# Program Management Contractor & Investment Partner

Annual Report 2011

April 1, 2010 — March 31, 2011

JGC CORPORATION

# Profile

JGC Corporation was founded in 1928, and has since completed over 20,000 projects in approximately 70 countries, making it one of the world's top engineering contractors.
The Company has developed proprietary engineering technology and displayed unsurpassed project management capabilities in the fields of petroleum refining and gas processing, LNG, petrochemicals and other hydrocarbons, as well as those involving non-ferrous metals, nuclear power, pharmaceuticals, hospitals, laboratories and numerous other sectors.
In order to respond to the diverse needs of its clients, JGC has moved beyond its role as an engineering contractor to expand its investment business into domains such as power generation and desalination, water, the environment, renewable energy and resource development. At the same time, JGC provides planning and management services in the urban development domain.
JGC recently launched its medium-term management plan, "New Horizon 2015," under which it has charted a course to become a "Program Management Contractor & Investment Partner."


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ON-SPEC PROPYLENE
OFF SPEC PROPYLENE

# Corporate Philosophy

The JGC Group, with its core business of engineering-based services, reaffirms its corporate policy of pursuing the highest standards of performance and achieving enduring growth as a globally active company, while contributing to world economic and social prosperity as well as to the conservation of the earth's environment.

## Core Values

Each and every person working in the JGC Group, from director to employee, full-time or part-time, understands and adheres to the core values stated below as integral to realizing corporate policy:

1. Decision-making: Highest ethical standards and sense of legal responsibility
2. Conduct: Fairness and transparency
3. Corporate atmosphere: Progressive spirit and open mind
4. Corporate direction: Customer satisfaction and trust of society, as well as corporate growth in harmony with society

## Management Policies

Sharing these core values, the JGC Group seeks to continuously provide services and products based on the highest standards of technology and in compliance with the following management policies:

1. Secure profit and realize continuous growth
2. Strengthen power of JGC Group technologies and establish innovative technologies, as well as develop lines of business with vertical and horizontal diversification
3. Accumulate and utilize capital and resources with provision for the future
4. Maintain fair personnel policy and develop capabilities as well as vitality of individuals

## Responsibilities

As a globally active entity with engineering-based services as its core business, JGC Group makes the maximum effort to enhance its corporate values and, in doing so, realize its corporate policy, with the fullest level of recognition given to social responsibilities:

1. Conservation of the earth's environment and engagement in corporate activities beneficial to society
2. Accountability and integrity
3. Fair trade and fostering mutually beneficial relationships
4. Shareholders' confidence

# Principles of Business Conduct

For the long-term stability of the JGC Group and for its further growth, each person working, from director to employee, full-time or part-time, is required to keep in mind clear principles of business conduct and perform his or her daily activities in compliance with such principles. Through continued stable operations, JGC Group achieves its Corporate Philosophy by maintaining and honoring the following principles derived from the previously stated "Core Values":

### 1. Decision-making: Highest ethical standards and sense of legal responsibility

(1) Behave in accordance with the highest ethical standards, and in a socially acceptable manner.

(2) Understand the requirements, and observe the laws, regulations and rules of the business conducted.

### 2. Conduct: Fairness and transparency

(1) Be fair, honest and transparent at all times in conducting business.

(2) Maintain integrity in all the relationships that constitute the business being conducted.

### 3. Corporate atmosphere: Progressive spirit and open mind

(1) Maintain a progressive spirit not restricted merely to established business practices, and behave at all times with a sense of innovation and improvement not limited to traditional practices.

(2) Based on a will to achieve objectives, devote oneself to the maximum extent possible as an individual and to the team.

(3) Through free and aggressive exchanges, strive to enhance the intelligence of the organization.

### 4. Corporate direction: Customer satisfaction and trust of society, as well as corporate growth in harmony with society

(1) Gain the trust of clients and shareholders by performing faithfully and by providing an adequate level of information.

(2) Direct efforts at providing reliable services and products that satisfy the client's needs.

(3) Seek corporate growth together with the development of society, in the knowledge that without prosperity of society the JGC Group will not grow.

# Management Vision

The first principle at JGC is to have an accurate grasp of customer needs and to bring the Company's unique intellectual capital to bear on these needs, thereby contributing to prosperity by providing customer satisfaction. Next, while moving forward with vertical integration and horizontal expansion, the Company is responding to changing customer requirements by using its operational assets in unlimited innovation, striving to remain a trusted partner for success and a solutions provider.

# Contents



**Caution Regarding Forward-Looking Statements**

This annual report contains information about forward-looking statements related to such matters as the plans, strategies, and business results of JGC and the JGC Group. These forward-looking statements represent judgments made by the Company based on information available at present and are inherently subject to a variety of risks (see page 37) and uncertainties. The Company's actual activities and business results could differ significantly due to factors including, but not limited to, changes in the economic environment, business environment, demand, and exchange rates.

# Financial Highlights

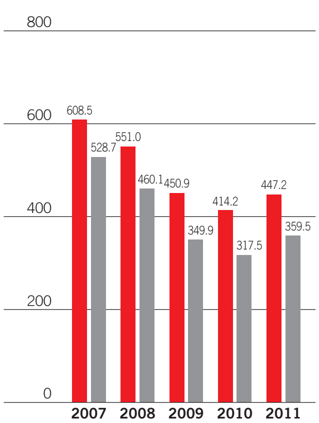
For the years ended March 31.
Yen amounts are in millions except per share data.

| Consolidated | | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|---|
| | **2011** | 2010 | 2009 | **2011** |
| Net Sales | **¥ 447,223** | ¥414,258 | ¥450,912 | **$ 5,378,509** |
| Operating Income | **63,559** | 41,919 | 52,003 | **764,390** |
| Income Before Taxes on Income and Minority Interests in Earnings of Consolidated Subsidiaries | **52,771** | 37,850 | 49,444 | **634,648** |
| Net Income | **25,478** | 27,112 | 31,543 | **306,410** |
| Net Income per Share (in yen and U.S. dollars) | **100.83** | 107.25 | 124.76 | **1.21** |
| New Contracts | **618,203** | 733,549 | 506,135 | **7,434,793** |
| Outstanding Contracts | **1,189,606** | 982,594 | 671,341 | **14,306,747** |

| Non-Consolidated | | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|---|
| | **2011** | 2010 | 2009 | **2011** |
| Net Sales | **¥ 359,561** | ¥317,597 | ¥349,925 | **$ 4,324,245** |
| Operating Income | **51,918** | 32,145 | 41,356 | **624,390** |
| Income Before Taxes on Income | **45,205** | 27,934 | 44,578 | **543,656** |
| Net Income | **22,853** | 21,271 | 30,214 | **274,841** |
| Net Income per Share (in yen and U.S. dollars) | **90.44** | 84.15 | 119.50 | **1.09** |
| New Contracts | **569,128** | 675,505 | 440,548 | **6,844,598** |
| Outstanding Contracts | **1,163,078** | 953,511 | 641,781 | **13,987,717** |

Notes: 1. U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥83.15=$1.00, the prevailing rate of exchange at March 31, 2011.
2. Net income per share is computed based upon the average number of shares of common stock outstanding during the period.

**Net Sales**
(Billions of yen)




■ Consolidated
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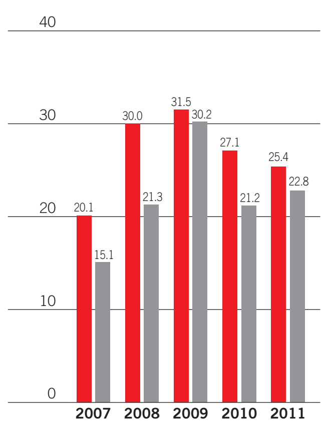
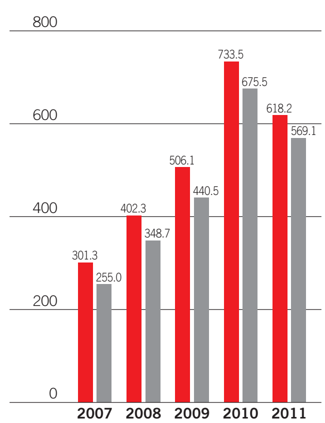
**Net Income**
(Billions of yen)




■ Consolidated
■ Non-consolidated

**New Contracts**
(Billions of yen)




■ Consolidated
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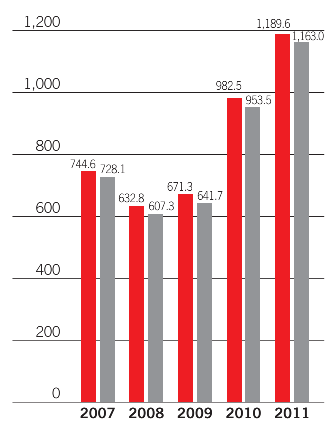
**Outstanding Contracts**
(Billions of yen)




■ Consolidated
■ Non-consolidated

# Program Management Contractor & Investment Partner

**We would like to open this letter by thanking you for your ongoing support of JGC and the JGC Group.**
**Fiscal 2011 is the first year of our New Horizon 2015 medium-term management plan. Besides steadily executing strategies to achieve our numerical targets, we will forge ahead with our transition to becoming a Program Management Contractor & Investment Partner, which is a medium- to long-term goal.**

(left)
**Keisuke Takeuchi**
Chairman of the Board of Directors
and Chief Executive Officer

(right)
**Koichi Kawana**
President and Chief Operating Officer

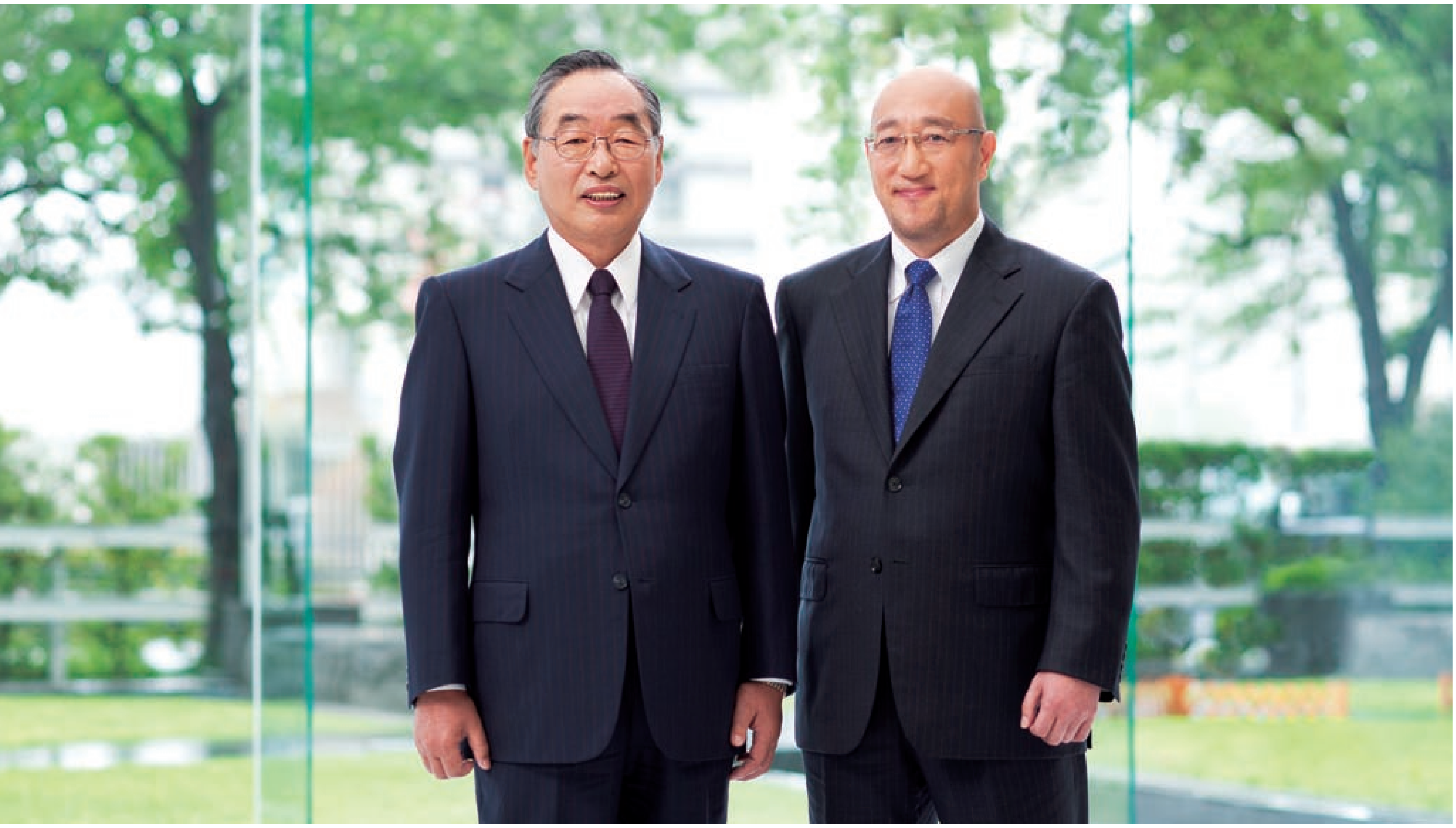
## Record Operating Income in Fiscal 2010

In fiscal 2010, the year ended March 31, 2011, the support of shareholders and clients, as well as the hard work of everybody in the Group, helped JGC to achieve consolidated net sales of ¥447.2 billion. In terms of earnings, we recorded gross profit of ¥81.3 billion, operating income of ¥63.5 billion and net income of ¥25.4 billion. With the exception of net income, all earnings figures were records for JGC. We paid a full-year dividend of ¥30.0 per share, as planned. Contracts awarded reached ¥618.2 billion, eclipsing our consolidated target of ¥500.0 billion despite the highly competitive market.

Our forecasts for fiscal 2011 are for consolidated net sales of ¥550.0 billion, operating income of ¥64.0 billion, and net income of ¥42.0 billion. We have set a target for consolidated orders of ¥550.0 billion, and will do our best to achieve this target.

The engineering and construction market for fiscal 2010 saw the effects of the global financial crisis that began in the US in September 2008 almost completely disappear. Furthermore, the price of crude oil was stable at between $70 to $80 per barrel, energy demand rose and urbanization advanced in emerging markets, while populations grew in resource-rich nations. Against this backdrop, many capital investment plans relating to oil, natural gas and petrochemicals were implemented.

Under these conditions, JGC prevailed in the face of fierce competition. In Japan, we won an order for an LNG receiving terminal, while overseas we won orders for a large-scale gas processing plant in Qatar, an LNG plant in Indonesia, and a diesel hydrotreater project in Singapore, among other highlights. These achievements helped our



contracts awarded reach ¥618.2 billion on a consolidated basis, which exceeded our ¥500.0 billion target. Meanwhile, in our investment business, we acquired equity interests in a water and waste water utility in Australia, and in a concentrated solar power business in Spain. We have seen steady progress in the investment business in fiscal 2011 as well, and acquired an equity stake in a shale oil production and development business in the US.

Since the end of 2010, the world has witnessed democratic uprisings in Tunisia, Egypt, Libya and other countries in the Middle East and North Africa. JGC has ongoing projects in Algeria, Qatar, Saudi Arabia, and Abu Dhabi. As these countries have not experienced noticeable disorder, our projects have proceeded steadily without being affected.

**Focus on Achieving Targets of New Medium-Term Management Plan. Clients' Continued Robust Capital Investments in Fiscal 2011. Concentrating on Achieving EPC Business Order Target. Investment Business and Management Services Business Also Being Vigorously Developed.**

Fiscal 2011 is the inaugural year of our new medium-term management plan "New Horizon 2015." The core strategies of this plan focus on the EPC business, and investment and service businesses. We plan to steadily execute these strategies to achieve our numerical targets and deliver the expected results.

As in fiscal 2010, investment in oil and gas resources around the world is expected to remain lively. Supporting this robust investment activity is rising energy demand in emerging nations and resource-rich nations, as mentioned earlier. Based on this forecast, fiscal 2011 capital investment is projected to exceed the fiscal 2010 level.

By region, in the Middle East and North Africa oil refining and gas chemicals project plans are taking shape with the aim of adding value to oil and gas. At the same time, natural gas-related projects will move ahead against the backdrop of rising demand for natural gas as a fuel for electricity generation and as a feedstock for gas chemicals. In Asia and Oceania, it is expected that LNG demand will be spurred in Southeast Asian countries by lower gas and LNG prices due to increased shale gas production volume in the US. Moreover, LNG demand in China and India is expected to remain buoyant. In light of these conditions, many LNG projects are in the planning phase, especially in Australia. Meanwhile, in Japan we expect to see continued capital investment in the biopharmaceuticals field in particular.

Amid this anticipated market environment, JGC will concentrate all of its efforts in fiscal 2011 on attaining our consolidated order target of ¥550.0 billion. Regarding projects we have long been working to win contracts for, such as a petroleum refinery in Vietnam and LNG projects in Australia, we will strive to deliver results. We are also determined to win against tough competition, drawing on the successes of the company-wide activities over the past few years designed to strengthen our cost competitiveness.

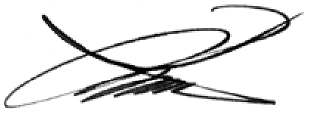
As before, we will concentrate on participating in clients' development plans from the earliest stage. At the same time, in regions and fields where we can take full advantage of our competitive edge, we aim to maintain a solid competitive position and translate that into orders. To strengthen our order-winning ability, we will make optimal proposals that dovetail with clients' project implementation policies on both the technology and cost fronts. We will also continue to strengthen our cost competitiveness and will work to quickly nurture overseas EPC subsidiaries.

In the investment business, we have positioned as key fields under New Horizon 2015 the following: infrastructure-related businesses such as power and water, the environment and new energy, and water; and resource development businesses including oil and gas development and production. In addition, we will actively develop program management services in smart city development projects already under way in India, as well as accelerate the commercialization of technologies presently under development.

We ask our shareholders for your continued support and guidance as we implement New Horizon 2015 to drive further growth.

July 2011

**Keisuke Takeuchi**
Chairman of the Board of Directors
and Chief Executive Officer



**Koichi Kawana**
President and Chief Operating Officer

Special Feature 1

# "New Horizon 2015" New Medium-Term Management Plan

## – Program Management Contractor & Investment Partner

Special Feature 2

# Expanding Natural Gas Utilization

# "New Horizon 2015" New Medium-Term Management Plan
## – Program Management Contractor & Investment Partner

**In April 2011, JGC embarked on a new medium-term management plan entitled "New Horizon 2015," which sets out new goals for the Company to achieve over the course of the next five years. Besides achieving numerical targets, under this new plan we aim to begin transforming our business model with the goal of becoming a "Program Management Contractor & Investment Partner," as a milestone for the JGC Group from a medium- to long-term standpoint.**

### Aiming for Consolidated Net Income of ¥50.0 Billion in Fiscal 2015

"New Horizon 2015" sets the goal of achieving consolidated net income of ¥50.0 billion in fiscal 2015, the fiscal year ending March 31, 2016.

However, the plan does not set any targets for net sales. The reason for this is that we aim to expand our business in the fields of enterprise investment and planning and management services, where performance cannot be accurately gauged based on sales targets.

### "New Horizon 2015" 10-Year Milestone

The central goal of "New Horizon 2015" is to serve as a milestone in the transformation of the Group's business model over the medium and long term. Previously, JGC's business model has been focused largely on the EPC business. In the previous medium-term management plan, we added enterprise investment as a new business field. Now, under "New Horizon 2015," we plan to strengthen and expand in these two arenas, while adding planning and management services business to our repertoire, bringing us closer to our goal of reinventing JGC as a Program Management Contractor & Investment Partner. However, business model reform is a management issue of considerable complexity and requires time to achieve. This is why we position "New Horizon 2015" as a mid-term goal with its focus set firmly 10 years in the future.

We have decided to transform our business model because, since the EPC business is greatly influenced by changes in the market, being involved solely in the EPC business produces large swings in company performance. Competition in the EPC business is also expected to escalate in the near future. However, social infrastructure fields such as water, electricity and transportation will unquestionably expand in size in tandem with economic growth in emerging nations. We believe that the fields to which the JGC Group can contribute will greatly broaden as a result.

Positioning


### Strengthening the EPC Business, Expanding and Developing Enterprise Investment and Services Businesses

In light of these market forecasts, "New Horizon 2015" lays out a plan for strengthening our EPC business, while expanding and developing enterprise investment and services businesses.

In the EPC business, we plan to enhance JGC's cost competitiveness in overseas hydrocarbon projects. Parallel to this, we will also develop new fields, as we seek to expand overseas in non-hydrocarbon sectors. Strengthening and expanding EPC subsidiaries in Japan and overseas is a major pillar of our strategy. At overseas EPC subsidiaries in particular, we will increase the workforce, with the aim of making them capable of executing small and medium-sized local projects in an integrated manner entirely in-house.

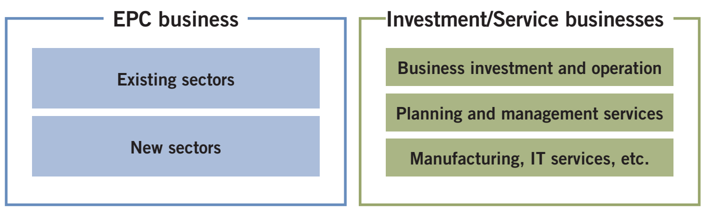
In the investment business, we will actively invest in businesses that play to the strengths of the JGC Group. We will therefore continue to concentrate on sectors such as power and new energy, resource development, water, and the environment, but we will also invest in new fields. Plans call for the investment of around ¥100 billion over the next 5 years.

In planning and management services, we will provide services that help bring customers' business plans to fruition. We believe that this business will enable us to become involved in various domains such as total management of customers' business plans, investment and EPC services.

JGC Group is poised to undergo a major metamorphosis over the next five years. While EPC will remain our core business, we are looking to broaden our horizons as a Program Management Contractor & Investment Partner. We are convinced that this path will lead the JGC Group to greater growth.

**New Horizon 2015 Medium-Term Management Plan: Business Model**

- **EPC business:** Developing business in new sectors as well as existing sectors
- **Investment and Service:** Increasing business investment and developing planning and management services




## Delhi-Mumbai Industrial Corridor Feasibility Study
### —The First Step toward Becoming a Program Management Contractor & Investment Partner—

Urban and infrastructure development is a perfect context for giving examples of how we seek to achieve our goal of becoming a Program Management Contractor & Investment Partner. Urban development requires the construction of various systems and infrastructure, including medical, fire-prevention, law enforcement, and other security systems which serve as important lifelines supporting people's daily lives, as well as cultural and educational facilities. In recent years, the creation of sustainable cities that provide comfortable, environmentally-friendly living has also gained traction, along with the concept of the "smart and compact community."

JGC is engaged in the development of new cities and infrastructure based on these concepts. As a first step, we are conducting feasibility studies for achieving an environmentally sound urban development (a "smart community") in Shendra in the Indian province of Maharashtra, as a part of the Delhi-Mumbai Industrial Corridor Initiative being promoted by the Indian and Japanese governments. This project aims to develop the economies of regional cities and will involve smart grids, recyclable water and waste processing, environmentally friendly city structures and other elements. The aim is to create environmentally sound cities with a low carbon footprint. JGC's role is to accurately identify needs in India, clarify what it will take to realize solutions, and draw up a highly realistic blueprint that effectively integrates the technology and expertise of Japanese partners, centered on JGC. In a nutshell, this is what we mean by "program management service."

The Program Management Contractor & Investment Partner is a new corporate vision for JGC. It entails cooperating with our clients on planning, proposals, business promotion, operation and management in accordance with clients' needs and strategies; offering the required EPC services for plants and infrastructure; and at times participating as a business partner.

# Expanding Natural Gas Utilization

## —Natural Gas Today—

At present, more than 80% of the world's primary energy is supplied from fossil fuels such as coal, oil and natural gas. Of all the fossil fuels, natural gas emits the lowest amount of carbon dioxide during combustion.

In its gaseous form, natural gas is difficult to transport and store, limiting the scope of its utilization compared with coal and oil. However, natural gas usage has increased sharply in recent years along with the construction of international pipeline networks and the expanding use of LNG. By 2035, demand is expected to be more than 1.4 times*[1] what it is today, equivalent to an annual growth rate of 1.4%. Furthermore, amid increasing demand for energy due to growing populations and rising living standards, natural gas is seen as a "bridge" energy source in that it is expected to bridge the time gap until renewable energies are widely available. Natural gas is also expected to see growing use as the most efficient and practical energy resource for making the transition to a low-carbon society.

## —Natural Gas and JGC—

JGC is presently involved in large-scale gas processing projects in Algeria, the U.A.E. and Qatar, as well as LNG projects in Australia and Indonesia. No other engineering contractor in the world is involved simultaneously in as many gas-related projects. Since 1990, annual global gas production has increased by 50%, from approximately 2,000 billion cubic meters (bcm) to approximately 3,000 bcm*[2]. During this time, gas processing and LNG plants constructed by JGC have produced more than 150 bcm annually in total. JGC's share of annual global gas production over the past 20 years has been more than 15%.

*[1] International Energy Agency: World Energy Outlook 2010
*[2] BP: Statistical Review of World Energy 2000 and 2010

JGC constructed this large-scale gas processing plant in Qatar.

## —JGC's Technology, Proposal and Project Management Capabilities—

Since winning orders for a gas processing plant in Algeria and an LNG plant in Brunei in the 1970s that at the time were the largest in the world, JGC has been continuously involved in the construction of many gas-related facilities. As a result of handling various types of feed gas around the world, JGC has amassed considerable technological capabilities and expertise. For instance, the standard production capacity of gas processing and LNG plants has increased by a factor of more than five over the past 40 years. This is a result of clients and JGC precisely and boldly combining the latest elemental technologies in various fields. At present, gas field development is subject to many more hurdles standing in the way of the start of commercial production than in the past. These hurdles include higher levels of impurities found in the gas, harsher natural environments surrounding the location of gas fields, the need for more careful scrutiny of development procedures to ensure economic viability, and the need to take environmental concerns into consideration. As one example of how JGC addresses higher levels of impurities, at gas processing plants under construction in the U.A.E. and Qatar, JGC is installing the world's largest sulfur recovery facilities. Furthermore, as an environmental protection measure at the operational In Salah gas processing plant in Algeria and the Gorgon LNG plant under construction in Australia, JGC has installed CCS (Carbon dioxide Capture and Storage) facilities that reinject $CO_2$ captured from the gas into underground reservoirs for storage. JGC may also participate in a client's plans from the initial stages, drawing on its wealth of technology and expertise to support the development of a viable business. For example, at the In Salah gas processing project, JGC worked with the client to conduct a comparative study of the production sequence at multiple gas fields over several decades. The project was developed after repeated testing of economic viability.

JGC constructed this large-scale LNG plant in Indonesia.

## —Contributing to Further Advances in Natural Gas—

JGC has demonstrated its outstanding technological and project management capabilities in a host of projects, including production of natural gas for a pipeline from North Africa to Europe, securing feedstock for gas-fired electricity generation and gas chemicals in the Middle East, and production of LNG for users around the world. These capabilities have supported the increasing global use of natural gas. Looking ahead, while striving for harmony with the natural environment, JGC will continue to take up the challenge of contributing to advancements in the development and utilization of natural gas resources. Examples include construction of FPSO (Floating Production, Storage and Offloading) for offshore gas fields, and application of modular construction for remote locations.

**The market for the JGC Group's total engineering business in fiscal 2010 saw lively capital investment in large-scale oil and natural gas developments in the Middle East and North Africa. This capital investment activity was spurred by consistently high crude oil prices, and rising energy demand in oil and gas producing nations, especially in the aforementioned regions. On the other hand, with new contractors having entered the market, particularly in Asia and Europe, competition to win orders was as severe as ever.**

**In these circumstances, the JGC Group aggressively focused on winning orders by working to reduce the cost of plants in its tenders. As for projects currently under way, close attention was paid to a variety of risks to ensure successful project execution.**

**Since the beginning of 2011, the Middle East and North Africa have been experiencing continuing civil unrest. Fortunately, however, JGC Group's ongoing projects in the region have not been affected. In addition, the JGC Group's workforce and assets were largely unaffected by the Great East Japan Earthquake, and ongoing projects did not sustain damage that would have a large impact on operating results.**

# TOTAL ENGINEERING BUSINESS

## Oil and Gas Development Projects

In the field of oil and gas development, capital investment continues in upstream areas, led by crude oil and natural gas development, due to increasing demand for energy in oil and gas producing nations, notably in the Middle East and North Africa.

In January 2011, JGC won an EPC service contract for a large-scale gas processing plant in Qatar that is being promoted by the state-run oil company and ExxonMobil. This project is one of the largest orders for a natural gas processing plant that JGC has been awarded to date. As showcased in the special feature section of this annual report, "Expanding Natural Gas Utilization" (pages 14 to 15), JGC's extensive track record, technological capabilities and ability to execute large projects have been recognized by clients. JGC believes that this recognition led to the award of this order.

In 2010, JGC was awarded an EPC contract for a gas boosting compressor station in the In Amenas region of Algeria for Sonatrach, Algeria's state-owned oil and gas company. Also in Algeria, JGC is constructing a large gas processing facility for Sonatrach in the Gassi Touil field, which is scheduled for completion in 2013. In addition, in the Rhourde Nouss region of Algeria, JGC is working to complete gas and oil separation facilities in 2011, and since the beginning of fiscal 2011, we have also won an EPC contract for crude oil processing facilities in the Bir Seba region from Sonatrach and other parties.

In the Emirate of Abu Dhabi, United Arab Emirates (UAE), we are constructing large-scale gas processing facilities for Abu Dhabi Gas Industries Ltd. in the Habshan district. This project is scheduled for completion in 2013.

In Saudi Arabia, we are executing an EPC services contract for the state-owned oil company Saudi Aramco involving off-site facilities (including a water-injection system used in oil fields, crude oil storage tanks and shipping equipment) for a large-scale crude oil processing facility in the Manifa region. This project is also scheduled for completion in 2013.

## Petroleum Refining Projects

In the petroleum refining field, oil companies, led by the oil majors, have been successively closing ageing refineries with high maintenance costs in developed countries. Meanwhile, in China, India, Brazil, Vietnam and certain other developing countries, plans exist to construct and increase the capacity of petroleum refineries as these countries become more motorized.

In December 2010 in Singapore, JGC was awarded an EPC contract for a diesel hydrotreater project by ExxonMobil Asia Pacific Pte. Ltd. This project has a target completion date in 2014.

In Japan, JGC revamped refining facilities for petroleum refining companies, and carried out maintenance work.

## LNG Projects

In the LNG field, an oversupply of LNG is expected to continue until around 2015, due to the ongoing development of shale gas processed in the U.S., and new LNG plants coming onstream in the Middle East and elsewhere. Over the long term, however, we believe that the demand for LNG will grow rapidly in Japan, as well as in China, India and some countries in Southeast Asia, where energy demand will increase even more sharply in the future. As a result, we expect new LNG projects to continue to take shape, especially in Southeast Asia, Oceania and Russia.

In January 2011, JGC won an EPC contract for an LNG plant in Sulawesi in central Indonesia from Sulawesi LNG Development, which is partially owned by Mitsubishi Corporation. In recent years, the volume of LNG produced in Indonesia has declined in line with declining gas production. This project will play an important role in maintaining and increasing LNG production volume in Indonesia. JGC has a wealth of experience in Indonesia and LNG projects, and we drew on this experience in our continuous proposals to the client from the plan conception stage, which helped us win the order. The project is scheduled for completion in 2014.

In Australia, we are constructing the Gorgon LNG plant on Barrow Island for the Chevron-operated Gorgon LNG joint venture. Plans call for this project to begin producing LNG in 2014. Also in Australia, JGC executed Front End Engineering and Design (FEED) services for the Ichthys LNG project planned by INPEX Browse, Ltd. We are currently preparing an estimate for EPC services for the LNG plant.

In Papua New Guinea, we are constructing an LNG plant for Esso Highlands Limited, which is owned by Exxon Mobil and others.

Meanwhile, in Japan in October 2010, JGC was awarded the EPC contract for an LNG receiving terminal in Hachinohe, Aomori Prefecture, by JX Nippon Oil & Energy Corporation.

## Chemical Projects

In the petrochemical and chemical products field, the manufacture of commodity products such as ethylene and propylene continues to shift from Japan and other developed countries to oil and gas producing countries in the Middle East, as well as China, India and other emerging nations. We expect to see more project plans go ahead for manufacturing highly price-competitive chemical products in the Middle East due to the access to inexpensive oil and gas in this region. We believe these moves apply not only to commodity products, but also to high value-added, high-function “specialty products.” As such, the Middle East is likely to become a major production base for petrochemical and chemical products going forward.

In Saudi Arabia, JGC conducted project management services for a feasibility study on the development of the Rabigh Phase II project (Rabigh II Project), which is being promoted by Sumitomo Chemical Co., Ltd. and the state-owned oil company Saudi Aramco. JGC is also working on a project in Saudi Arabia to construct large-scale ethylene units and other facilities for Saudi Polymers Company. This project is scheduled for completion in 2011.

In Japan, we are constructing a petrochemical plant for a major oil company.

## Power Generation, Nuclear Power and New Energy Projects

In the new energy field, we are active in the area of gas to liquids (GTL) as well as in dimethyl ether (DME) and other projects.

Currently in Qatar, JGC is providing project management services for the world’s largest GTL project for Qatar Shell GTL Limited, a subsidiary of Royal Dutch Shell plc. JGC’s role also includes project management as well as EPCM activities for GTL synthesis. This project began shipping products from Train 1 in June 2011, and work is proceeding steadily toward completion.

In the nuclear power field, construction needs for nuclear power plants are rapidly rising at present in the Middle East and Southeast Asia. JGC has established a long track record of constructing radioactive waste treatment facilities at nuclear power plants in Japan, and has also completed numerous large-scale oil refineries and gas processing plants in the Middle East and Southeast Asia. We believe that our excellent project management capabilities, backed by our technological capabilities in the nuclear power field and extensive track record in overseas projects, will be useful in overseas nuclear power plant projects. We therefore intend to actively pursue business in this area in the future.

## Living and General Production Projects

In the field of pharmaceuticals, Japanese pharmaceutical companies continue to make robust capital investments in facilities for antibodies and high-potency active pharmaceutical ingredients.

Against this backdrop, in fiscal 2010, JGC won orders from several major pharmaceutical companies for constructing facilities for manufacturing antibodies and other substances. Construction work on these projects is under way.

In September 2010, JGC established JGC Pharma Services Co., Ltd. after acquiring all the shares of Tokyo CRO, Inc., which was engaged in clinical development and pharmaceutical affairs consulting. Due to this move, the JGC Group will now be able to offer wide-ranging services in addition to EPC service for pharmaceutical facilities principally by JGC and services relating to the manufacture of pharmaceutical products, including Good Manufacturing Practice compliance. Through JGC Pharma Services, the JGC Group will support the manufacturing of investigational products and pharmaceuticals, as well as brokering their manufacture on a contract basis.

In the field of non-ferrous metal refining, JGC is involved in a project to construct a nickel refining plant that is being promoted by Sumitomo Metal Mining Co., Ltd. in the Taganito district in the northeastern part of the island of Mindanao in the Philippines. This project is slated to begin production in 2013.

## Environmental Protection, Social Development and IT Projects

In the field of medical facilities, JGC has constructed high-quality medical facilities throughout Japan and offered project management services, both of which have received favorable evaluations from many clients. Recently, an increasing number of projects have been utilizing the Private Finance Initiative (PFI) method, where funding and know-how from private-sector companies are used to efficiently construct and operate local public hospitals. We intend to be actively involved in this area, taking advantage of our expertise based on our long history of working on projects in the medical field.

In fiscal 2010, JGC won a number of orders from hospitals. These included a headquarters building for Ibaraki Resident Co-Operative Union in Ibaraki Prefecture, the Nishi-Kumamoto Hospital for Medical Co. LTA. in Kumamoto Prefecture, and a renovation project for the Maki Hospital for the Hokuyokai Foundation in Hokkaido.

Furthermore, construction of a new wing is currently under way in the refurbishing and management of the Tokyo Metropolitan Mental Health Center (tentative name), where JGC became the first domestic engineering contractor to be selected as a hospital PFI operator. In addition, JGC is also constructing residences for the elderly for the nursing business company I.P.C. Ltd. in Ibaraki Prefecture, carrying out renovation work on the Morita Hospital for the Yushinkai Foundation in Kanagawa Prefecture. At the beginning of 2011, we completed a project in Fukuoka Prefecture to expand the care wing of Inoue Hospital for the Seishinkai Foundation. Since the beginning of fiscal 2011, we have completed a project in Niigata Prefecture to rebuild Kido Hospital for the Niigata Medicalcare Cooperative.

In the area of research facilities, in mid 2010 we completed construction of a new research wing at the Fukuyama plant for Yasuhara Chemical Co., Ltd. in Hiroshima Prefecture, and at the beginning of 2011 completed construction of a new pharmaceutical research building for Mitsubishi Tanabe Pharma Corporation in Kanagawa Prefecture.

## Enterprise Investment Business

JGC positioned expansion of the enterprise investment business as a key strategy of its previous medium-term management plan. We set a target of investing ¥40.0 billion over 5 years in businesses where we could make use of our unique knowledge. In the year ended March 2011, the final year of the plan, we had invested almost ¥40.0 billion. Furthermore, we began to book dividends and equity-method earnings from some of the projects we invested in during the initial stages of the plan.

In fiscal 2010, we embarked on a bio-ethanol production and power plant business together with ITOCHU Corporation and other partners in the Philippines in April 2010. In May 2010, we acquired Trility (formerly United Utilities Australia Pty Limited), an Australian water company together with Mitsubishi Corporation, Innovation Network Corporation of Japan, and others. In September 2010, we teamed up with Spanish company Abengoa Solar to own concentrating solar power plants in Spain. The same month, we began constructing a demonstration plant for upgrading low-grade Indonesian coal into a fuel that can be used as an alternative to petroleum in a project with Indonesia's Sinarmas Group.

Since the beginning of fiscal 2011, we have acquired shale oil properties in the U.S. in June 2011. Shale oil has attracted considerable attention in recent times. Together with project operator Chesapeake, we will forge ahead with production and development. In July 2011, JGC announced that a gas column had been discovered in an exploratory well at a gas field in the U.S., where JGC holds a 9.5% share in assets. The well is scheduled to start gas production in early 2012.

The current status of the projects invested in to date is as follows:

### Power Generation and Water Desalination Business

Business rights to two projects acquired in Abu Dhabi. Power generation and desalination facilities are currently operating commercially.

Business rights to one project acquired in Saudi Arabia. Power generation and desalination facilities are currently operating commercially.

### Water Business

JGC is jointly operating a seawater desalination business in China, together with a partner company.

Along with Mitsubishi Corporation, JGC invested in Ebara Engineering Services Co., Ltd., a water business subsidiary of EBARA Corporation. In April 2011, this company was renamed Swing Corporation and is presently offering a wide range of services as a comprehensive water company.

### Emissions Credits Business

JGC has already developed four emissions credits business projects in China. Of these, two projects are smoothly issuing CER (Certified Emission Reduction) credits.

### Resource Development Business

One oil and gas field development and production project under way in the U.S. At present, the equivalent of 1,000 barrels per day of crude oil and natural gas and oil are being produced and sold.

Under “New Horizon 2015,” JGC's new medium-term management plan launched in April 2011, JGC plans to focus on its enterprise investment business and has earmarked around ¥100.0 billion for investment over 5 years, mainly in the power generation, water, environment, renewable energy and resource development fields.

## CATALYSTS AND FINE PRODUCTS BUSINESS

In fiscal 2010, the business environment was extremely difficult, as clients postponed and re-examined their business plans and the product market contracted amid economic stagnation in Japan, the main market for this business. In response to this environment, JGC Group companies in the catalyst and fine products business made efforts to improve profitability. These efforts included undertaking price negotiations with clients, reducing manufacturing costs, trimming fixed expenses, and efficiently assigning personnel. As a result of these efforts, while sales declined year on year, operating income increased substantially.

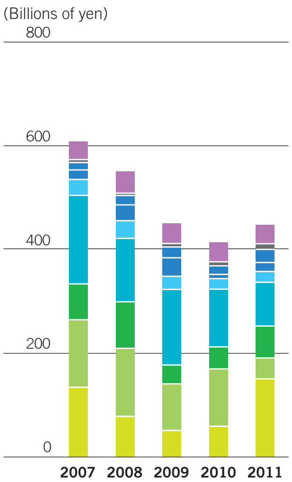
In the catalysts business, sales of FCC catalysts, for which we hold the leading market share in Japan, saw demand plateau as the increase in demand which had been spawned by domestic clients shifting to heavy oil ran its course. In hydrotreating catalysts, sales declined as clients put off catalyst replacement plans.

In the fine products business, demand for products in the IT field was strong due mainly to economic growth in emerging markets, led by China and India. In particular, sales of materials for hard disk abrasives, and antireflective and antistatic materials for flat-panel displays increased, supported by a strong IT-related market, especially in China, South Korea and Taiwan. Additionally, sales of cathode materials for lithium-ion batteries used in hybrid cars and electric vehicles increased sharply to clients in and outside of Japan.

The market environment for the catalysts and fine products business in fiscal 2011 is expected to see a continuation of harsh conditions for the catalysts business due to sluggish domestic demand. However, the fine products business should see robust conditions continue in IT-related fields, including antireflective and antistatic materials, and lifestyle-related fields such as raw materials for cosmetics. Moreover, demand for cathode materials for lithium-ion batteries is expected to remain high. In this climate, JGC Group companies in the catalysts and fine products businesses will work to develop new products such as catalysts that require no rare earths or substantially reduced amounts and additives. At the same time, they will rigorously reduce various costs, and actively work to develop new clients in response to the testing business environment. We will also work to improve profitability for all of our products, accelerate advances into overseas markets, and build a new business base.

# Performance Highlights by Business Sector

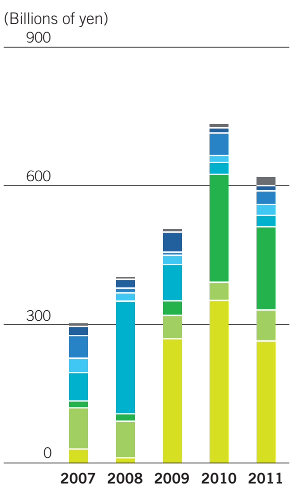
All figures are on a consolidated basis.




## Net Sales

(Millions of yen)

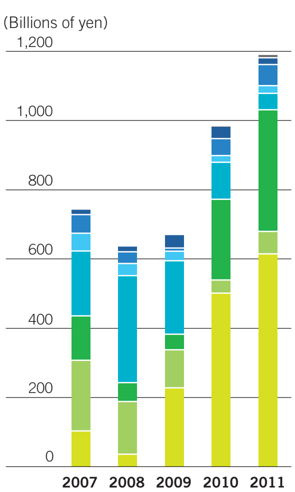
| Years ended March 31 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| Oil and Gas Development | **150,688** | 59,382 | 51,304 | 78,500 | 134,557 |
| | **(149,895)** | (58,753) | (48,470) | (78,200) | (134,151) |
| Petroleum Refining | **40,292** | 110,566 | 89,838 | 131,116 | 130,194 |
| | **(8,711)** | (31,894) | (36,182) | (48,809) | (68,191) |
| LNG | **61,512** | 42,428 | 36,261 | 89,680 | 69,128 |
| | **(58,969)** | (41,122) | (35,627) | (89,013) | (67,838) |
| Chemical | **84,377** | 111,216 | 145,769 | 122,250 | 170,579 |
| | **(64,049)** | (87,611) | (102,095) | (80,806) | (142,965) |
| Power Generation, Nuclear Power and New Energy | **20,869** | 20,391 | 25,281 | 34,096 | 30,813 |
| | **(12,621)** | (12,359) | (16,230) | (21,365) | (20,347) |
| Living and General Production | **17,255** | 8,128 | 35,743 | 30,509 | 18,294 |
| | **(7,938)** | (1,502) | (7,836) | (14,277) | (4,389) |
| Environmental Protection, Social Development and IT | **25,344** | 16,488 | 20,788 | 18,144 | 14,127 |
| | **(46)** | (15) | (1) | (35) | (2,726) |
| Others | **10,851** | 7,827 | 6,654 | 4,419 | 5,766 |
| | **(6,937)** | (3,578) | (2,059) | (252) | (558) |
| Total Engineering Business and Other Business | **411,191** | 376,430 | 411,642 | 508,717 | 573,463 |
| (Overseas) | **(309,170)** | (236,837) | (248,503) | (332,762) | (441,169) |
| incl. Total Engineering Business | **401,198** | — | — | — | — |
| incl. Other Business | **9,992** | — | — | — | — |
| Catalysts and Fine Products | **36,031** | 37,828 | 39,270 | 42,345 | 35,067 |
| Total | **447,223** | 414,258 | 450,912 | 551,062 | 608,530 |




## New Contracts

(Millions of yen)

| Years ended March 31 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| Oil and Gas Development | **264,042** | 352,087 | 268,868 | 11,301 | 30,288 |
| | **(263,483)** | (351,358) | (268,519) | (8,398) | (29,889) |
| Petroleum Refining | **67,188** | 39,358 | 50,826 | 79,191 | 89,179 |
| | **(52,129)** | (13,228) | (7,716) | (20,479) | (27,423) |
| LNG | **180,096** | 233,553 | 31,284 | 16,019 | 14,804 |
| | **(157,267)** | (233,382) | (21,963) | (15,541) | (13,943) |
| Chemical | **24,838** | 25,492 | 78,492 | 243,907 | 61,524 |
| | **(9,288)** | (6,495) | (60,685) | (215,637) | (21,268) |
| Power Generation, Nuclear Power and New Energy | **23,575** | 15,038 | 20,373 | 17,756 | 31,142 |
| | **(8,463)** | (2,249) | (13,349) | (6,153) | (21,517) |
| Living and General Production | **29,255** | 48,902 | 6,759 | 10,441 | 48,748 |
| | **(79)** | (34,325) | (463) | (122) | (21,452) |
| Environmental Protection, Social Development and IT | **11,280** | 11,046 | 43,376 | 19,234 | 20,077 |
| | **(94)** | (34) | (1) | (15) | (118) |
| Others | **17,924** | 8,069 | 6,153 | 4,498 | 5,580 |
| | **(13,351)** | (3,844) | (1,493) | (247) | (470) |
| Total | **618,203** | 733,549 | 506,135 | 402,352 | 301,347 |
| (Overseas) | **(504,157)** | (644,918) | (374,193) | (266,596) | (136,084) |
| incl. Total Engineering Business | **608,288** | — | — | — | — |
| incl. Other Business | **9,914** | — | — | — | — |




## Outstanding Contracts

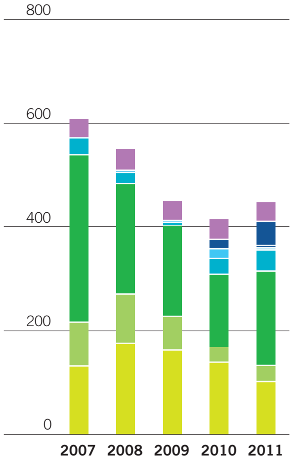
(Millions of yen)

| Years ended March 31 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| Oil and Gas Development | **614,768** | 501,414 | 227,740 | 38,128 | 103,294 |
| | **(614,621)** | (501,034) | (227,460) | (35,362) | (103,131) |
| Petroleum Refining | **64,920** | 38,024 | 110,037 | 150,081 | 204,138 |
| | **(45,772)** | (2,354) | (21,798) | (51,065) | (81,418) |
| LNG | **351,466** | 232,881 | 44,960 | 50,612 | 128,195 |
| | **(323,610)** | (225,311) | (36,255) | (50,594) | (127,988) |
| Chemical | **47,415** | 106,953 | 212,230 | 304,917 | 187,487 |
| | **(38,787)** | (93,548) | (194,217) | (261,032) | (130,426) |
| Power Generation, Nuclear Power and New Energy | **22,247** | 19,541 | 27,677 | 33,594 | 51,336 |
| | **(4,877)** | (9,035) | (21,927) | (25,817) | (42,411) |
| Living and General Production | **61,030** | 49,029 | 9,040 | 37,939 | 53,894 |
| | **(25,590)** | (33,449) | (1,410) | (8,683) | (18,690) |
| Environmental Protection, Social Development and IT | **19,533** | 33,597 | 39,040 | 16,408 | 15,864 |
| | **(67)** | (19) | (0) | (—) | (20) |
| Others | **8,222** | 1,149 | 613 | 1,144 | 468 |
| | **(7,010)** | (596) | (42) | (590) | (5) |
| Total | **1,189,606** | 982,594 | 671,341 | 632,827 | 744,679 |
| (Overseas) | **(1,060,337)** | (865,351) | (503,112) | (433,147) | (504,092) |
| incl. Total Engineering Business | **1,187,754** | 980,664 | — | — | — |
| incl. Other Business | **1,851** | 1,929 | — | — | — |

# Performance Highlights by Region

All figures are on a consolidated basis.

(Billions of yen)

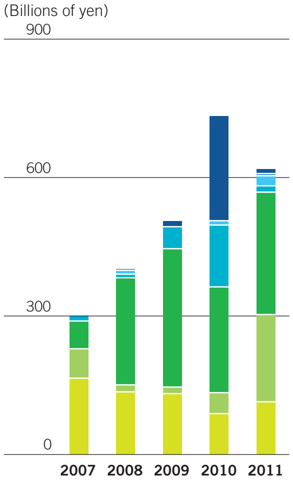



## Net Sales

(Millions of yen)

| Years ended March 31 | **2011** | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| Japan | **102,020** | 139,592 | 163,138 | 175,952 | 132,297 |
| Asia | **31,240** | 28,197 | 64,730 | 95,128 | 84,425 |
| Middle East | **181,683** | 141,355 | 175,392 | 212,916 | 322,437 |
| Africa | **40,899** | 30,533 | 7,068 | 21,494 | 32,695 |
| North and South America | **4,633** | 18,425 | 76 | 1,289 | 1,479 |
| Europe and CIS | **1,342** | 5 | 38 | 404 | 127 |
| Oceania | **49,372** | 18,320 | 1,196 | 1,532 | 0 |
| Total Engineering Business and Other Business | **411,191** | 376,430 | 411,642 | 508,717 | 573,463 |
| Catalysts and Fine Products | **36,031** | 37,828 | 39,270 | 42,345 | 35,067 |
| Total | **447,223** | 414,258 | 450,912 | 551,062 | 608,530 |

(Billions of yen)

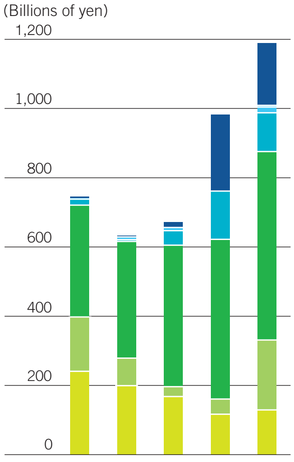



## New Contracts

(Millions of yen)

| Years ended March 31 | **2011** | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| Japan | **114,045** | 88,630 | 131,942 | 135,753 | 165,269 |
| Asia | **189,614** | 45,547 | 14,327 | 15,181 | 63,951 |
| Middle East | **264,921** | 228,985 | 299,650 | 232,030 | 60,103 |
| Africa | **13,504** | 134,106 | 47,609 | 7,556 | 9,095 |
| North and South America | **23,100** | 9,305 | 85 | 9,830 | 481 |
| Europe and CIS | **2,391** | 142 | 38 | 8 | 47 |
| Oceania | **10,625** | 226,831 | 12,483 | 1,991 | 2,398 |
| Total | **618,203** | 733,549 | 506,135 | 402,352 | 301,347 |

(Billions of yen)




## Outstanding Contracts

(Millions of yen)

| Years ended March 31 | **2011** | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| Japan | **129,268** | 117,243 | 168,228 | 199,679 | 240,587 |
| Asia | **202,270** | 43,896 | 28,170 | 79,082 | 157,214 |
| Middle East | **544,495** | 461,257 | 409,148 | 338,897 | 323,251 |
| Africa | **111,569** | 138,964 | 41,250 | 2,125 | 19,191 |
| North and South America | **18,816** | 349 | 9,298 | 9,256 | 710 |
| Europe and CIS | **1,187** | 137 | 0 | 0 | 396 |
| Oceania | **181,999** | 220,746 | 15,244 | 3,787 | 3,328 |
| Total | **1,189,606** | 982,594 | 671,341 | 632,827 | 744,679 |

# Major Projects

| | Business Sector | Client | Project | Location |
|---|---|---|---|---|
| **Contracts Awarded** | Oil and Gas Development Projects | Ras Gas Company Limited | Gas Processing Plant | Ras Laffan/Qatar |
| | Petroleum Refining Projects | ExxonMobil Asia Pacific Pte. Ltd. | Petroleum Refining-related Plant | Jurong/Singapore |
| | LNG Projects | Sulawesi LNG Development | LNG Plant | Luwuk/Indonesia |
| | | JX Nippon Oil & Energy Corporation | LNG Receiving Terminal | Aomori/Japan |
| | Environmental Protection, Social Development and IT Projects | Ibaraki Resident Co-operative Union | Headquarters Building | Ibaraki/Japan |
| | | Medial Co. LTA. | Hospital | Kumamoto/Japan |
| | | Hokuyokai Foundation | Hospital | Hokkaido/Japan |
| **Contracts Underway** | Oil and Gas Development Projects | Abu Dhabi Gas Industries Ltd. | Gas Processing Plant | Habshan/Abu Dhabi |
| | | Sonatrach | Gas Processing Plant | Gassi Touil/Algeria |
| | | Sonatrach | Gas & Oil Separation Facilities | Rhourde Nouss/Algeria |
| | | Saudi Arabian Oil Co. (Saudi Aramco) | Utilities, Storage and Shipping Facilities for the Central Processing Facilities | Manifa/Saudi Arabia |
| | LNG Projects | Chevron Australia Pty Ltd | LNG Plant | Barrow Island/Australia |
| | | Esso Highlands Limited | LNG Plant | Port Moresby/Papua New Guinea |
| | Chemical Projects | Saudi Polymers Company | Petrochemical Plant | Al Jubail/Saudi Arabia |
| | Power Generation, Nuclear Power and New Energy Projects | Qatar Shell GTL Ltd. | GTL Plant | Ras Laffan/Qatar |
| | Living and General Production Projects | DENKA SEIKEN Co., Ltd. | Pharmaceutical-related Facilities | Niigata/Japan |
| | Environmental Protection, Social Development and IT Projects | Medical Management Matsuzawa Co., Ltd. | Hospital | Tokyo/Japan |
| | | Niigata Medicalcare Cooperative | Hospital | Niigata/Japan |
| | | I. P. C Ltd. | Senior Citizen Complex | Ibaraki/Japan |
| | | Yushinkai Foundation | Hospital | Kanagawa/Japan |
| **Contracts Completed** | LNG Projects | INPEX Browse, Ltd. | FEED Service for LNG Plant | Darwin/Australia |
| | Environmental Protection, Social Development and IT Projects | YASUHARA CHEMICAL Co., Ltd. | Research Center | Hiroshima/Japan |

# Major Contracts Awarded

## Announced as of March 31, 2008

| Business Sector* | Client | Project | Location | Completion |
|---|---|---|---|---|
| CHM | Saudi Polymers Company | Petrochemical Plant | Al Jubail/Saudi Arabia | 2011 |
| ENV | Sanden Corporation | Research & Development Center | Gunma/Japan | 2008 |
| ENV | Shijinkai Foundation | Hospital | Saitama/Japan | 2009 |
| ENV | Seiryoukai Foundation | Hospital | Hyogo/Japan | 2009 |
| ENV | Maruho Co., Ltd. | Renovation of Research & Development Center | Kyoto/Japan | 2008 |

## Announced as of March 31, 2009

| Business Sector* | Client | Project | Location | Completion |
|---|---|---|---|---|
| OGD | Sonatrach | Gas & Oil Separation Facilities | Rhourde Nouss/Algeria | 2011 |
| OGD | Saudi Arabian Oil Co. (Saudi Aramco) | Utilities, Storage and Shipping Facilities for the Central Processing Facilities | Manifa/Saudi Arabia | — |
| LNG | INPEX Browse, Ltd. | FEED Service for LNG Plant | Darwin/Australia | — |
| LIV | TOA EIYO LTD. | Pharmaceutical-related Facilities | Fukushima/Japan | 2010 |
| ENV | Medical Management Matsuzawa Co., Ltd. | Hospital | Tokyo/Japan | 2013 |
| ENV | Niigata Medicalcare Cooperative | Hospital | Niigata/Japan | 2011 |

## Announced as of March 31, 2010

| Business Sector* | Client | Project | Location | Completion |
|---|---|---|---|---|
| OGD | Abu Dhabi Gas Industries Ltd. | Gas Processing Plant | Habshan/Abu Dhabi | 2013 |
| | Sonatrach | Gas Processing Plant | Gassi Touil/Algeria | 2013 |
| LNG | Chevron Australia Pty Ltd. | LNG Plant | Barrow Island/Australia | — |
| | Esso Highlands Limited | LNG Plant | Port Moresby/Papua New Guinea | — |
| CHM | Saudi Arabian Oil Co. (Saudi Aramco) and Sumitomo Chemical Co., Ltd. | Engineering and Project Management Services for the Feasibility Study | Rabigh/Saudi Arabia | — |
| LIV | DENKA SEIKEN Co., Ltd. | Pharmaceutical-related Facilities | Niigata/Japan | 2011 |
| ENV | I. P. C Ltd. | Senior Citizen Complex | Ibaraki/Japan | 2012 |
| | Yushinkai Foundation | Hospital | Kanagawa/Japan | 2011 |
| | YASUHARA CHEMICAL Co., Ltd. | Research Center | Hiroshima/Japan | 2010 |

* BUSINESS SECTOR
OGD: Oil and Gas Development Projects
LNG: LNG Projects
PWR: Power Generation, Nuclear Power and New Energy Projects
ENV: Environmental Protection, Social Development and IT Projects
PET: Petroleum Refining Projects
CHM: Chemical Projects
LIV: Living and General Production Projects

# Environmental Activities and Contribution to Society

**JGC has formulated the JGC CSR Policy, which took effect from fiscal 2011. Guided by this basic policy, the JGC Group will continue to involve itself in activities that make further contributions to the well-being and prosperity of society.**

## JGC CSR (Corporate Social Responsibility) Policy

JGC is committed to fulfilling its role as an organization functioning within society (Corporate Citizenship). We recognize that the foundation of our business activities is strengthened by our contributions to the prosperity of the world economy and society, and to the sustainable development of society and the global environment.

To meet this commitment, JGC hereby establishes the following principles, which shall be applied throughout its operations.

1. We shall conduct our business with a full understanding of the importance of quality, safety, and the environment.
2. We shall make our contributions to society based on our strengths as a company.
3. We shall comply with legal requirements inside and outside the country, and conduct our business in a fair and honest manner following a proper governance system.
4. We shall disclose necessary information to our stakeholders in a timely and appropriate manner.
5. We shall endeavor to maintain and further improve fair human resource management to develop the ability and vitality of our employees based on the principles of mutual trust and responsibility.
6. We shall promote the awareness of CSR and further develop our CSR activities reflecting the voices of stakeholders.

## Environmental Activities

JGC's Engineering & Construction (E&C) business, which provides engineering, procurement and construction (EPC) services for energy-related plants such as those for oil and natural gas, is closely related to environmental protection in and of itself.

Since the 1960s, JGC has worked on environmental issues as an engineering contractor, striving to develop cleaner petroleum products, make its plants more energy-efficient, and eliminate the production of hazardous waste. Our understanding that our business activities can themselves contribute to environmental protection has not changed today, and this is symbolically expressed in our corporate philosophy.

Furthermore, we are expanding our environmental protection activities into a wider range of fields outside of our EPC business, including our new clean development mechanism (CDM) business which we are developing as part of our enterprise investment initiatives.

Activities focused on how to provide our customers with plants that place a minimum burden on the environment are also an important part of JGC's environmental management approach. We engage in testing various techniques and improvements at each stage of our EPC business, and our methods have been evaluated highly by our clients.

Measures taken to lessen the burden on the environment at the home office and construction sites involved in EPC activities are the foundation supporting JGC's environmental management efforts. $CO_2$ reductions at the home office and reduction/recycling of waste products at construction sites are producing improved results every year.

## Considering HSE in Business Activities

The JGC Group executes projects around the world in business sectors ranging from resource development, oil, natural gas, and petrochemicals, to the environment, catalysts and fine chemicals, pharmaceuticals, water resources, and new energy. Through all these projects, the JGC Group strives to always fully consider factors concerning health, safety, and the environment (HSE). HSE aspects must of course be considered in EPC services, but they must also be considered in marketing and at all project stages, from feasibility studies to maintenance and plant decommissioning, as well as our investment and services businesses. The JGC Group has added HSE factors to its engineering and management capabilities, as it aims to help create a sustainable society.

In this section, we look at some examples of how the JGC Group considers the environment at the construction planning and construction stages of project execution.

### <Construction Planning Stage>

Meticulous concern for sustainability at plant construction sites is essential. In many countries, construction of new plants requires submission of an environmental impact assessment (EIA) report for the purpose of minimizing environmental impacts wherever possible. The EIA report describes in detail the impacts that construction work will have on the air, water, soil, flora, fauna, and marine life. JGC applies environmental management systems to construction work to ensure that we demonstrate consideration for the environment in compliance with EIA reports, emphasizing the following points:

❶ We practice strict legal compliance and environmental risk management by identifying environmental laws and regulations and environmental considerations that have a bearing on construction work.

❷ We endeavor to increase customer satisfaction and reinforce communication with stakeholders.
❸ We manage environmental risks and endeavor to minimize the possibility of incidents which may have a negative impact on the environment by anticipating, preparing for, and speedily responding to emergencies.

Before starting construction work, we consider the above matters and unfailingly perform the following preliminary work:
❶ Identifying environmental impacts of the construction work
❷ Setting environmental objectives and targets for the construction work
❸ Preparing an environmental management plan for construction work
❹ Providing new workers with environmental education and training

We incorporate the Zero Emissions Initiative, a JGC Group independent environmental conservation initiative, into this preliminary work, and thoroughly confirm environmental conservation measures before starting construction.

**<Construction>**

Construction work by JGC is preceded by thorough consideration of possible effects on the environment at the planning stage.

Matters decided in the Construction Environmental Management Plan include the project environmental policy, which organizations and persons will be responsible for environment-related work, what environmental protection measures will be put in place, guidelines for environmental performance monitoring and measurement, emergency prevention and mitigation procedures, environmental monitoring, and monthly reporting. Following the start of construction, a review of the environmental aspects of the project (the relationship between construction work and the environment) is conducted to confirm whether the construction work differs from the plan. If any deviations are found, the plan is revised to ensure that there are no omissions in the environmental considerations included in the environmental management framework.

## Continuous Improvement of Environmental Management Systems

In December 2003, JGC obtained international standard ISO 14001 certification for its environmental management systems from Lloyd's Register Quality Assurance (LRQA).

After two renewals, JGC completed the fiscal 2010 maintenance examination in March 2011, which included overseas sites.

### Making Environmental Improvement Activities More Applicable to Core Business

Environmental improvement activities at JGC's headquarters in the past have tended to center on the reduction of waste, paper, and electricity consumption. For this reason, the challenge for JGC has been to shift focus to environmental improvement activities more related to its core business. In order to address this challenge, all department heads took part in discussions about how to identify environmental aspects in their primary work and review target-setting procedures. These discussions established the following shared awareness:

· It is important to strive for the development of a sustainable society by addressing environmental problems through core businesses, and to link this with the creation of corporate value and greater competitiveness.
· Amid rising global concern over environmental problems, JGC has been helping to address environmental issues directly and indirectly through its core business activities. JGC recognizes that its pursuit of sustainability must be undertaken in its core businesses.
· JGC is mindful of the following points for achieving continuous development.
  ❶ Maintaining and managing operations so as not to cause environmental problems.
  ❷ Making continuous improvements so as to raise earnings, while considering the environment.

Based on this shared understanding, JGC has continued to explore the significance of environmental targets and goals, and has promoted environmental management activities along the following lines:

· Environmental management activities based on environmental targets and goals are business operations in themselves, rather than separate activities.
· The operating policies of divisions and departments are set with the aim of raising the actual performance of the organization and business operations.
· The operating policies themselves are quality targets.
· The environmental targets of departments with an indirect environmental impact are to be considered as quality targets.

In this way, JGC's environmental management system is loosely linked to the quality management system, and JGC promotes environmental improvement activities that are applicable to its core businesses.

### Construction Waste Recycling

JGC aims to minimize final waste through rigorous implementation of the Zero Emissions Initiative. In fiscal 2010, JGC lowered the final disposal rate to 4.1% in construction work in Japan, close to its goal of no more than 4%. Each site uses industrial waste management survey forms prescribed by the Company to confirm the recycling rate with intermediate waste disposers before contracting with them. Because there is a large difference among waste disposers in terms of the disposal method for construction sludge and the recycling rate in particular, an extensive comparative analysis of each company is conducted regarding the disposal methods and disposal costs. Furthermore, appropriate plans for separating waste are drawn up before the commencement of construction based on the nature of the waste generated. During construction, efforts are made to improve the recycling rate by rigidly enforcing waste separation in accordance with the plan.

## Social Contribution Activities

In the new JGC CSR Policy, which took effect from the beginning of fiscal 2011, JGC has systematically organized its ongoing social contribution activities.

### Basic Policy for Social Contribution Activities

The JGC Group has declared that it will contribute to the sustainable development of society and the global environment in the JGC CSR Policy. The Group has specified four key fields for realizing this and for conducting suitable social contribution activities.

**<Four Key Fields>**

1. **Environment**
   Actively contribute to environmental conservation
2. **Education**
   Support the professional development of future engineers
3. **Science and Technology**
   Support science and technology as the basis for sustainable development
4. **Community Contribution**
   Contribute to the sustainable development of the communities where we conduct business

Here we introduce some examples of actual activities in the areas of education, science and technology, and community contribution.

### KAUST Industry-University Collaboration Program

In Saudi Arabia, JGC has been participating as one of the member companies of the KAUST Industrial Collaboration Program (KICP), an industrial collaboration program promoted by the King Abdullah University of Science & Technology (KAUST), which opened in 2009.

KAUST is a graduate-studies level university established by an initiative of King Abdullah as a research base in such advanced technology fields as resources, energy, water, the environment, biotechnology, life sciences, catalysts, nanotechnology, and computer science. With support from the Japanese Ministry of Economy, Trade and Industry for the past three years, JGC has facilitated academic and cultural exchanges between Japan and Saudi Arabia. As a KICP member, and based on its technological prowess and expertise developed over many years of plant engineering and construction activities, JGC also supports the creation of next-generation technology and the training of personnel that will contribute to the progress of both Saudi Arabia and international society. In September 2010, Japanese lecturers offered 12 lectures about Japan, introducing the country's technologies and culture. A total of 335 people attended these lectures, which received glowing evaluations by attending students and faculty.

The KAUST Faculty

### JGC-S Scholarship Foundation: Support for the Next Generation

Through the JGC-S Scholarship Foundation, JGC contributes to the cultivation of scientists and the advancement of science and technology in Japan and overseas. The foundation was established in March 1968 with an endowment by JGC Founder Masao Saneyoshi. Its principal undertakings include provision of educational loans and grants to Japanese university and graduate school students majoring in science and technology fields, grants to foreign students studying in Japan, and research funding assistance for young researchers. Up to 2010, the foundation had provided educational loans to a total of 13,354 students, educational grants to 4,846 students, and research funding assistance to 1,986 researchers. Annual disbursements have reached ¥351.65 million. Furthermore, the foundation established a special category that substantially expanded the ordinary category for funding recipients attending foundation-designated universities that suffered damage in the Great East Japan Earthquake that struck Japan on March 11, 2011 to support affected students. Over the past year, the foundation took steps to shift administration to a public interest incorporated foundation. Following receipt of the required certification, the foundation made a new start on April 1, 2011 as the JGC-S Scholarship Foundation.

The fiscal 2011 award ceremony for qualifiers of the JGC-S scholarship

### JGC Social Welfare Foundation

The JGC Social Welfare Foundation develops and provides welfare equipment for persons with physical disabilities, as well as funding for support groups and volunteer organizations for senior citizens and persons with disabilities in Kanagawa Prefecture. Since its establishment in March 1994, the foundation had made 514 contributions to support groups, 335 contributions to volunteer organizations and 25 contributions to other groups through fiscal 2010. In fiscal 2010, it made 39, 21 and 2 contributions to such groups, respectively.

# Improving Our Corporate Value by Fulfilling Our Social Responsibilities

**JGC is keenly aware of the importance of corporate governance. Recognizing the need to foster that awareness in our corporate culture and climate, we have formulated the JGC Corporate Philosophy. Through awareness-raising, education and training, we will work to win the public's trust and maintain harmony with society in our corporate activities.**

**Under the JGC Corporate Philosophy, we are working to increase corporate value and realize the principles set out in this philosophy while keeping corporate social responsibility in mind. At the same time, we make it a rule to strive for fairness and transparency in our corporate activities, in accordance with the Company's code of conduct.**

## Corporate Governance Framework

### Executive Officer System

JGC has introduced an executive officer system, which clarifies the division of management decision-making and oversight functions from executive functions. This has further enhanced management efficiency and strengthened the Company's executive accountability system.

### Board of Directors

The Board of Directors, headed by the Chairman of the Board of Directors, has 15 members and meets twice a month in principle. The Company also has five corporate auditors (including three outside auditors) who regularly attend board meetings.

The Company recognizes the importance of mainly appointing directors with a high degree of EPC business knowledge and who are well-versed in a wide range of business markets. As a result, at present the Board of Directors comprises only internal directors with abundant experience. However, the Company will continue to consider the appointment of outside directors in the future based on the availability of suitable candidates.

### Meetings for the Execution of Business Operations

The Company has a Director and Executive Officer Committee, which meets once a month in principle for the purposes of sharing information regarding management policies and their status, and reporting/confirming the status of operations. The Chairman of the Board of Directors heads this committee, which is composed of directors, executive officers, and corporate auditors.

The Management Strategy Committee meets once a week in principle to examine important matters for JGC and the JGC Group relating to management strategy. The Chairman Emeritus of the JGC Group heads this committee, which is comprised of directors, corporate auditors, and other members.

JGC has also established the Operations Steering Committee to consult and make decisions related to the execution of operations of the Company and the JGC Group. Chaired by the President, this committee includes corporate auditors and other individuals selected by the President. The committee meets twice a month in principle.

In addition, a Nominating Committee and an Assessment Committee have been established to enhance fairness and transparency in the selection of executive personnel and in the determination of compensation issues. The Nominating Committee and the Assessment Committee each meet once a year in principle.

### Board of Auditors

The Company has adopted the "company with internal auditors" model to preserve the effectiveness of corporate governance by strengthening the framework of conducting audits by corporate auditors. At present, the Board of Auditors has five corporate auditors, including three outside appointments. In collaboration with the Internal Audit department and the accounting auditor, corporate auditors attend meetings of the Board of Directors and other important meetings, offer necessary comments when appropriate, and further improve corporate governance through hearings regarding the business execution of the company's divisions and through surveys of domestic and overseas offices and plants. The three outside corporate auditors have no personal, capital, or trading relationships or other conflicts of interest with the Company.

### Independent Auditor

The certified public accountants who audit JGC's accounts are Makoto Ishikawa, Kazutoshi Isogai and Yoshihisa Uchida of KPMG AZSA LLC. Four other CPAs and seven other individuals assist in carrying out these audits.

## Status of the Internal Control System

JGC has established an Internal Auditing Office to monitor, evaluate and improve the effectiveness of the internal control systems of JGC and of the Group as a whole, as well as to carry out individual audits where necessary. Additionally, JGC has created management authority regulations that specify the authority and responsibilities of all management personnel, thereby clarifying the system of accountability for corporate management and executive functions. JGC has also established Group management regulations for each Group member firm.

In terms of compliance, JGC's Legal & Compliance Office has compiled a corporate ethics and regulatory compliance manual, and conducts regular education and training to ensure a high level of fairness and transparency in all the Group's business activities. In addition, we are working through our PR and IR department to foster the timely and appropriate disclosure of corporate information.

### Status of the Risk Management System

JGC has established a Risk Management Committee as part of a comprehensive risk management system designed to systematically identify risks throughout the Group. In particular, project risk management is conducted in three broad stages: **1) the project selection stage, 2) the estimate and bidding stage, and 3) the execution stage.**

#### 1) Project Selection Stage

The Global Marketing Division is constantly gathering a wide range of project information based on various factors such as region, client, and technical field, and activities to obtain orders are conducted based on the study and evaluation of the following points:

· Project size (value)
· Technical expertise and experience required
· Country risk
· Allocation of engineers
· Competitive environment, etc.

The results of these studies and evaluations are used in determining JGC's level of interest in the respective projects.

#### 2) Estimate and Bidding Stage

After acquiring requirement documents from the client, the Project Divisions organize an estimate team, and examine the details of the bid. After the details have been identified, a Risk Study Committee meeting is held to analyze project-specific risks.

Major risk management points are:

· Clarity of the project plan and scope of responsibility
· Client's project funding plan and project execution policy
· Level of technology required and degree of difficulty
· Price and supply-demand trends for materials, machinery and labor
· Degree of difficulty in meeting deadlines
· Existence of excessive contractual obligations
· Competitiveness of bidding environment
· Appropriateness of the project execution plan

A detailed estimate policy is drawn up and an estimate is created based on this risk analysis.

#### 3) Execution Stage

Problems and other matters affecting the budget and timing that occur during execution of the project are reported in a timely manner, and problem areas are analyzed.

The Project Divisions regularly hold Project Review Committee meetings to ask the project manager for status reports, and if improvement is needed, smooth project management is supported through instructions and assistance designed to bring about appropriate improvements.

Regarding crisis management, the Company has established a Security Management Section to gather and process information related to risk management, conduct risk management training, and respond to any urgent issues that arise.

Furthermore, the JGC Group has also established a Personal Information Protection Policy and Personal Information Protection Regulations to build a system for managing personal information centered on those employees with duties that involve the handling of this information.

### Executive Compensation

JGC's basic policy on executive compensation is to secure the management personnel necessary for enhancing its global competitiveness as an engineering contractor and continuously raising its corporate value. Executive compensation is set within the bounds of the remuneration cap stipulated by a resolution passed at the 113th General Meeting of Shareholders held on June 26, 2009.

Compensation for the Company's directors comprises fixed-amount remuneration and performance-based remuneration. Furthermore, this remuneration framework is structured so that directors can approach their responsibilities from a medium- to long-term perspective, considering that a number of years are required from winning an order through to project completion in the EPC business, the Company's main business. The fixed-amount remuneration is determined according to the position and responsibilities of each director. The total amount of the performance-based remuneration is limited to a maximum of 1% of the net income of the fiscal year under review, and each director's remuneration is determined by reflecting the contributions of the directors to the successful accomplishment of their responsibilities and the fiscal year performance, and to provide an incentive for the improvement of business performance. Each director's contribution is determined after deliberation by the Assessment Committee to ensure the objectivity of the evaluation.

The compensation for corporate auditors is determined within a framework centered on fixed-amount remuneration in order to help guarantee the appropriateness of audits as an independent mechanism that ensures suitable corporate governance.

The Company abolished the retirement benefit system for directors and corporate auditors with the close of the 108th General Meeting of Shareholders held on June 29, 2004. It was also resolved that directors and corporate auditors who remained in office after the close of the same meeting would be paid retirement benefit allowances when they retire for their period in office through to the abolition of the retirement benefit system.

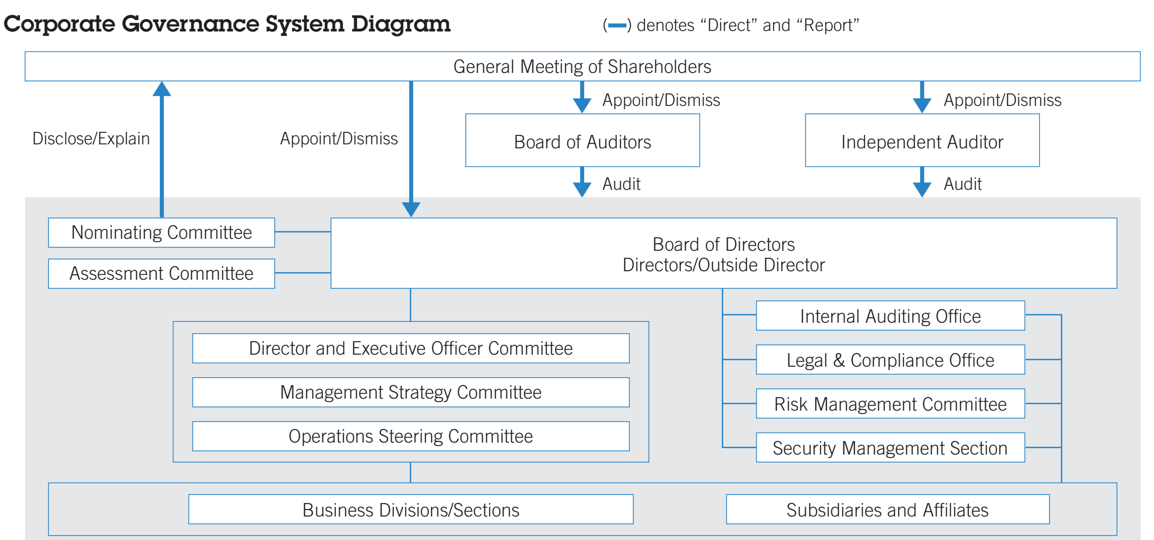
| Category | Total remuneration available | Remuneration breakdown | | | |
|---|---|---|---|---|---|
| | | Fixed-amount remuneration | | Performance-based remuneration | |
| | | Number of recipients | Total remuneration paid | Number of recipients | Total remuneration paid |
| 18 directors | ¥578.10 million | 18 | ¥459.60 million | 15 | ¥118.50 million |
| 2 auditors (excluding outside auditors) | ¥33.20 million | 2 | ¥31.20 million | 2 | ¥2.00 million |
| 3 outside executive personnel (3 outside auditors) | ¥31.28 million | 3 | ¥29.28 million | 3 | ¥2.00 million |

Note: The annual compensation limit for directors is ¥690.00 million; the annual compensation limit for auditors is ¥88.00 million.

### Compensation for Audits

| | Compensation for audit certification activities | Compensation for non-audit activities |
|---|---|---|
| JGC | ¥82 million | ¥4 million |
| Consolidated subsidiaries | ¥49 million | — |
| Total | ¥131 million | ¥4 million |

### Corporate Governance System Diagram



# Board of Directors, Auditors and Executive Officers

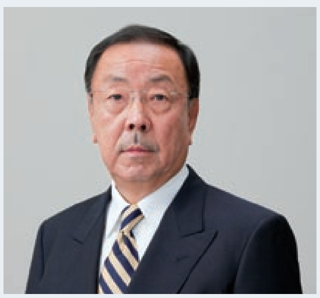
As of July, 2011

Chairman Emeritus of JGC Group
**Yoshihiro Shigehisa**

Chairman and
Chief Executive Officer*
**Keisuke Takeuchi**

Vice Chairman and Director
**Masahiko Yaegashi**

President and
Chief Operating Officer*
**Koichi Kawana**



Executive Vice President*
**Tadanori Aratani**

Executive Vice President* and
Senior General Manager,
Corporate Strategy Office
**Sei Tange**

Executive Vice President
**Tadashi Ishizuka**

## Senior Managing Directors

**Yutaka Yamazaki**
Senior General Manager,
International Project Division

**Eiki Furuta**
Senior General Manager,
Global Marketing Division

## Managing Directors

**Hideaki Miura**
Senior General Manager, Engineering Division

**Tsutomu Akabane**
General Manager, International Project Division

**Masayuki Sato**
Senior General Manager, Corporate
Administrative & Financial Affairs Division
and Chief Financial Officer

## Directors

**Toyohiko Shimada**
Senior General Manager, Business Planning &
Government/Industry Relations Office

**Yasumasa Isetani**
Senior General Manager, Business Promotion
& Execution Division

**Satoshi Sato**
General Manager, International Project Division

**Hiroyasu Fukuyama**
General Manager, Global Marketing Division

## Corporate Auditors

**Teruo Nakamura**

**Minoru Sakuma****

**Toshiyuki Tsuchida**

**Masaru Yamamoto****

**Masao Mori****

## Executive Officers

**Yusuke Shinoda**
General Manager, Business Promotion &
Execution Division

**Keiichi Shibata**
General Manager, International Project Division

**Yoshimichi Murakami**
Senior General Manager, Industrial &
Domestic Energy Project Division

**Tadao Takahashi**
President, JGC Gulf International Ltd.

**Shigeru Abe**
General Manager, International Project Division

**Takashi Yasuda**
Senior General Manager, Research &
Development Division and
Chief Technology Officer

**Yasushi Momose**
General Manager, Global Marketing Division

**Toru Kikuchi**
Senior General Manager, China Business
Development Office

**Yutaka Yamanaka**
General Manager, Engineering Division

**Hiroshi Bunazawa**
General Manager, International Project Division

**Shin Matsui**
Project Director, Ichthys LNG Project,
International Project Division

**Hitoshi Kitagawa**
General Manager, Industrial & Domestic
Energy Project Division

**Tokutaro Nomura**
General Manager,
Project Operation Services Division

**Shigeo Kobayashi**
Project Director, Gasco IGD Project,
International Project Division

**Yoshikatsu Nishida**
General Manager, Business Promotion &
Execution Division

**Yuji Kato**
General Manager, Business Promotion &
Execution Division

**Hisakazu Nishiguchi**
Senior General Manager,
Legal & Compliance Office

**Kazuyoshi Muto**
Senior General Manager,
Project Operation Services Division

**Takahiro Kobori**
General Manager, Engineering Division

**Yasutoshi Okazaki**
Project Director, NSRP Project,
International Project Division

Note: * Representative Directors
** Outside Auditor

# Financial Section

## Contents

# Six-Year Summary—Consolidated

For the six years ended March 31.
Yen amounts are in millions except per share data.

| | **2011** | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|
| Net Sales | **¥ 447,223** | ¥414,258 | ¥450,912 | ¥551,062 | ¥608,530 | ¥ 550,301 |
| Operating Income | **63,559** | 41,919 | 52,003 | 44,896 | 26,413 | 20,389 |
| Net Income | **25,478** | 27,112 | 31,543 | 30,020 | 20,187 | 15,011 |
| Total Current Assets | **319,464** | 283,538 | 335,220 | 324,617 | 327,333 | 231,777 |
| Total Current Liabilities | **174,293** | 137,728 | 208,023 | 217,339 | 237,586 | 175,428 |
| Working Capital | **145,171** | 145,810 | 127,197 | 107,278 | 89,747 | 56,349 |
| Current Ratio | **183.3%** | 205.9% | 161.1% | 149.4% | 137.8% | 132.1% |
| Net Property and Equipment | **64,634** | 66,058 | 66,509 | 68,450 | 67,220 | 65,688 |
| Total Assets | **468,503** | 430,176 | 480,279 | 466,773 | 470,286 | 375,288 |
| Long-Term Debt, Less Current Maturities | **6,624** | 21,926 | 23,255 | 17,300 | 17,799 | 993 |
| Total Net Assets | **264,483** | 246,141 | 224,488 | 207,537 | 189,239 | 173,355 |
| New Contracts | **618,203** | 733,549 | 506,135 | 402,352 | 301,347 | 807,649 |
| Outstanding Contracts | **1,189,606** | 982,594 | 671,341 | 632,827 | 744,679 | 1,024,348 |
| Net Income per Share (in yen) | **100.83** | 107.25 | 124.76 | 118.33 | 79.52 | 58.33 |
| Cash Dividends per Share (in yen) | **30.0** | 21.0 | 30.0 | 21.0 | 15.0 | 11.0 |
| Number of Employees | **5,826** | 5,795 | 5,739 | 4,723 | 4,531 | 4,205 |

## Our View of the Operating Environment

The global economy generally moved onto a recovery track during the fiscal year under review thanks to the benefits of pump-priming strategies in various countries. There was, however, the risk of a downturn in some regions. Japan's economy showed signs of recovery in some quarters. However, economic activity was muted after the Great East Japan Earthquake, with the future outlook for the economy remaining uncertain.

In oil and gas producing countries, which have the greatest impact on JGC Group's total engineering business, capital investment continued to be planned and executed in a host of countries due to rising energy demand and consistently high crude oil prices. In the Middle East in particular, there was greater development of natural gas due to increasing demand for natural gas as a fuel source in power generation, water desalination plants and other applications, as populations in the region grow and countries urbanize. Furthermore, in Southeast Asia and Oceania, natural gas-related projects are being planned and progressively implemented, particularly those related to LNG plants.

The Great East Japan Earthquake caused some physical damage to Group facilities, but operations continued as normal, meaning there was no impact on operating results. In the past year, the world witnessed large-scale democratic uprisings in some parts of the Middle East and North Africa. However, the Group does not have any ongoing projects in the areas involved, so there has been no impact on operating results to date.

Under these conditions, in the fiscal year under review, the Group's total engineering business worked to strengthen its order-winning ability. As a result, orders received were higher than the Group's initial target. Paying close attention to the various risks involved, the Group worked to steadily implement projects, including those currently being carried out.

## Results of Operations

Consolidated net sales for the Group in the year ended March 31, 2011 were ¥447,223 million, up 8.0% year on year. Consolidated operating income climbed 51.6% to ¥63,559 million. Consolidated net income declined 6.0% to ¥25,478 million.

### Net Sales

Reflecting steady progress in projects accounted for on a percentage of completion basis, consolidated net sales increased ¥32,965 million year on year to ¥447,223 million.

### Cost of Sales, and Selling, General and Administrative Expenses

Cost of sales was ¥365,824 million, increasing ¥11,918 million year on year in line with higher net sales. Selling, general and administrative expenses declined ¥593 million to ¥17,840 million.

### Operating Income

Operating income increased ¥21,640 million to ¥63,559 million in line with higher net sales. The operating income ratio was 14.2%, compared with 10.1% in the previous fiscal year.

### Other Income (Expenses)

Other expenses, net were ¥10,788 million, compared with ¥4,069 million in the previous fiscal year. While interest and dividend income increased, provision for doubtful accounts declined, and gain on sales of marketable and investment securities increased, the Group recorded an exchange loss, net and a settlement package charge. Income before taxes on income and minority interests in earnings of consolidated subsidiaries increased ¥14,921 million to ¥52,771 million.

### Taxes on Income

Income tax and other taxes increased ¥11,062 million to ¥23,493 million. This increase reflected an increase in income before taxes on income and minority interests in earnings of consolidated subsidiaries and a decrease in tax expenses for tax calculation purposes. Deferred taxes on income were ¥3,520 million, meaning tax expenses (net) came to ¥27,013 million.

### Minority Interests in Earnings (Losses) of Consolidated Subsidiaries

Minority interests, primarily consisting of earnings allocated to minority shareholders of consolidated subsidiary JGC-ITC Rabigh Utility Co., Ltd., were ¥280 million, an improvement of ¥397 million year on year.

### Net Income

As a result of the above, net income decreased by ¥1,634 million to ¥25,478 million.

## Segment Information

### Reporting Segment

Net sales in the total engineering business rose ¥36,369 million to ¥401,199 million, the result of steady progress with projects accounted for on a percentage of completion basis. Operating income was ¥57,688 million, due to the higher net sales.

Net sales in the catalysts and fine products business declined ¥1,797 million, to ¥36,031 million, the result of clients pushing back and re-examining business plans. However, operating income rose ¥2,406 million, to ¥4,989 million, reflecting efforts to reduce manufacturing costs and fixed expenses, as well as efforts to increase profitability through the efficient assignment of personnel, and other measures. The total engineering business accounted for 90% of net sales and 91% of operating income.

Effective from the fiscal year under review, the Group adopted "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information."

## Financial Position

Consolidated total assets at March 31, 2011 totaled ¥468,503 million, a year-on-year increase of ¥38,327 million.

Total liabilities increased ¥19,985 million to ¥204,020 million.

Total net assets were ¥264,483 million, up ¥18,342 million year on year.

The shareholders' equity ratio was 56.3%.

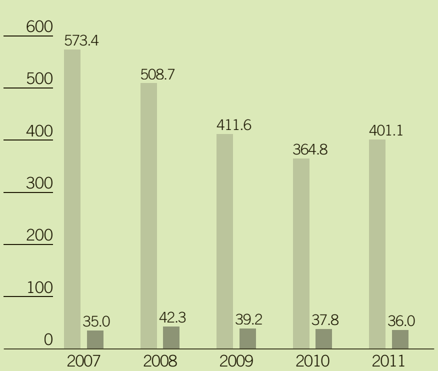
Balance sheet indicators for the Group were as follows:

| | Mar. 2009 | Mar. 2010 | **Mar. 2011** |
|---|---|---|---|
| Current ratio (%) | 161 | 206 | **183** |
| Fixed asset ratio (%) | 65 | 60 | **56** |

Notes: Current ratio: Current assets/current liabilities
Fixed asset ratio: (Net property and equipment + total other assets)/total net assets
All indicators are calculated using consolidated financial figures.

**Net Sales by Reporting Segment**

(Billions of yen)




Total Engineering Business
Catalysts and Fine Products Business

Effective from the year ended March 31, 2011, the Company adopted "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information." Figures for the fiscal year ended March 31, 2010 have been retroactively restated.

## Cash Flow

Cash and cash equivalents on a consolidated basis increased ¥38,086 million to ¥161,894 million.

Net cash provided by operating activities was ¥48,215 million, mainly reflecting ¥52,771 million in income before taxes on income and minority interests in earnings of consolidated subsidiaries and income taxes paid.

Investing activities provided net cash of ¥116 million, the net result mainly of investments in new fields and proceeds from sales of affiliated company shares.

Financing activities used net cash of ¥7,317 million, mainly for cash dividends paid.

Cash flow indicators for the Group are as follows:

| | Mar. 2009 | Mar. 2010 | **Mar. 2011** |
|---|---|---|---|
| Shareholders' equity ratio (%) | 46.6 | 57.1 | **56.3** |
| Shareholders' equity ratio (market basis, %) | 58.8 | 98.0 | **104.9** |
| Years to redemption of liabilities (years) | 0.7 | — | **0.4** |
| Interest coverage ratio (times) | 47.1 | — | **86.2** |

Notes: Shareholders' equity ratio: (Total net assets–minority interests)/total assets
Shareholders' equity ratio (market basis): Total market value of shares/total assets
Years to redemption of liabilities: Interest-bearing liabilities/net operating cash flow
Interest coverage ratio: Net operating cash flow/interest expenses

*All indicators are calculated using consolidated financial figures.
*Interest-bearing liabilities include all liabilities posted on the Consolidated Balance Sheets on which interest was paid. Net operating cash flow is taken from the cash flow provided by operating activities, as reported in the Consolidated Statements of Cash Flows. Interest paid is taken from the amount of interest paid as reported in the Consolidated Statements of Cash Flows.
*Years to redemption of liabilities and interest coverage ratio are not shown for fiscal years in which net cash is negative.

## Analysis of New Contracts

New contracts on a consolidated basis totaled ¥618,203 million. This figure exceeded our initial forecast of ¥500,000 million.

A breakdown of new contracts by business sector and region is as follows:

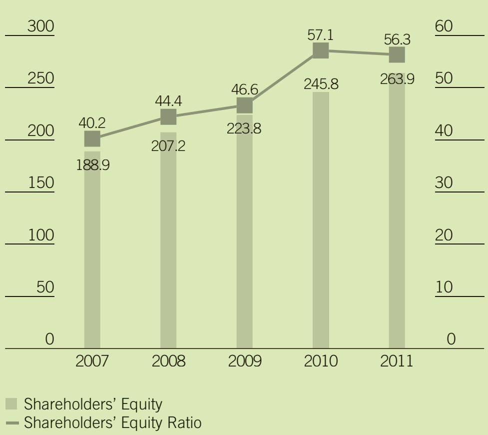
### New Contracts by Business Sector

(Billions of yen)

| | Mar. 2010 | **Mar. 2011** | **Mar. 2011 Percentage of new contracts** |
|---|---|---|---|
| Oil and gas development projects | 352.0 | **264.0** | **42.7%** |
| Petroleum refining projects | 39.3 | **67.1** | **10.9%** |
| LNG projects | 233.5 | **180.0** | **29.2%** |
| Chemical projects | 25.4 | **24.8** | **4.0%** |
| Other projects | 83.0 | **82.0** | **13.2%** |

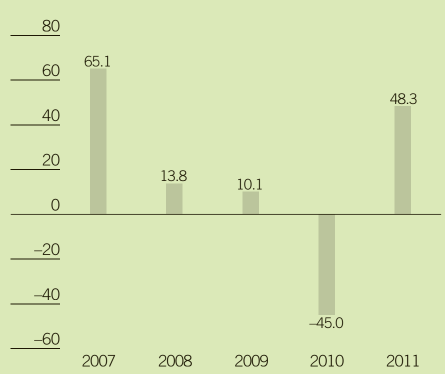
**Shareholders' Equity and Shareholders' Equity Ratio**

(Billions of yen/%)




**Free Cash Flows**

(Billions of yen)



### New Contracts by Region

(Billions of yen)

| | Mar. 2010 | **Mar. 2011** | **Mar. 2011 Percentage of new contracts** |
|---|---|---|---|
| Japan | 88.6 | **114.0** | **18.4%** |
| Asia | 45.5 | **189.6** | **30.7%** |
| Africa | 134.1 | **13.5** | **2.2%** |
| Middle East | 228.9 | **264.9** | **42.9%** |
| Oceania and Others | 236.2 | **36.1** | **5.8%** |

The consolidated outstanding contracts totaled ¥1,189,606 million, after adjustments for currency exchange and revision to contract figures.

### Future Outlook

In the total engineering business, we expect the desire to invest in plant facilities to remain firm in the Group's key markets centered on the Middle East, North Africa and Southeast Asia, due to increasing energy demand against a backdrop of increasing populations and economic growth. At the same time, the competitive environment is expected to remain severe because of escalating competition to win orders on the part of newly-emerging contractors. Amid these conditions, fiscal 2011, the year ending March 31, 2012, is the inaugural year of our medium-term management plan "New Horizon 2015" under which we aim to become a "Program Management Contractor & Investment Partner." With this goal in mind, we plan to strengthen and expand our business domains in our core EPC business, as well as our enterprise investment business and planning and services business, to achieve greater growth as a group.

In the catalysts and fine products business, the outlook for the domestic market is filled with uncertainty. In the fine products business in particular, companies will continue to develop operations overseas in light of the buoyant market conditions in China, South Korea, Taiwan and other markets. Furthermore, we intend to form cooperative relationships with overseas catalysts companies, step up the pace at which we develop sales in overseas markets, bolster exports of environmental catalysts to Europe and the U.S., expand sales in the Chinese market and progressively move production bases overseas. In addition, we will develop and produce new materials in the environment and energy fields for next-generation vehicles, solar power generation and other applications.

### Other

#### < Nigeria LNG Project >

In respect of the investigation of the members of the TSKJ consortium in connection with the captioned projects which were awarded since 1995, as announced on April 7, 2011, JGC reached the settlement with the U.S. department of Justice (DOJ) for the resolution of the investigation relating with JGC, and paid US $218.8 million to DOJ. As announced on January 31, 2011, JGC also reached the settlement with the Nigerian authority as of January 7th, 2011 in relation to the captioned projects, and paid US $28.5 million to the Nigerian authority. The amounts for these two settlements were already accrued as Special Loss in the Fiscal year ending March 2011.

In 2002, JGC established an office which is exclusively devoted to compliance issues and since then JGC has been making efforts for the promotion of compliance. JGC hereby advises that it is committed to reviewing, and making further improvements to, its compliance program.

# Risks Impacting Operations

The following matters regarding risks associated with the businesses of the JGC Group could potentially have an effect on the judgments and decisions of investors.

Forward-looking statements are based on the best information available and give consideration to the overall activities of the JGC Group as of March 31, 2011.

**1. Risks With Overseas Causes**

Overseas businesses generate about 70% of the JGC Group's total net sales. Such businesses are subject to country risks—economic, political and social. These include political unrest, wars, revolutions, civil strife, changes in economic policy, default on foreign debts and changes in exchange and taxation systems. To minimize the effects on its businesses arising from these risks, the JGC Group continuously reviews and reinforces its risk management system, carries trade insurance, recovers receivables as early in a project as possible, forms joint ventures, and takes various other steps. However, when changes in the business environment are more radical than anticipated, and projects are canceled, suspended or delayed, the possibility of a negative impact on JGC's performance arises.

**2. Risks Affecting Project Execution**

Almost all contracts for projects in which the JGC Group participates are lump sum, full-turnkey contracts. However, to enable hedging of some of the risks in these contracts, the Group uses cost-plus-fee contracts and contracts based on the cost disclosure estimate method, depending on the project. The Group draws fully upon its past experience to anticipate and incorporate into each contract provisions for dealing with the risks that threaten to arise during its execution. When confronted with unforeseen impediments to the execution of a project, including sudden steep rises in the costs of materials, equipment, machinery and labor, outbreaks of disease, natural disasters, or if the JGC Group's actions or a problem during project execution should cause a major accident, the economics of a project can be adversely affected, which can have a negative impact on the JGC Group's performance.

**3. Risks Affecting Investing Activities**

The JGC Group invests in resource development businesses including oil, gas, and new fuels, as well as water and power generation businesses, and the global warming gas-emissions credits business. In making these decisions, specific criteria are in place to facilitate new investments and reinvestments, monitoring of existing businesses, as well as decisions to withdraw from businesses, thereby ensuring the execution of appropriate risk management. However, unanticipated dramatic changes in the investing environment, such as sudden price fluctuations in oil, gas or other energy resources and changes in estimated reserves, can have a negative impact on the JGC Group's performance.

**4. Risks of Changes in Exchange Rates**

Almost all of the income from JGC Group sales generated by overseas business is paid in foreign currencies. To hedge the associated exchange rate risk, we have introduced countermeasures including signing project contracts denominated in multiple currencies, conducting overseas procurement, ordering in overseas currencies, and entering into foreign exchange contracts. However, sudden exchange rate fluctuations could negatively affect the JGC Group's performance.

# Consolidated Balance Sheets

JGC CORPORATION
March 31, 2011 and 2010

| Assets | Millions of yen 2011 | Millions of yen 2010 | Thousands of U.S. dollars (Note 1) 2011 |
|---|---|---|---|
| **Current Assets:** | | | |
| Cash and deposits (Notes 13 & 18) | **¥131,894** | ¥ 83,308 | **$1,586,218** |
| Marketable securities (Notes 9, 13 & 18) | **30,000** | 40,500 | **360,794** |
| Notes and accounts receivable (Notes 2, 15 & 18) | **108,810** | 87,626 | **1,308,599** |
| Inventories (Note 4) | **24,348** | 36,897 | **292,820** |
| Deferred tax assets (Note 12) | **10,240** | 12,182 | **123,151** |
| Other current assets (Notes 2, 10 & 18) | **14,273** | 23,117 | **171,654** |
| Allowance for doubtful accounts (Note 1 (v)) | **(101)** | (92) | **(1,215)** |
| **Total Current Assets** | **319,464** | 283,538 | **3,842,021** |
| **Property and Equipment** (Note 3): | | | |
| Land (Notes 14, 17 & 19) | **26,459** | 26,459 | **318,208** |
| Buildings and structures (Note 17) | **58,785** | 56,617 | **706,975** |
| Machinery and equipment | **47,205** | 45,520 | **567,709** |
| Construction in progress | **821** | 1,719 | **9,874** |
| Other (Note 19) | **1,494** | 1,747 | **17,968** |
| | **134,764** | 132,062 | **1,620,734** |
| Less accumulated depreciation | **(70,130)** | (66,004) | **(843,416)** |
| **Net Property and Equipment** | **64,634** | 66,058 | **777,318** |
| **Other Assets:** | | | |
| Investments in unconsolidated subsidiaries and affiliates (Note 9) | **36,147** | 31,968 | **434,720** |
| Marketable and investment securities (Notes 9 & 18) | **29,967** | 29,699 | **360,397** |
| Long-term loans receivable (Notes 2, 15 & 18) | **1,780** | 1,085 | **21,407** |
| Deferred tax assets (Note 12) | **10,304** | 10,750 | **123,921** |
| Other (Note 19) | **6,207** | 7,078 | **74,648** |
| **Total Other Assets** | **84,405** | 80,580 | **1,015,093** |
| **Total Assets** | **¥468,503** | ¥430,176 | **$5,634,432** |

The accompanying notes are an integral part of these statements.

| Liabilities and Net Assets | Millions of yen 2011 | Millions of yen 2010 | Thousands of U.S. dollars (Note 1) 2011 |
|---|---|---|---|
| **Current Liabilities:** | | | |
| Short-term loans and current maturities of long-term debt (Note 3) | **¥ 14,439** | ¥ 1,052 | **$ 173,650** |
| Notes and accounts payable (Notes 2 & 18) | **70,762** | 59,392 | **851,016** |
| Advances received on uncompleted contracts | **25,819** | 46,767 | **310,511** |
| Reserve for job warranty costs | **312** | 456 | **3,752** |
| Reserve for losses on contracts | **526** | 146 | **6,326** |
| Income taxes payable | **18,710** | 7,671 | **225,015** |
| Other current liabilities (Notes 2, 10 & 18) | **43,725** | 22,244 | **525,857** |
| **Total Current Liabilities** | **174,293** | 137,728 | **2,096,127** |
| **Long-Term Debt, Less Current Maturities** (Notes 3 & 18) | **6,624** | 21,926 | **79,663** |
| **Retirement and Severance Benefits** (Note 6) | **14,623** | 15,720 | **175,863** |
| **Deferred Tax Liabilities for Land Revaluation** (Notes 12 & 14) | **3,783** | 3,783 | **45,496** |
| **Other Non-Current Liabilities** (Notes 2 & 12) | **4,697** | 4,878 | **56,489** |
| **Total Liabilities** | **204,020** | 184,035 | **2,453,638** |
| **Contingencies** (Note 7) | | | |
| **Net Assets** (Note 8): | | | |
| **Shareholders' Equity** | | | |
| Common stock | | | |
| Authorized — 600,000,000 shares, | | | |
| Issued — 259,052,929 shares in 2011 and 2010 | **23,511** | 23,511 | **282,754** |
| Capital surplus | **25,603** | 25,601 | **307,913** |
| Retained earnings | **224,347** | 204,177 | **2,698,100** |
| Treasury stock, at cost | **(6,169)** | (5,735) | **(74,191)** |
| **Total Shareholders' Equity** | **267,292** | 247,554 | **3,214,576** |
| **Accumulated Other Comprehensive Income (Loss)** | | | |
| Net unrealized holding gains on securities (Notes 9 & 18) | **3,338** | 5,087 | **40,144** |
| Deferred gains on hedges (Note 10) | **2,519** | 2,712 | **30,295** |
| Land revaluation, net of deferred tax portion (Note 14) | **(6,553)** | (6,553) | **(78,809)** |
| Foreign currency translation adjustments | **(2,613)** | (2,980) | **(31,425)** |
| **Total Accumulated Other Comprehensive Income (Loss)** | **(3,309)** | (1,734) | **(39,795)** |
| **Minority Interests** | **500** | 321 | **6,013** |
| **Total Net Assets** | **264,483** | 246,141 | **3,180,794** |
| **Total Liabilities and Net Assets** | **¥468,503** | ¥430,176 | **$5,634,432** |

# Consolidated Statements of Income

JGC CORPORATION
Years ended March 31, 2011, 2010 and 2009

| | Millions of yen | | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|---|
| | **2011** | 2010 | 2009 | **2011** |
| **Net Sales** (Note 11) | **¥447,223** | ¥414,258 | ¥450,912 | **$5,378,509** |
| **Cost of Sales** | **365,824** | 353,906 | 378,942 | **4,399,567** |
| Gross profit | **81,399** | 60,352 | 71,970 | **978,942** |
| **Selling, General and Administrative Expenses** | **17,840** | 18,433 | 19,967 | **214,552** |
| Operating income | **63,559** | 41,919 | 52,003 | **764,390** |
| **Other Income (Expenses):** | | | | |
| Interest and dividend income | **2,672** | 1,814 | 3,980 | **32,135** |
| Interest expense | **(659)** | (684) | (807) | **(7,925)** |
| Loss on sales and disposal of property and equipment | **(109)** | (98) | (90) | **(1,311)** |
| Loss on impairment of fixed assets (Note 19) | **—** | (3,649) | — | **—** |
| Loss on devaluation of marketable and investment securities | **(197)** | — | (2,148) | **(2,369)** |
| Exchange loss, net (Note 1 (v)) | **(4,707)** | (3,615) | (1,611) | **(56,609)** |
| Equity in earnings of affiliates | **2,153** | 2,556 | 2,143 | **25,893** |
| Gain on sales of marketable and investment securities | **10,593** | 518 | 2,577 | **127,396** |
| Gain on revision of pension plan | **—** | 426 | — | **—** |
| Provision for doubtful accounts (Note 1 (v)) | **44** | (1,496) | (6,635) | **529** |
| Provision for retirement and severance benefits | **—** | (138) | — | **—** |
| Settlement package (Note 20) | **(20,516)** | — | — | **(246,735)** |
| Other, net | **(62)** | 297 | 32 | **(746)** |
| | **(10,788)** | (4,069) | (2,559) | **(129,742)** |
| Income before taxes on income and minority interests in earnings of consolidated subsidiaries | **52,771** | 37,850 | 49,444 | **634,648** |
| **Taxes on Income** (Note 12)**:** | | | | |
| Current | **23,493** | 12,431 | 23,677 | **282,538** |
| Deferred | **3,520** | (1,576) | (5,715) | **42,332** |
| Income before minority interests | **25,758** | 26,995 | 31,482 | **309,778** |
| **Minority Interests in (Earnings) Losses of Consolidated Subsidiaries** | **(280)** | 117 | 61 | **(3,368)** |
| **Net Income** | **¥ 25,478** | ¥ 27,112 | ¥ 31,543 | **$ 306,410** |

| | Yen | | | U.S. dollars (Note 1) |
|---|---|---|---|---|
| **Amounts Per Share of Common Stock** | | | | |
| Net income | **¥ 100.83** | ¥ 107.25 | ¥ 124.76 | **$ 1.21** |
| Cash dividends applicable to the year | **¥ 30.00** | ¥ 21.00 | ¥ 30.00 | **$ 0.36** |

The accompanying notes are an integral part of these statements.

# Consolidated Statements of Comprehensive Income

JGC CORPORATION
Years ended March 31, 2011 and 2010

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | **2011** | 2010 | **2011** |
| **Income Before Minority Interests** | **¥25,758** | ¥26,995 | **$309,778** |
| **Other Comprehensive Income (Loss)** | | | |
| Net unrealized holding gains on securities (Notes 9 & 18) | **(1,750)** | 2,606 | **(21,046)** |
| Deferred gains (losses) on hedges (Note 10) | **(193)** | 3,739 | **(2,321)** |
| Translation adjustments | **(862)** | (274) | **(10,367)** |
| Equity for equity method affiliates | **1,230** | 253 | **14,793** |
| **Total Other Comprehensive Income (Loss)** | **¥ (1,575)** | ¥ 6,324 | **$ (18,941)** |
| **Total Comprehensive Income** | **¥24,183** | ¥33,319 | **$290,837** |
| Comprehensive income attributable to JGC Corporation | **¥23,903** | ¥33,434 | **$287,469** |
| Comprehensive income (loss) attributable to minority interests | **¥ 280** | ¥ (115) | **$ 3,368** |

The accompanying notes are an integral part of these statements.

Effective from the year ended March 31, 2011, the new accounting standards for presentation of comprehensive income (ASBJ Statement No. 25) have been adopted and certain prior year amounts have been reclassified to conform to the current year presentation.

# Consolidated Statements of Changes in Net Assets

JGC CORPORATION
Years ended March 31, 2011, 2010 and 2009

| | Thousands of shares | Millions of yen | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Common stock | | | | | | | | | |
| | Shares | Amount | Capital surplus | Retained earnings | Treasury stock, at cost | Net unrealized holding gains (losses) on securities (Notes 9 & 18) | Deferred gains (losses) on hedges (Note 10) | Land revaluation, net of deferred tax portion (Note 14) | Foreign currency translation adjustments | Minority interests |
| **Balance at March 31, 2008** | 259,053 | ¥ 23,511 | ¥ 25,593 | ¥ 160,311 | ¥ (5,532) | ¥ 8,056 | ¥ 331 | ¥ (6,590) | ¥ 1,575 | ¥ 282 |
| Net income for the year | | | | 31,543 | | | | | | |
| Effect of change in scope of consolidation | | | | 2,003 | | | | | (48) | 435 |
| Cash dividends | | | | (5,310) | | | | | | |
| Gain on retirement of treasury stock | | | 6 | | 15 | | | | | |
| Land revaluation, net of deferred tax portion | | | | 0 | | | | (0) | | |
| Net unrealized holding losses on securities | | | | | | (5,575) | | | | |
| Net deferred losses on hedges | | | | | | | (1,358) | | | |
| Foreign currency translation adjustments | | | | | | | | | (4,489) | |
| Increase of treasury stock | | | | | (154) | | | | | |
| Net changes during the year | | | | | | | | | | (117) |
| **Balance at March 31, 2009** | 259,053 | ¥ 23,511 | ¥ 25,599 | ¥ 188,547 | ¥ (5,671) | ¥ 2,481 | ¥(1,027) | ¥ (6,590) | ¥ (2,962) | ¥ 600 |
| Net income for the year | | | | 27,112 | | | | | | |
| Effect of change in scope of consolidation | | | | (3,861) | | | | | (518) | |
| Cash dividends | | | | (7,584) | | | | | | |
| Gain on retirement of treasury stock | | | 2 | | 2 | | | | | |
| Land revaluation, net of deferred tax portion | | | | (37) | | | | 37 | | |
| Net unrealized holding gains on securities | | | | | | 2,606 | | | | |
| Net deferred gains on hedges | | | | | | | 3,739 | | | |
| Foreign currency translation adjustments | | | | | | | | | 500 | |
| Increase of treasury stock | | | | | (66) | | | | | |
| Net changes during the year | | | | | | | | | | (279) |
| **Balance at March 31, 2010** | 259,053 | ¥ 23,511 | ¥ 25,601 | ¥ 204,177 | ¥ (5,735) | ¥ 5,087 | ¥ 2,712 | ¥ (6,553) | ¥ (2,980) | ¥ 321 |
| Net income for the year | | | | **25,478** | | | | | | |
| Effect of change in scope of consolidation | | | | | | | | | **1,229** | |
| Cash dividends | | | | **(5,308)** | | | | | | |
| Gain on retirement of treasury stock | | | **2** | | **2** | | | | | |
| Land revaluation, net of deferred tax portion | | | | | | | | | | |
| Net unrealized holding losses on securities | | | | | | **(1,749)** | | | | |
| Net deferred losses on hedges | | | | | | | **(193)** | | | |
| Foreign currency translation adjustments | | | | | | | | | **(862)** | |
| Increase of treasury stock | | | | | **(436)** | | | | | |
| Net changes during the year | | | | | | | | | | **179** |
| **Balance at March 31, 2011** | **259,053** | **¥23,511** | **¥25,603** | **¥224,347** | **¥(6,169)** | **¥ 3,338** | **¥2,519** | **¥(6,553)** | **¥(2,613)** | **¥500** |

| | Thousands of U.S. dollars (Note 1) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings | Treasury stock, at cost | Net unrealized holding gains (losses) on securities (Notes 9 & 18) | Deferred gains (losses) on hedges (Note 10) | Land revaluation, net of deferred tax portion (Note 14) | Foreign currency translation adjustments | Minority interests |
| **Balance at March 31, 2010** | $ 282,754 | $ 307,889 | $ 2,455,526 | $ (68,972) | $ 61,178 | $ 32,616 | $ (78,809) | $ (35,839) | $ 3,860 |
| Net income for the year | | | **306,410** | | | | | | |
| Effect of change in scope of consolidation | | | | | | | | **14,781** | |
| Cash dividends | | | **(63,836)** | | | | | | |
| Gain on retirement of treasury stock | | **24** | | **24** | | | | | |
| Land revaluation, net of deferred tax portion | | | | | | | | | |
| Net unrealized holding losses on securities | | | | | **(21,034)** | | | | |
| Net deferred losses on hedges | | | | | | **(2,321)** | | | |
| Foreign currency translation adjustments | | | | | | | | **(10,367)** | |
| Increase of treasury stock | | | | **(5,243)** | | | | | |
| Net changes during the year | | | | | | | | | **2,153** |
| **Balance at March 31, 2011** | **$282,754** | **$307,913** | **$2,698,100** | **$(74,191)** | **$40,144** | **$30,295** | **$(78,809)** | **$(31,425)** | **$6,013** |

The accompanying notes are an integral part of these statements.

# Consolidated Statements of Cash Flows

JGC CORPORATION
Years ended March 31, 2011, 2010 and 2009

| | Millions of yen | | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|---|
| | **2011** | 2010 | 2009 | **2011** |
| **Cash Flows From Operating Activities:** | | | | |
| Income before taxes on income and minority interests in earnings of consolidated subsidiaries | **¥ 52,771** | ¥ 37,850 | ¥ 49,444 | **$ 634,648** |
| Adjustments to reconcile income before taxes on income and minority interests in earnings of consolidated subsidiaries to net cash provided by operating activities: | | | | |
| Depreciation and amortization | **7,517** | 9,134 | 6,979 | **90,403** |
| Amortization of goodwill | **(6)** | 391 | 764 | **(72)** |
| Increase (decrease) in allowance for doubtful accounts (Note 1 (v)) | **(2,271)** | 780 | 6,687 | **(27,312)** |
| Increase (decrease) in reserve for losses on contracts | **380** | (1,689) | (776) | **4,570** |
| Decrease in retirement and severance benefits | **(1,056)** | (375) | (8) | **(12,700)** |
| Interest and dividend income | **(2,672)** | (1,814) | (3,980) | **(32,135)** |
| Interest expense | **659** | 684 | 807 | **7,925** |
| Exchange (gain) loss (Note 1 (v)) | **3,788** | (15) | 660 | **45,556** |
| Equity in earnings of affiliates | **(2,153)** | (2,556) | (2,143) | **(25,893)** |
| Gain on sales of marketable and investment securities | **(10,593)** | (518) | (2,577) | **(127,396)** |
| Loss on devaluation of marketable and investment securities | **197** | — | 2,148 | **2,369** |
| Loss on sales and disposal of property and equipment | **109** | 98 | 90 | **1,311** |
| Loss on impairment of fixed assets (Note 19) | **—** | 3,649 | — | **—** |
| Increase in notes and accounts receivable | **(21,343)** | (14,973) | (4,141) | **(256,681)** |
| Decrease in inventories | **12,451** | 25,377 | 7,146 | **149,741** |
| Decrease (increase) in other assets | **4,474** | (5,560) | 5,758 | **53,806** |
| Increase (decrease) in notes and accounts payable | **11,450** | (22,014) | 9,103 | **137,703** |
| Decrease in advances received on uncompleted contracts | **(20,948)** | (34,735) | (31,909) | **(251,930)** |
| Other | **21,633** | (3,404) | 5,014 | **260,170** |
| Subtotal | **54,387** | (9,690) | 49,066 | **654,083** |
| Interest and dividends received | **6,783** | 4,854 | 6,667 | **81,575** |
| Interest paid | **(559)** | (925) | (777) | **(6,723)** |
| Income taxes paid | **(12,396)** | (19,419) | (18,361) | **(149,079)** |
| **Net Cash Provided by (Used in) Operating Activities** | **48,215** | (25,180) | 36,595 | **579,856** |
| **Cash Flows From Investing Activities:** | | | | |
| Payments for purchases of property and equipment | **(3,252)** | (4,766) | (6,042) | **(39,110)** |
| Proceeds from sales of property and equipment | **57** | 121 | 195 | **686** |
| Payments for purchase of intangible fixed assets | **(1,179)** | (2,540) | (1,211) | **(14,179)** |
| Payments for purchase of marketable and investment securities | **(8,652)** | (12,494) | (21,528) | **(104,053)** |
| Proceeds from sales of marketable and investment securities | **13,740** | 942 | 5,399 | **165,244** |
| Decrease (increase) in short-term loans receivable | **72** | 28 | (77) | **866** |
| Payments for long-term loans receivable | **(802)** | (528) | (3,375) | **(9,645)** |
| Proceeds from long-term loans receivable | **56** | 171 | 63 | **673** |
| Other | **76** | (758) | 119 | **913** |
| **Net Cash Provided by (Used in) Investing Activities** | **116** | (19,824) | (26,457) | **1,395** |
| **Cash Flows From Financing Activities:** | | | | |
| Decrease in short-term loans | **—** | — | (75) | **—** |
| Proceeds from long-term bank loans | **—** | — | 6,839 | **—** |
| Repayments of long-term bank loans | **(1,339)** | (737) | (808) | **(16,103)** |
| Repayments of finance lease obligation | **(234)** | (59) | (33) | **(2,814)** |
| Payments for purchase of treasury stock | **(432)** | (62) | (133) | **(5,196)** |
| Cash dividends paid | **(5,296)** | (7,579) | (5,307) | **(63,693)** |
| Cash dividends paid to minority shareholders | **(16)** | (20) | (11) | **(192)** |
| Other | **—** | (437) | — | **—** |
| **Net Cash Provided by (Used in) Financing Activities** | **(7,317)** | (8,894) | 472 | **(87,998)** |
| **Effect of Exchange Rate Changes on Cash and Cash Equivalents** | **(2,928)** | 2,290 | (2,815) | **(35,213)** |
| **Net Increase (Decrease) in Cash and Cash Equivalents** | **38,086** | (51,608) | 7,795 | **458,040** |
| **Cash and Cash Equivalents at Beginning of Year** | **123,808** | 174,282 | 164,617 | **1,488,972** |
| **Increase in Cash and Cash Equivalents From Newly Consolidated Subsidiaries** | **—** | 1,134 | 1,870 | **—** |
| **Cash and Cash Equivalents at End of Year** (Note 13) | **¥161,894** | ¥123,808 | ¥174,282 | **$1,947,012** |

The accompanying notes are an integral part of these statements.

## Note 1 — Summary of Accounting Policies

### (a) Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of JGC Corporation (*Nikki Kabushiki Kaisha*, the "Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

Prior to the year ended March 31, 2009, the accounts of consolidated overseas subsidiaries were based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. As discussed in Note 1 (e), the accounts of consolidated overseas subsidiaries for the year ended March 31, 2010 were prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the specified six items as applicable. The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions) from the consolidated financial statements of the Company, prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Japanese Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2011, which was ¥83.15 to U.S.$1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

### (b) Reporting Entity

The consolidated financial statements include the accounts of the Company and its significant subsidiaries that include less than 50% owned affiliates controlled through substantial ownership of majority voting rights or existence of substantial control. All significant inter-company transactions and account balances are eliminated in consolidation.

Investments in non-consolidated subsidiaries and affiliates over which the Company has the ability to exercise significant influence over operating and financial policies of the investees are accounted for by the equity method.

The number of consolidated subsidiaries and affiliates accounted for using the equity method at March 31, 2011, 2010 and 2009, was as follows:

| | **2011** | 2010 | 2009 |
|---|---|---|---|
| Consolidated subsidiaries | **14** | 14 | 14 |
| Affiliates under the equity method | **2** | 3 | 3 |

Investments in non-consolidated subsidiaries and affiliates not accounted for by the equity method are carried at cost, adjusted for any substantial and non-recoverable decline in value. The effect on net income (loss) and retained earnings from those investments not accounted for under the equity method is immaterial.

At the year ended March 31, 2011, one of the affiliates, M. W. Kellogg Limited was excluded from the scope of the equity method because the Company sold all securities.

However, equity in earnings of M. W. Kellogg Limited before the selling date was included in the consolidated statements of income for the year ended March 31, 2011.

On March 10, 2008, the Accounting Standards Board of Japan issued ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments" and PITF No. 24, "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method." This standard is effective from the year ended March 31, 2011. There were no effects of this change on the consolidated financial statements for the year ended March 31, 2011.

### (c) Consolidated Statements of Cash Flows

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with negligible risk of changes in value, and maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

### (d) Conversion of Foreign Currencies and Translation of Statements

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rates.

Balance sheets of consolidated overseas subsidiaries are translated into Japanese yen at the year-end rates except for net assets accounts, which are translated at the historical rates. Income statements of consolidated overseas subsidiaries are translated at average rates except for transactions with the Company, which are translated at the rates used by the Company.

### (e) Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

On March 17, 2006, the Accounting Standards Board of Japan issued ASBJ Practical Issues Task Force No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" ("PITF No. 18"). PITF No. 18 requires that accounting policies and procedures applied by a parent company and its subsidiaries to similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements. PITF No. 18, however, as a tentative measure, allows a parent company to prepare consolidated financial statements using foreign subsidiaries' financial statements prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles. In this case, adjustments for the following six items are required in the consolidation process so that their impacts on net income are accounted for in accordance with Japanese GAAP unless the impact is not material.

(a) Goodwill not subjected to amortization
(b) Actuarial gains and losses of defined benefit plans recognized outside profit or loss
(c) Capitalized expenditures for research and development activities
(d) Fair value measurement of investment properties, and revaluation of property, plant and equipment, and intangible assets
(e) Retrospective treatment of a change in accounting policies
(f) Accounting for net income attributable to minority interests

There were no material effects from adopting PITF No. 18 on the consolidated financial statements for the year ended March 31, 2011.

### (f) Allowance for Doubtful Accounts

Notes and accounts receivable, including loans and other receivables, are valued by providing individually estimated uncollectible amounts plus the amounts for probable losses calculated by applying a percentage based on collection experience to the remaining accounts.

### (g) Marketable Securities, Investments in Unconsolidated Subsidiaries and Affiliates, and Marketable and Investment Securities

The companies are required to examine the intent of holding each security and classify those securities as (a) securities held for trading purposes, (b) debt securities intended to be held to maturity, (c) equity securities issued by subsidiaries and affiliates, and (d) all other securities that are not classified in any of the above categories (hereafter, “available-for-sale securities”). The Company and its domestic consolidated subsidiaries did not have securities defined as (a) and (b) above in the years ended March 31, 2011 and 2010.

Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on the sale of such securities are computed using the moving-average method. Other securities with no available fair market value are stated at moving-average cost. Equity securities issued by subsidiaries and affiliates, which are not consolidated or accounted for using the equity method, are stated at moving-average cost.

If the market value of available-for-sale securities declines significantly, such securities are restated at fair market value and the difference between fair market value and the carrying amount is recognized as loss in the period of decline (See Note 9). For equity securities with no available fair market value, if the net asset value of the investee declines significantly, such securities are required to be written down to the net asset value with the corresponding losses in the period of decline. In these cases, such fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

### (h) Recognition of Sales, Contract Works in Progress and Advances Received on Uncompleted Contracts

On December 27, 2007, the Accounting Standards Board of Japan issued ASBJ Statement No. 15, “Accounting Standard for Construction Contracts” and ASBJ Guidance No. 18, “Guidance on Accounting Standard for Construction Contracts.” The new accounting standards require that if the construction activity is deemed certain during the course of the activity, the percentage-of-completion method shall be applied (the percentage of the cost incurred to the estimated total cost), otherwise the completed-contract method shall be applied. This standard is effective from the year ended March 31, 2010.

As a result, Net Sales increased by ¥2,407 million and Gross Profit, Operating Income, and Income before taxes on income and minority interests in earnings of consolidated subsidiaries increased by ¥318 million, respectively for the year ended March 31, 2010.

Prior to the year ended March 31, 2010, the Company recognized sales on contracts using the completed-contract method except for long term contracts. Under this method, costs and advances received on uncompleted contracts are accumulated during the period of construction. These costs and advances received on uncompleted contracts are not offset and are shown as contract works in progress and advances received on uncompleted contracts in the accompanying consolidated balance sheets. Accordingly, no profits or losses are recorded before the contract is completed.

Sales on other contracts for relatively large projects, which require long periods for completion and which generally include engineering, procurement (components, parts, etc.) and construction on a full-turnkey basis, are recognized by the percentage-of-completion method, primarily based on contract costs incurred to date compared with total estimated costs for contract completion. The percentage-of-completion method is adopted for large jobs for which the construction period exceeds 24 months and the contract amount exceeds ¥5,000 million (including jobs whose construction period exceeds 36 months and the contract amount exceeds ¥3,000 million). Revisions in contract revenue and cost estimates are recognized in the period in which they are determined.

Contract works in progress are stated at cost determined by a specific identification method and comprised of direct materials, components and parts, direct labor, subcontractors’ fees and other items directly attributable to the contract, and job-related overheads. Selling, general and administrative expenses are charged to operations as incurred and are not allocated to contract job work costs.

The Company normally receives payments from customers on a progress basis in accordance with the terms of the respective construction contracts.

Net Sales recognized by the percentage-of-completion method for the years ended March 31, 2009 were ¥270,696 million.

### (i) Inventories

Prior to April 1, 2008, Inventories of the Company and its consolidated subsidiaries were stated at cost determined using the moving-average method except for contract works in progress as stated Note 1(h).

On July 5, 2006, the Accounting Standards Board of Japan issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories." As permitted under the superseded accounting standard, some consolidated domestic subsidiaries previously stated inventories at cost. The new accounting standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net realizable value. The effect of this change on the financial result is immaterial.

### (j) Operating Cycle

Assets and liabilities related to long-term contract jobs are included in current assets and current liabilities in the accompanying consolidated balance sheets, as they will be liquidated in the normal course of contract completion, although it may require more than one year.

### (k) Property and Equipment, Depreciation and Finance Leases

Property and equipment are stated at cost, except for certain revalued land as explained in Note 14. Depreciation of property and equipment is calculated primarily using the straight-line method for buildings used for business operation, and the declining-balance method for other property and equipment over the estimated useful lives of the assets based on the Corporate Tax Code of Japan.

Effective from the year ended March 31, 2009, the Company and its domestic subsidiaries shortened the estimated useful lives of machinery and equipment based on the reassessment of the useful lives in light of the change in the Corporation Tax Code of Japan. The effect of this change on the financial result is immaterial.

On March 31, 2008, the Accounting Standards Board of Japan issued ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations." The new accounting standards require companies to recognize an asset retirement obligation as a liability and include the asset retirement cost corresponding to it as a tangible fixed asset. This standard is effective from the year ended March 31, 2011.

As a result, Operating income decreased by ¥29 million ($349 thousand) and income before taxes on income and minority interests in earnings of consolidated subsidiaries decreased by ¥50 million ($601 thousand) for the year ended March 31, 2011. The effect of adopting this accounting standard for asset retirement obligation was ¥80 million ($962 thousand).

All finance leasing transactions were capitalized except for finance leases which commenced prior to April 1, 2008 and have been accounted for as operating leases, and continue to be accounted for as operating leases with disclosure of "as if capitalized" information.

Expenditures for new facilities and those that substantially increase the useful lives of existing property and equipment are capitalized. Maintenance, repair and minor renewals are charged to expenses as incurred.

The cost and accumulated depreciation applicable to assets retired or otherwise disposed of is eliminated from the related accounts and the gain or loss on disposal is credited or charged to income.

### (l) Impairment of Fixed Assets

The Company and its consolidated subsidiaries review their long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

### (m) Retirement and Severance Benefits and Pension Costs

(1) Employees' severance and retirement benefits

The Company and its consolidated subsidiaries provide two types of post-employment benefit plans, unfunded lump-sum payment plans and funded non-contributory pension plans, under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, length of service and certain other factors.

Some consolidated subsidiaries also have a defined contribution pension plan, which was transferred from a portion of the defined benefit pension plan.

The Company and its consolidated subsidiaries provided an allowance for employees' severance and retirement benefits at March 31, 2011 and 2010, based on the estimated amounts of projected benefit obligation, actuarially calculated using certain assumptions and the fair value of the plan assets at that date.

The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years.

The Company and its consolidated subsidiaries recognize prior service costs as expenses in equal amounts over the average of the estimated remaining service lives of the employees, and actuarial gains and losses as expenses using the declining-balance method over the average of the estimated remaining service lives commencing in the following period.

However, some consolidated subsidiaries recognized prior service costs and actuarial differences as expenses in the period incurred.

Effective from the year ended March 31, 2010, the Company and consolidated domestic subsidiaries adopted the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (Accounting Standards Board of Japan ("ASBJ") Statement No. 19, issued on July 31, 2008).The new accounting standard requires domestic companies to use the rate of return on long-term government or gilt-edged bonds as of the end of the fiscal year for calculating the projected benefit obligation of a defined-benefit plan. Previously, domestic companies were allowed to use a discount rate determined taking into consideration fluctuations in the yield of long-term government and gilt-edged bonds over a certain period.

This change had no material impact on the consolidated financial statements for the year ended March 31, 2010.

From the year ended March 31, 2010 one consolidated domestic subsidiary changed the calculation method for the allowance for employees' severance and retirement benefits from accounting for 100% of the lump-sum retirement benefits to actuarial calculation.

As a result, income before income taxes on income and minority interests in earnings of consolidated subsidiaries decreased by ¥138 million for the year ended March 31, 2010.

On July1, 2009, one consolidated domestic subsidiary unified its employees' severance and retirement benefits to the defined benefit pension plan. The transfer is accounted for in accordance with the "Guidance on Accounting Standard for Transfer between Retirement Benefit Plans" (Accounting Standards Board of Japan Guidance No. 1).

On April 1, 2011, one consolidated domestic subsidiary transferred its employees' severance and retirement benefits to the defined benefit pension plan. Also, another consolidated domestic subsidiary terminated its defined benefit pension plan due to the merger. These transfers are accounted for in accordance with the "Guidance on Accounting Standard for Transfer between Retirement Benefit Plans" (Accounting Standards Board of Japan Guidance No. 1).

(2) Officers' severance and retirement benefits

Domestic consolidated subsidiaries provide for liabilities in respect of lump-sum severance and retirement benefits to directors and corporate statutory auditors computed on the assumption that all officers retired at year-end.

### (n) Research and Development Costs

Research and development costs for the improvement of existing skills and technologies or the development of new skills and technologies, including basic research and fundamental development costs, are charged to operations in the period incurred. The total amount of research and development expenses, included in Cost of Sales and Selling, General and Administrative expenses, was ¥4,998 million ($60,108 thousand), ¥5,009 million, and ¥5,331 million, respectively, in 2011, 2010 and 2009.

### (o) Taxes on Income

The Company and its consolidated subsidiaries provide for tax effects of temporary differences between the carrying amounts and the tax basis of assets and liabilities. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

### (p) Reserve for Job Warranty Costs

A reserve for the estimated cost of warranty obligations is provided for the Company's engineering, procurement and construction work at the time the related sales on contracts are recorded.

### (q) Reserve for Losses on Contracts

A reserve for losses on contracts is provided for an estimated amount of probable losses to be incurred in future years in respect of construction projects in progress.

### (r) Per Share Information

Cash dividends per share have been presented on an accrual basis and include dividends to be approved after the balance sheet date but applicable to the year then ended.

### (s) Amortization of Goodwill

Goodwill is amortized over five years on a straight-line basis, and either debited to Selling, General and Administrative Expenses, or credited to other income.

### (t) Derivatives and Hedge Accounting

The accounting standard for financial instruments requires companies to state derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses unless the derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company and its domestic consolidated subsidiaries defer recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.

However, in cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner (Allocation Method):

(1) If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,
   (i) The difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the statement of income in the period which includes the inception date, and
   (ii) The discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.

(2) If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

Also, where interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed (special method for interest rate swap).

### (u) Accrued Bonuses to Directors and Corporate Auditors

The company and consolidated subsidiaries recognize directors' and corporate auditors' bonuses as expenses when incurred.

### (v) Reclassification and Restatement

Certain prior year amounts have been reclassified to conform to the current year presentation except for the reclassification between provision for doubtful accounts and exchange gain or loss described below.

The Company changed the recognition of exchange differences for foreign currencies' doubtful accounts from provision for doubtful accounts to exchange gain or loss from the year ended March 31, 2011, in order to properly present provision for doubtful accounts without the effect of exchange fluctuation.

These reclassifications had no impact on previously reported results of operations or retained earnings.

## Note 2 — Receivables From and Payables to Unconsolidated Subsidiaries and Affiliates

Significant receivables from and payables to unconsolidated subsidiaries and affiliates at March 31, 2011 and 2010, were as follows:

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| March 31, | **2011** | 2010 | **2011** |
| Notes and accounts receivable | **¥7,875** | ¥1,699 | **$94,708** |
| Other current assets | **2,234** | 5,074 | **26,867** |
| Long-term loans receivable | **1,550** | 849 | **18,641** |
| Notes and accounts payable | **3,254** | 2,447 | **39,134** |
| Other current liabilities | **119** | 583 | **1,431** |
| Other non-current liabilities | **3** | 3 | **36** |

## Note 3 — Borrowings and Assets Pledged as Collateral

Short-term loans consisted mainly of unsecured notes and bank overdrafts and bore interest at the annual rates of 0.95% and 1.13% at March 31, 2011 and 2010, respectively. Such loans are generally renewable at maturity.

Long-term debt consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| March 31, | **2011** | 2010 | **2011** |
| **Secured Loans** | | | |
| 0.55% – 1.75% loans from a governmental institution due serially through 2014 | **¥ 951** | ¥ 1,629 | **$ 11,437** |
| **Unsecured Debt** | | | |
| 0.46% – 3.00% loans from banks and insurance companies due serially through 2016 | **20,086** | 21,324 | **241,563** |
| | **21,037** | 22,953 | **253,000** |
| Less current maturities | **(14,413)** | (1,027) | **(173,337)** |
| Long-term debt due after one year | **¥ 6,624** | ¥21,926 | **$ 79,663** |

Assets pledged as collateral for long-term debt and other non-current liabilities at March 31, 2011 and 2010, were as follows:

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| March 31, | **2011** | 2010 | **2011** |
| Land | **¥ 5,071** | ¥ 5,071 | **$ 60,986** |
| Buildings and structures, at net book value | **3,427** | 3,615 | **41,215** |
| Machinery and equipment, at net book value | **2,896** | 3,611 | **34,828** |
| Total | **¥11,394** | ¥12,297 | **$137,029** |

The annual maturities of long-term debt outstanding at March 31, 2011, were as follows:

| | Amount | |
|---|---|---|
| Year ending March 31, | Millions of yen | Thousands of U.S. dollars (Note 1) |
| 2012 | ¥14,413 | $173,337 |
| 2013 | 963 | 11,581 |
| 2014 | 5,329 | 64,089 |
| 2015 | 249 | 2,995 |
| 2016 | 83 | 998 |
| Total | ¥21,037 | $253,000 |

## Note 4 — Inventories

Inventories at March 31, 2011 and 2010, are summarized as follows:

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| March 31, | **2011** | 2010 | **2011** |
| Inventories: | | | |
| Contract works in progress | **¥14,616** | ¥28,123 | **$175,779** |
| Finished goods and merchandise | **5,279** | 4,715 | **63,488** |
| Works in process | **1,614** | 1,634 | **19,411** |
| Raw materials and others | **2,839** | 2,425 | **34,142** |
| Total | **¥24,348** | ¥36,897 | **$292,820** |

## Note 5 — Lease Transactions

### A. Lessee Leases

#### (a) Finance Lease Transactions Without Ownership Transfer to Lessee

Finance leases commenced prior to April 1, 2008 which do not transfer ownership of leased assets to lessees are accounted for as operating leases.

Assumed amounts of acquisition cost and accumulated depreciation at March 31, 2011 and 2010 were as follows:

(1) Purchase price equivalents, accumulated depreciation equivalents, and book value equivalents

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| March 31, | **2011** | 2010 | **2011** |
| Machinery and equipment and others: | | | |
| Purchase price equivalents | **¥ 688** | ¥1,156 | **$ 8,274** |
| Accumulated depreciation equivalents | **(411)** | (723) | **(4,943)** |
| Book value equivalents | **¥ 277** | ¥ 433 | **$ 3,331** |

Purchase price equivalents are calculated using the inclusive-of-interest method.

(2) Lease commitments

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| March 31, | **2011** | 2010 | **2011** |
| Due within one year | **¥ 82** | ¥152 | **$ 986** |
| Due after one year | **195** | 281 | **2,345** |
| Total | **¥277** | ¥433 | **$3,331** |

Lease commitments as lessee are calculated using the inclusive-of-interest method.

(3) Lease payments and depreciation equivalents

| | Millions of yen | | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|---|
| Year ended March 31, | **2011** | 2010 | 2009 | **2011** |
| Lease payments | **¥151** | ¥243 | ¥335 | **$1,816** |
| Depreciation equivalents | **151** | 243 | 335 | **1,816** |

(4) Calculation method of depreciation equivalents

Depreciation equivalents are computed by the straight-line method over the lease period without considering residual value.

#### (b) Operating Lease Transactions

Lease commitments under non-cancelable operating leases

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| March 31, | **2011** | 2010 | **2011** |
| Due within one year | **¥ 613** | ¥ 527 | **$ 7,372** |
| Due after one year | **463** | 810 | **5,568** |
| Total | **¥1,076** | ¥1,337 | **$12,940** |

### B. Lessor Leases

#### (a) Finance Lease Transactions Without Ownership Transfer to Lessee, Whose Transaction Date Was After April 1, 2008.

(1) Details of investment in leased assets

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| March 31, | **2011** | 2010 | **2011** |
| Lease payment receivable | **¥86** | ¥76 | **$1,034** |
| Estimated residual value | **—** | — | **—** |
| Interest income | **—** | — | **—** |
| Book value | **¥86** | ¥76 | **$1,034** |

(2) As at March 31, 2011, the investment in leased assets due in each of the next five years was as follows:

| | Amount | |
|---|---|---|
| Year ending March 31, | Millions of yen | Thousands of U.S. dollars (Note 1) |
| 2012 | ¥23 | $ 277 |
| 2013 | 24 | 289 |
| 2014 | 22 | 265 |
| 2015 | 12 | 144 |
| 2016 | 5 | 59 |
| Total | ¥86 | $1,034 |

#### (b) Finance Lease Transactions Without Ownership Transfer to Lessee, Whose Transaction Date Was Before March 31, 2008

Finance leases commenced prior to April 1, 2008 which do not transfer ownership of leased assets to lessees are accounted for as operating leases.

Assumed amounts of acquisition cost and accumulated depreciation at March 31, 2011 and 2010 were as follows:

(1) Purchase price, accumulated depreciation and book value

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| March 31, | **2011** | 2010 | **2011** |
| Machinery and equipment and others: | | | |
| Purchase price | **¥ 15** | ¥ 61 | **$ 180** |
| Accumulated depreciation | **(13)** | (44) | **(156)** |
| Book value | **¥ 2** | ¥ 17 | **$ 24** |

(2) Lease commitments

| March 31, | Millions of yen 2011 | 2010 | Thousands of U.S. dollars (Note 1) 2011 |
|---|---|---|---|
| Due within one year | **¥2** | ¥10 | **$24** |
| Due after one year | **0** | 7 | **0** |
| Total | **¥2** | ¥17 | **$24** |

Lease commitments as lessor were calculated using the inclusive-of-interest method.

(3) Rental income and depreciation

| Year ended March 31, | Millions of yen 2011 | 2010 | 2009 | Thousands of U.S. dollars (Note 1) 2011 |
|---|---|---|---|---|
| Rental income | **¥14** | ¥38 | ¥87 | **$168** |
| Depreciation | **9** | 30 | 79 | **108** |

## Note 6 — Retirement and Severance Benefits

The liabilities for employees' severance and retirement benefits included in retirement and severance benefits in the liability section of the consolidated balance sheets as of March 31, 2011 and 2010 consisted of the following:

| March 31, | Millions of yen 2011 | 2010 | Thousands of U.S. dollars (Note 1) 2011 |
|---|---|---|---|
| Projected benefit obligation | **¥ 44,946** | ¥ 46,348 | **$ 540,541** |
| Less fair value of pension assets | **(26,509)** | (26,849) | **(318,809)** |
| Unfunded projected benefit obligation | **18,437** | 19,499 | **221,732** |
| Less unrecognized net transition obligation | **(13)** | (17) | **(157)** |
| Unrecognized actuarial differences | **(5,490)** | (5,816) | **(66,025)** |
| Unrecognized prior service costs | **1,350** | 1,686 | **16,236** |
| Net liability for employees' severance and retirement benefits | **14,284** | 15,352 | **171,786** |
| Allowance for officers' lump-sum severance benefits | **339** | 368 | **4,077** |
| Retirement and severance benefits | **¥ 14,623** | ¥ 15,720 | **$ 175,863** |

Included in the consolidated statements of income for the years ended March 31, 2011 and 2010, were severance and retirement benefit expenses comprising the following:

| March 31, | Millions of yen 2011 | 2010 | Thousands of U.S. dollars (Note 1) 2011 |
|---|---|---|---|
| Service costs — benefits earned during the year | **¥1,690** | ¥1,657 | **$20,325** |
| Interest cost on projected benefit obligation | **705** | 711 | **8,479** |
| Expected return on plan assets | **(389)** | (374) | **(4,678)** |
| Amortization of net transition obligation | **3** | 22 | **36** |
| Amortization of actuarial differences | **1,020** | 1,340 | **12,267** |
| Amortization of prior service costs | **(211)** | (110) | **(2,538)** |
| Contribution for defined-contribution pension plan | **107** | 81 | **1,286** |
| Severance and retirement benefit expenses | **¥2,925** | ¥3,327 | **$35,177** |

The discount rate used by the Company and its domestic consolidated subsidiaries was 1.5%–2.0% at March 31, 2011 and 2010. However, some overseas consolidated subsidiaries used the rate of 8.5% at March 31, 2011 and 2010. The rate of expected return on plan assets used by the Company and its domestic consolidated subsidiaries was 1.5% and 1.5%–2.0% for March 31, 2011 and 2010, respectively. However, some overseas consolidated subsidiaries used the rate of 7.0% and 9.0% at March 31, 2011 and 2010, respectively. Actuarial differences are recognized in the consolidated statements of income using the declining-balance method over 12 years to 16 years for the years ended March 31, 2011 and 2010, beginning the fiscal year following recognition. Prior service costs are recognized using the straight line method over 12 years or 15 years for the years ended March 31, 2011 and 2010, from the fiscal year incurred. Net transition obligation is amortized over 15 years.

## Note 7 — Contingencies

(1) It is a business practice in Japan for a company to guarantee the indebtedness of certain of its trading agents, suppliers, subcontractors and certain subsidiaries and affiliates. The aggregate amount of such guarantees was ¥18,446 million ($221,840 thousand) and ¥5,217 million at March 31, 2011 and 2010, respectively.

(2) The Company and one consolidated subsidiary have guaranteed employees' housing loans and others from banks in the amount of ¥11 million ($132 thousand) and ¥10 million at March 31, 2011 and 2010, respectively.

## Note 8 — Net Assets

Under the Japanese Corporation Law ("the Law") and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

In cases where dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve.

Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. However, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

At the annual shareholders' meeting of the Company held on June 29, 2011, the shareholders approved cash dividends amounting to ¥7,575 million ($91,100 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2011. Such appropriations are recognized in the period in which they are approved by the shareholders.

## Note 9 — Information on Securities

A. The following tables summarize acquisition costs and book values stated at the fair value of securities with available fair values as of March 31, 2011 and 2010.

### (a) Available-for-Sale Securities With Available Fair Values

(1) Securities with book values exceeding acquisition costs:

| | | | Millions of yen |
|---|---|---|---|
| **March 31, 2011** | Acquisition cost | Book value | Difference |
| Equity securities | **¥9,121** | **¥15,971** | **¥6,850** |

| | | | Millions of yen |
|---|---|---|---|
| March 31, 2010 | Acquisition cost | Book value | Difference |
| Equity securities | ¥9,271 | ¥17,502 | ¥8,231 |

| | | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| **March 31, 2011** | Acquisition cost | Book value | Difference |
| Equity securities | **$109,694** | **$192,075** | **$82,381** |

(2) Securities with book values not exceeding acquisition costs:

| | | | Millions of yen |
|---|---|---|---|
| **March 31, 2011** | Acquisition cost | Book value | Difference |
| Equity securities | **¥4,405** | **¥3,911** | **¥(494)** |

| | | | Millions of yen |
|---|---|---|---|
| March 31, 2010 | Acquisition cost | Book value | Difference |
| Equity securities | ¥2,231 | ¥1,974 | ¥(257) |

| | | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| **March 31, 2011** | Acquisition cost | Book value | Difference |
| Equity securities | **$52,976** | **$47,035** | **$(5,941)** |

B. The following tables summarize book values of securities with no available fair values or securities not valued by fair market prices as of March 31, 2011 and 2010.

### (a) Available-for-Sale Securities

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| March 31, | **2011** | 2010 | **2011** |
| Non-listed equity securities | **¥10,046** | ¥10,184 | **$120,818** |
| Subscription certificate | **39** | 39 | **469** |
| Bonds | **—** | — | **—** |
| Negotiable certificate of deposit | **30,000** | 40,500 | **360,794** |
| Total | **¥40,085** | ¥50,723 | **$482,081** |

### (b) Unconsolidated Subsidiaries and Affiliates

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| March 31, | **2011** | 2010 | **2011** |
| Securities of unconsolidated subsidiaries | **¥ 6,940** | ¥ 5,470 | **$ 83,463** |
| Securities of affiliates | **29,207** | 26,498 | **351,257** |
| Total | **¥36,147** | ¥31,968 | **$434,720** |

C. Available-for-sale securities with maturities are as follows:

| | | | | | Millions of yen |
|---|---|---|---|---|---|
| **March 31, 2011** | Within one year | Over one year but within five years | Over five years but within ten years | Over ten years | Total |
| Negotiable certificate of deposit | **¥30,000** | **¥—** | **¥—** | **¥—** | **¥30,000** |

| | | | | | Millions of yen |
|---|---|---|---|---|---|
| March 31, 2010 | Within one year | Over one year but within five years | Over five years but within ten years | Over ten years | Total |
| Negotiable certificate of deposit | ¥40,500 | ¥— | ¥— | ¥— | ¥40,500 |

| | | | | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|---|---|
| **March 31, 2011** | Within one year | Over one year but within five years | Over five years but within ten years | Over ten years | Total |
| Negotiable certificate of deposit | **$360,794** | **$—** | **$—** | **$—** | **$360,794** |

The Company and its domestic consolidated subsidiaries follow a policy of devaluation of available-for-sale securities. The policy of devaluation for the Company and its domestic consolidated subsidiaries is that if the available fair value of the securities declines by 50% or more, compared with acquisition cost, all the corresponding securities are devalued as such decline is considered to be a substantial and non-recoverable decline in value. In addition, in the case whereby the available fair value of the securities declines by more than 30% but by less than 50%, the Company and its domestic consolidated subsidiaries examine the recoverability of the fair value of the securities and devaluate if those securities are considered to be non-recoverable.

## Note 10 — Derivative Transactions and Hedge Accounting

As explained in Note 1 (t), the accounting standard for financial instruments requires companies to state derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

The Company utilizes foreign currency forward contracts and interest rate swap contracts as derivative financial instruments only for the purpose of mitigating future risks of fluctuation of foreign currency exchange rates with respect to foreign currency receivables and payables and mitigating future risks of interest rate increases and lowering the financing costs with respect to borrowings.

Foreign currency forward contracts and interest rate swap contracts are subject to risks of foreign exchange rate changes and interest rate changes, respectively.

The derivative transactions are executed and managed in accordance with the established policies and within the specified limit on the amounts of derivative transactions allowed.

The following summarizes hedging derivative financial instruments used by the Company and hedged items:

| Hedging instruments: | Hedged items: |
|---|---|
| Foreign currency forward contracts | Foreign currency trade receivables, payables and future transactions denominated in a foreign currency |
| Foreign currency deposits | Foreign currency trade receivables, payables and future transactions denominated in a foreign currency |
| Interest rate swap contracts | Interest on loans payable |

The Company evaluates hedge effectiveness semi-annually by comparing the cumulative changes in cash flows from or the changes in fair value of hedged items and the corresponding changes in the hedging derivative instruments. However, where the principal conditions underlying the hedging instruments and the hedged assets or liabilities are similar, the evaluation of hedge effectiveness is not performed.

The Company's financial instrument counter-parties were all prime banks operating domestically in Japan, and the Company does not expect non-performance by the counter-parties.

### (a) Fair Value of Undesignated Derivative Financial Instruments

Fair value of undesignated derivative financial instruments as of March 31, 2011 and 2010 is summarized as follows:

| | | | | | Millions of yen |
|---|---|---|---|---|---|
| | Contract amounts | | | | |
| **March 31, 2011** | Due within one year | Due after one year | Total | Fair value | Profit or loss evaluation |
| Forward exchange contracts | | | | | |
| Sell U.S. dollars | **¥ —** | **¥—** | **¥ —** | **¥—** | **¥—** |
| Buy Euro | **¥72** | **¥—** | **¥72** | **¥(4)** | **¥(4)** |

| | | | | | Millions of yen |
|---|---|---|---|---|---|
| | Contract amounts | | | | |
| March 31, 2010 | Due within one year | Due after one year | Total | Fair value | Profit or loss evaluation |
| Forward exchange contracts | | | | | |
| Sell U.S. dollars | ¥ 2,789 | ¥— | ¥ 2,789 | ¥ (1) | ¥ (1) |
| Buy Euro | ¥12,325 | ¥— | ¥12,325 | ¥(2,225) | ¥(2,225) |

| | | | | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|---|---|
| | Contract amounts | | | | |
| **March 31, 2011** | Due within one year | Due after one year | Total | Fair value | Profit or loss evaluation |
| Forward exchange contracts | | | | | |
| Sell U.S. dollars | **$ —** | **$—** | **$ —** | **$ —** | **$ —** |
| Buy Euro | **$866** | **$—** | **$866** | **$(48)** | **$(48)** |

Fair value of forward exchange contracts is stated based on the quoted price from banks.

## (b) Fair Value of Derivative Financial Instruments Designated as Hedging Instruments

Fair value of derivative financial instruments designated as hedging instruments as of March 31, 2011 and 2010 is summarized as follows:

| | | | Millions of yen | | |
|---|---|---|---|---|---|
| **March 31, 2011** | | | Contract amounts | | |
| Accounting method | Hedged instruments | Hedged item | Contract amount | Portion over one year | Fair value |
| Allocation method (Note 1 (t)) | Forward exchange contracts | | | | |
| | Sell U.S. dollars | Accounts receivable | **¥37,305** | **¥ 5,677** | **¥3,351** |
| | Buy Euro | Accounts payable | **¥16,082** | **¥10,807** | **¥ 793** |
| | Buy British pound | Accounts payable | **¥ 127** | **¥ —** | **¥ 2** |
| Special method for interest rate swap (Note 1 (t)) | Interest rate swap contracts | | | | |
| | Receive variable rate and Pay fixed rate swap | Long-term debt | **¥11,696** | **¥ 831** | * |

| | | | Millions of yen | | |
|---|---|---|---|---|---|
| March 31, 2010 | | | Contract amounts | | |
| Accounting method | Hedged instruments | Hedged item | Contract amount | Portion over one year | Fair value |
| Allocation method (Note 1 (t)) | Forward exchange contracts | | | | |
| | Sell U.S. dollars | Accounts receivable | ¥56,058 | ¥25,008 | ¥4,541 |
| | Buy Euro | Accounts payable | ¥ 7,263 | ¥ 4,364 | ¥ (125) |
| | Buy British pound | Accounts payable | ¥ 1,232 | ¥ — | ¥ (320) |
| Special method for interest rate swap (Note 1 (t)) | Interest rate swap contracts | | | | |
| | Receive variable rate and Pay fixed rate swap | Long-term debt | ¥12,174 | ¥12,174 | * |

| | | | Thousands of U.S. dollars (Note 1) | | |
|---|---|---|---|---|---|
| **March 31, 2011** | | | Contract amounts | | |
| Accounting method | Hedged instruments | Hedged item | Contract amount | Portion over one year | Fair value |
| Allocation method (Note 1 (t)) | Forward exchange contracts | | | | |
| | Sell U.S. dollars | Accounts receivable | **$448,647** | **$ 68,274** | **$40,301** |
| | Buy Euro | Accounts payable | **$193,410** | **$129,970** | **$ 9,537** |
| | Buy British pound | Accounts payable | **$ 1,527** | **$ —** | **$ 24** |
| Special method for interest rate swap (Note 1 (t)) | Interest rate swap contracts | | | | |
| | Receive floating and Pay fixed rate swap | Long-term debt | **$140,661** | **$ 9,994** | * |

Fair value of forward exchange contracts is stated based on the quoted price from banks.
* The fair value of the interest rate swap was included in the long term debt.

## Note 11 — Segment Information

Effective from the fiscal year ended March 31, 2011, the Company adopted the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (Accounting Standards Board of Japan ("ASBJ") Statement No. 17, issued on March 27, 2009) and the "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, issued on March 21, 2008). Certain prior year amounts have been reclassified to conform to the current year presentation.

### (a) Overview of Reported Segments

The reported segments of the Company are those units for which separate financial statements can be obtained among the constituent units of the Company and regularly examined by Chief Executive Officer (CEO) for decisions on the allocation of management resources and for assessing business performance. The operations of the Company and its consolidated subsidiaries are classified into two reportable segments: the total engineering business and the catalysts and fine products business.

Major activities included in the total engineering business are design, procurement, construction and performance test services of machinery and plants for petroleum, petroleum refining, petrochemicals, gas, chemicals, nuclear energy, metal refining, biochemicals, food, pharmaceuticals, medical, logistics, information technology, environmental conservation and pollution control. Major activities in the catalysts and fine products business include manufacturing and distribution of chemical and catalyst products (FCC catalysts, hydrotreating catalysts, deNOx catalysts, petrochemical catalysts, etc.), and new functional material products (colloidal silica, coating materials for surface treatment on cathode ray tubes, material for semiconductors, cathode materials and cosmetic products, etc.).

The following is information about sales and profit or loss by reported segment for the years ended March 31, 2011, 2010 and 2009:

Regarding the year ended March 31, 2009, because the Company did not separate the reporting segments "Total engineering" and "Others," "Others" was included in "Total engineering."

Millions of yen

| Year ended March 31, 2011 | Reported Segment: Total engineering | Reported Segment: Catalysts and fine products | Reported Segment: Subtotal | Others | Total | Adjustment | Consolidated |
|---|---|---|---|---|---|---|---|
| Net sales: | | | | | | | |
| External customers | ¥401,199 | ¥36,031 | ¥437,230 | ¥ 9,993 | ¥447,223 | ¥ — | ¥447,223 |
| Inter-segment | 24 | 13 | 37 | 5,097 | 5,134 | (5,134) | — |
| Total | ¥401,223 | ¥36,044 | ¥437,267 | ¥15,090 | ¥452,357 | ¥ (5,134) | ¥447,223 |
| Segment profit | ¥ 57,688 | ¥ 4,989 | ¥ 62,677 | ¥ 784 | ¥ 63,461 | ¥ 98 | ¥ 63,559 |
| Segment assets | ¥421,190 | ¥37,135 | ¥458,325 | ¥28,709 | ¥487,034 | ¥(18,531) | ¥468,503 |
| Depreciation and amortization | ¥ 3,660 | ¥ 2,480 | ¥ 6,140 | ¥ 1,368 | ¥ 7,508 | ¥ 9 | ¥ 7,517 |
| Capital expenditures | ¥ 4,598 | ¥ 1,769 | ¥ 6,367 | ¥ 358 | ¥ 6,725 | ¥ (164) | ¥ 6,561 |

Millions of yen

| Year ended March 31, 2010 | Reported Segment: Total engineering | Reported Segment: Catalysts and fine products | Reported Segment: Subtotal | Others | Total | Adjustment | Consolidated |
|---|---|---|---|---|---|---|---|
| Net sales: | | | | | | | |
| External customers | ¥364,830 | ¥37,828 | ¥402,658 | ¥11,600 | ¥414,258 | ¥ — | ¥414,258 |
| Inter-segment | 20 | 13 | 33 | 5,062 | 5,095 | (5,095) | — |
| Total | ¥364,850 | ¥37,841 | ¥402,691 | ¥16,662 | ¥419,353 | ¥ (5,095) | ¥414,258 |
| Segment profit | ¥ 39,310 | ¥ 2,583 | ¥ 41,893 | ¥ (70) | ¥ 41,823 | ¥ 96 | ¥ 41,919 |
| Segment assets | ¥382,371 | ¥33,601 | ¥415,972 | ¥32,339 | ¥448,311 | ¥(18,135) | ¥430,176 |
| Depreciation and amortization | ¥ 3,617 | ¥ 2,840 | ¥ 6,457 | ¥ 2,708 | ¥ 9,165 | ¥ (31) | ¥ 9,134 |
| Capital expenditures | ¥ 4,086 | ¥ 720 | ¥ 4,806 | ¥ 2,272 | ¥ 7,078 | ¥ (16) | ¥ 7,062 |

Millions of yen

| Year ended March 31, 2009 | Total engineering | Catalysts and fine products | Total | Elimination or corporate | Consolidated |
|---|---|---|---|---|---|
| Net sales: | | | | | |
| External customers | ¥411,642 | ¥39,270 | ¥450,912 | ¥ — | ¥450,912 |
| Inter-segment | 25 | 66 | 91 | (91) | — |
| Total | ¥411,667 | ¥39,336 | ¥451,003 | ¥ (91) | ¥450,912 |
| Operating income | ¥ 50,688 | ¥ 1,292 | ¥ 51,980 | ¥ 23 | ¥ 52,003 |
| Identifiable assets | ¥446,976 | ¥39,064 | ¥486,040 | ¥(5,761) | ¥480,279 |
| Depreciation and amortization | ¥ 3,625 | ¥ 3,354 | ¥ 6,979 | ¥ (0) | ¥ 6,979 |
| Capital expenditures | ¥ 2,544 | ¥ 2,359 | ¥ 4,903 | ¥ — | ¥ 4,903 |

Thousands of U.S. dollars (Note 1)

| Year ended March 31, 2011 | Reported Segment: Total engineering | Reported Segment: Catalysts and fine products | Reported Segment: Subtotal | Others | Total | Adjustment | Consolidated |
|---|---|---|---|---|---|---|---|
| Net sales: | | | | | | | |
| External customers | $4,825,003 | $433,325 | $5,258,328 | $120,181 | $5,378,509 | $ — | $5,378,509 |
| Inter-segment | 289 | 156 | 445 | 61,299 | 61,744 | (61,744) | — |
| Total | $4,825,292 | $433,481 | $5,258,773 | $181,480 | $5,440,253 | $ (61,744) | $5,378,509 |
| Segment profit | $ 693,782 | $ 60,000 | $ 753,782 | $ 9,429 | $ 763,211 | $ 1,179 | $ 764,390 |
| Segment assets | $5,065,423 | $446,603 | $5,512,026 | $345,268 | $5,857,294 | $(222,862) | $5,634,432 |
| Depreciation and amortization | $ 44,017 | $ 29,826 | $ 73,843 | $ 16,452 | $ 90,295 | $ 108 | $ 90,403 |
| Capital expenditures | $ 55,298 | $ 21,275 | $ 76,573 | $ 4,305 | $ 80,878 | $ (1,972) | $ 78,906 |

## (b) Related Information

### I. Information by Geography

(1) Net Sales

| Year ended March 31, | Millions of yen 2011 | 2010 | 2009 | Thousands of U.S. dollars (Note 1) 2011 |
|---|---|---|---|---|
| Japan | **¥130,975** | ¥168,315 | ¥193,550 | **$1,575,165** |
| East and Southeast Asia | **32,533** | 33,911 | 69,284 | **391,257** |
| Middle East | **181,683** | 141,467 | 175,872 | **2,185,003** |
| Africa | **40,900** | 30,534 | 7,069 | **491,882** |
| Oceania | **49,901** | 18,607 | 1,544 | **600,132** |
| Other | **11,231** | 21,424 | 3,593 | **135,070** |
| Total sales | **¥447,223** | ¥414,258 | ¥450,912 | **$5,378,509** |

*1. Net sales are classified by the place of customers' address.
*2. Middle East includes Saudi Arabia ¥113,595 million ($1,366,146 thousand), ¥104,995 million, and ¥119,883 million and United Arab Emirates ¥51,281 million ($616,729 thousand), ¥6,208 million, and ¥43 million for the years ended March 31, 2011, 2010, and 2009, respectively.

(2) Property and Equipment

Property and equipment information is not disclosed, as the Company and its consolidated subsidiaries operate mainly within Japan.

### II. Information by Major Customers

| Year ended March 31, 2011 | Millions of yen | Thousands of U.S. dollars (Note 1) | Related segments |
|---|---|---|---|
| Saudi Polymers Company | **¥57,730** | **$694,287** | Total engineering |
| Abu Dhabi Gas Industries Ltd. | **51,281** | **616,729** | Total engineering |
| Saudi Arabian Oil Company | **50,797** | **610,908** | Total engineering |

### III. Information on Impairment Loss

Not Applicable for the years ended March 31, 2011 and 2009.

The following is information on impairment loss by reported segments for the year ended March 31, 2010:

Millions of yen

| | Reported Segment | | | | | | |
|---|---|---|---|---|---|---|---|
| Year ended March 31, 2010 | Total engineering | Catalysts and fine products | Subtotal | Others | Total | Adjustment | Consolidated |
| Impairment loss | ¥3,603 | ¥— | ¥3,603 | ¥— | ¥3,603 | ¥— | ¥3,603 |

### IV. Information on Amortization of Goodwill and Amortized Balance

This information is not disclosed, as this is immaterial for the years ended March 31, 2011, 2010 and 2009.

### V. Information on Gain on Negative Goodwill

Not Applicable for the years ended March 31, 2011, 2010 and 2009.

## Note 12 — Taxes on Income

The statutory tax rate for 2011, 2010 and 2009 was 36.2%.

The following table summarizes the significant differences between the statutory tax rate and the Company's and its consolidated subsidiaries' effective tax rate for financial statement purposes for the years ended March 31, 2011, 2010 and 2009:

| | 2011 | 2010 | 2009 |
|---|---|---|---|
| Statutory tax rate | **36.2%** | 36.2% | 36.2% |
| Non-deductible expenses | **0.2** | 0.3 | 0.6 |
| Non-taxable dividend income | **(3.0)** | (3.0) | (1.8) |
| Tax credit utilized | **(0.7)** | (1.9) | (1.1) |
| Other | **18.5** | (2.9) | 2.4 |
| Effective tax rate | **51.2%** | 28.7% | 36.3% |

Significant components of the Company's and its consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2011 and 2010, were as follows:

| March 31, | Millions of yen 2011 | 2010 | Thousands of U.S. dollars (Note 1) 2011 |
|---|---|---|---|
| Current deferred taxes | | | |
| Deferred tax assets: | | | |
| Excess accrued employees' bonuses | **¥ 2,538** | ¥ 2,474 | **$ 30,523** |
| Excess reserve for job warranty costs | **102** | 106 | **1,227** |
| Excess reserve for losses on contracts | **194** | 55 | **2,333** |
| Other | **9,091** | 11,472 | **109,333** |
| Total current deferred tax assets | **11,925** | 14,107 | **143,416** |
| Deferred tax liabilities: | | | |
| Retained earnings of foreign subsidiaries | **(164)** | (206) | **(1,972)** |
| Other | **(1,521)** | (1,719) | **(18,293)** |
| Total current deferred tax liabilities | **(1,685)** | (1,925) | **(20,265)** |
| Net current deferred tax assets | **¥10,240** | ¥12,182 | **$123,151** |

For the years ended March 31, 2011 and 2010, there was no valuation allowance.

| March 31, | Millions of yen 2011 | 2010 | Thousands of U.S. dollars (Note 1) 2011 |
|---|---|---|---|
| Non-current deferred taxes | | | |
| Deferred tax assets: | | | |
| Employee's retirement and severance benefits | ¥ 5,216 | ¥ 5,787 | $ 62,730 |
| Excess bad debt expenses | 5,744 | 6,541 | 69,080 |
| Other | 1,410 | 1,451 | 16,957 |
| Total non-current deferred tax assets | 12,370 | 13,779 | 148,767 |
| Deferred tax liabilities: | | | |
| Net unrealized gains on securities | (1,895) | (2,888) | (22,790) |
| Other | (171) | (141) | (2,056) |
| Total non-current deferred tax liabilities | (2,066) | (3,029) | (24,846) |
| Net non-current deferred tax assets | ¥10,304 | ¥10,750 | $123,921 |
| Deferred tax liabilities for land revaluation | ¥ 3,783 | ¥ 3,783 | $ 45,496 |
| Deferred tax liabilities for full revaluation of the consolidated subsidiary | ¥ 245 | ¥ 48 | $ 2,946 |
| Others | 5 | 1 | 61 |
| Non-current deferred tax liabilities | ¥ 250 | ¥ 49 | $ 3,007 |

For the years ended March 31, 2011 and 2010, the valuation allowances of ¥225 million ($2,706 thousand) and ¥461 million have been deducted from the gross amount of the non-current deferred tax assets, respectively.

## Note 13 — Notes to the Consolidated Statements of Cash Flows

Reconciliation of cash in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows was as follows:

| March 31, | Millions of yen 2011 | 2010 | 2009 | Thousands of U.S. dollars (Note 1) 2011 |
|---|---|---|---|---|
| Cash and deposits | ¥131,894 | ¥ 83,308 | ¥117,782 | $1,586,218 |
| Marketable securities | 30,000 | 40,500 | 56,500 | 360,794 |
| Cash and cash equivalents | ¥161,894 | ¥123,808 | ¥174,282 | $1,947,012 |

## Note 14 — Land Revaluation

Pursuant to Article 2 of the Enforcement Ordinance for the Law Concerning Land Revaluation (the "Law") effective March 31, 1998, the Company recorded its owned land used for business at fair value as of March 31, 2002, and the related revaluation difference, net of income taxes, was debited to "Land revaluation, net of deferred tax portion" in the net assets section. The applicable income tax portion was reported as Deferred Tax Liabilities for Land Revaluation in the consolidated balance sheet at March 31, 2011 and 2010. When such land is sold, land revaluation is reversed and debited to retained earnings.

Fair value of the revalued land as of March 31, 2011 was ¥2,775 million ($33,373 thousand) less than the book value as of March 31, 2011, which amount includes ¥1,081 million ($13,001 thousand) relevant to rental property.

## Note 15 — Related Party Transactions

Significant transactions with related parties for the years ended March 31, 2011, 2010 and 2009 were as follows:

| Year ended March 31, | Millions of yen 2011 | 2010 | 2009 | Thousands of U.S. dollars (Note 1) 2011 |
|---|---|---|---|---|
| Medical Management Matsuzawa Co. Ltd. | | | | |
| — Support management and accept order for construction service | ¥8,533 | ¥— | ¥ — | $102,622 |
| Solacor Electricidad Uno S.A. (affiliated company) | | | | |
| — guarantee obligation | ¥5,763 | ¥— | ¥ — | $69,308 |
| Solacor Electricidad Dos S.A. (affiliated company) | | | | |
| — guarantee obligation | ¥5,698 | ¥— | ¥ — | $68,527 |
| JGC Energy Development (USA) Inc.* | | | | |
| — unsecured long-term loan | ¥ — | ¥— | ¥2,882 | $ — |

The balances of the Company due to related parties as of March 31, 2011, 2010 and 2009 were as follows:

| March 31, | Millions of yen 2011 | 2010 | 2009 | Thousands of U.S. dollars (Note 1) 2011 |
|---|---|---|---|---|
| Medical Management Matsuzawa Co. Ltd. | | | | |
| — Accounts receivable | ¥7,837 | ¥— | ¥ — | $94,251 |
| JGC Energy Development (USA) Inc.* | ¥ — | ¥— | ¥7,171 | $ — |
| — unsecured long-term loan receivable | ¥7,837 | ¥— | ¥7,171 | $94,251 |

The Company doesn't receive a guarantee charge from Solacor Electricidad Uno S.A. and Solacor Electricidad Dos S.A.

The supporting management fee, the construction service fee and the interest rate for the long-term loan receivable were reasonably determined, considering the market interest rate. No pledged assets were furnished.

*JGC Energy Development (USA) Inc. has become material and was newly included within the scope of consolidation for the year ended March 31, 2010. All transactions and balances with JGC Energy Development (USA) Inc. were eliminated in the consolidated financial statements for the years ended March 31, 2011, and 2010.

## Note 16 — Business Combinations

Transactions under common control during the year ended March 31, 2010:

### (a) Outline of the Transactions

(1) Name and business of combined entity

Merging company: JGC Information Systems Co., Ltd. ("J-SYS"), IT business

Merged company: J-SYS Software Co., Ltd. ("J-SYS SOFT"), software sales

(2) Form of business combinations

Transactions under common control (Merger with companies which develop information systems, and produce and sell software)

(3) Name of the entity after the reorganization

JGC Information Systems Co., Ltd.

(4) Outline and purpose of the transaction

J-SYS, a consolidated subsidiary of the Company merged with J-SYS SOFT, a consolidated subsidiary of the Company on April 1, 2009. The purpose of this merger was to reinforce the following:

[1] Restructuring sales transactions and improvement of sales force

[2] Reinforcement of employees and human resources

[3] Combine and develop customers' information system and sales channel.

### (b) Accounting Method

These transactions were accounted for as a business combination among entities under common control.

### (c) Amounts of Assets and Liabilities Received and Incurred on the Date of Business Combination

| | |
|---|---|
| Total assets | ¥173 million |
| Total liabilities | ¥166 million |

Transactions under common control during the year ended March 31, 2009:

### (a) Outline of the Transactions

(1) Name and business of combined entity

Merging company: Catalysts & Chemicals Industries Co., Ltd. ("CCIC"), Production and sales of catalysts

Merged company: Nikki Chemical Co., Ltd. ("NCC"), Production and sales of catalysts

(2) Form of business combinations

Transactions under common control (Merger with companies which produce and sell catalysts)

(3) Name of the entity after the reorganization

JGC Catalysts and Chemicals Ltd.

(4) Outline and purpose of the transaction

CCIC, a consolidated subsidiary of the Company merged with NCC, a consolidated subsidiary of the Company on July 1, 2008. The purpose of this merger was to reinforce the following:

[1] Fusion of proprietary techniques and R&D facilities, and accelerating R&D through qualitative and substantive expansion;

[2] Expansion of production capability by means of a two-factory system and a reduction in production risks; and

[3] Expanding the scope of business and stabilization of management base fulfillment by focusing on three main operations (petroleum refining catalysts, chemical catalysts, and fine chemicals products).

### (b) Accounting Method

These transactions were accounted for as a business combination among entities under common control.

### (c) Amounts of Assets and Liabilities Received and Incurred on the Date of Business Combination

| | |
|---|---|
| Total assets | ¥7,614 million |
| Total liabilities | ¥4,216 million |

## Note 17 — Rental Property

Effective from the year ended March 31, 2010, the Company and its consolidated subsidiaries adopted the "Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (Accounting Standards Board of Japan ("ASBJ") Statement No. 20, issued on November 28, 2008) and "Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Guidance No. 23, issued on November 28, 2008) for the years ending on or after March 31, 2010. Pursuant to the new requirements, information about fair value of investment and rental property on the consolidated financial statements at March 31, 2011, and 2010, is as follows:

| | Book value (net of depreciation) | | | Fair value |
|---|---|---|---|---|
| | March 31, 2009 | Decrease | March 31, 2010 | March 31, 2010 |
| Millions of yen | ¥ 8,227 | ¥ (130) | ¥ 8,097 | ¥ 6,201 |

| | March 31, 2010 | Decrease | March 31, 2011 | March 31, 2011 |
|---|---|---|---|---|
| Millions of yen | ¥ 8,097 | **¥ (124)** | **¥ 7,973** | **¥ 6,201** |
| Thousands of U.S dollars (Note 1) | $97,378 | **$(1,491)** | **$95,887** | **$74,576** |

Rental real estate assets are presented on the consolidated balance sheets net of accumulated depreciation and accumulated impairment loss.

The reason for the decrease was mainly due to the depreciation of the assets.

The fair value was calculated by the Company based on "the guidance for apprising real estate."

The Company has rental commercial properties (including land) in Kanagawa prefecture. The rental incomes in Other income were ¥407 million ($4,895 thousand) and ¥403 million for the years ended March 31, 2011 and 2010, respectively.

## Note 18 — Financial Instruments

Effective from the year ended March 31, 2010, the Company adopted the revised Accounting Standard, "Accounting Standard for Financial Instruments" (Accounting Standards Board of Japan ("ASBJ") Statement No. 10, revised on March 10, 2008) and the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, revised on March 10, 2008). Information on financial instruments for the years ended March 31, 2011 and 2010 required pursuant to the revised accounting standards is as follows.

### A. Qualitative Information on Financial Instruments

#### (a) Policies for Using Financial Instruments

The Company manages surplus capital using financial instruments that are short-term and carry little or no risk. The Company uses derivatives to mitigate the risks that are described below, and as a matter of policy does not use derivatives for speculative transactions.

#### (b) Financial Instruments, Associated Risks and the Risk Management System

Notes and accounts receivable expose the Company to customer credit risk. Marketable securities are mainly negotiable certificates of deposit. Investment securities are mainly related to the business and capital alliance companies and expose the Company to changes in market prices. Long-term loans receivable are mainly related to subsidiaries and affiliates.

Most notes and accounts payable are due within one year. Some accounts payable associated with purchasing machines and construction contracts are denominated in foreign currencies, which exposes the Company to the risks of exchange rate fluctuations. The Company generally procures capital required under its business plan through bank loans. Some bank loans expose the Company to the risks of interest rate fluctuations, which the Company uses interest rate swaps to hedge.

The Company uses derivatives transactions including forward foreign exchange contracts to hedge the risk of exchange rate fluctuations associated with receivables and payables denominated in foreign currencies and interest rate swaps to hedge the risk of interest rate fluctuations associated with loans. 'Derivative Transactions and Hedge Accounting' in Note 1(t) and Note 10 presented earlier explain hedge accounting issues including methods, hedging policies, hedged items and recognition of gain or loss on hedged positions.

#### (c) Risk Management System for Financial Instruments

(1) Credit risk management (counterparty risk)

The Company has established internal procedures for receivables under which the related divisions are primarily responsible for periodically monitoring counterparty status. The department manages amounts and settlement dates by counterparty and works to quickly identify and mitigate payment risk that may result from situations including deterioration of the financial condition of counterparties. Consolidated subsidiaries are subject to the same risk management rules.

In using derivatives transactions, the Company mitigates counterparty risk by conducting transactions with highly creditworthy financial institutions.

(2) Market risk management (risk of exchange rate and interest rate fluctuations)

The Company monitors the balance of the foreign currency receivables and payables in each currency every month and utilizes foreign currency forward contracts and foreign currency deposits to hedge the risk of fluctuations. The Company uses interest rate swaps to mitigate the risk of interest rate fluctuations associated with loans.

Regarding marketable securities and investment securities, the Company periodically examines fair value and the financial condition of the issuing entities and revises its portfolio based on its relationships with issuing entities.

The derivative transactions are executed and managed in accordance with the established policies and within the specified limit on the amounts of derivative transactions allowed. The Company handles the transactions and periodically provides administrative reports on the results to the financial director and treasurer.

(3) Management of liquidity risk associated with capital procurement (payment default risk)

The Company manages liquidity risk by creating and updating a capital deployment plan based on reports from each division.

#### (d) Supplemental Information on the Fair Values of Financial Instruments

The fair value of financial instruments is based on market prices, or a reasonable estimate of fair value for instruments for which market prices are not available. Estimates of fair value are subject to fluctuation because they employ variable factors and assumptions.

In addition, the contractual amounts of the derivatives transactions discussed in B (a) below are not an indicator of the market risk associated with derivatives transactions.

## B. Fair Values of Financial Information

### (a) Fair Values of Financial Instruments

Fair values of financial instruments as of March 31, 2011 and 2010 were as follows:

The financial instruments, whose fair value is difficult to measure, are not included in the table below and are summarized in B (b).

| | Millions of yen | | |
|---|---|---|---|
| **March 31, 2011** | Carrying amount | Estimated fair value | Difference |
| Cash and deposits | **¥131,894** | **¥131,894** | **¥ —** |
| Marketable securities | **30,000** | **30,000** | **—** |
| Notes and accounts receivable | **108,810** | **108,810** | **—** |
| Other receivables | **7,235** | **7,235** | |
| Marketable and investment securities | **19,882** | **19,882** | **—** |
| Long-term loans receivable, net* | **1,780** | **1,836** | **56** |
| Total assets | **¥299,601** | **¥299,657** | **¥ 56** |
| Notes and accounts payable | **¥ 70,762** | **¥ 70,762** | **¥ —** |
| Long-term debt | **6,624** | **6,763** | **139** |
| Total liabilities | **¥ 77,386** | **¥ 77,525** | **¥139** |
| Derivative financial instruments, net | **¥ 4,142** | **¥ 4,142** | **¥ —** |

| | Millions of yen | | |
|---|---|---|---|
| March 31, 2010 | Carrying amount | Estimated fair value | Difference |
| Cash and deposits | ¥ 83,308 | ¥ 83,308 | ¥ — |
| Marketable securities | 40,500 | 40,500 | — |
| Notes and accounts receivable | 87,626 | 87,626 | — |
| Other receivables | 11,744 | 11,744 | |
| Marketable and investment securities | 19,476 | 19,476 | — |
| Long-term loans receivable, net* | 1,103 | 1,139 | 36 |
| Total assets | ¥243,757 | ¥243,793 | ¥ 36 |
| Notes and accounts payable | ¥ 59,392 | ¥ 59,392 | ¥ — |
| Long-term debt | 21,926 | 22,622 | 696 |
| Total liabilities | ¥ 81,318 | ¥ 82,014 | ¥696 |
| Derivative financial instruments, net | ¥ 1,870 | ¥ 1,870 | ¥ — |

| | Thousand of U.S. dollars (Note 1) | | |
|---|---|---|---|
| **March 31, 2011** | Carrying amount | Estimated fair value | Difference |
| Cash and deposits | **$1,586,218** | **$1,586,218** | **$ —** |
| Marketable securities | **360,794** | **360,794** | **—** |
| Notes and accounts receivable | **1,308,599** | **1,308,599** | **—** |
| Other receivables | **87,011** | **87,011** | |
| Marketable and investment securities | **239,110** | **239,110** | **—** |
| Long-term loans receivable, net* | **21,407** | **22,080** | **673** |
| Total assets | **$3,603,139** | **$3,603,812** | **$ 673** |
| Notes and accounts payable | **$ 851,016** | **$ 851,016** | **$ —** |
| Long-term debt | **79,663** | **81,335** | **1,672** |
| Total Liabilities | **$ 930,679** | **$ 932,351** | **$1,672** |
| Derivative financial instruments, net | **$ 49,814** | **$ 49,814** | **$ —** |

* The amounts for probable losses calculated by applying a percentage based on collection experience to the remaining accounts are deducted.

The following methods and assumptions were used to estimate the fair value of the financial instruments.

*Cash and deposits, and marketable securities*

All deposits and negotiable certificates of deposit are short-term. Therefore, the carrying amount is used for the fair value of these items because these amounts are essentially the same.

*Notes and accounts receivable*

Notes and accounts receivable are short-term. Therefore, the carrying amount is used for the fair value of short-term receivables because these amounts are essentially the same.

*Other receivables*

Other receivables are short-term. Therefore, the carrying amount is used for the fair value of short-term receivables because these amounts are essentially the same.

*Marketable and investment securities*

Marketable and investment securities are the price listed on securities exchanges for equities. In addition, Note 9 provides information on marketable securities by holding intent.

*Long-term loans receivable*

Fair value of long-term loans receivable is estimated as the discounted present value of total principal and interest using assumed interest rates for equivalent new loans.

*Notes and accounts payable*

Notes and accounts payable are short-term. Therefore, the carrying amount is used for the fair value of short-term payables because these amounts are essentially the same.

*Long-term debt*

Fair value of long-term debt is estimated as discounted present value of total principal and interest using assumed interest rates for equivalent new loans. Interest rate swaps subject to special method are used for long-term floating-rate loans. Principal and interest of the loans in which these interest rate swaps are embedded are discounted using a reasonable estimate of the interest rate on the loan at the time of issue.

*Derivative financial instruments*

Please refer to 'Derivative Transactions and Hedge Accounting' in Note 1 (t) and Note 10.

## (b) Financial Instruments Whose Fair Values Were Difficult to Measure

The financial instruments, whose fair value was difficult to measure, as of March 31, 2011 and 2010, were as follows:

| March 31, | Millions of yen 2011 | Millions of yen 2010 | Thousands of U.S. dollars (Note 1) 2011 |
|---|---|---|---|
| Unconsolidated subsidiaries and affiliates | **¥36,147** | ¥31,968 | **$434,720** |
| Non-listed equity securities | **10,046** | 10,184 | **120,818** |
| Subscription certificates | **39** | 39 | **469** |

It is difficult to measure the fair value of these financial instruments because there is no market price available and it is not efficient to calculate future cash flow. Therefore, these financial instruments were not included in the Marketable and investment securities described in B (a).

## (c) Maturities of Financial Instruments

The maturities of the financial instruments at March 31, 2011 were as follows:

| Year ending March 31, | Millions of yen 2012 | 2013–2016 | 2017–2021 | 2022 and thereafter |
|---|---|---|---|---|
| Cash and deposits | ¥131,894 | ¥ — | ¥ — | ¥ — |
| Marketable securities | 30,000 | — | — | — |
| Notes and accounts receivable | 108,810 | — | — | — |
| Other receivables | 7,235 | — | — | — |
| Long-term loans receivable, net | — | 1,036 | 616 | 128 |
| Total assets | ¥277,939 | ¥1,036 | ¥616 | ¥128 |

| Year ending March 31, | Thousand of U.S. dollars (Note 1) 2012 | 2013–2016 | 2017–2021 | 2022 and thereafter |
|---|---|---|---|---|
| Cash and deposits | $1,586,218 | $ — | $ — | $ — |
| Marketable securities | 360,794 | — | — | — |
| Notes and accounts receivable | 1,308,599 | — | — | — |
| Other receivables | 87,011 | — | — | — |
| Long-term loans receivable, net | — | 12,460 | 7,408 | 1,539 |
| Total assets | $3,342,622 | $12,460 | $7,408 | $1,539 |

Please see Note 3 for the maturities of Long term-debt.

## Note 19 — Impairment of Fixed Assets

As discussed in Note 1 (l), the Company and its consolidated subsidiaries have applied the accounting standard for impairment of fixed assets.

The Company and its consolidated subsidiaries have grouped their fixed assets principally based on their business segment, while considering mutual supplementation of the cash flows.

Loss on impairment of fixed assets for the year ended March 31, 2010 consisted of the following:

| Location | Use | Type of assets |
|---|---|---|
| Houston (U.S.A.) | The concession for a mining area | Other—Property and Equipment<br>Other—Other Assets |

The carrying amount of certain assets was devalued to their recoverable amounts, since the oil and gas reserves added by additional drilling have fallen short of the originally expected reserves. As a result, The Company and one consolidated overseas subsidiary recognized loss on impairment in the amount of ¥3,603 million, which consisted of other assets ¥2,716 million and property and equipment ¥887 million.

The overseas subsidiary used the value in use which was calculated by discounting future cash flows at the interest rate of 10% based on U.S. GAAP.

## Note 20 — Settlement Package

Regarding the Nigeria LNG Project, The Company accrued the expense incurred due to the settlement with the U.S. Department of Justice and government of Nigeria under "Settlement Package."

## Note 21 — Subsequent Event

The Company's wholly owned subsidiary JGC Project Services Co., Ltd., merged its wholly owned subsidiary, Nikki Construction Co., Ltd. on April 1, 2011 and the surviving company name is JGC Plant Solutions Co., Ltd.

# Internal Control Report

**1 Framework of Internal Control Over Financial Reporting**

Keisuke Takeuchi, Chief Executive Officer, Koichi Kawana, Chief Operating Officer, and Masayuki Sato, Chief Financial Officer of JGC Corporation ("the Company") are responsible for establishing and maintaining adequate internal control over financial reporting (as defined in the rule "On the Setting of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting").

Because of its inherent limitations, internal control over financial reporting may not completely prevent or detect misstatements.

**2 Assessment Scope, Timing and Procedures**

**Basis of Presenting Internal Control Report**

The report on internal control over financial reporting of the consolidated financial statements of the Company ("Internal Control Report") is prepared on the basis of generally accepted assessment standards of internal control over financial reporting in Japan ("Assessment Standards") and is compiled from the Internal Control Report prepared by the Company as required by the Financial Instruments and Exchange Law of Japan ("the Law").

The Assessment Standards require management to assess the internal control over financial reporting ("ICOFR"), which consists of the internal control over the consolidated/parent only financial statements included in the Annual Securities Report filed under the Law and the internal control over disclosure information and others included in the Annual Securities Report that materially affects the reliability of the financial statements.

The scope of management's assessment of ICOFR in this annual report is different from the scope required by the Assessment Standards. Management assessment of ICOFR for this annual report covers the ICOFR with respect to the accompanying consolidated financial statements only. In addition, as explained in Note 1 on the basis of presenting consolidated financial statements, the accompanying consolidated financial statements are reclassified and modified from the consolidated financial statements prepared for the purpose of the Law. Supplementary information is also added to the consolidated financial statements. The process of making reclassifications and modifications and the addition of certain information is for the convenience of readers outside Japan. Management voluntarily includes the process in its assessment of ICOFR, even though it is outside the scope of the Assessment Standards.

**Scope of Assessment**

We have assessed our ICOFR as of March 31, 2011 in accordance with the Assessment Standards.

We assessed the design and operation of our company-level control and based on this assessmemt, we analysed business processes within the scope of the internal control to be assessed, identified a key control that would have a material impact on the reliability of financial reporting and assessed whether the basic components of internal control are operating with regard to the key control.

We assessed the effectiveness of ICOFR of the Company, consolidated subsidiaries and affiliates to the extent necessary in light of their degree of impact on the reliability of financial reporting.

In assessing the effectiveness of internal control, we decided on reasonable scope of assessment for the important business processes in light of their degree of quantitative and qualitative impact on financial reporting based on the assessment of the company-level control.

Locations and business units that did not have a material effect on financial reporting were excluded from the scope of assessments.

In assessing the period-end financial reporting process, we decided on reasonable scope of assessment in light of its degree of quantitative and qualitative impact on financial reporting in a similar manner as company-level control.

In assessing the business processes other than described above, based on the assessment of the company-level controls, we assessed the significant business locations based on the their sales levels until their combined sales amounts reaches approximately two-thirds on a consolidated basis and the business processes which impact the accounts (sales, accounts receivable and inventory) that were closely associated with the significant business locations' business objectives.

**3 Results of assessment**

Based on the above assessments, the Company's management has concluded that, as of March 31, 2011, the Company's internal control over financial reporting was effective.

**4 Supplementary information**

Not applicable.

**5 Other**

Not applicable.

**Keisuke Takeuchi**

*Chairman of the Board of Directors and Chief Executive Officer*

June 29, 2011

# Independent Auditors' Report

JGC CORPORATION

**To the Shareholders and Board of Directors of**
**JGC Corporation (Nikki Kabushiki Kaisha):**

**Financial statement audit**

We have audited the accompanying consolidated balance sheets of JGC Corporation (a Japanese corporation) and consolidated subsidiaries as of March 31, 2011 and 2010, the related consolidated statements of income, changes in net assets and cash flows for each of the three years in the period ended March 31, 2011, and the related consolidated statements of comprehensive income for each of the two years in the period ended March 31, 2011, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of JGC Corporation and subsidiaries as of March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

**Internal control audit**

We also have audited the accompanying report on internal control over financial reporting of the consolidated financial statements of JGC Corporation as of March 31, 2011 ("Internal Control Report"). The design and operation of internal control over financial reporting and the preparation of the Internal Control Report are the responsibility of the Company's management. Our responsibility is to independently express an opinion on the Internal Control Report based on our audit. Internal control over financial reporting may not completely prevent or detect financial statement misstatements.

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Internal Control Report is free of material misstatement. An internal control audit is performed on a test basis and includes evaluating the appropriateness of the scope, procedures and result of the assessment determined and presented by management and the overall Internal Control Report presentation. We believe that our internal control audit provides a reasonable basis for our opinion.

In our opinion, the Internal Control Report referred to above, in which JGC Corporation states that internal control over financial reporting of the consolidated financial statements was effective as of March 31, 2011, presents fairly, in all material respects, the assessment of internal control over financial reporting in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

KPMG AZSA LLC

(KPMG AZSA LLC)
Tokyo, Japan
June 29, 2011

# Six-Year Summary—Non-Consolidated

For the six years ended March 31.
Yen amounts are in millions except per share data.

| | **2011** | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|
| Net Sales | **¥ 359,561** | ¥317,597 | ¥349,925 | ¥460,161 | ¥528,794 | ¥ 484,382 |
| Operating Income | **51,918** | 32,145 | 41,356 | 30,550 | 14,432 | 12,221 |
| Income Before Taxes on Income | **45,205** | 27,934 | 44,578 | 32,832 | 21,538 | 16,652 |
| Net Income | **22,853** | 21,271 | 30,214 | 21,312 | 15,183 | 11,412 |
| Total Current Assets | **272,339** | 232,540 | 276,325 | 270,646 | 278,627 | 191,149 |
| Total Current Liabilities | **167,621** | 126,240 | 184,205 | 194,470 | 216,473 | 158,011 |
| Working Capital | **104,718** | 106,300 | 92,120 | 76,176 | 62,154 | 33,138 |
| Current Ratio | **162.5%** | 184.2% | 150.0% | 139.2% | 128.7% | 121.0% |
| Net Property and Equipment | **49,956** | 50,364 | 49,414 | 51,115 | 53,081 | 53,745 |
| Total Assets | **415,737** | 374,549 | 412,893 | 404,424 | 418,285 | 333,545 |
| Long-Term Debt, Less Current Maturities | **1,663** | 16,104 | 16,757 | 15,519 | 16,382 | 176 |
| Total Net Assets | **227,794** | 212,619 | 192,655 | 174,795 | 165,191 | 155,636 |
| New Contracts | **569,128** | 675,505 | 440,548 | 348,755 | 255,015 | 765,188 |
| Outstanding Contracts | **1,163,078** | 953,511 | 641,781 | 607,378 | 728,168 | 1,009,515 |
| Net Income per Share (in yen) | **90.44** | 84.15 | 119.50 | 84.01 | 59.81 | 44.49 |
| Cash Dividends per Share (in yen) | **30.0** | 21.0 | 30.0 | 21.0 | 15.0 | 11.0 |
| Number of Employees | **2,137** | 2,107 | 2,069 | 2,014 | 1,953 | 1,868 |

# Non-Consolidated Balance Sheets

JGC CORPORATION
March 31, 2011 and 2010

| Assets | Millions of yen 2011 | Millions of yen 2010 | Thousands of U.S. dollars (Note 1) 2011 |
|---|---|---|---|
| **Current Assets:** | | | |
| Cash and deposits | **¥123,530** | ¥ 72,718 | **$1,485,628** |
| Marketable securities | **30,000** | 40,500 | **360,794** |
| Notes and accounts receivable (Note 2) | **83,747** | 62,857 | **1,007,180** |
| Contract works in progress | **13,956** | 25,479 | **167,841** |
| Deferred tax assets (Note 7) | **8,363** | 10,775 | **100,577** |
| Other current assets (Note 2) | **12,840** | 20,295 | **154,421** |
| Allowance for doubtful accounts (Note 1(q)) | **(97)** | (84) | **(1,167)** |
| **Total Current Assets** | **272,339** | 232,540 | **3,275,274** |
| **Property and Equipment** (Note 3): | | | |
| Land (Note 8) | **22,391** | 22,391 | **269,284** |
| Buildings and structures | **48,831** | 46,830 | **587,264** |
| Machinery and equipment | **8,867** | 8,153 | **106,639** |
| Construction in progress | **438** | 1,643 | **5,268** |
| | **80,527** | 79,017 | **968,455** |
| Less accumulated depreciation | **(30,571)** | (28,653) | **(367,661)** |
| **Net Property and Equipment** | **49,956** | 50,364 | **600,794** |
| **Other Assets:** | | | |
| Investments in subsidiaries and affiliates | **40,269** | 37,719 | **484,293** |
| Marketable and investment securities | **29,854** | 29,568 | **359,038** |
| Long-term loans receivable (Note 2) | **10,414** | 12,047 | **125,244** |
| Deferred tax assets (Note 7) | **9,163** | 8,829 | **110,198** |
| Other | **3,742** | 3,482 | **45,003** |
| **Total Other Assets** | **93,442** | 91,645 | **1,123,776** |
| **Total Assets** | **¥415,737** | ¥374,549 | **$4,999,844** |

The accompanying notes are an integral part of these statements.

| Liabilities and Net Assets | Millions of yen 2011 | 2010 | Thousands of U.S. dollars (Note 1) 2011 |
|---|---|---|---|
| **Current Liabilities:** | | | |
| Short-term loans (Notes 2 & 3) | **¥ 32,652** | ¥ 12,422 | **$ 392,688** |
| Notes and accounts payable (Note 2) | **56,371** | 49,387 | **677,943** |
| Advances received on uncompleted contracts (Note 2) | **25,720** | 44,844 | **309,321** |
| Reserve for job warranty costs | **207** | 225 | **2,489** |
| Reserve for losses on contracts | **119** | 86 | **1,431** |
| Income taxes payable | **15,819** | 4,515 | **190,247** |
| Other current liabilities (Note 2) | **36,733** | 14,761 | **441,768** |
| **Total Current Liabilities** | **167,621** | 126,240 | **2,015,887** |
| **Long-Term Debt, Less Current Maturities** (Note 3) | **1,663** | 16,104 | **20,000** |
| **Retirement and Severance Benefits** | **10,966** | 11,547 | **131,882** |
| **Deferred Tax Liabilities for Land Revaluation** (Notes 7 & 8) | **3,783** | 3,783 | **45,496** |
| **Other Non-Current Liabilities** (Note 2) | **3,910** | 4,256 | **47,024** |
| **Total Liabilities** | **187,943** | 161,930 | **2,260,289** |
| **Contingencies** (Note 5) | | | |
| **Net Assets** (Note 6): | | | |
| Common stock | | | |
| Authorized — 600,000,000 shares, | | | |
| Issued — 259,052,929 shares in 2011 and 2010 | **23,511** | 23,511 | **282,754** |
| Capital surplus | **25,603** | 25,601 | **307,913** |
| Legal earnings reserve | **2,693** | 2,693 | **32,387** |
| Retained earnings | **182,978** | 165,434 | **2,200,577** |
| Treasury stock, at cost | **(6,287)** | (5,854) | **(75,610)** |
| Net unrealized holding gains on securities | **3,330** | 5,075 | **40,048** |
| Deferred gains on hedges | **2,519** | 2,712 | **30,295** |
| Land revaluation, net of deferred tax portion (Note 8) | **(6,553)** | (6,553) | **(78,809)** |
| **Total Net Assets** | **227,794** | 212,619 | **2,739,555** |
| **Total Liabilities and Net Assets** | **¥415,737** | ¥374,549 | **$4,999,844** |

# Non-Consolidated Statements of Income

JGC CORPORATION
Years ended March 31, 2011, 2010 and 2009

| | Millions of yen | | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|---|
| | **2011** | 2010 | 2009 | **2011** |
| **Net Sales** | **¥359,561** | ¥317,597 | ¥349,925 | **$4,324,245** |
| **Cost of Sales** | **297,622** | 275,446 | 298,305 | **3,579,338** |
| Gross profit | **61,939** | 42,151 | 51,620 | **744,907** |
| **Selling, General and Administrative Expenses** | **10,021** | 10,006 | 10,264 | **120,517** |
| Operating income | **51,918** | 32,145 | 41,356 | **624,390** |
| **Other Income (Expenses):** | | | | |
| Interest and dividend income | **8,642** | 8,569 | 12,030 | **103,933** |
| Interest expense | **(518)** | (530) | (725) | **(6,230)** |
| Loss on sales and disposal of property and equipment | **(32)** | (73) | (31) | **(385)** |
| Gain on sales of marketable and investment securities | **—** | 516 | 2,577 | **—** |
| Gain on sales of subsidiaries and affiliates' stock | **9,665** | — | — | **116,236** |
| Loss on devaluation of marketable and investment securities | **(197)** | — | (2,143) | **(2,369)** |
| Loss on devaluation of investment in subsidiaries | **—** | (6,364) | — | **—** |
| Settlement package (Note 9) | **(20,516)** | — | — | **(246,735)** |
| Exchange loss, net (Note 1 (q)) | **(4,293)** | (3,481) | (2,196) | **(51,630)** |
| Provision for doubtful accounts (Note 1 (q)) | **—** | (3,293) | (6,638) | **—** |
| Other, net | **536** | 445 | 348 | **6,446** |
| | **(6,713)** | (4,211) | 3,222 | **(80,734)** |
| Income before taxes on income | **45,205** | 27,934 | 44,578 | **543,656** |
| **Taxes on Income** (Note 7)**:** | | | | |
| Current | **19,175** | 8,200 | 20,071 | **230,607** |
| Deferred | **3,177** | (1,537) | (5,707) | **38,208** |
| **Net Income** | **¥ 22,853** | ¥ 21,271 | ¥ 30,214 | **$ 274,841** |

| | Yen | | | U.S. dollars (Note 1) |
|---|---|---|---|---|
| **Amounts Per Share of Common Stock** | | | | |
| Net income | **¥ 90.44** | ¥ 84.15 | ¥ 119.50 | **$ 1.09** |
| Cash dividends applicable to the year | **¥ 30.00** | ¥ 21.00 | ¥ 30.00 | **$ 0.36** |

The accompanying notes are an integral part of these statements.

# Non-Consolidated Statements of Changes in Net Assets

JGC CORPORATION

Years ended March 31, 2011, 2010 and 2009

| | Thousands of shares | | | | | | | | Millions of yen |
|---|---|---|---|---|---|---|---|---|---|
| | Common stock | | | | | | | | |
| | Shares | Amount | Capital surplus | Legal reserve | Retained earnings | Treasury stock, at cost | Net unrealized holding gains (losses) on securities | Deferred gains (losses) on hedges (Note 1) | Land revaluation, net of deferred tax portion (Note 8) |
| **Balance at March 31, 2008** | 259,053 | ¥ 23,511 | ¥ 25,593 | ¥ 2,693 | ¥ 126,880 | ¥ (5,651) | ¥ 8,028 | ¥ 331 | ¥ (6,590) |
| Net income for the year | | | | | 30,214 | | | | |
| Cash dividends | | | | | (5,310) | | | | |
| Land revaluation, net of deferred tax portion | | | | | 0 | | | | (0) |
| Gain on retirement of treasury stock | | | 6 | | | 15 | | | |
| Net unrealized holding losses on securities | | | | | | | (5,553) | | |
| Net deferred losses on hedges | | | | | | | | (1,358) | |
| Increase of treasury stock | | | | | | (154) | | | |
| **Balance at March 31, 2009** | 259,053 | ¥ 23,511 | ¥ 25,599 | ¥ 2,693 | ¥ 151,784 | ¥ (5,790) | ¥ 2,475 | ¥(1,027) | ¥ (6,590) |
| Net income for the year | | | | | 21,271 | | | | |
| Cash dividends | | | | | (7,584) | | | | |
| Land revaluation, net of deferred tax portion | | | | | (37) | | | | 37 |
| Gain on retirement of treasury stock | | | 2 | | | 2 | | | |
| Net unrealized holding gains on securities | | | | | | | 2,600 | | |
| Net deferred gains on hedges | | | | | | | | 3,739 | |
| Increase of treasury stock | | | | | | (66) | | | |
| **Balance at March 31, 2010** | 259,053 | ¥ 23,511 | ¥ 25,601 | ¥ 2,693 | ¥ 165,434 | ¥ (5,854) | ¥ 5,075 | ¥ 2,712 | ¥ (6,553) |
| Net income for the year | | | | | **22,853** | | | | |
| Cash dividends | | | | | **(5,309)** | | | | |
| Land revaluation, net of deferred tax portion | | | | | | | | | |
| Gain on retirement of treasury stock | | | **2** | | | **2** | | | |
| Net unrealized holding losses on securities | | | | | | | **(1,745)** | | |
| Net deferred losses on hedges | | | | | | | | **(193)** | |
| Increase of treasury stock | | | | | | **(435)** | | | |
| **Balance at March 31, 2011** | **259,053** | **¥23,511** | **¥25,603** | **¥2,693** | **¥182,978** | **¥(6,287)** | **¥ 3,330** | **¥2,519** | **¥(6,553)** |

| | | | | | | | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|---|---|---|---|---|
| | Common stock | Capital surplus | Legal reserve | Retained earnings | Treasury stock, at cost | Net unrealized holding gains (losses) on securities | Deferred gains (losses) on hedges (Note 1) | Land revaluation, net of deferred tax portion (Note 8) |
| **Balance at March 31, 2010** | $ 282,754 | $ 307,889 | $ 32,387 | $ 1,989,585 | $ (70,403) | $ 61,034 | $ 32,616 | $ (78,809) |
| Net income for the year | | | | **274,841** | | | | |
| Cash dividends | | | | **(63,849)** | | | | |
| Land revaluation, net of deferred tax portion | | | | | | | | |
| Gain on retirement of treasury stock | | **24** | | | **24** | | | |
| Net unrealized holding gains on securities | | | | | | **(20,986)** | | |
| Net deferred gains on hedges | | | | | | | **(2,321)** | |
| Increase of treasury stock | | | | | **(5,231)** | | | |
| **Balance at March 31, 2011** | **$282,754** | **$307,913** | **$32,387** | **$2,200,577** | **$(75,610)** | **$ 40,048** | **$30,295** | **$(78,809)** |

The accompanying notes are an integral part of these statements.

## Note 1 — Summary of Accounting Policies

### (a) Basis of Presenting Non-Consolidated Financial Statements

The accompanying non-consolidated financial statements of JGC Corporation (*Nikki Kabushiki Kaisha*, the "Company") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accompanying non-consolidated financial statements have been restructured and translated into English (with some expanded descriptions) from the non-consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Japanese Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language non-consolidated financial statements, but not required for fair presentation, is not presented in the accompanying non-consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2011, which was ¥83.15 to U.S.$1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

### (b) Conversion of Foreign Currencies

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rates.

### (c) Allowance for Doubtful Accounts

Notes and accounts receivables, including loans and other receivables, are valued by providing individually estimated uncollectible amounts plus the amounts for probable losses calculated by applying a percentage based on collection experience to the remaining accounts.

### (d) Marketable Securities, Investments in Subsidiaries and Affiliates, and Marketable and Investment Securities

The Company is required to examine the intent of holding each security and classify those securities as (a) securities held for trading purposes, (b) debt securities intended to be held to maturity, (c) equity securities issued by subsidiaries and affiliates, and (d) all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities"). The Company did not have securities defined as (a) and (b) above in the years ended March 31, 2011 and 2010.

Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on the sale of such securities are computed using the moving-average method. Other securities with no available fair market value are stated at moving-average cost. Equity securities issued by subsidiaries and affiliates, which are not consolidated or accounted for using the equity method, are stated at moving-average cost.

If the market value of available-for-sale securities declines significantly, such securities are restated at fair market value and the difference between fair market value and the carrying amount is recognized as loss in the period of decline. For equity securities with no available fair market value, if the net asset value of the investee declines significantly, such securities are required to be written down to the net asset value with the corresponding losses in the period of decline. In these cases, such fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

### (e) Recognition of Sales, Contract Works in Progress and Advances Received on Uncompleted Contracts

On December 27, 2007, the Accounting Standards Board of Japan issued ASBJ Statement No. 15, "Accounting Standard for Construction Contracts" and ASBJ Guidance No. 18, "Guidance on Accounting Standard for Construction Contracts." The new accounting standards require that if the construction activity is deemed certain during the course of the activity, the percentage-of-completion method shall be applied (the percentage of the cost incurred to the estimated total cost), otherwise the completed-contract method shall be applied. This standard is effective from the year ended March 31, 2010.

As a result, Net Sales increased by ¥1,580 million and Gross Profit, Operating Income, and Income before taxes on income increased by ¥207 million, respectively for the year ended March 31, 2010.

Prior to the year ended March 31, 2010, the Company recognized sales on contracts using the completed-contract method except for long-term contracts. Under this method, costs and advances received on uncompleted contracts are accumulated during the period of construction. These costs and advances received on uncompleted contracts are not offset and are shown as contract works in progress and advances received on uncompleted contracts in the accompanying non-consolidated balance sheets. Accordingly, no profits or losses are recorded before the contract is completed.

Sales on other contracts for relatively large projects which require long periods for completion and which generally include engineering, procurement (components, parts, etc.) and construction on a full-turnkey basis, are recognized by the percentage-of-completion method, primarily based on contract costs incurred to date compared with total estimated costs for contract completion. The percentage-of-completion method is adopted for large jobs for which the construction period exceeds 24 months and the contract amount exceeds ¥5,000 million (including jobs whose construction period exceeds 36 months and the contract amount exceeds ¥3,000 million). Revisions in contract revenue and cost estimates are recognized in the period in which they are determined.

Contract works in progress are stated at cost determined by a specific identification method and comprised of direct materials, components and parts, direct labor, subcontractors' fees and other items directly attributable to the contract, and job-related overheads. Selling, general and administrative expenses are charged to operations as incurred and are not allocated to contract job work costs.

The Company normally receives payments from customers on a progress basis in accordance with the terms of the respective construction contracts.

Net sales recognized by the percentage-of-completion method for the years ended March 31, 2009 were ¥270,696 million.

### (f) Operating Cycle

Assets and liabilities related to long-term contract jobs are included in current assets and current liabilities in the accompanying non-consolidated balance sheets, as they will be liquidated in the normal course of contract completion, although it may require more than one year.

### (g) Property and Equipment, Depreciation and Finance Leases

Property and equipment are stated at cost, except for certain revalued land as explained in Note 8. Depreciation on property and equipment is calculated using the straight-line method for buildings used for business operation, and the declining-balance method for other property and equipment over the estimated useful lives of the assets based on the Corporate Tax Code of Japan.

Effective from the year ended March 31, 2009, the Company shortened the estimated useful lives of machinery and equipment based on a reassessment of the useful lives in light of the change in the Corporation Tax Code of Japan. The effect of this change on the financial result is immaterial.

All finance leasing transactions were capitalized except for finance leases which commenced prior to April 1, 2008 and have been accounted for as operating leases, and continue to be accounted for as operating leases with disclosure of "as if capitalized" information.

Expenditures for new facilities and those that substantially increase the useful lives of existing property and equipment are capitalized. Maintenance, repair and minor renewals are charged to expenses as incurred.

The cost and accumulated depreciation applicable to assets retired or otherwise disposed of are eliminated from the related accounts and the gain or loss on disposal is credited or charged to income.

### (h) Impairment of Fixed Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

### (i) Retirement and Severance Benefits and Pension Costs

The Company provides two types of post-employment benefit plans, unfunded lump-sum payment plans and funded non-contributory pension plans, under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, length of service and certain other factors.

The Company provided allowance for employees' severance and retirement benefits at March 31, 2011 and 2010, based on the estimated amounts of projected benefit obligation, actuarially calculated using certain assumptions, and the fair value of the plan assets at that date.

Prior service costs are recognized as expenses in equal amounts over the average of the estimated remaining service lives of the employees (12 years), and actuarial gains and losses are recognized as expenses using the declining-balance method over the average of the estimated remaining service lives (12 years) commencing in the following period.

Effective from the year ended March 31, 2010, the Company adopted the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (Accounting Standards Board of Japan ("ASBJ") Statement No. 19, issued on July 31, 2008). The new accounting standard requires domestic companies to use the rate of return on long-term government or gilt-edged bonds as of the end of the fiscal year for calculating the projected benefit obligation of a defined-benefit plan. Previously, domestic companies were allowed to use a discount rate determined taking into consideration fluctuations in the yield of long-term government and gilt-edged bonds over a certain period. This change had no material impact on the financial statements for the year ended March 31, 2010.

### (j) Research and Development Costs

Research and development costs for the improvement of existing skills and technologies or the development of new skills and technologies, including basic research and fundamental development costs, are charged to operations in the period incurred.

### (k) Taxes on Income

The Company provides tax effects of temporary differences between the carrying amounts and the tax basis of assets and liabilities. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

### (l) Reserve for Job Warranty Costs

A reserve for the estimated cost of warranty obligations is provided for the Company's engineering, procurement and construction work at the time the related sales on contracts are recorded.

### (m) Reserve for Losses on Contracts

A reserve for losses on contracts is provided for an estimated amount of probable losses to be incurred in future years in respect of construction projects in progress.

### (n) Per Share Information

Cash dividends per share have been presented on an accrual basis and include dividends to be approved after the balance sheet date but applicable to the year then ended.

### (o) Derivatives and Hedge Accounting

The accounting standard for financial instruments requires companies to state derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses unless the derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company defers recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains of the hedged items are recognized.

However, in cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner:

(1) If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,
- (i) The difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the statement of income in the period which includes the inception date, and
- (ii) The discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.

(2) If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange are recognized.

Also, where interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

### (p) Accrued Bonuses to Directors and Corporate Auditors

The Company recognizes directors' and corporate auditors' bonuses as expenses when incurred.

### (q) Reclassification and Restatement

Certain prior year amounts have been reclassified to conform to the current year presentation except for the reclassification between provision for doubtful accounts and exchange gain or loss described below.

The Company changed the recognition of exchange differences for foreign currencies' doubtful accounts from provision for doubtful accounts to exchange gain or loss from the year ended March 31, 2011, in order to properly present provision for doubtful accounts without the effect of exchange fluctuation.

These reclassifications had no impact on previously reported results of operations or retained earnings.

## Note 2 — Receivables from and Payables to Subsidiaries and Affiliates

Significant receivables from and payables to subsidiaries and affiliates at March 31, 2011 and 2010 were as follows:

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| March 31, | **2011** | 2010 | **2011** |
| Notes and accounts receivable | **¥ 8,335** | ¥ 1,744 | **$100,241** |
| Other current assets | **4,423** | 6,767 | **53,193** |
| Long-term loans receivable | **12,125** | 12,016 | **145,821** |
| Notes and accounts payable | **9,375** | 12,177 | **112,748** |
| Short-term loans | **18,787** | 12,072 | **225,941** |
| Advances received on uncompleted contracts | **151** | 211 | **1,816** |
| Other current liabilities | **573** | 999 | **6,891** |
| Other non-current liabilities | **176** | 176 | **2,117** |

## Note 3 — Borrowings and Assets Pledged as Collateral

At March 31, 2011 and 2010, short-term loans consisted of unsecured debt from subsidiaries and bore interest at TIBOR.

Long-term debt consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| March 31, | **2011** | 2010 | **2011** |
| **Unsecured Debt** | | | |
| 0.46%–1.98% loans from banks and insurance companies, due serially through 2016 | **¥ 15,528** | ¥16,454 | **$ 186,747** |
| Less current maturities | **(13,865)** | (350) | **(166,747)** |
| Long-term debt due after one year | **¥ 1,663** | ¥16,104 | **$ 20,000** |

Assets pledged as collateral for other non-current liabilities at March 31, 2011 and 2010, were as follows:

| March 31, | Millions of yen 2011 | 2010 | Thousands of U.S. dollars (Note 1) 2011 |
|---|---|---|---|
| Land | **¥4,280** | ¥4,280 | **$51,473** |
| Buildings and structures, at net book value | **2,317** | 2,438 | **27,866** |
| Machinery and equipment, at net book value | **3** | 4 | **36** |
| Total | **¥6,600** | ¥6,722 | **$79,375** |

The annual maturities of long-term debt outstanding at March 31, 2011, are as follows:

| Year ending March 31, | Amount Millions of yen | Thousands of U.S. dollars (Note 1) |
|---|---|---|
| 2012 | ¥13,865 | $166,747 |
| 2013 | 665 | 7,998 |
| 2014 | 665 | 7,998 |
| 2015 | 250 | 3,006 |
| 2016 | 83 | 998 |
| Total | ¥15,528 | $186,747 |

## Note 4 — Lease Transactions

### (a) Finance Lease Transactions Without Ownership Transfer to Lessee

Finance leases commenced prior to April 1, 2008 which do not transfer ownership of leased assets to lessees are accounted for as operating leases.

Assumed amounts of acquisition cost and accumulated depreciation at March 31, 2011 and 2010 are as follows:

(1) Purchase price equivalents, accumulated depreciation equivalents, and book value equivalents:

| March 31, | Millions of yen 2011 | 2010 |
|---|---|---|
| Machinery and equipment: | | |
| Purchase price equivalents | **¥147** | ¥147 |
| Accumulated depreciation equivalents | **(54)** | (36) |
| Book value equivalents | **¥ 93** | ¥111 |

| March 31, | Thousands of U.S. dollars (Note 1) 2011 |
|---|---|
| Machinery and equipment: | |
| Purchase price equivalents | **$1,768** |
| Accumulated depreciation equivalents | **(650)** |
| Book value equivalents | **$1,118** |

Purchase price equivalents are calculated using the inclusive-of-interest method.

(2) Lease commitments

| March 31, | Millions of yen 2011 | 2010 | Thousands of U.S. dollars (Note 1) 2011 |
|---|---|---|---|
| Due within one year | **¥17** | ¥ 18 | **$ 204** |
| Due after one year | **76** | 93 | **914** |
| Total | **¥93** | ¥111 | **$1,118** |

Lease commitments are calculated using the inclusive-of-interest method.

(3) Lease payments and depreciation equivalents

| Year ended March 31, | Millions of yen 2011 | 2010 | 2009 | Thousands of U.S. dollars (Note 1) 2011 |
|---|---|---|---|---|
| Lease payments | **¥18** | ¥35 | ¥33 | **$216** |
| Depreciation equivalents | **18** | 35 | 33 | **216** |

(4) Calculation method of depreciation equivalents

Depreciation equivalents are computed by the straight-line method over the lease period without considering residual value.

### (b) Operating Lease Transactions

Lease commitments under non-cancelable operating leases:

| March 31, | Millions of yen 2011 | 2010 | Thousands of U.S. dollars (Note 1) 2011 |
|---|---|---|---|
| Due within one year | **¥532** | ¥ 449 | **$ 6,398** |
| Due after one year | **399** | 689 | **4,799** |
| Total | **¥931** | ¥1,138 | **$11,197** |

## Note 5 — Contingencies

(1) It is a business practice in Japan for a company to guarantee the indebtedness of certain of its trading agents, suppliers, subcontractors and certain subsidiaries and affiliates. The aggregate amount of such guarantees was ¥18,498 million ($222,465 thousand) and ¥5,274 million at March 31, 2011 and 2010, respectively.

(2) The Company has guaranteed employees' housing loans and others from banks in the amount of ¥11 million ($132 thousand) and ¥10 million at March 31, 2011 and 2010, respectively.

## Note 6 — Net Assets

Under the Japanese Corporation Law ("the Law") and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the prices of the new shares as additional paid-in capital, which is included in capital surplus.

In cases where dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. However, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

## Note 7 — Taxes on Income

The statutory tax rate for 2011, 2010 and 2009, was 36.2%.

The following table summarizes the significant differences between the statutory tax rate and the Company's effective tax rate for financial statement purposes for the years ended March 31, 2011, 2010 and 2009:

| | **2011** | 2010 | 2009 |
|---|---|---|---|
| Statutory tax rate | **36.2%** | 36.2% | 36.2% |
| Non-deductible expenses | **0.3** | 0.5 | 0.6 |
| Non-taxable dividend income | **(5.5)** | (9.0) | (6.0) |
| Tax credits utilized | **(0.4)** | (1.3) | (0.9) |
| Past year's income tax adjustment | **1.5** | (3.1) | 1.0 |
| Other | **17.4** | 0.6 | 1.3 |
| Effective tax rate | **49.5%** | 23.9% | 32.2% |

Significant components of the Company's deferred tax assets and liabilities as of March 31, 2011 and 2010, were as follows:

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| March 31, | **2011** | 2010 | **2011** |
| Current deferred taxes | | | |
| Deferred tax assets: | | | |
| Excess accrued employees' bonuses | **¥ 1,660** | ¥ 1,580 | **$ 19,964** |
| Excess reserve for job warranty costs | **75** | 81 | **902** |
| Excess reserve for losses on contracts | **43** | 31 | **517** |
| Other | **8,086** | 10,783 | **97,246** |
| Total current deferred tax assets | **9,864** | 12,475 | **118,629** |
| Deferred tax liabilities: | | | |
| Other | **(1,501)** | (1,700) | **(18,052)** |
| Net current deferred tax assets | **¥ 8,363** | ¥10,775 | **$100,577** |

For the years ended March 31, 2011 and 2010, there is no valuation allowance.

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| March 31, | **2011** | 2010 | **2011** |
| Non-current deferred taxes | | | |
| Deferred tax assets: | | | |
| Loss recognized on percentage-of-completion method not deductible for income tax purposes | **¥ 196** | ¥ 196 | **$ 2,357** |
| Employee's retirement and severance benefits | **3,970** | 4,180 | **47,745** |
| Excess bad debt expenses | **6,295** | 6,686 | **75,707** |
| Other | **726** | 782 | **8,731** |
| Total non-current deferred tax assets | **11,187** | 11,844 | **134,540** |
| Deferred tax liabilities: | | | |
| Net unrealized holding gains on securities | **(1,890)** | (2,880) | **(22,730)** |
| Other | **(134)** | (135) | **(1,612)** |
| Total deferred tax liabilities | **(2,024)** | (3,015) | **(24,342)** |
| Net non-current deferred tax assets | **¥ 9,163** | ¥ 8,829 | **$110,198** |
| Deferred tax liabilities for land revaluation | **¥ 3,783** | ¥ 3,783 | **$ 45,496** |

For the years ended March 31, 2011 and 2010, the valuation allowances of ¥145 million ($1,744 thousand) and ¥288 million have been deducted from the gross amount of the non-current deferred tax assets, respectively.

## Note 8 — Land Revaluation

Pursuant to Article 2 of the Enforcement Ordinance for the Law Concerning Land Revaluation (the "Law") effective March 31, 1998, the Company recorded its owned land used for business at the fair value as of March 31, 2002, and the related revaluation difference, net of income taxes, was debited to "land revaluation, net of deferred tax portion" in the net assets section. The applicable income tax portion was reported as Deferred Tax Liabilities for Land Revaluation in the non-consolidated balance sheet at March 31, 2011 and 2010. When such land is sold, land revaluation is reversed and debited to retained earnings.

Fair value of revalued land as of March 31, 2011 was ¥2,775 million ($33,373 thousand) less than the book value as of March 31, 2011.

## Note 9 — Settlement Package

Regarding Nigeria LNG Project, the Company accrued the expense incurred due to the settlement with the U.S. Department of Justice and government of Nigeria under "Settlement Package."

# Independent Auditors' Report

JGC CORPORATION

**To the Shareholders and Board of Directors of**
**JGC Corporation (Nikki Kabushiki Kaisha):**

We have audited the accompanying non-consolidated balance sheets of JGC Corporation (a Japanese corporation) as of March 31, 2011 and 2010, and the related non-consolidated statements of income, changes in net assets for each of the three years in the period ended March 31, 2011, expressed in Japanese yen. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these non-consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of JGC Corporation as of March 31, 2011 and 2010, and the non-consolidated results of their operations for each of the three years in the period ended March 31, 2011, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the non-consolidated financial statements.

KPMG AZSA LLC
(KPMG AZSA LLC)
Tokyo, Japan
June 29, 2011

# JGC Group

As of March 31, 2011

### Others

System Solution Services
■ JGC Information Systems Co., Ltd.

Equipment Procurement
○ Nikki Shoji Co., Ltd.
■ JGC Corporation Europe B.V.
□ JGC (USA), Inc.

Specialized Consulting Services
■ Japan NUS Co., Ltd.

Office Support Services
■ Nikki Business Services Co., Ltd.

Water & Power Generation Business
■ JGC-ITC Rabigh Utility Co., Ltd.

Oil & Gas Production and Sales Business
■ JGC Energy Development (USA) Inc.

### Total engineering

**JGC CORPORATION**

■ JGC PROJECT SERVICES Co., Ltd.(Note)
■ Nikki Construction Co., Ltd.(Note)
■ JGC PLANTECH Co., Ltd.
■ JGC PLANTECH AOMORI Co., Ltd.
● Nikki-Universal Co., Ltd.
● JMD Greenhouse-Gas Reduction Co., Ltd.
■ JGC SINGAPORE PTE LTD
■ JGC PHILIPPINES, INC.
□ PT. JGC INDONESIA

### Catalysts and fine products

■ JGC Catalysts & Chemicals Ltd.
■ Japan Fine Ceramics Co., Ltd.
● Nikki-Universal Co., Ltd.

← Provision of products and services

■ Consolidated subsidiary
□ Non-consolidated, non-equity-method subsidiary
● Equity-method subsidiary or affiliate
○ Non-equity-method subsidiary or affiliate

(Note) JGC PROJECT SERVICES Co., Ltd. and Nikki Construction Co., Ltd. merged on April 1, 2011 to form JGC Plant Solutions Co., Ltd.

## Total engineering

| Business | Company | Country | Capital | Capital Share | Other |
|---|---|---|---|---|---|
| Engineering & Construction Services | JGC PROJECT SERVICES Co., Ltd.(Note) | Japan | ¥200,000,000 | 100% | |
| | Nikki Construction Co., Ltd.(Note) | Japan | ¥495,000,000 | 100% | |
| | JGC SINGAPORE PTE LTD | Singapore | S$2,100,000 | 100% | |
| | JGC PHILIPPINES, INC. | Philippines | P340,000,000 | 100% | |
| | PT. JGC INDONESIA | Indonesia | US$1,600,000 | 100% | * JGC 70%<br>* JGC PROJECT SERVICES 30% |
| Maintenance Services | JGC PLANTECH Co., Ltd. | Japan | ¥135,000,000 | 100% | |
| | JGC PLANTECH AOMORI Co., Ltd. | Japan | ¥50,000,000 | 100% | * JGC PLANTECH 100% |
| Process Licensing Services | Nikki-Universal Co., Ltd. | Japan | ¥1,000,000,000 | 50% | |
| Global Warming Gas-Emissions Credits Business | JMD Greenhouse-Gas Reduction Co., Ltd. | Japan | ¥30,000,000 | 47% | |

## Catalysts and fine products

| Company | Country | Capital | Capital Share | Other |
|---|---|---|---|---|
| JGC Catalysts & Chemicals Ltd. | Japan | ¥1,800,000,000 | 100% | |
| Japan Fine Ceramics Co., Ltd. | Japan | ¥300,000,000 | 100% | |
| Nikki-Universal Co., Ltd. | Japan | ¥1,000,000,000 | 50% | |

## Others

| Business | Company | Country | Capital | Capital Share | Other |
|---|---|---|---|---|---|
| System Solution Services | JGC Information Systems Co., Ltd. | Japan | ¥400,000,000 | 100% | |
| Equipment Procurement | Nikki Shoji Co., Ltd. | Japan | ¥40,000,000 | 24.50% | |
| | JGC Corporation Europe B.V. | The Netherlands | 2,768,000 | 100% | |
| | JGC (USA) Inc. | U.S.A. | US$100,000 | 100% | |
| Specialized Consulting Services | Japan NUS Co., Ltd. | Japan | ¥50,000,000 | 80% | |
| Office Support Services | Nikki Business Services Co., Ltd. | Japan | ¥1,455,000,000 | 100% | |
| Water & Power Generation Business | JGC-ITC Rabigh Utility Co., Ltd. | Japan | ¥319,533,500 | 55.43% | |
| Oil & Gas Production and Sales Business | JGC Energy Development (USA) Inc. | U.S.A. | US$58,000,000 | 100% | |

# Outline of JGC

As of March 31, 2011

**Established** October 25, 1928

**Capital** ¥23,511,189,612

**Number of Employees** 2,137 (Consolidated: 5,826)

**Major Shareholders**

| | Number of shares (thousands) | Percentage of total (%) |
|---|---|---|
| Japan Trustee Services Bank, Ltd. (Trust Account) | 21,719 | 8.38 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 17,918 | 6.91 |
| Nikki Shoji Co., Ltd. | 12,112 | 4.67 |
| Sumitomo Mitsui Banking Corp. | 11,000 | 4.24 |
| JGC-S SCHOLARSHIP FOUNDATION | 8,433 | 3.25 |
| Mizuho Corporate Bank, Ltd. | 5,700 | 2.20 |
| JP Morgan Securities Japan Co., Ltd. | 3,828 | 1.47 |
| State Street Bank and Trust Company 505223 | 3,676 | 1.41 |
| Government of Singapore Investment Corporation Pte. Ltd. | 3,448 | 1.33 |
| Japan Trustee Services Bank, Ltd. (Trust Account 9) | 3,334 | 1.28 |

JGC's treasury stock holdings total 6,531 thousands shares, approximately 2.52% of total shares issued.

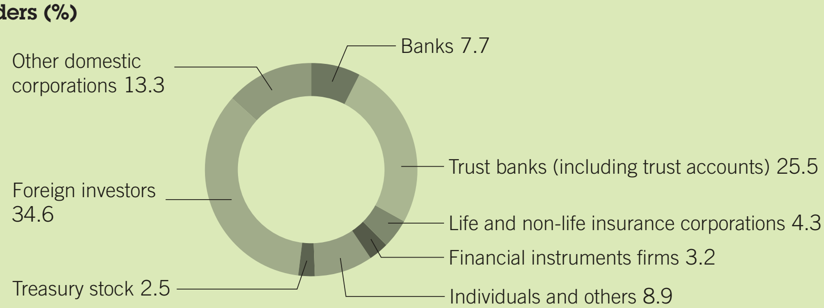
**Authorized Shares** 600,000,000

**Issued and Outstanding Shares** 259,052,929

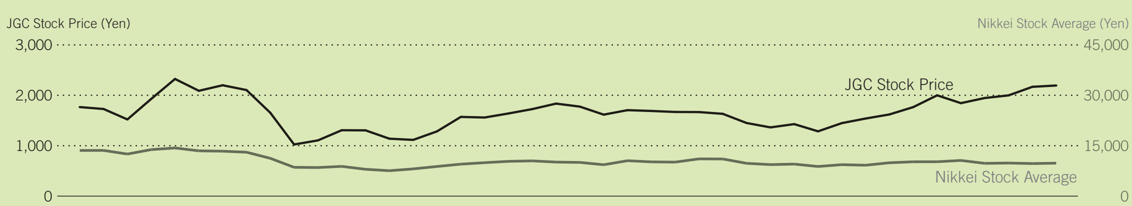
**Number of Shareholders** 10,665

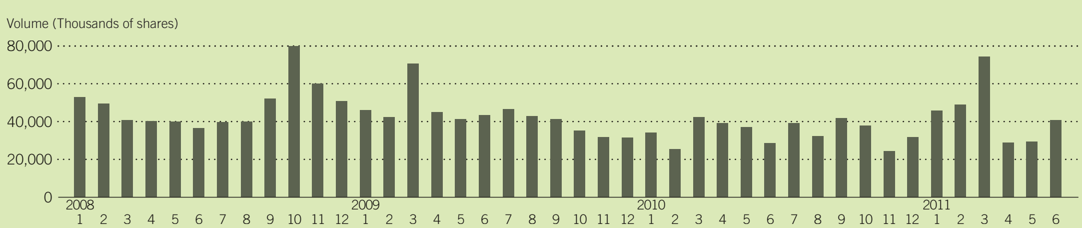
**Administrator of the Shareholders' Register** Mitsubishi UFJ Trust and Banking Corp.
4-5, Marunouchi 1-chome, Chiyoda-ku,
Tokyo 100-8212, Japan

**Distribution of Shareholders (%)**




**Stock Price**



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