costs due to risks from

overseas subsidiaries' projects that were included in the 2nd quarter.

At present, we are continuing our efforts to improve the profitability of a major on-going project, and began to see results from our efforts in the 2nd half of the fiscal year.

In light of this, we believe that there is a good chance that we will be able to recover from the downward pressure caused by the risks we have included in the 1st half results.

For reference, each 1-yen change against the US dollar would affect net sales by 2.0 billion yen, gross profit by 0.4 billion yen, and ordinary profit by 0.8 billion yen.

This concludes my overview of our financial results.