JGC CORPORATION

>> ENGINEERING THE FUTURE



ANNUAL REPORT 2008

April 1, 2007 — March 31, 2008

>> PROFILE

JGC Corporation was founded in 1928, and in the ensuing years has 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 has displayed unsurpassed project management capabilities in the fields of oil and gas development, petroleum refining, natural gas processing, petrochemicals and other hydrocarbons, chemicals, power generation and new energy, as well as general production, environmental protection, IT and other industrial fields. In response to the diverse needs of its clients, JGC has moved beyond its role as contractor, and has begun to invest in businesses such as resource development, power generation and desalination. JGC is moving beyond the framework of the traditional engineering contractor to become a "Standout Engineering Enterprise."

>> 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.

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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 43) 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

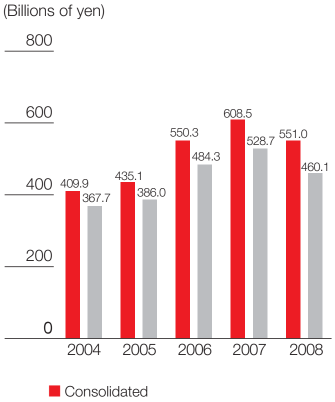
For the years ended March 31.
Yen amounts are in millions except per share data.

			Millions of yen	Thousands of U.S. dollars
Consolidated	**2008**	2007	2006	**2008**
Net Sales	**¥551,062**	¥608,530	¥ 550,301	**$5,500,170**
Operating Income	**44,896**	26,413	20,389	**448,109**
Income Before Taxes on Income and Minority Interests in Earnings of Consolidated Subsidiaries	**46,908**	31,823	23,384	**468,191**
Net Income	**30,020**	20,187	15,011	**299,631**
Net Income per Share (in yen and U.S. dollars)	**118.33**	79.52	58.33	**1.18**
New Contracts	**402,352**	301,347	807,649	**4,015,890**
Outstanding Contracts	**638,314**	744,679	1,024,348	**6,371,035**

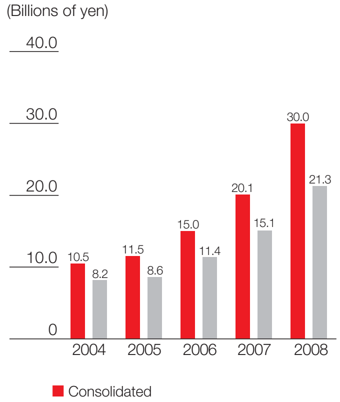
			Millions of yen	Thousands of U.S. dollars
Non-Consolidated	**2008**	2007	2006	**2008**
Net Sales	**¥460,161**	¥528,794	¥ 484,382	**$4,592,884**
Operating Income	**30,550**	14,432	12,221	**304,921**
Income Before Taxes on Income	**32,832**	21,538	16,652	**327,696**
Net Income	**21,312**	15,183	11,412	**212,715**
Net Income per Share (in yen and U.S. dollars)	**84.01**	59.81	44.49	**0.84**
New Contracts	**348,755**	255,015	765,188	**3,480,936**
Outstanding Contracts	**616,763**	728,168	1,009,515	**6,155,934**

Notes: 1. U.S. dollar amounts represent translation of Japanese yen, for convenience only, at the rate of ¥100.19=$1.00, the prevailing rate of exchange as of March 31, 2008.
2. Net income per share is computed based upon the average number of shares of common stock outstanding during the period.

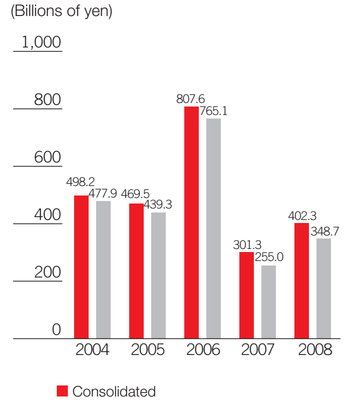
Net Sales
(Billions of yen)



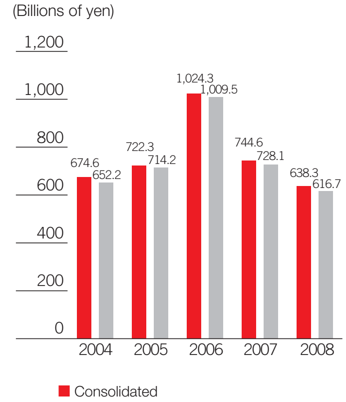
Net Income
(Billions of yen)



New Contracts
(Billions of yen)



Outstanding Contracts
(Billions of yen)



NET INCOME HITS RECORD HIGH FOR THIRD CONSECUTIVE TERM IN FISCAL 2007; AIMING TO REDUCE RISKS AND MAINTAIN HIGH LEVELS OF SALES AND PROFITS IN FISCAL 2008

In fiscal 2007, ended March 31, 2008, the support of shareholders and customers, as well as the hard work of everybody in the Group, helped JGC to report consolidated net sales of ¥551.0 billion, operating income of ¥44.8 billion (record high), and net income of ¥30.0 billion (record high). As a result, JGC was able to pay shareholders a full-year dividend for fiscal 2007 of ¥21.00 per share, an increase of ¥6.00 year on year. New contracts for the fiscal year were ¥402.3 billion, unfortunately not attaining our initial forecast of ¥540.0 billion. This was because the contract for a large-scale oil refinery project, from which an order had been expected in the fourth quarter, was delayed into fiscal 2008.

Our forecast for fiscal 2008 is for consolidated net sales of ¥560.0 billion, operating income of ¥46.0 billion, and net income of ¥31.0 billion, and we plan on paying shareholders a full-year dividend of ¥26.50 per share, an increase of ¥5.50 year on year. We will also work hard to win orders, with a target of ¥700.0 billion for fiscal 2008, including the portion not attained in fiscal 2007. A number of large projects will be concentrated in fiscal 2008, and we believe that our order target is attainable. At the same time, however, we will have to take into account the global shortage of experienced workers, especially in the Middle East, and the soaring prices of materials and equipment. Under such conditions, we believe it is important not to increase the amount of orders needlessly, but to minimize risk and secure profits. We continue to view the Middle East and Africa as promising regions for projects, but we are also focusing on Asia and South America.

>> ENGINEERING THE FUTURE

In presenting our annual report for fiscal 2007, we would like to express our sincere gratitude to our shareholders for their constant support for the Company as well as the Group.

Chairman of the Board of Directors
and Chief Executive Officer
Yoshihiro Shigehisa

Our Group's five-year medium-term management plan, "Scenario 2010," which targets further growth, has entered its third year. This plan sets a net income target of ¥30.0 billion on net sales of ¥600.0 billion for its final year (fiscal 2010), but these final targets were already attained in the year ended March 2007 for net sales and in the year ended March 2008 for net income, respectively. Going forward, we intend to put maximum effort into maintaining high levels of net sales and net income toward the final year of the plan.

CUSTOMERS TO CONTINUE AGGRESSIVE INVESTMENT IN GAS/OIL REFINING PROJECTS IN FISCAL 2008

Looking back over the past fiscal year, the spot price for West Texas Intermediate (WTI), an indicator of world oil prices, went from the US$60 per-barrel range to topping US$100 per barrel in February 2008, and recently has exceeded US$120. This has continued to bring significant benefits to oil majors and state-run oil companies in oil-producing nations, leading to active capital investment plans for oil and gas plants, mainly in the Middle East. However, plant costs have risen significantly due to the global shortage of experienced workers and the soaring prices of materials and equipment, leading some project owners to take a wait-and-see stance. On the whole, however, the desire of customers to invest remains strong. We look forward to capital investment continuing to be conducted in fiscal 2008, mainly in the Middle East but also in Africa, Asia, and South America. Oil majors and state-run oil companies in oil-producing nations are actively developing projects for natural gas, a more environmentally friendly source of energy. Crude oil produced in the Middle East is also gradually changing from light oil to difficult-to-refine heavier grades of oil.

In response to this shift, a large number of plans have materialized calling for the construction of refineries in the Middle East and Asia. With its distinguished track record in delivering numerous gas processing, LNG, and oil refining facilities, JGC plans to further strengthen its presence in the industry by drawing on the Company's advanced technologies and project management skills to complete plants that offer a high degree of customer satisfaction.

CONTINUED REINFORCEMENT OF CORE E&C BUSINESS STRATEGY; STEADY RESULTS IN NON-E&C BUSINESSES SUCH AS ENTERPRISE INVESTMENT

We currently continue to strengthen our strategy in our core Engineering and Construction (E&C) business.

One facet of this is turning our overseas subsidiaries into profit centers. We established an E&C subsidiary in Saudi Arabia, where the Company has a distinguished track record of constructing numerous plants. This subsidiary aims to capture orders for small and medium-sized projects by working closely with the local community. The subsidiary will initially start with 130 people, but we would like to expand this to about 500 in several years. In the future, we will aim to capture project orders not only in Saudi Arabia, but also in the entire Gulf region. Our local subsidiaries in Asia and Algeria are also steadily preparing to turn themselves into profit centers.

The second facet is our plan to boost manpower. The plan is to increase our Group's workforce from 7,000 at the time of the announcement of our medium-term management plan (fiscal 2005) to 8,500 in fiscal 2010, the final year of the plan. In the year ended March 2008, our workforce had already reached 9,000, so our plan is progressing ahead of schedule.

We were also able to produce results in non-E&C businesses.

The first is our resource development business. We have been drilling in our oil and gas field located in the US, for which we acquired 100% rights in 2007, and have succeeded in producing 2,000 or more barrels of crude oil and natural gas per day from three wells, exceeding predictions. Depending on the status of development, we will continue drilling, aiming for daily production of 5,000 barrels per day within a few years. Going forward, we will use this business as a springboard to acquire more mining rights in the US and to acquire rights to promising oil and gas fields outside the US. In addition, we will feed back our technology, knowledge, and know-how in the upstream area related to oil and gas field development into our plant construction business, and contribute to our customers as a contractor well-versed in upstream technology.

The second is our acquisition of rights in a second power generation and desalination plant in Abu Dhabi. The plant, consisting of Combined Cycle Gas Turbine (CCGT) power units and desalination units, is located in the Taweelah district of the Emirate of Abu Dhabi, and produces 710MW of power and 230,000 tons of water per day. We acquired 15% of Marubeni Corporation's 40% stake in the plant (6% of total). As a result, the Company is now involved in three power generation and desalination projects in the Middle East; two in Abu Dhabi and one in Saudi Arabia.

The third is our global-warming-gas emissions reduction business, or clean development mechanism (CDM) business. We are participating in the recovery and dissolution of the global-warming-gas HFC23 emitted by a hydroclorofluorocarbon (HCFC) plant in China, and have already acquired a total of 40 million tons in emissions rights credits on a CO_2-translated basis. Recently, two CDM projects involving raw material replacement at cement plants that we are working on in Inner Mongolia and Zhejiang province in China were approved by the Chinese and Japanese governments. These two projects will reduce CO_2 by 550,000 tons per year.

JGC will continue striving to become a "Standout Engineering Enterprise," actively working to tackle global economic, resource and environmental issues, transcending borders and nations.

It is the hope of JGC that we can continue to count on the support of our shareholders as the Company takes on new challenges in the year ahead.

Yoshihiro Shigehisa
Chairman of the Board of Directors
and Chief Executive Officer

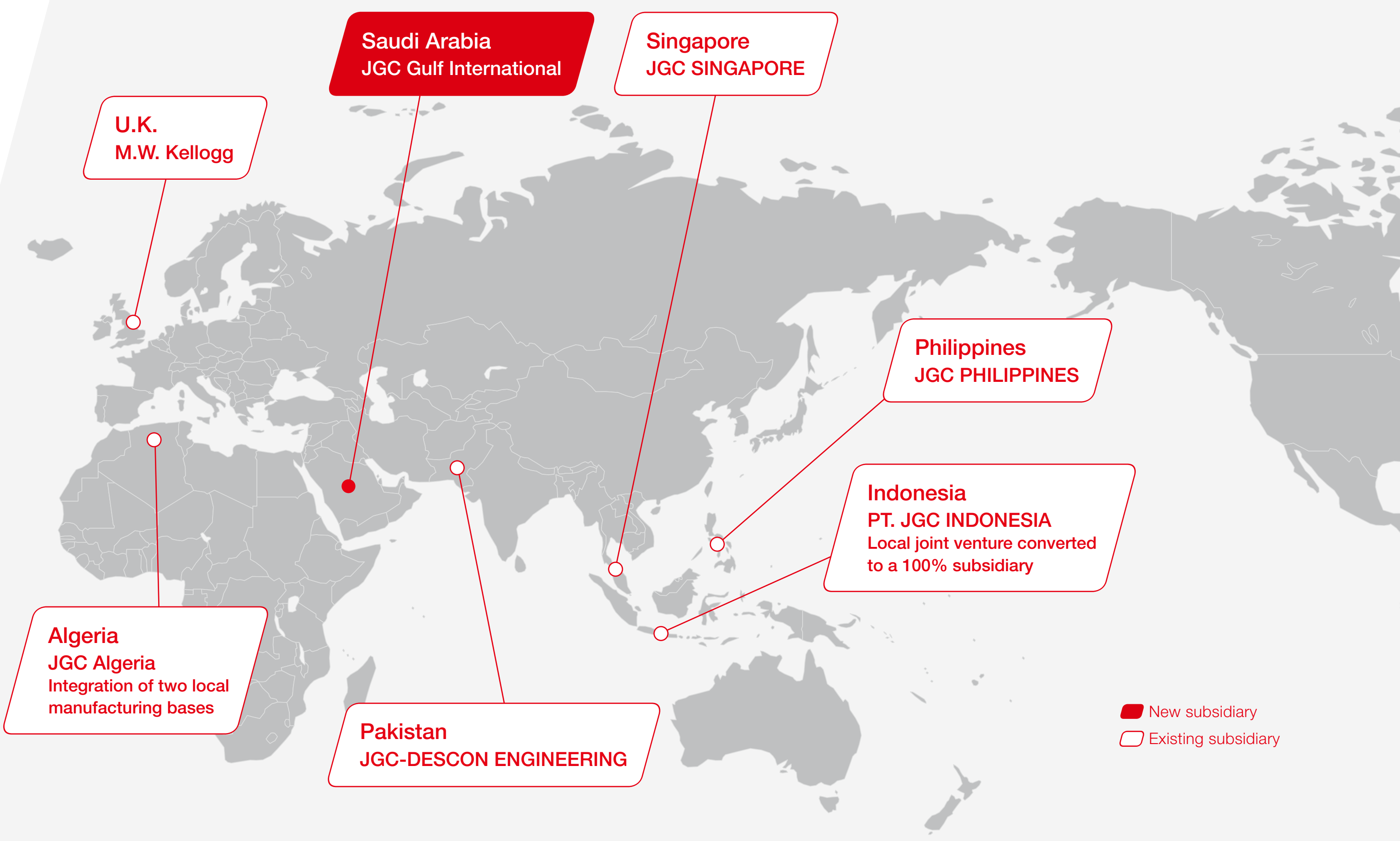
>> BENEFITS STEADILY ACHIEVED BY WORKING TOWARDS SCENARIO 2010 GOALS

>> SPECIAL FEATURE 1

TURNING OVERSEAS ENGINEERING COMPANIES INTO PROFIT CENTERS

In tandem with the recent increase in global resource and energy demands, as well as the increasing sophistication of the industrial structures of emerging nations, capital investments have been made in various kinds of industrial plants in a number of regions around the world.

Going forward, while cooperating with JGC's head office, the Group's overseas manufacturing bases aim to become profit centers based on the autonomous expansion of each company in line with the industrial needs of their respective regions.



Inauguration ceremony of JGC Gulf International, Saudi Arabia

As a pioneer Japanese engineering company, JGC has contributed to the development of the oil refining and petrochemical industries in Japan, and from the 1960s onward, it has expanded the range of its activities to overseas markets and carried out plant construction in various regions of the world. Starting with the establishment of a subsidiary to execute a project in Indonesia in 1974, JGC now has a network of 18 overseas bases around the world.

Some of JGC's overseas bases, such as JGC SINGAPORE PTE LTD and UK-based M.W. Kellogg Limited, are already autonomously operated bases that are firmly entrenched in their regional markets, but most have held the position of cost centers aimed at reinforcing and supporting the engineering, procurement and construction (EPC) functions of JGC's headquarters.

Through the execution of overseas projects over many years, JGC keenly feels that all countries engaged in plant construction have a desire to develop their own engineering industries. In emerging nations as well, there has been an increase in personnel with high skill levels, and basic industries that support those countries, such as manufacturing and construction, are now developing. Accordingly, engineering industries have begun to be created in these countries as well. With the objective of maximizing order volume across the entire Group, JGC aims to turn its overseas bases into profit centers while capturing the vitality of these emerging nations. By working closely with clients in regional areas, each base will be able to provide a more flexible and detailed response to their needs in the case of small and medium-sized projects and operations and maintenance (O&M) services, for which JGC's head office previously found it difficult to bid.

In addition, JGC's head office will strengthen its support system to enable each base to execute entire projects. It will support the fostering of engineers with the "JGC mindset," typified by sincerity, earnestness, and the ability to fulfill promises, for which JGC has been commended by its overseas clients, in particular, as well as the technological capabilities that each base will require.

Saudi Arabia is the world's largest source of petroleum and the location where the world's energy investment is concentrated. Over many years, JGC has continuously handled the construction of many plants in that country and established JGC Gulf International Ltd., a new engineering company. JGC Gulf International will immediately be in charge of part of the operations as a member of the JGC Group in the Manifa Central Processing Facilities Project that JGC was commissioned to undertake by Saudi Aramco in July 2008. As an overseas base with the JGC mindset, JGC Gulf International will contribute to the industrial diversification of Saudi Arabia and, at the same time, actively promote and support business investment by Japanese companies in Saudi Arabia. In the future, JGC will expand its field of activities to all the Gulf countries.

JGC aims to create profit centers in other regions as well. PT. JGC INDONESIA, a JGC subsidiary in Indonesia, which is the largest producer of petroleum and natural gas in Southeast Asia, has been involved in small and medium-scale oil refining and petrochemical projects in that country for some time. Going forward, it intends to further enhance its degree of independence and precisely meet domestic needs to expand the petroleum industry.

While continuing to support the engineering functions of the JGC Group, JGC PHILIPPINES, INC., which is based in the Philippines, aims to win orders for small and medium-sized projects and O&M business in that country in conjunction with Technoserve Construction Company, Inc., a locally-based JGC-affiliated construction business.

In Pakistan, JGC-DESCON ENGINEERING (PRIVATE) LTD. will also seek to establish itself as a profit center based on a long-term perspective.

Meanwhile, in Algeria, the largest producer of natural gas in Africa, JGC has merged two existing local bases into JGC Algeria S.p.A. By leveraging its knowledge and expertise cultivated over many years, it aims to win orders for projects in the petroleum and natural gas sectors as well as in electric power generation.

Signing ceremony for the Manifa Central Processing Facilities Project

>> *SPECIAL FEATURE 2*

FULL-SCALE ENTRY INTO OIL AND GAS FIELD DEVELOPMENT AND PRODUCTION

JGC's technology, knowledge and expertise accumulated over many years as an engineering contractor has led the Company to develop new business fields, such as enterprise investment, further accelerating the Company's growth as an engineering enterprise. Within this business, we believe that oil and gas field development, which we are currently advancing in fields owned by the Company in the US, holds particular significance for JGC.

In addition to its core business of plant engineering, procurement of equipment, and construction, JGC is also actively promoting the business of investing in such projects, utilizing technological capabilities and expertise accumulated over many years. We are already participating in power generation and desalination projects in Abu Dhabi and Saudi Arabia, and global-warming-gas reduction projects in China, and we have also been promoting various activities toward a full-scale entry into the business of developing resources such as oil and natural gas.

JGC entered the resource development business through an equity participation in a Mexican gas development company established by Teikoku Oil Co., Ltd. in 2003, acquiring diverse technology, knowledge and expertise related to oil and gas field development in the process. Subsequently, the Company considered the acquisition of rights to promising North Sea oil fields and areas in the US in order to make a full-scale entry into the development and production of oil and gas resources.

Drilling rig for No.1 Well


Flow test preparation for No.1 Well


Birds-eye view of Little Lake oil and gas field development

JGC narrowed down its target to the securing of drilling rights in the US, taking into account the abundance of such rights, the status of the development infrastructure, and the country risk, and established JGC Energy Development (USA) Inc., a wholly owned subsidiary located in Houston, Texas, in July 2006.

In August 2006, a 50% interest in the drilling rights to part of an area in the Little Lake oil and gas field, located about 50 kilometers south of New Orleans, Louisiana, was acquired. The remaining 50% was subsequently acquired in August 2007, resulting in JGC advancing into the oil and gas field development business as the sole operator of a wholly-owned mining area.

In November 2007, JGC commenced drilling its first well, the No.1 Well and as of February 2008, we have succeeded in drilling three wells. In April 2008, production of crude oil and natural gas started from No.1 Well and as of June 30, 2008 we have been producing a crude-oil-translated of over 2,000 barrels of crude oil and natural gas per day from the three wells. The crude oil and natural gas produced is being sold to local trading companies affiliated with oil majors and gas pipeline companies, respectively. We will continue drilling wells, aiming for peak daily production of 5,000 barrels per day in crude-oil terms.

The fact that this Little Lake oil and gas field development and production project is off to a good start means that JGC has taken its first real step as a resource developer that directly owns the rights to oil and gas fields, and develops and produces as an operator, which we believe is very significant for the advancement of our US business.

In the future, we will use this business as a springboard to focus even further on the resource development field, acquire more mining rights in the US and acquire rights to promising oil and gas fields outside the US. In addition, we will feed back our technology, knowledge and expertise in the upstream area related to oil and gas field development into our plant construction business, and offer support to our customers as a contractor well-versed in upstream technology with an unprecedented breadth and depth of technical skills.

>> THE JGC GROUP IN FISCAL 2007

In oil- and gas-producing nations—the main markets for JGC's total engineering business—the high demand for global resources and energy is driving numerous capital investment plans. Despite growing plant construction costs due to the marked rise in the price of materials and equipment, as well as shortages of skilled labor, which have delayed investment decisions for certain projects, the desire for capital investment among these customers, by and large, remains robust.

In this climate, the JGC Group in fiscal 2007 focused on ensuring steady project implementation through stronger partnerships with customers, suppliers, and subcontractors, and ongoing efforts to enhance Group manpower resources. We also focused on more definitive project execution by paying closer attention to a variety of risks.

Furthermore, we worked to minimize project execution risks when pitching for new project orders, by being more selective, diversifying contract formats with customers, pursuing projects in a wider range of regions and fields, and taking steps to quickly secure the necessary skilled labor and other manpower resources.

OIL AND GAS DEVELOPMENT PROJECTS

We executed numerous projects in the field of oil and gas development in response to strong and active capital investment, particularly by customers in the Middle East and Africa.

In Saudi Arabia, we are currently constructing a large-scale natural gas liquids (NGL) recovery plant for the state-run oil company, Saudi Aramco, with completion targeted for mid-2008.

Meanwhile in Iran, JGC is constructing a large-scale natural gas processing plant for Petropars Ltd., a subsidiary of the National Iranian Oil Company. This plant is also scheduled for completion in 2008.

In Qatar, following completion of the first and second trains of a large-scale natural gas processing facility for Dolphin Energy Limited in mid-2007, JGC completed construction of the third and fourth trains at the start of 2008.

In early fiscal 2008, we received an order for the engineering, procurement and construction (EPC) services of offsite facilities (including a water-injection system used at oil fields, crude oil storage tanks and shipping facilities) for a large-scale crude oil processing facility being developed by Saudi Aramco. As explained in our Special Feature 1 "Turning Overseas Engineering Companies Into Profit Centers" (page 12), this project is being conducted in collaboration with JGC Gulf International, Ltd., an E&C subsidiary newly established in Saudi Arabia by JGC. By developing the new subsidiary as an E&C firm, we hope to contribute to greater diversification of the country's industrial base.

Natural gas processing plant for Dolphin Energy Limited, Qatar

PETROLEUM REFINING PROJECTS

During the year, JGC was engaged in a large number of petroleum refining projects in Japan, other parts of Asia and in the Middle East, against a backdrop of efforts being made to increase heavy oil refining and expand production of petrochemical products, all amid booming demand for petroleum products.

In Singapore, JGC is carrying out an oil refinery upgrade project for the Singapore Refining Co. Pte. Ltd. This project will construct an ultra-deep diesel oil desulfurization unit conforming to EURO-IV regulations (sulfur particles 50 ppm or less) within a petroleum refinery that JGC previously constructed. The diesel oil produced is earmarked for both domestic and export use.

In Vietnam, we are constructing that country's first large-scale petroleum refinery and offsite facilities for the state-run oil company, Vietnam Oil and Gas Corporation (PetroVietnam), with completion scheduled for 2009.

In Japan, we won new orders for, and are engaged in, a number of construction projects for large-scale heavy oil processing facilities for domestic petroleum refining companies.

Petroleum refinery modernization project for BAPCO, Bahrain

In Bahrain, JGC completed a petroleum refinery modernization project for the state-run oil company, Bahrain Petroleum Company (BAPCO), in mid-2007.

In early 2008, we received an Award Notification to provide engineering, procurement, construction and commissioning services for a large-scale refinery under development by Kuwait National Petroleum Company (KNPC). This project will lead to the building of one of the world's largest refineries as the KNPC takes steps to meet the country's own burgeoning electricity demand. JGC's long track record in refinery construction and experience in executing a number of similar projects across the Middle East, combined with its reputation for outstanding technological capabilities and cost competitiveness, were important factors in successfully winning this latest order.

LNG PROJECTS

With demand expanding in the U.S., Europe and China, LNG projects are being planned worldwide. In addition to conventional onshore LNG plants, plans in this field include the construction of LNG Floating Production, Storage and Offloading (FPSO) systems to develop small and medium-sized gas fields on the ocean floor. As the leading E&C contractor for LNG plants, JGC is conducting project feasibility studies and Front End Engineering and Design (FEED) work around the world.

In Yemen, JGC continues to work on that country's first-ever LNG project. The plant will have 2 trains and an annual output of 3.35 million tons per train. The first train is scheduled for completion at the end of 2008, followed by the second train in mid-2009.

In Indonesia, we continue to work toward completion of the Tangguh LNG project for BP Berau, Ltd. LNG production is scheduled to begin in the second half of 2008.

In Nigeria, we completed construction of Train 6 of an LNG plant for Nigeria LNG Ltd. in early 2008. JGC also carried out FEED work for the world's largest-capacity LNG plant, with an annual output of 8.5 million tons, for Nigeria LNG.

An LNG plant for Nigeria LNG Ltd., Nigeria

CHEMICAL PROJECTS

In the chemical field, JGC worked on numerous projects, mainly in Japan and in the Middle East, supported by active capital investment in response to high demand for petrochemical and chemical products.

In Saudi Arabia, we have been awarded the EPC services contract by Saudi Polymers Company for large-scale ethylene units and other facilities. The project is scheduled for completion in mid-2011. In the first half of 2008, we completed a project to construct an ethylene unit and a large-scale styrene monomer facility ordered in 2004 by Jubail Chevron Phillips Company, which belong to the same investing company as Saudi Polymers Company. The selection of JGC for this order reflected a number of key factors, including the Company's years of experience in the Middle East, particularly in Saudi Arabia, and its highly rated health, safety and environment (HSE) execution framework. Other factors included JGC's ability to quickly secure construction resources in Saudi Arabia where there is a boom in plant construction, thanks to a recently completed project for Jubail Chevron Phillips and its ability to bring the necessary knowledge to bear for the benefit of the project.

Also in Saudi Arabia, we are constructing the core high olefin FCC (fluid catalytic cracking) facility and one of the world's largest ethane crackers for the integrated petroleum refining and petrochemical complex of Rabigh Refining and Petrochemical Company, a joint venture between the state-run oil company Saudi Aramco and Sumitomo Chemical Co., Ltd. Completion is scheduled for the second half of 2008.

In Qatar, we completed construction of an ethylene facility expansion project for Qatar Petrochemical Company, Ltd. in the middle of 2007.

In Japan, along with orders from a major chemical company for the construction of a petrochemical plant and a chemical plant, we completed construction of a diphenylmethane diisocyanate (MDI) manufacturing facility for Nippon Polyurethane Industry Co., Ltd. in early 2008.

Ethylene facility expansion project for Qatar Petrochemical Company, Ltd., Qatar

POWER GENERATION, NUCLEAR POWER AND NEW ENERGY PROJECTS

In the new energy field, we are active in the area of gas to liquids (GTL), which is attracting attention as a source of clean energy, 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. In addition, JGC's role includes project management as well as EPCM activities for GTL synthesis. In the GTL field, we have also joined forces with Osaka Gas Co., Ltd. to develop the "A-ATG (Advanced-Auto Thermal Gasification) Process," a new synthetic gas manufacturing process, with support from Japan Oil, Gas and Metals National Corporation (JOGMEC). A dedicated push to commercialize this core GTL manufacturing process is currently under way.

In Japan, we are constructing a DME manufacturing plant for Fuel DME Production Co., Ltd., with production scheduled to start in the middle of 2008. Fuel DME Production was established by nine companies, including Mitsubishi Gas Chemical Company, Inc. and JGC, for the purpose of promoting the spread of DME. The new company will be striving to commercialize this new fuel by promoting its utilization for boilers, power generators (including fuel cells), and automobiles.

In the nuclear power field, Japan Nuclear Fuel Ltd. (JNFL) has been constructing a spent nuclear fuel reprocessing facility in Rokkasho, Aomori Prefecture, since 1993. JGC has installed piping in the active galleries of the facility, and commissioning is now under way in preparation for the planned start of commercial operations.

LIVING AND GENERAL PRODUCTION PROJECTS

Nickel, copper, aluminum and other non-ferrous metals are basic resources used widely in industries ranging from automobiles and home appliances to IT equipment. Global demand for these metals is expected to increase, fueled most notably by economic development in China and other Asian countries. JGC will focus on non-ferrous metal refining as one component of a strategy to expand its business domain.

In the Philippines, the Company is working on Phase 2 construction of a nickel refining plant as part of a project being led by Sumitomo Metal Mining Co., Ltd. Construction completion is scheduled for mid-2009.

Furthermore, in the pharmaceutical field, in addition to our existing wide range of services related to pharmaceutical production, including EPC services for pharmaceutical-related facilities and equipment, and good manufacturing practice (GMP) compliance, we are also focused on providing the fullest possible range of pharmaceutical services, from new drug development to clinical development and commercial production, areas where business is likely to expand in the future. We received orders for and executed construction work on pharmaceutical production facilities for several pharmaceutical companies in Japan in fiscal 2007. This was complemented by the completion of a variety of projects in Japan, including a multi-line health and nutritional drink production site in Saitama Prefecture for Taisho Pharmaceutical Co., Ltd. and a pharmaceutical production plant in Niigata Prefecture for Denka Seiken Co., Ltd. in mid-2007, completion of a similar plant for Shionogi & Co., Ltd. in Iwate Prefecture at the end of 2007, and a pharmaceutical manufacturing plant for Dainippon Sumitomo Pharma Co., Ltd. in Mie Prefecture in early 2008.

Pharmaceutical manufacturing plant for Dainippon Sumitomo Pharma Co., Ltd., Japan

ENVIRONMENTAL PROTECTION, SOCIAL DEVELOPMENT AND IT PROJECTS

In the medical facilities field, JGC constructed high-quality medical facilities around Japan and offered project management services, both of which received high marks from our numerous customers.

In March 2008, the Company was selected by the Tokyo Metropolitan Government for the refurbishing and management of the (tentatively named) Mental Health Center. For this Center, the Tokyo Metropolitan Government has used a Private Finance Initiative (PFI) method to completely remodel the present Tokyo Metropolitan Matsuzawa Hospital, a long-time pioneer in psychiatric treatment in Japan. JGC is the first domestic E&C contractor to have participated in a hospital PFI business. Elsewhere, in addition to an order received in mid-2007 for construction work on a R&D center in Gunma Prefecture for Sanden Corporation, Japan’s top manufacturer of automotive compressors, JGC won a series of other orders, including for the Seiryoukai Foundation’s Shosha Hospital expansion project in Hyogo Prefecture and the Yoshikawa Hospital transfer and new construction project for the Shijinkai Foundation in Saitama Prefecture. The Company also completed expansion work for the Seibindo Foundation’s Shiraishi Hospital in Saga Prefecture at the end of 2007, and the Okamura Memorial Hospital rebuilding project in Shizuoka Prefecture for the Kowakai Foundation in early 2008.

Seibindo Foundation’s Shiraishi Hospital, Japan

ENTERPRISE INVESTMENT BUSINESS

The JGC Group's medium-term management plan, "Scenario 2010," which began in April 2006, calls for an expansion of the enterprise investment business into a second major earnings stream behind the E&C business, taking maximum advantage of our strong financial base. Fiscal 2007 saw JGC achieve steady success en route to this goal.

First, the Clean Development Mechanism (CDM) Business that the Company is promoting in Anhui Province, China, which will see the installation of a waste-heat power generation facility for a local cement plant, has received approval to proceed from the governments of Japan and China. This CDM Business will see the construction of a power generation facility which utilizes low-temperature waste heat recovery systems that make use of waste heat from kilns in the cement plant. By introducing this system, the plant can achieve more effective use of waste gas, energy savings and environmental conservation. JGC will purchase Certified Emission Reduction (CER) credits equivalent to a total of 22,000 tons of CO_2 annually from Huaibei Cement Co., Ltd., the owner of a cement plant. Moreover, approval was also granted for raw material replacement CDM businesses in the Inner Mongolia Autonomous Region and Zhejiang Province, China for cement plants under development in both regions. These CDM businesses will dramatically reduce CO_2 emissions by making use of carbide residue (calcium hydroxide), which generates no carbon dioxide, as an alternative to limestone (calcium carbonate) as the raw material for clinker, an intermediate product typically used in cement production. JGC will purchase CER credits equivalent to a total of 550,000 tons of CO_2 annually from these projects.

In Abu Dhabi, UAE, JGC acquired business rights to own and operate the Taweelah A2 IWPP (Independent Water and Power Project). The plant, consisting of combined cycle gas turbine power distiller units, is located in Adu Dhabi's Taweelah district and produces 710 MW of power and 230,000 tons of water per day. The Company acquired 15% of the 40% of shares held in the business by Marubeni Corporation (6% of total shares). These power generation and desalination businesses represent JGC's third such project in the region, following similar facilities in Abu Dhabi's Taweelah B IWPP scheduled to come on stream at mid-year, and the Rabigh IWSPP (Independent Water, Steam and Power Project) in Rabigh, Saudi Arabia, also scheduled for operation around mid-year.

Additionally, as explained in our Special Feature 2 "Full-scale Entry Into Oil and Gas Field Development and Production" (page 15), we are aiming to ramp up production in JGC's resource development business following successful crude oil and natural gas production in North America.

The Huaibei Cement Plant, promoting the CDM business with a waste-heat power generation facility, China

CATALYSTS AND FINE PRODUCTS

The market environment for the catalyst and fine products business continues to support high product demand on the back of trends such as an increasing focus on the treatment of heavy oil, efforts to reduce environmental impacts, increased production of petrochemical feedstocks, and the stimulation of IT-related investment. In this climate, Group companies involved in the catalysts and fine products business sought to boost production capacity in their respective fields, while also coping with soaring prices for raw materials and fuel through measures that included passing on costs to sales prices, raising production efficiency, and cutting costs. These efforts, however, failed to fully absorb increased costs. Coupled with factors such as increased depreciation and amortization accompanying new capital investments, this business reported higher sales but lower profits in fiscal 2007.

In the catalyst business, sales of FCC catalysts and hydrotreating catalysts—product categories where the Catalysts & Chemicals Industries Co., Ltd. (CCIC), a subsidiary of JGC, holds the leading domestic FCC catalysts market share—rose on steady growth overseas as well as in Japan. In response to rising demand in Asia and the Middle East, we expanded our hydrotreating catalyst manufacturing plant in October 2007. For CCIC's environmental catalysts, the best known of which are our De-NOx catalysts, we delivered the first of these products to China—where environmental measures are moving forward rapidly—for use in the country's coal-fired thermal power plants. We also increased sales of these catalysts in Japan and Europe. Sales of petrochemical catalysts also showed steady growth, particularly in Asia, evidence that our well-received customized catalysts are meeting customer needs for high-value-added products and high functionality.

In the fine chemical products business, sales of abrasive materials and antireflective materials and antistatic materials for flat-panel displays rose steadily due to active IT-related investment. The same was true for sales of cathode materials for rechargeable (lithium-ion) batteries. In a bid to enhance development of this business, Nikki Chemical Co., Ltd. undertook work to expand production facilities in July 2007.

Also in July 2007, CCIC, a key subsidiary in the catalysts and fine products business, completed construction of a new R&D center that will serve as the nucleus for R&D activities in this business. In another move to further strengthen and expand the catalysts and fine products business, JGC decided in early 2008 to merge wholly owned subsidiaries CCIC and Nikki Chemical on July 1, 2008. In merging the two companies, the intention is to reinforce the following:

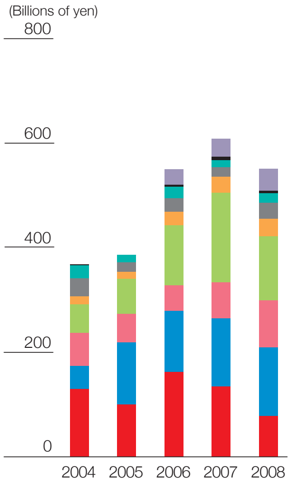
1. Fusion of proprietary techniques and R&D facilities, and accelerating R&D through qualitative and substantive expansion;
2. Expansion of production capability by means of a two-factory system and a reduction in production risks; and
3. Expanding the scope of business and stabilization of management base fulfillment by focusing on three main operations (petroleum refining catalysts, chemical catalysts, and fine chemicals products).

It is anticipated that in fiscal 2010 the new company from the merger, JGC Catalysts and Chemicals Ltd., will achieve ¥50 billion in sales. Going forward, the company intends to develop into a comprehensive catalyst and fine chemicals manufacturer with sales in the order of ¥100 billion by bolstering and expanding the development and manufacture of functional hybrid materials and accelerating overseas development, in addition to the manufacture of catalysts conducted to date.

The new R&D center built by CCIC, Japan

PERFORMANCE HIGHLIGHTS BY BUSINESS SECTOR

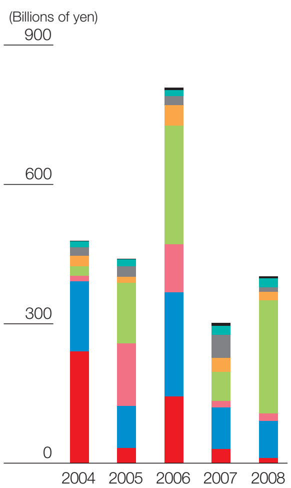
(Figures for the year ended March 31, 2008, 2007 and 2006 are on a consolidated basis. All other figures are on a non-consolidated basis.)



Net Sales

(Millions of yen)

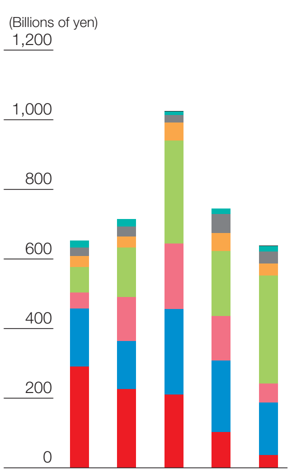
Years ended March 31	**2008**	2007	2006	2005	2004
Oil and Gas Development	**78,500**	134,557	162,120	99,616	130,165
	(78,200)	(134,151)	(161,749)	(99,590)	(128,078)
Petroleum Refining	**131,116**	130,194	117,558	118,771	43,653
	(48,809)	(68,191)	(75,505)	(73,675)	(21,443)
LNG	**89,680**	69,128	48,789	55,025	63,116
	(89,013)	(67,838)	(47,867)	(53,550)	(61,854)
Chemical	**122,250**	170,579	114,317	67,227	54,779
	(80,806)	(142,965)	(97,673)	(60,847)	(50,756)
Power Generation, Nuclear Power and New Energy	**34,096**	30,813	25,918	12,851	15,232
	(21,365)	(20,347)	(19,313)	(1,383)	(3,201)
Living and General Production	**30,509**	18,294	26,217	18,564	34,203
	(14,277)	(4,389)	(987)	(1,719)	(11,136)
Environmental Protection, Social Development and IT	**18,144**	14,127	21,258	13,780	25,357
	(35)	(2,726)	(572)	(51)	(9)
Others	**4,419**	5,766	4,654	202	1,235
	(252)	(558)	(447)	(17)	(21)
Total Engineering	**508,717**	573,463	520,835	386,040	367,740
(Overseas)	**(332,762)**	(441,169)	(404,114)	(290,834)	(276,497)
Catalysts and Fine Products	**42,345**	35,067	29,465	—	—
Total	**551,062**	608,530	550,301	—	—



New Contracts

(Millions of yen)

Years ended March 31	**2008**	2007	2006	2005	2004
Oil and Gas Development	**11,301**	30,288	143,946	32,560	240,296
	(8,398)	(29,889)	(143,643)	(32,469)	(239,715)
Petroleum Refining	**79,191**	89,179	223,374	90,266	150,921
	(20,479)	(27,423)	(103,104)	(58,123)	(109,487)
LNG	**16,019**	14,804	104,284	134,731	11,960
	(15,541)	(13,943)	(102,930)	(133,502)	(11,172)
Chemical	**243,907**	61,524	254,702	130,832	19,838
	(215,637)	(21,268)	(202,415)	(123,524)	(12,774)
Power Generation, Nuclear Power and New Energy	**17,756**	31,142	44,360	12,179	23,131
	(6,153)	(21,517)	(37,743)	(6,829)	(16,228)
Living and General Production	**10,441**	48,748	19,084	23,423	18,596
	(122)	(21,452)	(857)	(770)	(1,767)
Environmental Protection, Social Development and IT	**19,234**	20,077	13,198	15,023	12,059
	(15)	(118)	(130)	(—)	(63)
Others	**4,498**	5,580	4,698	337	1,154
	(247)	(470)	(442)	(112)	(21)
Total	**402,352**	301,347	807,649	439,355	477,955
(Overseas)	**(266,596)**	(136,084)	(591,268)	(355,332)	(391,227)



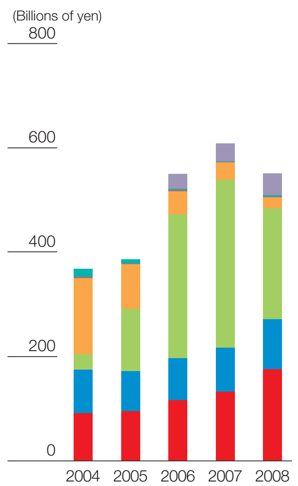
Outstanding Contracts

(Millions of yen)

Years ended March 31	**2008**	2007	2006	2005	2004
Oil and Gas Development	**36,095**	103,294	211,055	226,355	290,458
	(33,329)	(103,131)	(210,886)	(226,283)	(290,451)
Petroleum Refining	**152,213**	204,138	245,098	137,032	167,230
	(53,087)	(81,418)	(122,115)	(94,104)	(110,475)
LNG	**54,534**	128,195	187,541	127,816	45,210
	(54,516)	(127,988)	(186,906)	(127,771)	(44,918)
Chemical	**309,145**	187,487	296,522	141,629	73,778
	(265,258)	(130,426)	(252,103)	(135,764)	(68,841)
Power Generation, Nuclear Power and New Energy	**34,996**	51,336	51,127	31,548	32,001
	(27,199)	(42,411)	(41,362)	(21,794)	(16,129)
Living and General Production	**33,826**	53,894	22,296	28,589	23,705
	(4,535)	(18,690)	(466)	(165)	(1,088)
Environmental Protection, Social Development and IT	**16,955**	15,864	10,035	21,095	19,857
	—	(20)	(2,630)	(3,071)	(3,127)
Others	**548**	468	670	144	10
	—	(5)	(95)	(95)	(—)
Total	**638,314**	744,679	1,024,348	714,214	652,247
(Overseas)	**(437,926)**	(504,092)	(816,565)	(609,052)	(535,027)

PERFORMANCE HIGHLIGHTS BY REGION

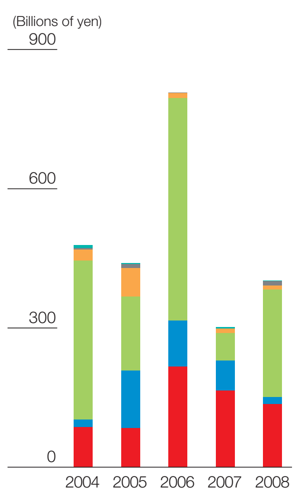
(Figures for the year ended March 31, 2008, 2007 and 2006 are on a consolidated basis. All other figures are on a non-consolidated basis.)



Net Sales

(Millions of yen)

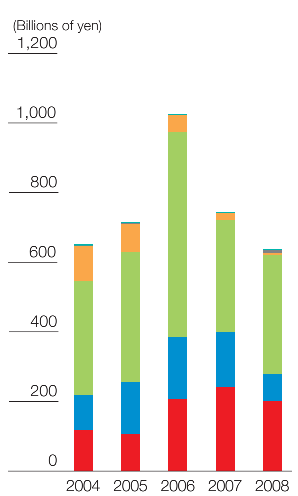
Years ended March 31	2008	2007	2006	2005	2004
Japan	**175,952**	132,297	116,721	95,206	91,242
Asia	**95,128**	84,425	79,851	76,308	84,038
Middle East	**212,916**	322,437	276,059	120,367	29,165
Africa	**21,494**	32,695	43,455	84,475	145,647
North and South America	**1,289**	1,479	4,594	2,795	3,107
Others	**1,937**	127	151	6,884	14,541
Total Engineering	**508,717**	573,463	520,835	386,040	367,740
Catalysts and Fine Products	**42,345**	35,067	29,465	—	—
Total	**551,062**	608,530	550,301	—	—



New Contracts

(Millions of yen)

Years ended March 31	2008	2007	2006	2005	2004
Japan	**135,753**	165,269	216,381	84,022	86,728
Asia	**15,181**	63,951	99,366	123,780	15,655
Middle East	**232,030**	60,103	479,298	160,510	342,776
Africa	**7,556**	9,095	11,312	60,628	23,797
North and South America	**9,830**	481	607	9,001	2,512
Others	**1,999**	2,445	682	1,406	6,487
Total	**402,352**	301,347	807,649	439,355	477,955



Outstanding Contracts

(Millions of yen)

Years ended March 31	2008	2007	2006	2005	2004
Japan	**200,388**	240,587	207,783	105,161	117,220
Asia	**77,267**	157,214	176,837	150,705	101,372
Middle East	**342,365**	323,251	589,509	373,965	327,487
Africa	**5,254**	19,191	47,480	78,219	100,982
North and South America	**9,251**	710	1,708	5,658	(833)
Others	**3,787**	3,724	1,030	498	5,976
Total	**638,314**	744,679	1,024,348	714,214	652,247

MAJOR PROJECTS

	Business Sector	Client	Project	Location
Contracts Awarded	Chemical Projects	Saudi Polymers Company	Petrochemical Plant	Al Jubail/Saudi Arabia
	Environmental Protection, Social Development and IT Projects	Sanden Corporation	Research & Development Center	Gunma/Japan
		Shijinkai Foundation	Hospital	Saitama/Japan
		Seiryoukai Foundation	Hospital	Hyogo/Japan
		Maruho Co., Ltd.	Renovation of Research & Development Center	Kyoto/Japan
Contracts Under Way	Oil and Gas Development Projects	Saudi Arabian Oil Co. (Saudi Aramco)	NGL Recovery Plant	Hawiyah/Saudi Arabia
		Petropars Ltd.	Natural Gas Processing Plant	Bandar Assaluyeh/Iran
	Petroleum Refining Projects	Singapore Refining Co. Pte. Ltd. (SRC)	Petroleum-related Refinery	Jurong/Singapore
		Vietnam Oil and Gas Corp. (PetroVietnam)	Petroleum Refinery	Dung Quat/Vietnam
		Fuji Oil Company, Ltd.	Petroleum-related Refinery	Chiba/Japan
	LNG Projects	Yemen LNG Co., Ltd.	LNG Plant	Balhaf/Yemen
		BP Berau, Ltd.	LNG Plant	Papua/Indonesia
	Chemical Projects	Rabigh Refining and Petrochemical Co. (PETRORabigh)	Refining/Petrochemical Complex Project	Rabigh/Saudi Arabia
		Jubail Chevron Phillips Company (JCP)	Petrochemical Plant	Al Jubail/Saudi Arabia
		SI Group Inc.	Chemical Plant	Jurong/Singapore
	Power Generation, Nuclear Power and New Energy Projects	Qatar Shell GTL Ltd.	GTL Plant	Ras Laffan/Qatar
		Fuel DME Production Co., Ltd.	DME Production Plant	Niigata/Japan
		Japan Nuclear Fuel Ltd.	Test Operation of Nuclear Power Generation Facilities	Aomori/Japan
	Living and General Production Projects	Coral Bay Nickel Corp.	Nickel Refining Plant	Palawan/Philippines
		Kanae Co., Ltd.	Pharmaceutical-related Facilities	Hyogo/Japan
		Asahi Glass Co., Ltd.	Bio Plant	Chiba/Japan
Contracts Completed	Oil and Gas Development Projects	Dolphin Energy Ltd.	Natural Gas Processing Plant	Ras Laffan/Qatar
	Petroleum Refining Projects	Bahrain Petroleum Company (BAPCO)	Modernization of Petroleum Refinery	Bahrain
		Japan Energy Corporation	Petroleum-related Refinery	Chiba/Japan
		Nippon Petroleum Refining Co., Ltd.	Petroleum-related Refinery	Miyagi/Japan
	LNG Projects	Nigeria LNG Ltd.	LNG Plant	Bonny/Nigeria
		Nigeria LNG Ltd.	FEED Service for LNG Plant	Bonny/Nigeria
	Chemical Projects	Qatar Petrochemical Co., Ltd.	Petrochemical Plant	Mesaieed/Qatar
		Nippon Polyurethane Industry Co., Ltd.	Petrochemical Plant	Yamaguchi/Japan
	Living and General Production Projects	Denka Seiken Co., Ltd.	Pharmaceutical Manufacturing Plant	Niigata/Japan
		Shionogi & Co., Ltd.	Pharmaceutical Manufacturing Plant	Iwate/Japan
		Taisho Pharmaceutical Co., Ltd.	Pharmaceutical-related Facilities	Saitama/Japan
		Dainippon Sumitomo Pharma Co., Ltd.	Pharmaceutical Manufacturing Plant	Mie/Japan
	Environmental Protection, Social Development and IT Projects	Seibindo Foundation (Shiraishi Hospital)	Hospital	Saga/Japan
		Kowakai Foundation	Hospital	Shizuoka/Japan

MAJOR CONTRACTS AWARDED

ANNOUNCED AS OF MARCH 31, 2005

Business Sector*	Client	Project	Location	Completion
PET	Bahrain Petroleum Company (BAPCO)	Modernization of Petroleum Refinery	Bahrain	2007
PET	Japan Energy Corp.	Petroleum-related Refinery	Okayama/Japan	2005
PET	Kashima Oil Co., Ltd.	Petroleum-related Refinery	Ibaraki/Japan	2006
PET	Kyushu Oil Corp.	Petroleum-related Refinery	Oita/Japan	2005
PET	Nippon Petroleum Refining Co., Ltd.	Petroleum-related Refinery	Miyagi/Japan	2004
PET	Fuji oil company, Ltd.	Petroleum-related Refinery	Chiba/Japan	2005
LNG	BP Berau, Ltd.	LNG Plant	Papua/Indonesia	2009
LNG	Nigeria LNG Ltd.	LNG Plant	Bonny/Nigeria	2007
CHM	Jubail Chevron Philips Company (JCP)	Petrochemical Plant	Al Jubail/Saudi Arabia	2007
CHM	Qatar Petrochemical Co., Ltd.	Petrochemical Plant	Mesaieed/Qatar	2007
CHM	EVAL Company of America	Chemical Plant	Texas/U.S.A.	2006
CHM	Central Glass Co., Ltd.	Industrial Gas Manufacturing Plant	Yamaguchi/Japan	2005
LIV	Chemo-Sero-Therapeutic Research Institute	Pharmaceutical Manufacturing Plant	Kumamoto/Japan	2005
LIV	Fuji Pharmaceutical Co., Ltd.	Pharmaceutical Manufacturing Plant	Toyama/Japan	2004
ENV	Seibindo Foundation (Shiraishi Hospital)	Hospital	Saga/Japan	2007

ANNOUNCED AS OF MARCH 31, 2006

Business Sector*	Client	Project	Location	Completion
OGD	Saudi Arabian Oil Co. (Saudi Aramco)	NGL Recovery Plant	Hawiyah/Saudi Arabia	2008
PET	Vietnam Oil and Gas Corp. (PetroVietnam)	Petroleum Refinery	Dung Quat/Vietnam	2009
PET	Fuji Oil Company, Ltd.	Petroleum-related Refinery	Chiba/Japan	2008
PET	Nippon Petroleum Refining Co., Ltd.	Petroleum-related Refinery	Miyagi/Japan	2008
PET	Cosmo Engineering Co., Ltd.	Petroleum-related Refinery	Kagawa/Japan	2007
LNG	Yemen LNG Co., Ltd.	LNG Plant	Balhaf/Yemen	2009
CHM	Rabigh Refining and Petrochemical Co. (PETRORabigh)	Refining/Petrochemical Complex Project	Rabigh/Saudi Arabia	2008
CHM	Nippon Polyurethane Industry Co., Ltd.	Petrochemical Plant	Yamaguchi/Japan	2007
PWR	Qatar Shell GTL Ltd.	GTL Plant	Ras Laffan/Qatar	
LIV	Yamaha Motor Co., Ltd.	Astaxantin Manufacturing Facility	Shizuoka/Japan	2006
LIV	Fuji Pharmaceutical Co., Ltd.	Pharmaceutical Manufacturing Plant	Toyama/Japan	2006

ANNOUNCED AS OF MARCH 31, 2007

Business Sector*	Client	Project	Location	Completion
PET	Singapore Refining Co. Pte. Ltd. (SRC)	Petroleum-related Refinery	Jurong/Singapore	2009
PWR	Fuel DME Production Co., Ltd.	DME Production Plant	Niigata/Japan	2008
LIV	Coral Bay Nickel Corp.	Nickel Refining Plant	Palawan/Philippines	2009
LIV	Kanae Co., Ltd.	Pharmaceutical-related Facilities	Hyogo/Japan	2008
LIV	Denka Seiken Co., Ltd.	Pharmaceutical Manufacturing Plant	Niigata/Japan	2007
LIV	Asahi Glass Co., Ltd.	Bio Plant	Chiba/Japan	2008
ENV	Iwaki Saiseikai Foundation	Hospital	Fukushima/Japan	2009
ENV	Kowakai Foundation	Hospital	Shizuoka/Japan	2008

* 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

>> GROWTH UNDERPINNED BY OUR TECHNOLOGICAL CAPABILITIES

ENGINEERING HSE TECHNOLOGY HEIGHTENS PLANT SAFETY

Customers have become more interested in health, safety & environment (HSE) concerns in recent years, and HSE demands on engineering contractors at the design and construction stages are becoming stricter. In particular, safety evaluation regarding gas leaks/explosions is becoming even more important as a part of measures to reduce risks for plants at the design stage. JGC developed a gas explosion simulation system in order to respond to the safety demands of society and our customers, and for the purposes of efficient plant design with an appropriate level of investment.

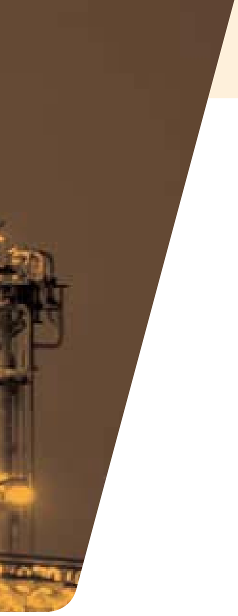
This gas explosion simulation system comprises high-level total simulation technology using 3D computer-aided design (3D-CAD), computational fluid dynamics (CFD), and the finite element method (FEM).

The system carries out computer simulations based on various conditions such as:

- Three-dimensional information including layouts for equipment, piping, and structures,
- Weather conditions such as wind direction, wind velocity, temperature, and atmospheric pressure,
- Gas conditions such as the type of gas leaked and volume of flow,

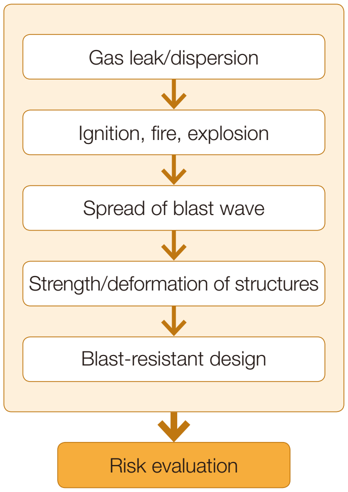
and predicts the behavior of gas leaks and their dispersion, fires, explosions, the spread of blast waves, and strength/deformation of structures. By designing blast resistance that reflects the simulation results and takes into account the impact on plant equipment and control rooms, and by conducting highly credible risk evaluation, we can secure the safety of the entire plant.

This sort of simulation technology can be used in a wide range of JGC's core businesses, such as gas processing plants, LNG plants, oil refining/petrochemical plants, as well as LPG Floating Production, Storage and Offloading (FPSO) plants.

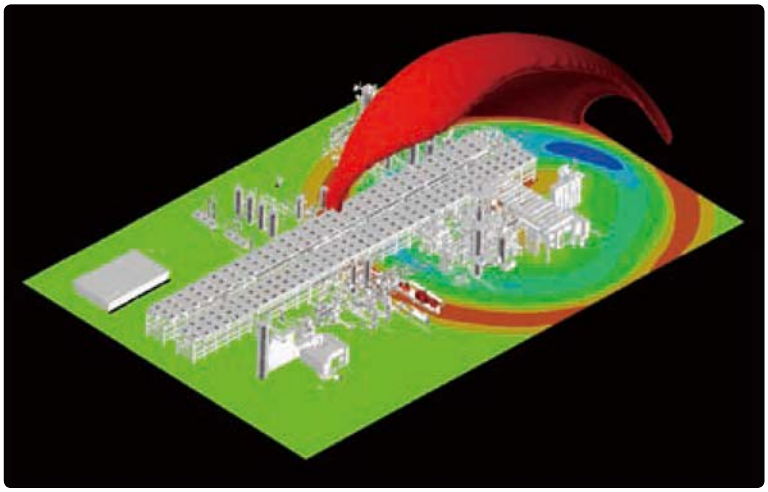


By widely utilizing a high level of HSE technology, JGC will respond to customer needs, improve its competitiveness in winning orders, and raise the safety of its plants as it contributes to global environmental protection.

Procedure for gas explosion simulation



Blast wave after gas explosion (simulation result)



DEVELOPMENT OF HEAVY CRUDE OIL UPGRADING TECHNOLOGY USING SUPERCRITICAL WATER

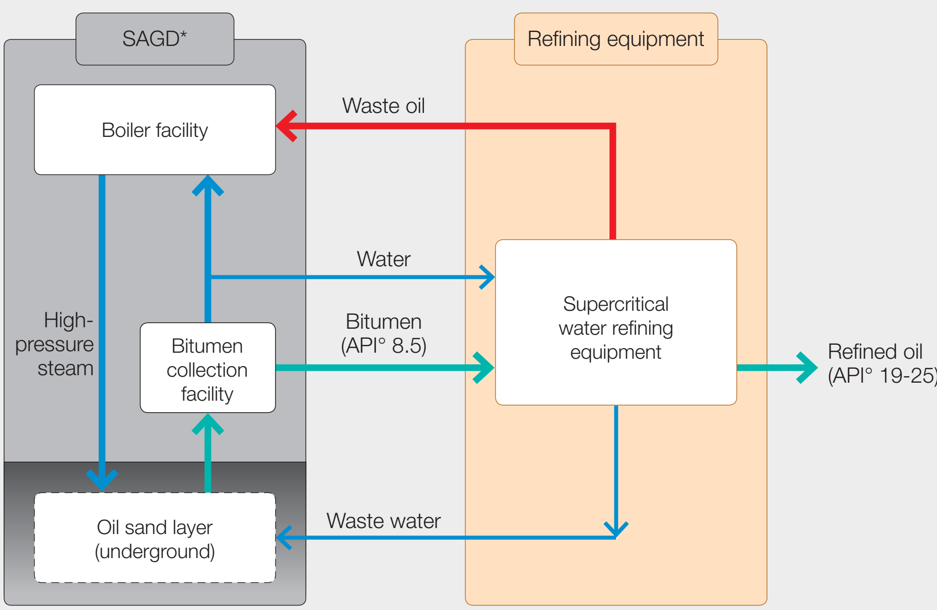
As a result of brisk economic growth in Asia, global petroleum demand, mainly for light distillated oil, is forecast to increase about 1.3 times from current levels by 2030, while demand for heavy residual oil will decrease. Reflecting this situation, crude oil prices are soaring, and the price differential between heavy-grade oil and light-grade oil is expanding.

Meanwhile, utilization of heavy crude oil and extra-heavy crude oil has been increased and production volume is increasing steadily due to the practical limits on light crude oil production volume and from the perspective of improving energy security by diversifying supply sources. In particular, oil sands bitumen, a representative extra-heavy oil that represents reserves that are second only to those in Saudi Arabia, is attracting the world's attention. However, the viscosity and density of this type of oil are high and pipeline transport is impossible as is, so pipeline transport is made possible by diluting it with naphtha or refining it with upgrading facilities, such as the coking process and hydrotreating process at the well.

With the increase in extra-heavy crude oil production in recent years however, shortages in diluting agents and increased capital investments are becoming an issue restricting the growth of the use of this energy source. Therefore, there is a pressing need for upgrading technology that can achieve easy and low-cost operation. JGC is currently developing heavy crude oil upgrading technology making use of supercritical water, jointly with Tohoku University, Chubu Electric Power Co., Ltd., Japan Petroleum Exploration Co., Ltd., and Nippon Oil Corporation in the form of a consignment research project from the Japan Oil, Gas and Metals National Corporation. The hydrothermal conversion of heavy crude oil proceeds with supercritical water. The technology is characterized by its relatively simple process configuration without catalysts and hydrogen. In the process, the heavy crude oil is allowed to convert to lighter oil with low viscosity that meets the specifications for transport by pipeline. The upgrading can be favorably achieved with reduced generation of coke and light gases which result from excessive cracking. When the process is used at a well using steam assisted gravity drainage (SAGD), water for SAGD can be shared in the process for the upgrading of bitumen by supercritical water. We conducted experiments to convert Canadian bitumen produced by SAGD with supercritical water and succeeded in producing upgraded crude oil that meets the requirements for pipeline transportation.

Going forward, JGC will conduct research and development by building on basic research done by Tohoku University, and aim at the commercialization of the upgrading of heavy crude oil with supercritical water as a technology originating in Japan, by cooperating with affiliated companies. We will be proceeding to an R&D program to collect engineering data for the scale-up and optimization of the process so as to raise cost competitiveness compared to processes such as coking, etc.

Example of combination of oil sand bitumen production and refining equipment using supercritical water



* SAGD: Steam Assisted Gravity Drainage

>> OUR ENGINEERING ACTIVITIES CONTRIBUTE TO PRESERVING THE ENVIRONMENT

Environmental Activities

JGC's Engineering & Construction (E&C) business, which provides engineering, procurement and construction (EPC) services for energy-related plants such as 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 E&C contractor, striving for cleaner petroleum products, making its plants more energy-efficient, and eliminating hazards from waste products. Our understanding that our business activities themselves contribute to environmental protection has not changed today, and this is symbolically expressed in our corporate philosophy.

Activities that contribute to environmental protection are expanding into a wider range outside of our E&C business, as we start up a new clean development mechanism (CDM) business in our enterprise investment business.

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 are testing various techniques and improvements at each stage of our E&C business, which have won high marks from our customers.

These activities 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. CO_2 reductions at the home office and reduction/recycling of waste products at construction sites are producing improved results every year.

Corporate Activities Related to Environmental Protection

JGC's business activities, such as the execution of energy-related plant construction projects for natural gas and oil, development of new fuels, and promotion of a global-warming-gas emission credits business, are closely connected to the protection of the global environment. Through these business activities, JGC is actively involved in reducing environmental burdens.

Effective use of natural gas

Use of natural gas is rapidly increasing because it is a relatively clean fuel that is environmentally friendlier, not only having higher energy efficiency than oil or coal, but contains no sulfur, nitrogen, or metals and burns with fewer CO_2 emissions. JGC is contributing to the expanded use of natural gas as a clean fuel by executing construction projects for liquefied natural gas (LNG) plants around the world and constructing the world's first GTL plant, which manufactures clean synthetic oil using natural gas as a raw material. In addition, we are developing manufacturing/usage technologies for dimethyl ether (DME) and manufacturing technologies for synthetic gas, aiming to further expand ways to use natural gas.

World's first commercial GTL plant, constructed by JGC, Malaysia

Making fossil fuels cleaner

Transforming petroleum, a substance that places a heavy burden on the environment, into a cleaner fuel is a major theme of JGC's business activities, which emphasize environmental protection. We are advancing various activities, such as the construction of plants compatible with moves to make petroleum fuel sulfur-free, and the development of technologies for removing toxic materials from crude oil.

Waste disposal

Human activity generates various waste products. Waste products sometimes contain materials that are toxic to living organisms or materials that can be reused. Leaving toxic materials untreated increases the burden on the environment. JGC is developing technologies for radioactive waste disposal, collecting basic data related to radioactive waste disposal, and developing technologies for the disposal of sludge generated from sewage treatment in order to reduce the environmental impact of waste products.

■ ***Contributions to greenhouse gas reduction***
Global warming is a pressing issue that must be tackled by global society. JGC is promoting activities aimed at reducing greenhouse gases based on technologies and know-how accumulated over many years of energy plant construction and technological development.

■ ***Pursuit of renewable energy***
Natural energy sources such as solar, water, wind, and biomass are attracting attention as renewable energy sources that place little burden on the environment. JGC is developing manufacturing technologies related to new fuels that use biomass as raw materials, aiming for zero CO_2 emissions.

Environmental Protection Activities During Project Execution

JGC's environmental management system takes into account the environmental impact of the overall project, including construction and operation, and places emphasis on environmental management during project execution. We take particular care in drawing up and applying appropriate management systems in the design stage, when the basic specifications of the plant are determined.

Environmental protection at the design stage —Creation and implementation of environmental management plan

The objective of the environmental management system at the design stage of project execution is to take up problem areas expected to affect the environment during operation based on the unique environment of each project, and take measures to reduce that impact from the design stage. By doing so, environmental issues are clarified within overall project operations, enabling specialist engineers to take appropriate measures systematically.

The contents of the environmental management system during the design stage are listed in a document called the environmental management plan, summarized to enable environmentally friendly project execution (design, construction, operation), and contain the following items.

1. Project environmental policy
2. Organization, accountability for project environmental operations
3. Contents of operations that impact the environment
4. Audit of environmental operations

The environmental management plan envisions not only construction and operation of the plant, but also dismantling/disposal of the plant 20 to 30 years down the road, and sometimes prohibits the use of materials and substances that impact the environment (such as asbestos and Freon) at the design stage.


President Takeuchi patrols a construction site

Once the environmental management plan for the design stage is proposed, a meeting is held of project managers from the various design divisions to convey the contents of the plan and project-specific areas warranting caution. The project managers then spread the word to all members of the project team, and environmentally friendly project execution is implemented.

Environmental protection at construction sites

JGC has long taken the environment into consideration during construction, based on customer requests. Since the environmental management system is a structured method that covers all aspects equally, and is not influenced by differences in the level of customer demands or personal experience and hunches, we are currently introducing the environmental management system into construction work to strengthen our consideration of the environment.

We are placing emphasis on the following.

1. Tightening legal compliance by specifying environmental regulations related to construction work.
2. Improving customer satisfaction and strengthening communication among interested parties.
3. Minimizing environmental disasters and managing environmental risks by anticipating, preparing for, and dealing effectively with emergencies.

At construction sites within Japan and abroad, we are advancing environmental management activities for construction work through the following steps.

1. Specifying of environmental aspects
2. Setting of environmental objectives/targets
3. Creation of an environmental management plan for construction work
4. Environmental education/training
5. Implementation of regular tests for emergency response procedures
6. Monitoring the measurement of environment-related factors
7. Monthly reports

Activities to lessen the burden on the environment

By employing environmental management systems for both office activities and project execution activities, we have reduced greenhouse gas emissions from office activities by more than 3,000 tons compared to fiscal 1998, when we moved our offices to Minato Mirai 21. In addition, we have steadily reduced the burden we place on the environment, turning close to 80% of waste products at medium-sized plant construction sites into resources.

Initiatives for office activities

JGC's Yokohama World Operations Center is located in Queen's Square Yokohama, a multi-use complex in the Minato Mirai 21 district of Nishi-ku, Yokohama. In the Minato Mirai 21 district, urban management is conducted based on the Basic Agreement on Town Development under the Minato Mirai 21 agreement, with emphasis placed on urban planning that takes into account energy conservation, measures toward a recycling society, urban disaster prevention and surrounding areas. JGC's initiatives to reduce the burden on the environment from office activities are being implemented on top of the basic foundation of environmental protection provided by these facilities.

Contribution to Society

JGC is involved in a training program called "Job Shadow" provided by Junior Achievement Japan, a non-profit organization working to educate and inspire young people to value free enterprise, business, and economic activity to improve the quality of their lives. As part of efforts in this area since fiscal 2004, in fiscal 2007 JGC hosted visits by 31 students from the Yokohama Seiryo Sogo High School to the JGC Yokohama World Operations Center during which the individual participants were given the opportunity to accompany and directly observe JGC staff members as they carried out their duties. In the U.S., more than 2 million high school students participate annually in similar Junior Achievement programs which help them to make career decisions and plan their future through actual workplace visits.

As part of other social contribution activities, JGC has also established the JGC-S Scholarship Foundation (formerly the Saneyoshi Scholarship Foundation) and the JGC Social Welfare Foundation, and provides support to them.

The JGC-S Scholarship Foundation was originally created as the Saneyoshi Scholarship Foundation in 1968 from an endowment by the late Masao Saneyoshi, JGC founder and president, and was renamed in October 2007. The foundation encourages the advancement of science and technology, the cornerstone of Japanese industry, and seeks to cultivate world-class scientists, engineers, and researchers. To this end, the foundation's operations include offering educational loans to science and engineering students, providing grants to overseas students studying in Japan, and offering research assistantships to young science and engineering instructors.

Now in its 40th year, the JGC-S Scholarship Foundation disbursed a total of ¥285 million in educational funds and assets in fiscal 2007, including ¥186 million in educational loans, ¥49 million in grants, and ¥47 million in research assistantships. In fiscal 2008, the foundation will begin offering new types of grants to overseas students, and is taking steps to further expand the scale of its systems and operations accordingly.

The JGC Social Welfare Foundation was established in 1994 to commemorate the Company's 65th year in business. Alongside the development and provision of social welfare equipment for physically disabled people, this foundation provides funding assistance to support groups and volunteer organizations in Japan's Kanagawa Prefecture involved in social welfare services for the mentally and physically disabled and the elderly. Through these activities, the foundation strives to make a positive contribution to the local community. In fiscal 2007, the foundation logged 19 cases of assistance to support groups, and 14 cases for volunteer organizations.

High school students taking part in a meeting at JGC through "Job Shadow"

>> 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

In fiscal 2007, the Board of Directors had 15 members (including one outside director) and met twice a month during the period under review, for a total of 17 times. The Company also has four corporate auditors (including two outside auditors) who regularly attend board meetings. The General Meeting of Shareholders in June 2008 increased the number of outside corporate auditors to three but the total number is unchanged; the Board of Directors still has 15 directors.

Meeting for the Execution of Business Operations

The Company has a Director and Executive Officer Committee, which meets once a month for the purposes of sharing management policies and information, and reporting/confirming the status of operations. This committee met 12 times in fiscal 2007. The Chairman of the Board of Directors heads this committee, which is comprised of directors, executive officers, and corporate auditors.

The Management Strategy Committee meets once a week to examine and make decisions on important matters for the Company and the JGC Group relating to management strategy. The Chairman of the Board of Directors heads this committee, which is comprised of directors, corporate auditors, and other members. The committee met 27 times in fiscal 2007.

JGC has also established the Operations Steering Committee to 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, and met 19 times in fiscal 2007.

In addition, a Nominating Committee and an Assessment Committee, the members of which include outside directors, 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 met once in fiscal 2007.

Board of Auditors

The Company has adopted the corporate auditor governance model. In fiscal 2007, the Board of Auditors comprised four corporate auditors, including two outside appointments. The Board of Auditors meets once a month in principle, and met 11 times in fiscal 2007. Following the conclusion of the General Meeting of Shareholders in June 2008, the four-member Board of Auditors now includes three outside corporate auditors, in a move aimed at strengthening auditing functions and enhancing corporate governance.

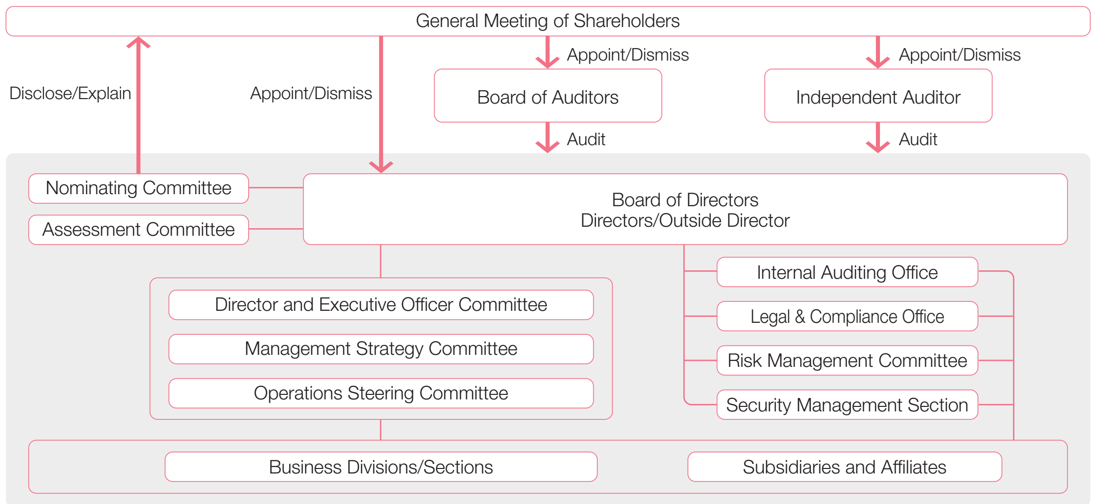
Corporate auditors attend meetings of the Board of Directors, the Director and Executive Officer Committee, the Management Strategy Committee, and the Operations Steering Committee, and when necessary, interview directors regarding the execution of operations, and examine and oversee directors in the execution of their duties. Where necessary, the Board of Auditors meets with the independent auditor on a case-by-case basis to exchange opinions and share information, aiming to enhance the effectiveness of audits. No personal, capital, or business ties that could lead to a conflict of interest exist between the Company and its outside corporate auditors.

Outside Directors

In fiscal 2007, JGC appointed one outside director, Setsuzo Kosaka, General Partner and Japan Representative for Compass Partners L.L.C. Mr. Kosaka was appointed as an outside director based on his experience and expertise in Itochu Corporation's plant facility business, and his experience and insight as an executive at Kurita Water Industries Ltd.

Corporate Governance System

( ) denotes "Direct" and "Report"



No outside director was appointed to the Company at the June 2008 General Meeting of Shareholders. However, the Company will again consider the appointment of outside directors in the future based on the availability of candidates with a high degree of engineering and construction business knowledge and who are well-versed in a wide range of business activities.

Independent Auditor

The certified public accountants who audit JGC's accounts are Yasuaki Takayama, Makoto Ishikawa, and Yoshihisa Uchida of KPMG AZSA & Co. Two other CPAs, five assistant CPAs, and two other individuals assist with these audits.

Executive Compensation

- Total annual compensation for internal directors: ¥570 million
- Total annual compensation for the outside director: ¥8 million
- Total annual compensation for corporate auditors: ¥57 million

Compensation for Audits

- Fees paid for audit services as defined by Article 2-1 of the Certified Public Accountants Law (Law No. 103, 1948): ¥53 million
- Fees paid for other services: ¥9 million

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 corporate activities. In addition, we are working through our PR and IR department to strengthen 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

Sales divisions are constantly gathering a wide range of project information based on various factors such as region, customer, 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 customer, the Business 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 project plan and scope of responsibility
- Customer'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 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 Business 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.

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.

BOARD OF DIRECTORS, AUDITORS AND EXECUTIVE OFFICERS

As of July 1, 2008

*Executive Vice President and Chief Marketing Officer**
Kazuo Yamaga

*Vice Chairman and Chief Financial Officer**
Hideo Masuda

*Chairman and Chief Executive Officer**
Yoshihiro Shigehisa

*President and Chief Operating Officer**
Keisuke Takeuchi

*Executive Vice President and Chief Project Officer**
Masahiko Yaegashi

Senior Managing Director

Tadanori Aratani
Senior General Manager, No. 2 Project Division

Managing Directors

Teruo Nakamura
Senior General Manager,
Corporate Planning & Administration Division

Yutaka Yamazaki
Senior General Manager,
Technology & Engineering Division and
Chief Information Officer

Nobuo Kikuta
Senior General Manager, No. 1 Project Division

Sei Tange
Senior General Manager,
Global Marketing Division and
Chief Technology Officer

Tadashi Ishizuka
Co-responsible with Chief Project Officer for
oversight of overseas projects.

Directors

Keitaro Ishii
Senior General Manager,
Legal & Compliance Office

Yukihiro Makino
General Manager, No. 1 Project Division

Hiroyoshi Suga
Senior General Manager,
Finance & Accounting Division

Eiki Furuta
Senior General Manager, Project Sales Division,
Global Marketing Division

Corporate Auditors

Tsutomu Kurihara
Gorota Kume**
Toshiyuki Tsuchida
Hiroyoshi Murakami**
Masaru Yamamoto**

Senior Executive Officers

Yoshiki Kanazashi
General Manager, No. 1 Project Division

Yukihiko Shimizu
Senior General Manager,
Planning & Business Promotion Division,
Global Marketing Division

Kazunori Nito
General Manager, Global Marketing Division

Shuichi Tokumaru
Senior General Manager,
Project Operation Services Division

Shunsuke Ota
Senior General Manager,
Domestic Project Division

Hideaki Miura
General Manager,
Technology & Engineering Division

Executive Officers

Hidenori Yashima
General Manager, No. 2 Project Division

Morio Yasuki
General Manager, Engineering Division,
Technology & Engineering Division

Yasumasa Isetani
General Manager, No. 2 Project Division

Kozo Imura
General Manager,
Technology & Engineering Division

Kazuo Yamane
Senior General Manager,
JGC Group Business Promotion Office

Toyohiko Shimada
General Manager,
Planning & Business Promotion Division,
Global Marketing Division

Yusuke Shinoda
General Manager, Corporate Strategy Office

Akira Wada
General Manager, Engineering Division,
Technology & Engineering Division

Tsutomu Akabane
General Manager, No. 1 Project Division

Kenichi Sasaki
General Manager, No. 1 Project Division

Eiji Shimo
General Manager, No. 2 Project Division

Koichi Kawana
Senior General Manager,
Business Development & Promotion Division,
Global Marketing Division

Kensei Kagawa
General Manager, Project Sales Division,
Global Marketing Division

Tetsuo Ando
General Manager, No. 1 Project Division

Note: * Representative Directors
** Outside Auditors

FINANCIAL SECTION

CONTENTS

SIX-YEAR SUMMARY—CONSOLIDATED

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

	2008	2007	2006	2005	2004	2003
Net Sales	**¥551,062**	¥608,530	¥ 550,301	¥435,198	¥409,962	¥378,064
Operating Income	**44,896**	26,413	20,389	13,221	15,486	17,080
Net Income	**30,020**	20,187	15,011	11,585	10,587	6,768
Total Current Assets	**324,617**	327,333	231,777	231,811	234,521	218,488
Total Current Liabilities	**217,339**	237,586	175,428	175,066	160,128	160,553
Working Capital	**107,278**	89,747	56,349	56,745	74,393	57,935
Current Ratio	**149.4%**	137.8%	132.1%	132.4%	146.5%	136.1%
Net Property and Equipment	**68,450**	67,220	65,688	65,887	67,171	68,874
Total Assets	**466,773**	470,286	375,288	367,438	355,009	335,778
Long-term Debt, Less Current Maturities	**17,300**	17,799	993	15,712	16,086	15,855
Total Shareholders' Equity	**—**	—	—	151,155	146,289	131,248
Total Net Assets	**207,537**	189,239	173,355	—	—	—
New Contracts	**402,352**	301,347	807,649	469,534	498,252	351,641
Outstanding Contracts	**638,314**	744,679	1,024,348	722,374	674,627	595,144
Net Income per Share (in yen)	**118.33**	79.52	58.33	44.93	40.88	25.65
Cash Dividends per Share (in yen)	**21.0**	15.0	11.0	8.5	8.0	6.0
Number of Employees	**4,723**	4,531	4,205	4,147	4,063	3,802

OUR VIEW OF THE OPERATING ENVIRONMENT

The global economy showed slower growth at the start of the fiscal year under review, but sustained modest growth overall. However, the financial markets saw increasing credit uneasiness due to large losses at some financial institutions in the U.S., the Eurozone and the U.K. as the subprime mortgage issue in the U.S. surfaced in a major way, with the fallout extending worldwide. As a result, the U.S. exhibited clear deceleration in business conditions, but high economic growth continued in the BRICs countries, beginning with China. Eurozone nations and the U.K. also sustained modest economic growth.

In the oil and gas producing countries, which have the greatest impact on the JGC Group (the Group), much capital investment is planned, supported by the continuation of high energy prices. Due to sharply higher prices for materials, machinery and equipment and a shortage of the required skilled labor, plant costs have risen significantly, and the timeframes for some projects are being reevaluated. However, capital investment remains strong. The Japanese economy's ongoing recovery was fettered by repercussions from the subprime mortgage issue, sharply higher prices for materials, machinery and equipment, as well as major moves in the stock market and the foreign exchange market. In conjunction, the outlook for the Japanese economy became increasingly unclear.

Under these conditions, the core total engineering business received orders below its initial target, reflecting major increases in construction costs due to such factors as sharply higher prices for materials, machinery and equipment and a shortage of the required skilled labor, which has caused some project customers to postpone final investment. As for project execution, the Group worked to strengthen its partnerships with suppliers and subcontractors and to enhance its manpower resources. Alongside this, the Group paid close attention to various risks and focused on ensuring steady project implementation.

RESULTS OF OPERATIONS

Consolidated net sales for the JGC Group in the year ended March 31, 2008 declined 9.4% to ¥551,062 million. Consolidated operating income increased 70.0% to ¥44,896 million, and consolidated net income was up 48.7% to ¥30,020 million. Consolidated net income marked a record high for the third consecutive year.

NET SALES

Reflecting project progress and the impact of exchange rates, consolidated net sales declined by ¥57,468 million compared with the previous fiscal year, totaling ¥551,062 million.

COST OF SALES AND SELLING, GENERAL AND ADMINISTRATIVE COSTS

As a result of the decline in net sales, cost of sales fell by ¥77,229 million to ¥487,362 million. Selling, general and administrative expenses increased by ¥1,278 million to ¥18,804 million.

OPERATING INCOME

Operating income increased by ¥18,483 million to ¥44,896 million. The operating income ratio rose 3.8 percentage points from 4.3% to 8.1%.

OTHER INCOME (EXPENSES)

Other income (expenses) declined by ¥3,398 million from ¥5,410 million (net) to ¥2,012 million (net). This was mainly due to exchange losses. Another major factor was losses on the retirement of stock due to the merger of consolidated subsidiaries. As a result, in the fiscal year ended March 31, 2008, the income before taxes on income increased by ¥15,085 million to ¥46,908 million.

TAXES ON INCOME

Income and other taxes increased by ¥6,610 million to ¥17,910 million due to the increase in income before taxes on income and minority interests in earnings of consolidated subsidiaries. Deferred income taxes were ¥1,042 million, and the Company's tax burden (net) increased by ¥5,256 million to ¥16,868 million.

MINORITY INTERESTS IN EARNINGS OF CONSOLIDATED SUBSIDIARIES

Minority interests, consisting of the earnings allocated to minority shareholders of consolidated subsidiary Japan NUS Co., Ltd., decreased by ¥4 million to ¥20 million.

NET INCOME

As a result of the foregoing, net income increased by ¥9,833 million to ¥30,020 million.

SEGMENT INFORMATION

INFORMATION BY BUSINESS SEGMENT

Net sales in the total engineering business declined by ¥64,746 million to ¥508,717 million due to progress in projects and the impact of exchange rates. Operating income increased by ¥18,727 million to ¥39,417 million due to higher gross profit margins on completed projects.

In the catalysts and fine products business, upgraded production capacity in each field in response to strong demand from customers led to an increase in net sales of ¥7,278 million to ¥42,345 million. Operating income declined by ¥241 million to ¥5,455 million due to sharp rises in prices for raw materials and fuel and an increase in depreciation along with new capital expenditures. The total engineering business accounts for 92% of net sales and 88% of operating income.

INFORMATION BY REGION

Overseas sales declined by ¥104,786 million to ¥343,459 million. The breakdown of consolidated sales is 62% overseas and 38% domestic.

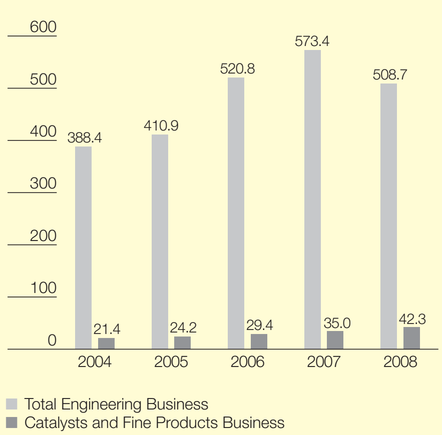
FINANCIAL POSITION

Consolidated total assets decreased by ¥3,513 million to ¥466,773 million due to a decline in accounts receivable. Total liabilities declined by ¥21,811 million to ¥259,236 million. Total net assets were up ¥18,298 million to ¥207,537 million. Shareholders' equity (total net assets-minority interests) was ¥207,255 million.

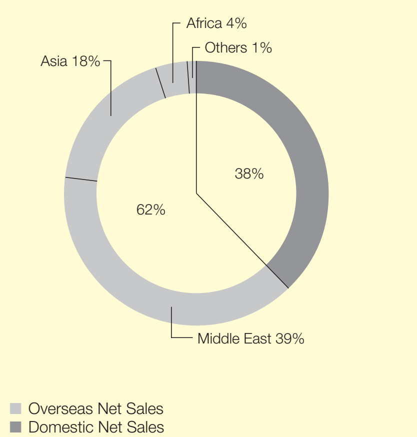
As a result of the above, the shareholders' equity ratio was 44.4%.

Effective from fiscal 2007, the Company adopted the "Accounting Standard for Presentation of Net Assets in the Balance Sheet" and the "Implementation Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet."

Segment Sales
(Billions of yen)



Ratio of Domestic and Overseas Net Sales
(%)



Balance sheet indicators for the JGC Group are as follows:

	Mar 2006	Mar 2007	**Mar 2008**
Current ratio (%)	132	138	**149**
Fixed assets ratio (%)	83	76	**68**

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.

CASH FLOW

Cash and cash equivalents on a consolidated basis increased by ¥5,155 million to ¥164,617 million, excluding the increase associated with the merger of consolidated subsidiaries.

Net cash provided by operating activities was ¥28,865 million, mainly from ¥46,908 million in income before income taxes, reflecting the steady collection of receivables.

Net cash used in investing activities was ¥15,032 million, reflecting disbursements for loans to subsidiaries engaged in the natural resources development business.

Net cash provided by financing activities was ¥7,318 million, mainly due to the payment of dividends and the repurchase of the Company's own stock.

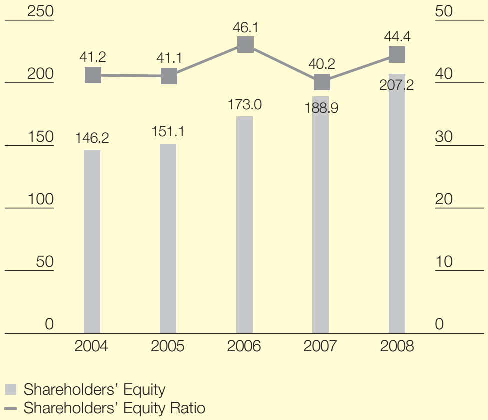
Cash flow indicators for the JGC Group are as follows:

	Mar 2006	Mar 2007	**Mar 2008**
Shareholders' equity ratio (%)	46.1	40.2	**44.4**
Shareholders' equity ratio (market basis, %)	156.6	104.4	**82.5**
Years to redemption of liabilities (years)	0.6	0.3	**0.6**
Interest coverage ratio (times)	91.3	308.2	**62.8**

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 cash
Interest coverage ratio: Net cash/interest expenses
All indicators are calculated using consolidated financial figures.

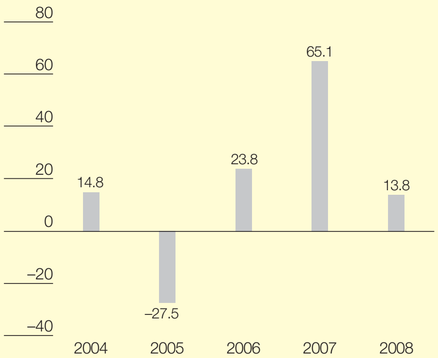
Interest bearing liabilities include all liabilities posted on the Consolidated Balance Sheets on which interest was paid. Net cash is taken from cash flow provided by operating activities, as reported in the Consolidated Statements of Cash Flows.

Shareholders' Equity* and Shareholders' Equity Ratio
(Billions of yen/%)



* From 2006, equal to total net assets-minority interests

Free Cash Flows
(Billions of yen)



ANALYSIS OF NEW CONTRACTS

Consolidated-basis new contracts for the total engineering business were ¥402,352 million (up 33.5%), short of our initial forecast of ¥540,000 million at the start of the fiscal year under review. This was due to customers' postponing the final investment decision for some projects due to sharply higher plant construction costs as a result of significant increases in prices for materials, machinery and equipment and a shortage of the skilled labor required for such projects. However, decisions on projects originally projected for the previous fiscal year are expected to be made at the start of fiscal 2008.

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

NEW CONTRACTS BY BUSINESS SECTOR

(Billions of yen)

	Mar 2007	Mar 2008	**Mar 2008 Percentage of new contracts**
Oil and gas development projects	30.2	11.3	**2.8**
Petroleum refining projects	89.1	79.1	**19.7**
LNG projects	14.8	16.0	**4.0**
Chemical projects	61.5	243.9	**60.6**
Other projects	105.5	51.9	**12.9**

NEW CONTRACTS BY REGION

(Billions of yen)

	Mar 2007	Mar 2008	**Mar 2008 Percentage of new contracts**
Japan	165.2	135.7	**33.7**
Asia	63.9	15.1	**3.8**
Africa	9.0	7.5	**1.9**
Middle East	60.1	232.0	**57.7**
Other	2.9	11.8	**2.9**

The consolidated outstanding contracts totaled ¥638,314 million, after adjustments for currency exchange and revision to contract figures.

FUTURE OUTLOOK

In the total engineering business, capital investment in plant facilities is expected to remain robust, especially in our main markets of the Middle East and Africa. Viewed by business sector, capital investments can be expected in oil, gas and resource development, petroleum refining, LNG, and living and general production. Amidst this outlook, we will take into account project scale, profitability, region and sector in our order activities, while aggressively pursuing business activities aimed at the achievement of our Scenario 2010 medium-term business plan.

In the catalysts and fine products business, we will continue to aggressively carry out capital expenditures to reinforce the supply system for each product, while responding to sharp increases in raw materials prices through various measures, including passing on costs to selling prices, improving productivity and reducing expenses. Additionally, we will accelerate our expansion into the overseas markets for catalysts and fine chemicals, while pursuing the development of new materials and new functional materials that leverage our novel catalysts and nanotechnologies.

At the end of the fiscal year under review, we decided to merge Catalysts & Chemical Industries Co., Ltd., and Nikki Chemical Co., Ltd., on July 1, 2008 to form JGC Catalysts and Chemicals Ltd. With this merger, we will pursue synergies by promoting R&D using the combined technologies of each company and through quantitative and qualitative enhancement of R&D functions, boosting production capabilities through the use of a two-plant system, reducing production risk, expanding business scale by commercializing three core operations (petroleum refining catalysts, chemical catalysts and fine chemicals) and providing a more stable business foundation. In conjunction, we will further pursue the enhancement and expansion of our manufacturing business as called for in our Scenario 2010 medium-term business plan.

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 the date of publication of this annual report.

1. RISKS WITH OVERSEAS CAUSES

Overseas businesses generate about 60% 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, confiscation of property, changes in economic policy, default on foreign debts and changes in exchange and taxation systems. To minimize the effects arising from these risks on its businesses, 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 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 business, new types of fuel business, water and power generation business, 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, 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 introduced countermeasures including project contracts denominated in multiple currencies, conducting overseas procurement 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, 2008 and 2007

Assets	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars (Note 1) 2008
Current Assets:			
Cash and deposits (Note 13)	**¥ 93,617**	¥100,811	**$ 934,394**
Marketable securities (Notes 9 & 13)	**71,000**	58,600	**708,654**
Notes and accounts receivable (Note 2)	**68,131**	80,004	**680,018**
Inventories:			
Contract works in progress	**58,497**	50,152	**583,861**
Products and others	**10,247**	9,548	**102,275**
Deferred tax assets (Note 12)	**9,136**	9,859	**91,187**
Other current assets (Note 2)	**14,522**	19,048	**144,945**
Allowance for doubtful accounts	**(533)**	(689)	**(5,320)**
Total Current Assets	**324,617**	327,333	**3,240,014**
Property and Equipment (Note 3)**:**			
Land (Note 14)	**26,517**	26,412	**264,667**
Buildings and structures	**54,827**	53,606	**547,230**
Machinery and equipment	**43,316**	39,122	**432,339**
Construction in progress	**96**	1,042	**958**
	124,756	120,182	**1,245,194**
Less accumulated depreciation	**(56,306)**	(52,962)	**(561,992)**
Net Property and Equipment	**68,450**	67,220	**683,202**
Other Assets:			
Investments in unconsolidated subsidiaries and affiliates (Note 9)	**18,663**	13,858	**186,276**
Marketable and investment securities (Note 9)	**29,033**	38,317	**289,779**
Long-term loans receivable (Note 2)	**13,694**	14,820	**136,680**
Deferred tax assets (Note 12)	**6,188**	2,011	**61,763**
Goodwill	**1,211**	2,018	**12,087**
Other	**4,917**	4,709	**49,077**
Total Other Assets	**73,706**	75,733	**735,662**
Total Assets	**¥466,773**	¥470,286	**$4,658,878**

The accompanying notes are an integral part of these statements.

Liabilities and Net Assets	Millions of yen 2008	2007	Thousands of U.S. dollars (Note 1) 2008
Current Liabilities:			
Short-term loans and current maturities of long-term debt (Notes 2 & 3)	**¥ 762**	¥ 3,134	**$ 7,606**
Notes and accounts payable (Note 2)	**82,017**	113,158	**818,615**
Advances received on uncompleted contracts (Note 2)	**111,955**	100,278	**1,117,427**
Reserve for job warranty costs	**695**	1,656	**6,937**
Reserve for losses on contracts	**2,611**	5,014	**26,060**
Income taxes payable	**9,368**	3,921	**93,502**
Other current liabilities (Notes 2 & 12)	**9,931**	10,425	**99,121**
Total Current Liabilities	**217,339**	237,586	**2,169,268**
Long-Term Debt, Less Current Maturities (Note 3)	**17,300**	17,799	**172,672**
Retirement and Severance Benefits (Note 5)	**16,214**	17,060	**161,833**
Deferred Tax Liabilities for Land Revaluation (Notes 12 & 14)	**3,783**	3,783	**37,758**
Other Non-Current Liabilities	**4,600**	4,819	**45,913**
Total Liabilities	**259,236**	281,047	**2,587,444**
Contingencies (Note 6)			
Net Assets (Note 7)**:**			
Common stock			
Authorized — 600,000,000 shares,			
Issued — 259,052,929 shares in 2008 and 2007	**23,511**	23,511	**234,664**
Capital surplus	**25,593**	25,586	**255,445**
Retained earnings	**160,311**	134,300	**1,600,070**
Treasury stock, at cost	**(5,532)**	(4,032)	**(55,215)**
Net unrealized holding gains on securities	**8,056**	14,853	**80,407**
Deferred gains on hedges	**331**	—	**3,304**
Land revaluation, net of deferred tax portion (Note 14)	**(6,590)**	(6,590)	**(65,775)**
Foreign currency translation adjustments	**1,575**	1,337	**15,720**
Minority interests	**282**	274	**2,814**
Total Net Assets	**207,537**	189,239	**2,071,434**
Total Liabilities and Net Assets	**¥466,773**	¥470,286	**$4,658,878**

CONSOLIDATED STATEMENTS OF INCOME

JGC CORPORATION
Years ended March 31, 2008, 2007 and 2006

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2008	2007	2006	**2008**
Net Sales (Notes 8 & 11)	**¥551,062**	¥608,530	¥550,301	**$5,500,170**
Cost of Sales	**487,362**	564,591	514,071	**4,864,378**
Gross profit	**63,700**	43,939	36,230	**635,792**
Selling, General and Administrative Expenses	**18,804**	17,526	15,841	**187,683**
Operating income	**44,896**	26,413	20,389	**448,109**
Other Income (Expenses):				
Interest and dividend income	**6,593**	5,184	3,078	**65,805**
Interest expense	**(558)**	(358)	(294)	**(5,569)**
Loss on sales and disposal of property and equipment	**(177)**	(286)	(115)	**(1,767)**
Loss on devaluation of property and equipment	**—**	—	(2)	**—**
Loss on devaluation of marketable and investment securities	**(24)**	(26)	(29)	**(240)**
Exchange gain (loss), net	**(8,152)**	(120)	358	**(81,365)**
Equity in earnings of affiliates	**5,078**	3,199	1,279	**50,684**
Gain on sales of marketable and investment securities	**148**	36	162	**1,477**
Gain on transition to new defined contribution pension plan	**—**	81	—	**—**
Provision for doubtful accounts	**(1,424)**	(1,776)	(1,415)	**(14,213)**
Loss on devaluation of investment in unconsolidated subsidiaries	**—**	—	(679)	**—**
Loss on withdrawal from certain business	**—**	(920)	—	**—**
Gain on release from the substitutional portion of the government's welfare pension insurance scheme	**—**	—	171	**—**
Reversal of (provision for) retirement and severance benefits	**—**	(117)	295	**—**
Impairment loss	**—**	—	(23)	**—**
Loss on sale of investments in consolidated subsidiary	**—**	—	(137)	**—**
Other, net	**528**	513	346	**5,270**
	2,012	5,410	2,995	**20,082**
Income before taxes on income and minority interests in earnings of consolidated subsidiaries	**46,908**	31,823	23,384	**468,191**
Taxes on Income (Note 12)**:**				
Current	**17,910**	11,300	9,763	**178,760**
Deferred	**(1,042)**	312	(1,508)	**(10,400)**
Income before minority interests	**30,040**	20,211	15,129	**299,831**
Minority Interests in Earnings of Consolidated Subsidiaries	**(20)**	(24)	(118)	**(200)**
Net Income	**¥ 30,020**	¥ 20,187	¥ 15,011	**$ 299,631**

	Yen			U.S. dollars (Note 1)
Amounts Per Share of Common Stock				
Net income	**¥118.33**	¥79.52	¥58.33	**$1.18**
Cash dividends applicable to the year	**¥ 21.00**	¥15.00	¥11.00	**$0.21**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

JGC CORPORATION
Years ended March 31, 2008, 2007 and 2006

	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	Deferred gains on hedges	Land revaluation, net of deferred tax portion (Note 14)	Foreign currency translation adjustments	Minority Interests
Balance at March 31, 2005	259,053	¥23,511	¥25,581	¥105,396	¥(3,598)	¥ 7,284	¥ —	¥(6,733)	¥ (286)	¥301
Net income for the year				15,011						
Effect of change in accounting standard for a foreign affiliate				(1,083)						
Cash dividends				(2,159)						
Bonuses to directors and corporate statutory auditors				(164)						
Gain on retirement of treasury stock			1							
Land revaluation, net of deferred tax portion				(151)				151		
Net unrealized holding gains on securities						10,153				—
Foreign currency translation adjustments									431	
Increase of treasury stock					(281)					
Net changes during the year										(10)
Balance at March 31, 2006	259,053	¥23,511	¥25,582	¥116,850	¥(3,879)	¥17,437	¥ —	¥(6,582)	¥ 145	¥291
Net income for the year				20,187						
Effect of change in scope of consolidation				240						
Cash dividends				(2,793)						
Bonuses to directors and corporate statutory auditors				(192)						
Gain on retirement of treasury stock			4		2					
Land revaluation, net of deferred tax portion				8				(8)		
Net unrealized holding gains on securities						(2,584)				—
Foreign currency translation adjustments									1,192	
Increase of treasury stock					(155)					
Net changes during the year										(17)
Balance at March 31, 2007	259,053	¥23,511	¥25,586	¥134,300	¥(4,032)	¥14,853	¥ —	¥(6,590)	¥1,337	¥274
Net income for the year				**30,020**						
Effect of change in scope of consolidation				**(202)**						
Cash dividends				**(3,807)**						
Gain on retirement of treasury stock			**7**		**6**					
Land revaluation, net of deferred tax portion										
Net unrealized holding gains on securities						**(6,797)**				
Net deferred gains on hedges							**331**			
Foreign currency translation adjustments									**238**	
Increase of treasury stock					**(1,506)**					
Net changes during the year										**8**
Balance at March 31, 2008	**259,053**	**¥23,511**	**¥25,593**	**¥160,311**	**¥(5,532)**	**¥ 8,056**	**¥331**	**¥(6,590)**	**¥1,575**	**¥282**

	Thousands of U.S. dollars (Note1)								
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gains (losses) on securities	Deferred gains on hedges	Land revaluation, net of deferred tax portion (Note 14)	Foreign currency translation adjustments	Minority Interests
Balance at March 31, 2007	$234,664	$255,375	$1,340,453	$(40,244)	$148,248	$ —	$(65,775)	$13,345	$2,735
Net income for the year			**299,631**						
Effect of change in scope of consolidation			**(2,016)**						
Cash dividends			**(37,998)**						
Gain on retirement of treasury stock		**70**		**60**					
Land revaluation, net of deferred tax portion									**—**
Net unrealized holding gains on securities					**(67,841)**				
Net deferred gains on hedges						**3,304**			
Foreign currency translation adjustments								**2,375**	
Increase of treasury stock				**(15,031)**					
Net changes during the year									**79**
Balance at March 31, 2008	**$234,664**	**$255,445**	**$1,600,070**	**$(55,215)**	**$ 80,407**	**$3,304**	**$(65,775)**	**$15,720**	**$2,814**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

JGC CORPORATION
Years ended March 31, 2008, 2007 and 2006

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2008	2007	2006	**2008**
Cash Flows From Operating Activities:				
Income before taxes on income and minority interests in earnings of consolidated subsidiaries	**¥ 46,908**	¥ 31,823	¥23,384	**$ 468,191**
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	**6,081**	5,394	4,817	**60,694**
Loss on impairment	**—**	—	23	**—**
Amortization of goodwill	**734**	734	740	**7,326**
Increase (decrease) in allowance for doubtful accounts	**1,421**	(938)	1,617	**14,183**
Increase (decrease) in reserve for losses on contracts	**(2,403)**	1,747	1,193	**(23,985)**
Increase (decrease) in retirement and severance benefits	**(928)**	82	389	**(9,262)**
Interest and dividend income	**(6,593)**	(5,184)	(3,078)	**(65,805)**
Interest expense	**558**	358	294	**5,569**
Exchange (gain) loss	**5,005**	(402)	(3)	**49,955**
Equity in earnings of affiliates	**(5,078)**	(3,199)	(1,279)	**(50,684)**
Gain on sales of marketable and investment securities	**(148)**	(36)	(162)	**(1,477)**
Loss on devaluation of marketable and investment securities	**24**	26	29	**240**
Loss on sales of investments in consolidated subsidiary	**—**	—	137	**—**
Loss on sales and disposal of property and equipment	**177**	286	115	**1,767**
Loss on devaluation of property and equipment	**—**	—	2	**—**
Loss on devaluation of investment in unconsolidated subsidiaries	**—**	—	679	**—**
Loss on withdrawal from certain businesses	**—**	920	—	**—**
Increase (decrease) in notes and accounts receivable	**12,300**	(9,564)	(4,953)	**122,767**
Decrease (increase) in inventories	**(9,038)**	(2,848)	25,208	**(90,209)**
Decrease (increase) in other assets	**176**	(682)	(1,834)	**1,756**
Increase (decrease) in notes and accounts payable	**(27,782)**	23,917	14,200	**(277,293)**
Increase (decrease) in advances received on uncompleted contracts	**11,676**	42,907	(34,247)	**116,538**
Gain on release from the substitutional portion of the government's welfare pension insurance scheme	**—**	—	(171)	**—**
Other	**(40)**	1,450	78	**(399)**
Subtotal	**33,050**	86,791	27,178	**329,872**
Interest and dividends received	**8,801**	6,206	6,241	**87,843**
Interest paid	**(460)**	(256)	(293)	**(4,591)**
Income taxes paid	**(12,526)**	(13,627)	(6,315)	**(125,022)**
Net Cash Provided by Operating Activities	**28,865**	79,114	26,811	**288,102**
Cash Flows From Investing Activities:				
Payments for purchases of property and equipment	**(6,494)**	(7,098)	(3,327)	**(64,817)**
Proceeds from sales of property and equipment	**133**	51	61	**1,327**
Payments for purchase of intangible fixed assets	**(997)**	(698)	(484)	**(9,951)**
Payments for purchase of marketable and investment securities	**(3,872)**	(6,077)	(1,618)	**(38,647)**
Proceeds from sales of marketable and investment securities	**550**	508	390	**5,490**
Payments for sales of shares of subsidiary excluded from the consolidation scope	**—**	—	(76)	**—**
Decrease (increase) in short-term loans receivable	**293**	421	(523)	**2,924**
Payments for long-term loans receivable	**(5,233)**	(1,672)	(850)	**(52,231)**
Proceeds from long-term loans receivable	**658**	199	3,368	**6,568**
Other	**(70)**	356	95	**(698)**
Net Cash Used in Investing Activities	**(15,032)**	(14,010)	(2,964)	**(150,035)**
Cash Flows From Financing Activities:				
Increase (decrease) in short-term loans	**(2,389)**	2,351	(352)	**(23,844)**
Proceeds from long-term bank loans	**1,050**	17,482	550	**10,480**
Repayments of long-term bank loans	**(670)**	(15,300)	(162)	**(6,687)**
Payments for purchase of treasury stock	**(1,492)**	(150)	(279)	**(14,892)**
Cash dividends paid	**(3,805)**	(2,790)	(2,159)	**(37,978)**
Cash dividends paid to minority shareholders	**(12)**	(40)	(22)	**(120)**
Net Cash Provided by (Used in) Financing Activities	**(7,318)**	1,553	(2,424)	**(73,041)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(1,360)**	966	1,141	**(13,574)**
Net Increase in Cash and Cash Equivalents	**5,155**	67,623	22,564	**51,452**
Cash and Cash Equivalents at Beginning of Year	**159,411**	91,489	68,925	**1,591,087**
Increase in Cash and Cash Equivalents From Newly Consolidated Subsidiaries	**—**	299	—	**—**
Increase in Cash and Cash Equivalents From Subsidiaries Merged	**51**	—	—	**509**
Cash and Cash Equivalents at End of Year (Note 13)	**¥164,617**	¥159,411	¥91,489	**$1,643,048**

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") 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, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of overseas subsidiaries are based on accounting records maintained in conformity with generally accepted accounting principles prevailing in their respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of consolidated statements of changes in net assets for 2006) 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 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 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, 2008, which was ¥100.19 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, 2008, 2007 and 2006, was as follows:

	2008	2007	2006
Consolidated subsidiaries	**13**	13	12
Affiliates under the equity method	**3**	2	2

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.

(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) 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.

(F) MARKETABLE SECURITIES, INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES, AND MARKETABLE AND INVESTMENT SECURITIES

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.

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 maturities, (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 the securities defined as (a) and (b) above in the years ended March 31, 2008 and 2007.

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.

(G) RECOGNITION OF SALES, CONTRACT WORKS IN PROGRESS AND ADVANCES RECEIVED ON UNCOMPLETED CONTRACTS

The Company recognizes sales on contracts using the completed-contract method. 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 on 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.

(H) PRODUCTS AND OTHERS

Products and others are stated primarily at cost, determined by the moving-average method.

(I) 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.

(J) 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 Law in Japan.

Effective as of the consolidated accounting period ended March 31, 2008, the Company and its domestic subsidiaries have changed their depreciation procedure based on an amendment in corporation tax law for the tangible assets acquired on and after April 1, 2007. The effect of this change on the financial result is immaterial.

Effective as of the consolidated accounting period ended March 31, 2008, the Company and its domestic subsidiaries have changed their depreciation procedure, which book value became 5% of the acquired cost based on an amendment in corporation tax law for the tangible assets acquired before March 31, 2007. The tangible assets which book value became 5% of the acquired cost are amortized by straight-line method over 5 years. The effect of this change on the financial result is immaterial.

Finance leases, except those leases for which the ownership of the leased assets is considered to be transferred to the lessee, are accounted for in the same manner as operating leases.

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.

(K) IMPAIRMENT OF FIXED ASSETS

Effective from the year ended March 31, 2006, the Company and its domestic consolidated subsidiaries adopted the new accounting standard for impairment of fixed assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and "Implementation Guidance for the Accounting Standard for Impairment of Fixed Assets" (the Financial Accounting Standard Implementation Guidance No.6 issued by the Accounting Standards Board of Japan on October 31, 2003).

As a result, income before taxes on income and minority interests in earnings of consolidated subsidiaries decreased by ¥23 million for the year ended March 31, 2006.

Accumulated loss from impairment is deducted directly from the acquisition costs of the related assets in accordance with the revised disclosure requirements.

(L) 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 allowance for employees' severance and retirement benefits at March 31, 2008 and 2007, 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.

From the year ended March 31, 2007, one consolidated subsidiary changed the calculation method of the allowance for employees' severance and retirement benefits from 100% of the lump-sum retirement benefits payable to actuarial calculation.

As a result, income before taxes on income and minority interests in earnings of consolidated subsidiaries decreased by ¥117 million for the year ended March 31, 2007.

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 employees (12 or 15 years), and actuarial gains and losses as expenses using the declining-balance method over the average of the estimated remaining service lives (12 or 15 years) commencing in the following period.

From the year ended March 31, 2007, the Company changed the amortizing periods for the unrecognized actuarial gains and losses and the unrecognized prior service costs from 15 years to 12 years, because the average service period of its employees declined below 14 years as of March 31, 2007.

As a result, operating income and income before taxes on income and minority interests in earnings of consolidated subsidiaries decreased by ¥171 million for the year ended March 31, 2007.

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

In addition, from the year ended March 31, 2007, one consolidated subsidiary discontinued and combined part of its defined benefit pension plans and transferred to the new defined benefit pension plan.

As a result of the implementation of the new defined benefit pension plan in accordance with "Accounting Standard for Transfer among the Retirement and Severance Benefit Plans" (the Financial Accounting Standard Implementation Guidance No. 1 issued by the Accounting Standards Board of Japan), income before taxes on income and minority interests in earnings of consolidated subsidiaries increased by ¥81 million for the year ended March 31, 2007.

(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 a year-end.

(M) 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.

(N) TAXES ON INCOME

The Company and its consolidated subsidiaries provide 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.

(O) 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.

(P) 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.

(Q) 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.

(R) AMORTIZATION OF GOODWILL

Goodwill is amortized over five years on a straight-line basis, and either debited to the selling, general and administrative expenses, or credited to other income.

(S) 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 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:

(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.

(T) ACCOUNTING STANDARD FOR PRESENTATION OF NET ASSETS IN THE BALANCE SHEET

Effective from the year ended March 31, 2007, the Company and its consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Statement No.5 issued by the Accounting Standards Board of Japan on December 9, 2005), and the implementation Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet (the Financial Accounting Standard Implementation Guidance No. 8 issued by the Accounting Standards Board of Japan on December 9, 2005), (collectively, the "New Accounting Standards").

Under the New Accounting Standards, the balance sheet comprises three sections, which are the assets, liabilities and net assets sections. Previously, the balance sheet comprised the assets, liabilities, minority interests, as applicable, and the shareholders' equity sections.

Under the New Accounting Standards, the following items are presented differently compared to the previous presentation. Minority interests are required to be included in the net assets section under the New Accounting Standards. Under the previous presentation rules, companies were required to present minority interests between the non-current liabilities and shareholders' equity sections.

The adoption of the New Accounting Standards had no impacts on the consolidated statement of income for the year ended March 31, 2007. Also, if the New Accounting Standards had not been adopted at March 31, 2007, shareholders' equity amounting to ¥188,965 million would have been presented.

(U) ACCOUNTING STANDARD FOR STATEMENT OF CHANGES IN NET ASSETS

Effective from the year ended March 31, 2007, the Company and its consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Statement of Changes in Net Assets" (Statement No.6 issued by the Accounting Standards Board of Japan on December 27, 2005), and the implementation guidance for the accounting standard for statement of changes in net assets (the Financial Accounting Standard Implementation Guidance No. 9 issued by the Accounting Standards Board of Japan on December 27, 2005), (collectively, the "Additional New Accounting Standards").

Accordingly, the Company prepared the statements of changes in net assets for the year ended March 31, 2007 in accordance with the Additional New Accounting Standards. Also, the Company voluntarily prepared the consolidated statements of changes in net assets for 2006 in accordance with the Additional New Accounting Standards. Previously, consolidated statements of shareholders' equity were prepared for the purpose of inclusion in the consolidated financial statements although such statements were not required under Japanese GAAP.

(V) ACCRUED BONUSES TO DIRECTORS AND CORPORATE AUDITORS

Effective from the year ended March 31, 2007, the Company and its domestic consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Bonuses to Directors" (Statement No.4 issued by the Accounting Standards Board of Japan on November 29, 2005).

Under the new accounting standards, bonuses to directors and corporate auditors must be expensed and are no longer allowed to be directly charged to retained earnings.

As a result, operating income and income before taxes on income and minority interests in earnings of consolidated subsidiaries decreased by ¥236 million for the year ended March 31, 2007.

(W) ACCOUNTING STANDARDS FOR BUSINESS COMBINATIONS AND BUSINESS DIVESTITURES

Effective from the year ended March 31, 2007, the Company and its domestic consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Business Combinations" (issued by Business Accounting Council on October 31, 2003), "Accounting Standard for Business Divestitures" (Statement No.7 issued by the Accounting Standards Board of Japan on December 27, 2005) and the related implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (the Financial Accounting Standard Implementation Guidance No. 10 issued by the Accounting Standards Board of Japan on December 27, 2005).

The adoption of the New Accounting Standards had no impact on the consolidated statements of income for the years ended March 31, 2007.

(X) RECLASSIFICATION AND RESTATEMENT

Certain prior year amounts have been reclassified to conform to the current year presentation.

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, 2008 and 2007, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
March 31,	**2008**	2007	**2008**
Notes and accounts receivable	**¥ 11**	¥ 1	**$ 110**
Other current assets	**884**	296	**8,823**
Long-term loans receivable	**5,257**	1,327	**52,470**
Notes and accounts payable	**1,179**	2,333	**11,768**
Short-term loans	**—**	89	**—**
Advances received on uncompleted contracts	**—**	54	**—**
Other current liabilities	**454**	531	**4,531**

NOTE 3 — BORROWINGS

Short-term loans consisted mainly of unsecured notes and bank overdrafts and bore interest at the annual rates of 0.80% to 1.36% and 0.63% to 1.20% at March 31, 2008 and 2007, 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,	**2008**	2007	**2008**
Secured Loans			
0.55% – 1.75% loans from a governmental institution due serially through 2013	**¥ 2,349**	¥ 1,886	**$ 23,445**
Unsecured Debt			
1.31% – 5.27% loans from banks and insurance companies due serially through 2013	**15,613**	16,558	**155,834**
	17,962	18,444	**179,279**
Less current maturities	**(662)**	(645)	**(6,607)**
Long-term debt due after one year	**¥17,300**	¥17,799	**$172,672**

Assets pledged as collateral for long-term debt and other non-current liabilities at March 31, 2008 and 2007, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
March 31,	**2008**	2007	**2008**
Land	**¥ 5,071**	¥ 5,071	**$ 50,614**
Buildings and structures, at net book value	**3,991**	4,035	**39,834**
Machinery and equipment, at net book value	**5,725**	3,662	**57,142**
Total	**¥14,787**	¥12,768	**$147,590**

The annual maturities of long-term debt outstanding at March 31, 2008 were as follows:

	Amount	
Year ending March 31,	Millions of yen	Thousands of U.S. dollars (Note 1)
2009	¥ 662	$ 6,607
2010	617	6,158
2011	557	5,559
2012	14,946	149,177
2013 and thereafter	1,180	11,778
Total	¥17,962	$179,279

NOTE 4 — LEASE TRANSACTIONS

A. LESSEE LEASES

(a) FINANCE LEASE TRANSACTIONS WITHOUT OWNERSHIP TRANSFER TO LESSEE

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
March 31,	**2008**	2007	**2008**
Machinery and equipment and others:			
Purchase price equivalents	**¥1,725**	¥1,862	**$17,217**
Accumulated depreciation equivalents	**(839)**	(843)	**(8,374)**
Book value equivalents	**¥ 886**	¥1,019	**$ 8,843**

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,	**2008**	2007	**2008**
Due within one year	**¥312**	¥ 328	**$3,114**
Due after one year	**574**	691	**5,729**
Total	**¥886**	¥1,019	**$8,843**

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 ending March 31,	**2008**	2007	2006	**2008**
Lease payments	**¥358**	¥387	¥340	**$3,573**
Depreciation equivalents	**358**	387	340	**3,573**

(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,	**2008**	2007	**2008**
Due within one year	**¥1**	¥—	**$10**
Due after one year	**1**	—	**10**
Total	**¥2**	¥—	**$20**

B. LESSOR LEASES

(a) FINANCE LEASE TRANSACTIONS WITHOUT OWNERSHIP TRANSFER TO LESSEE

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

March 31,	Millions of yen 2008	2007	Thousands of U.S. dollars (Note 1) 2008
Machinery and equipment:			
Purchase price	¥ 350	¥ 442	$ 3,493
Accumulated depreciation	(214)	(241)	(2,136)
Book value	¥ 136	¥ 201	$ 1,357

(2) Lease commitments:

March 31,	Millions of yen 2008	2007	Thousands of U.S. dollars (Note 1) 2008
Due within one year	¥ 72	¥100	$ 718
Due after one year	77	117	769
Total	¥149	¥217	$1,487

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

(3) Rental income and depreciation:

Year ended March 31,	Millions of yen 2008	2007	2006	Thousands of U.S. dollars (Note 1) 2008
Rental income	¥99	¥146	¥127	$988
Depreciation	91	136	117	908

NOTE 5 — EMPLOYEES' SEVERANCE AND RETIREMENT 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, 2008 and 2007 consisted of the following:

March 31,	Millions of yen 2008	2007	Thousands of U.S. dollars (Note 1) 2008
Projected benefit obligation	¥ 48,795	¥ 49,384	$ 487,025
Less fair value of pension assets	(28,213)	(29,772)	(281,595)
Unfunded projected benefit obligation	20,582	19,612	205,430
Less unrecognized net transition obligation	(150)	(171)	(1,497)
Unrecognized actuarial differences	(6,930)	(5,296)	(69,169)
Unrecognized prior service costs	2,197	2,459	21,928
Net liability for employees' severance and retirement benefits	15,699	16,604	156,692
Subtotal	15,699	16,604	156,692
Allowance for officers' lump-sum severance benefits	515	456	5,141
Retirement and severance benefits	¥ 16,214	¥ 17,060	$ 161,833

Included in the consolidated statements of income for the years ended March 31, 2008 and 2007, were severance and retirement benefit expenses comprising the following:

March 31,	Millions of yen 2008	2007	Thousands of U.S. dollars (Note 1) 2008
Service costs — benefits earned during the year	¥1,746	¥1,628	$17,427
Interest cost on projected benefit obligation	739	717	7,376
Expected return on plan assets	(447)	(431)	(4,462)
Amortization of net transition obligation	21	138	210
Amortization of actuarial differences	958	1,209	9,562
Amortization of prior service costs	(262)	(260)	(2,615)
Severance and retirement benefit expenses	¥2,755	¥3,001	$27,498

The discount rate used by the Company and its domestic consolidated subsidiaries was 1.5% at March 31, 2008 and 2007. However, some consolidated subsidiaries used the rate of 2.0% at March 31, 2008 and 2007. The rate of expected return on plan assets used by the Company and its domestic consolidated subsidiaries was 1.5% for March 31, 2008 and 2007. However, some consolidated subsidiaries used the rates of 2.0% and 2.0% to 3.5% for March 31, 2008 and 2007, respectively. 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. Actuarial differences are recognized in consolidated statements of income using the declining-balance method over 12 years and 15 years for the year ended March 31, 2008 and 2007, respectively, beginning the following fiscal year of recognition. Prior service costs are recognized using the straight-line method over 12 years and 15 years for the year ended March 31, 2008 and 2007, respectively, from the fiscal year incurred. Net transition obligation is amortized over 15 years. However, some consolidated subsidiaries recognize net transition obligations, prior service costs, and actuarial differences as expenses in the period incurred.

NOTE 6 — 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 were ¥15,839 million ($158,090 thousand) and ¥20,864 million at March 31, 2008 and 2007, respectively.

(2) The Company and one consolidated subsidiary have guaranteed employees' housing loans and others from banks in the amount of ¥24 million ($240 thousand) and ¥34 million at March 31, 2008 and 2007, respectively.

NOTE 7 — NET ASSETS

As described in Note 1 (t), net assets comprises four subsections, which are owners' equity, accumulated gains (losses) from valuation and translation adjustments, share subscription rights and minority interests.

The Japanese Corporate Law ("the Law") became effective on May 1, 2006, replacing the Japanese Commercial Code ("the Code"). The Law is generally applicable to events and transactions occurring after April 30, 2006 and for fiscal years ending after that date.

Under Japanese laws 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.

Under the Law, in cases where a 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.

Under the Code, companies were required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock.

Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock, they were available for distribution by resolution of the shareholders' meeting. Under the Law, 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 Japanese laws and regulations.

At the annual shareholders' meeting of the Company held on June 27, 2008, the shareholders approved cash dividends amounting to ¥5,310 million ($52,999 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2008. Such appropriations are recognized in the period in which they are approved by the shareholders.

During the years ended March 31, 2008, 2007 and 2006, the Company issued no share.

NOTE 8 — NET SALES

Net sales recognized on the percentage-of-completion method for the years ended March 31, 2008, 2007 and 2006, were ¥396,618 million ($3,958,659 thousand), ¥465,956 million, and ¥375,408 million, respectively.

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, 2008 and 2007.

(a) AVAILABLE-FOR-SALE SECURITIES WITH AVAILABLE FAIR VALUES:

(1) Securities with book values exceeding acquisition costs:

	Millions of yen		
March 31, 2008	Acquisition cost	Book value	Difference
Equity securities	**¥10,139**	**¥23,303**	**¥13,164**

	Millions of yen		
March 31, 2007	Acquisition cost	Book value	Difference
Equity securities	¥11,123	¥34,440	¥23,317

	Thousands of U.S. dollars (Note 1)		
March 31, 2008	Acquisition cost	Book value	Difference
Equity securities	**$101,198**	**$232,588**	**$131,390**

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

	Millions of yen		
March 31, 2008	Acquisition cost	Book value	Difference
Equity securities	**¥2,158**	**¥1,622**	**¥(536)**

	Millions of yen		
March 31, 2007	Acquisition cost	Book value	Difference
Equity securities	¥157	¥128	¥(29)

	Thousands of U.S. dollars (Note 1)		
March 31, 2008	Acquisition cost	Book value	Difference
Equity securities	**$21,539**	**$16,189**	**$(5,350)**

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, 2008 and 2007:

(a) AVAILABLE-FOR-SALE SECURITIES:

	Millions of yen		Thousands of U.S. dollars (Note 1)
March 31,	2008	2007	2008
Non-listed equity securities	¥ 3,165	¥ 2,806	$ 31,590
Subscription certificate	938	938	9,362
Bonds	5	5	50
Negotiable certificate of deposit	71,000	58,600	708,654
Total	¥75,108	¥62,349	$749,656

(b) UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES:

	Millions of yen		Thousands of U.S. dollars (Note 1)
March 31,	2008	2007	2008
Securities of unconsolidated subsidiaries	¥ 8,423	¥ 6,258	$ 84,070
Securities of affiliates	10,240	7,600	102,206
Total	¥18,663	¥13,858	$186,276

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

	Millions of yen				
March 31, 2008	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	¥71,000	¥—	¥—	¥—	¥71,000
Commercial paper	—	—	—	—	—
Total	¥71,000	¥—	¥—	¥—	¥71,000

	Millions of yen				
March 31, 2007	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	¥58,600	¥—	¥—	¥—	¥58,600
Commercial paper	—	—	—	—	—
Total	¥58,600	¥—	¥—	¥—	¥58,600

	Thousands of U.S. dollars (Note 1)				
March 31, 2008	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	$708,654	$—	$—	$—	$708,654
Commercial paper	—	—	—	—	—
Total	$708,654	$—	$—	$—	$708,654

The Company follows 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 in value is considered to be substantial and non-recoverable. 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 them if those securities are considered to be non-recoverable.

NOTE 10 — DERIVATIVE TRANSACTIONS AND HEDGE ACCOUNTING

As explained in Note 1 (s), the accounting standard for financial instruments requires companies to state derivative financial instruments at fair value and to recognize changes in 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, 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 limits on the amount 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 deposit	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 counterparties were all prime banks operating domestically in Japan, and the Company does not expect non-performance by the counterparties.

Fair value of derivative transactions as of March 31, 2008 and 2007 was summarized as follows:

	Millions of yen				
	Contract amounts in yen equivalent				
March 31, 2008	Due within one year	Due after one year	Total	Fair value	Difference
Forward exchange contracts					
Sell U.S. dollars	**¥9,967**	**¥—**	**¥9,967**	**¥9,954**	**¥13**

	Millions of yen				
	Contract amounts in yen equivalent				
March 31, 2007	Due within one year	Due after one year	Total	Fair value	Difference
Forward exchange contracts					
Sell U.S. dollars	¥11,666	¥—	¥11,666	¥11,671	¥(5)

	Thousands of U.S. dollars (Note 1)				
	Contract amounts in U.S. dollar equivalent				
March 31, 2008	Due within one year	Due after one year	Total	Fair value	Difference
Forward exchange contracts					
Sell U.S. dollars	**$99,481**	**$—**	**$99,481**	**$99,351**	**$130**

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

Derivative transactions with hedge accounting applied are excluded in the above table.

NOTE 11 — SEGMENT INFORMATION

(A) INFORMATION BY BUSINESS SEGMENT

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, biochemical, food, pharmaceuticals, medical, logistics, information technology, environment 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.).

From the year ended March 31, 2008, we have changed the segment name of "Catalyst and fine chemical products" business to the "Catalysts and fine products" business. There is no substantial change in the nature of the business, but the renaming reflects more closely the realities of the activities involved.

The following is information by business segment for the years ended March 31, 2008, 2007 and 2006:

	Millions of yen				
Year ended March 31, 2008	Total engineering	Catalysts and fine products	Total	Elimination or corporate	Consolidated
Net sales:					
External customers	**¥508,717**	**¥42,345**	**¥551,062**	**¥ —**	**¥551,062**
Inter-segment	**32**	**6**	**38**	**(38)**	**—**
Total	**508,749**	**42,351**	**551,100**	**(38)**	**551,062**
Operating expenses	**469,332**	**36,896**	**506,228**	**(62)**	**506,166**
Operating profit	**¥ 39,417**	**¥ 5,455**	**¥ 44,872**	**¥ 24**	**¥ 44,896**
Identifiable assets	**¥429,567**	**¥40,188**	**¥469,755**	**¥(2,982)**	**¥466,773**
Depreciation and amortization	**¥ 3,706**	**¥ 2,375**	**¥ 6,081**	**¥ (0)**	**¥ 6,081**
Capital expenditures	**¥ 2,560**	**¥ 6,029**	**¥ 8,589**	**¥ —**	**¥ 8,589**

	Millions of yen				
Year ended March 31, 2007	Total engineering	Catalysts and fine chemical products	Total	Elimination or corporate	Consolidated
Net sales:					
External customers	¥573,463	¥35,067	¥608,530	¥ —	¥608,530
Inter-segment	36	29	65	(65)	—
Total	573,499	35,096	608,595	(65)	608,530
Operating expenses	552,809	29,400	582,209	(92)	582,117
Operating profit	¥ 20,690	¥ 5,696	¥ 26,386	¥ 27	¥ 26,413
Identifiable assets	¥434,138	¥37,507	¥471,645	¥(1,359)	¥470,286
Depreciation and amortization	¥ 3,650	¥ 1,744	¥ 5,394	¥ (0)	¥ 5,394
Capital expenditures	¥ 2,811	¥ 2,493	¥ 5,304	¥ —	¥ 5,304

	Millions of yen				
Year ended March 31, 2006	Total engineering	Catalysts and fine chemical products	Total	Elimination or corporate	Consolidated
Net sales:					
External customers	¥520,835	¥29,466	¥550,301	¥ —	¥550,301
Inter-segment	44	2	46	(46)	—
Total	520,879	29,468	550,347	(46)	550,301
Operating expenses	504,670	25,289	529,959	(47)	529,912
Operating profit	¥ 16,209	¥ 4,179	¥ 20,388	¥ 1	¥ 20,389
Identifiable assets	¥347,234	¥28,826	¥376,060	¥(772)	¥375,288
Depreciation and amortization	¥ 3,522	¥ 1,295	¥ 4,817	¥ (0)	¥ 4,817
Capital expenditures	¥ 2,299	¥ 2,385	¥ 4,684	¥ —	¥ 4,684

Year ended March 31, 2008	Total engineering	Catalysts and fine products	Total	Elimination or corporate	Consolidated
	Thousands of U.S. dollars (Note 1)				
Net sales:					
External customers	$5,077,523	$422,647	$5,500,170	$ —	$5,500,170
Inter-segment	319	60	379	(379)	—
Total	5,077,842	422,707	5,500,549	(379)	5,500,170
Operating expenses	4,684,420	368,260	5,052,680	(619)	5,052,061
Operating profit	$ 393,422	$ 54,447	$ 447,869	$ 240	$ 448,109
Identifiable assets	$4,287,524	$401,118	$4,688,642	$(29,764)	$4,658,878
Depreciation and amortization	$ 36,990	$ 23,704	$ 60,694	$ (0)	$ 60,694
Capital expenditures	$ 25,551	$ 60,176	$ 85,727	$ —	$ 85,727

(B) INFORMATION BY GEOGRAPHIC SEGMENT

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

(C) OVERSEAS SALES

The following is overseas sales information by geographic area for the years ended March 31, 2008, 2007 and 2006:

	Millions of yen			Thousands of U.S. dollars (Note 1)
March 31,	2008	2007	2006	2008
East Asia	¥ 6,537	¥ 9,124	¥ 26,634	$ 65,246
Southeast Asia	94,170	78,123	47,640	939,914
Middle East	213,437	322,539	276,312	2,130,323
Africa	21,494	32,695	43,455	214,532
Other	7,821	5,764	16,808	78,062
Total overseas sales	¥343,459	¥448,245	¥410,849	$3,428,077
Consolidated sales	¥551,062	¥608,530	¥550,301	$5,500,170
Percentage of overseas sales over consolidated sales	62.3%	73.7%	74.7%	62.3%

Major countries and areas included in each geographic area are as follows:

East Asia:	China
Southeast Asia:	Indonesia, Vietnam, the Philippines
Middle East:	Qatar, Saudi Arabia, Yemen
Africa:	Algeria, Nigeria
Other:	Kazakhstan, the United States, Australia

NOTE 12 — TAXES ON INCOME

The statutory tax rate for 2008, 2007 and 2006 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, 2008, 2007 and 2006:

	2008	2007	2006
Statutory tax rate	36.2%	36.2%	36.2%
Non-deductible expenses	0.3	0.7	0.8
Non-taxable dividend income	(0.7)	(0.6)	(0.6)
Valuation allowance	(1.5)	(1.8)	(1.0)
Tax credit utilized	(2.1)	(1.9)	(1.8)
Differences in tax rate applied to certain subsidiaries	1.2	1.2	1.2
Other	2.6	2.7	0.5
Effective tax rate	36.0%	36.5%	35.3%

Significant components of the Company and its consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2008 and 2007, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
March 31,	2008	2007	2008
Current deferred taxes			
Deferred tax assets:			
Excess accrued employees' bonuses	¥ 2,540	¥2,290	$ 25,352
Excess reserve for losses on contracts	950	1,817	9,482
Other	7,151	5,752	71,374
Total current deferred tax assets	10,641	9,859	106,208
Deferred tax liabilities:			
Retained earnings of foreign subsidiaries	(1,286)	—	(12,835)
Other	(219)	—	(2,186)
Total current deferred tax liabilities	(1,505)	—	(15,021)
Net current deferred tax assets	¥ 9,136	¥9,859	$ 91,187
Deferred tax liabilities:			
Retained earnings of foreign subsidiaries	¥ —	¥1,137	$ —
Other	36	15	359
Total current deferred tax liabilities	¥ 36	¥1,152	$ 359

For the year ended March 31, 2008 and 2007, the valuation allowances of ¥192 million ($1,916 thousand) and ¥170 million have been deducted from the gross amount of the current deferred tax assets, respectively.

Non-current deferred taxes			
Deferred tax assets:			
Loss recognized on percentage-of-completion method not deductible for income tax purposes	**¥ 196**	¥ 196	**$ 1,956**
Retirement benefits	**5,820**	6,160	**58,090**
Excess bad debt expenses	**3,293**	3,021	**32,867**
Other	**1,602**	1,147	**15,990**
Total non-current deferred tax assets	**10,911**	10,524	**108,903**
Deferred tax liabilities:			
Unrealized gains on securities	**(4,573)**	(8,436)	**(45,643)**
Other	**(150)**	(77)	**(1,497)**
Total non-current deferred tax liabilities	**(4,723)**	(8,513)	**(47,140)**
Net non-current deferred tax assets	**¥ 6,188**	¥ 2,011	**$ 61,763**

For the year ended March 31, 2008 and 2007, the valuation allowances of ¥924 million ($9,222 thousand) and ¥1,044 million have been deducted from the gross amount of the non-current deferred tax assets, respectively.

Deferred tax liabilities for land revaluation	**¥3,783**	¥3,783	**$37,758**
Deferred tax liabilities for full revaluation of the consolidated subsidiary	**¥ 66**	¥ 223	**$ 659**

NOTE 13 — NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(A) RECONCILIATION OF CASH

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

	Millions of yen			Thousands of U.S. dollars (Note 1)
March 31,	**2008**	2007	2006	**2008**
Cash and deposits	**¥ 93,617**	¥100,811	¥49,191	**$ 934,394**
Marketable securities	**71,000**	58,600	42,298	**708,654**
Cash and cash equivalents	**¥164,617**	¥159,411	¥91,489	**$1,643,048**

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 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 consolidated balance sheet at March 31, 2008 and 2007. When such land is sold, land revaluation is reversed and debited to retained earnings.

Fair value of the revalued land as of March 31, 2008 was ¥4,662 million ($46,532 thousand) less than the book value as of March 31, 2008.

NOTE 15 — RELATED PARTY TRANSACTIONS

Significant transaction with related party as of and for the years ended March 31, 2008, 2007 and 2006 were as follows:

	Millions of yen			Thousands of U.S. dollars (Note 1)
March 31,	**2008**	2007	2006	**2008**
Rabigh Arabian Water and Electricity Co., Ltd. (affiliated company) — guarantee obligation	**¥8,289**	¥9,903	¥10,001	**$82,733**

The Company doesn't receive a guarantee charge from Rabigh Arabian Water and Electricity Co., Ltd.

NOTE 16 — SUBSEQUENT EVENTS

The Company's wholly owned subsidiaries, Catalysts & Chemicals Industries Co., Ltd. and Nikki Chemical Co., Ltd. agreed to merge on May 1, 2008 and will merge effective as of July 1, 2008. The new company will be called JGC Catalysts & Chemicals Ltd.

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

We have audited the accompanying consolidated balance sheets of JGC Corporation (a Japanese corporation) and consolidated subsidiaries as of March 31, 2008 and 2007, and 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, 2008, 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, 2008 and 2007, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2008, 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, 2008 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.

KPMG AZSA & Co.

Tokyo, Japan
June 27, 2008

SIX-YEAR SUMMARY—NON-CONSOLIDATED

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

	2008	2007	2006	2005	2004	2003
Net Sales	**¥460,161**	¥528,794	¥ 484,382	¥386,041	¥367,741	¥338,946
Operating Income	**30,550**	14,432	12,221	7,748	11,171	13,164
Income Before Taxes on Income	**32,832**	21,538	16,652	12,787	12,934	7,411
Net Income	**21,312**	15,183	11,412	8,690	8,265	5,307
Total Current Assets	**270,646**	278,627	191,149	201,338	207,037	193,500
Total Current Liabilities	**194,470**	216,473	158,011	161,881	147,385	147,994
Working Capital	**76,176**	62,154	33,138	39,457	59,652	45,506
Current Ratio	**139.2%**	128.7%	121.0%	124.4%	140.5%	130.7%
Net Property and Equipment	**51,115**	53,081	53,745	54,897	56,355	59,767
Total Assets	**404,424**	418,285	333,545	332,727	319,109	303,527
Long-term Debt, Less Current Maturities	**15,519**	16,382	176	15,227	15,277	15,328
Total Net Assets	**174,795**	165,191	155,636	136,660	134,860	121,985
New Contracts	**348,755**	255,015	765,188	439,355	477,955	336,213
Outstanding Contracts	**616,763**	728,168	1,009,515	714,214	652,247	561,080
Net Income per Share (in yen)	**84.01**	59.81	44.49	33.82	31.98	20.13
Cash Dividends per Share (in yen)	**21.0**	15.0	11.0	8.5	8.0	6.0
Number of Employees	**2,014**	1,953	1,868	1,804	1,719	1,705

NON-CONSOLIDATED BALANCE SHEETS

JGC CORPORATION
March 31, 2008 and 2007

Assets	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars (Note 1) 2008
Current Assets:			
Cash and deposits	**¥ 81,876**	¥ 90,122	**$ 817,207**
Marketable securities	**71,000**	58,600	**708,654**
Notes and accounts receivable (Note 2)	**40,882**	53,591	**408,045**
Contract works in progress	**57,255**	52,413	**571,464**
Deferred tax assets (Note 8)	**7,773**	8,054	**77,583**
Other current assets (Note 2)	**12,449**	16,543	**124,254**
Allowance for doubtful accounts	**(589)**	(696)	**(5,879)**
Total Current Assets	**270,646**	278,627	**2,701,328**
Property and Equipment (Note 3)**:**			
Land (Note 9)	**22,493**	22,493	**224,504**
Buildings and structures	**46,547**	46,640	**464,587**
Machinery and equipment	**8,562**	8,742	**85,458**
Construction in progress	**31**	119	**309**
	77,633	77,994	**774,858**
Less accumulated depreciation	**(26,518)**	(24,913)	**(264,677)**
Net Property and Equipment	**51,115**	53,081	**510,181**
Other Assets:			
Investments in subsidiaries and affiliates	**31,222**	29,562	**311,628**
Marketable and investment securities	**28,872**	38,065	**288,172**
Long-term loans receivable (Note 2)	**14,719**	15,703	**146,911**
Deferred tax assets (Note 8)	**4,263**	—	**42,549**
Other	**3,587**	3,247	**35,802**
Total Other Assets	**82,663**	86,577	**825,062**
Total Assets	**¥404,424**	¥418,285	**$4,036,571**

The accompanying notes are an integral part of these statements.

Liabilities and Net Assets	Millions of yen 2008	2007	Thousands of U.S. dollars (Note 1) 2008
Current Liabilities:			
Short-term loans and current maturities of long-term debt (Notes 2 & 3)	**¥ 16,537**	¥ 11,939	**$ 165,056**
Notes and accounts payable (Note 2)	**55,082**	92,332	**549,775**
Advances received on uncompleted contracts (Note 2)	**109,102**	98,398	**1,088,951**
Reserve for job warranty costs	**616**	1,552	**6,148**
Reserve for losses on contracts	**2,497**	4,964	**24,923**
Income taxes payable	**5,413**	1,384	**54,027**
Other current liabilities (Note 2)	**5,223**	5,904	**52,132**
Total Current Liabilities	**194,470**	216,473	**1,941,012**
Long-Term Debt, Less Current Maturities (Note 3)	**15,519**	16,382	**154,896**
Retirement and Severance Benefits	**11,722**	12,190	**116,998**
Deferred Tax Liabilities for Land Revaluation (Notes 8 & 9)	**3,783**	3,783	**37,758**
Other Non-Current Liabilities (Note 8)	**4,135**	4,266	**41,272**
Total Liabilities	**229,629**	253,094	**2,291,936**
Contingencies (Note 5)			
Net Assets (Note 6)**:**			
Common stock			
Authorized — 600,000,000 shares,			
Issued — 259,052,929 shares in 2008 and 2007	**23,511**	23,511	**234,664**
Capital surplus	**25,593**	25,586	**255,445**
Legal earnings reserve	**2,693**	2,693	**26,879**
Retained earnings	**126,880**	109,375	**1,266,394**
Treasury stock, at cost	**(5,651)**	(4,151)	**(56,403)**
Net unrealized holding gains on securities	**8,028**	14,767	**80,127**
Deferred gains on hedges	**331**	—	**3,304**
Land revaluation, net of deferred tax portion (Note 9)	**(6,590)**	(6,590)	**(65,775)**
Total Net Assets	**174,795**	165,191	**1,744,635**
Total Liabilities and Net Assets	**¥404,424**	¥418,285	**$4,036,571**

NON-CONSOLIDATED STATEMENTS OF INCOME

JGC CORPORATION
Years ended March 31, 2008, 2007 and 2006

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2008	2007	2006	**2008**
Net Sales (Note 7)	**¥460,161**	¥528,794	¥484,382	**$4,592,884**
Cost of Sales	**420,019**	505,273	463,668	**4,192,225**
Gross profit	**40,142**	23,521	20,714	**400,659**
Selling, General and Administrative Expenses	**9,592**	9,089	8,493	**95,738**
Operating income	**30,550**	14,432	12,221	**304,921**
Other Income (Expenses):				
Interest and dividend income	**11,701**	9,651	5,650	**116,788**
Interest expense	**(604)**	(344)	(284)	**(6,029)**
Loss on sales and disposal of property and equipment	**(22)**	(32)	(38)	**(220)**
Loss on devaluation of property and equipment	**—**	—	(2)	**—**
Gain on sales of marketable and investment securities	**161**	—	162	**1,607**
Loss on devaluation of investment in unconsolidated subsidiaries	**—**	—	(679)	**—**
Loss on devaluation of marketable and investment securities	**(24)**	(26)	(29)	**(240)**
Exchange gain (loss), net	**(7,963)**	(15)	479	**(79,479)**
Loss on withdrawal from certain business	**—**	(920)	—	**—**
Provision for doubtful accounts	**(1,477)**	(1,790)	(1,422)	**(14,742)**
Gain on release from the substitutional portion of the government's welfare pension insurance scheme	**—**	—	171	**—**
Impairment loss	**—**	—	(13)	**—**
Other, net	**510**	582	436	**5,090**
	2,282	7,106	4,431	**22,775**
Income before taxes on income	**32,832**	21,538	16,652	**327,696**
Taxes on Income (Note 8)**:**				
Current	**11,997**	7,117	6,334	**119,742**
Deferred	**(477)**	(762)	(1,094)	**(4,761)**
Net Income	**¥ 21,312**	¥ 15,183	¥ 11,412	**$ 212,715**

	Yen			U.S. dollars (Note 1)
Amounts Per Share of Common Stock				
Net income	**¥84.01**	¥59.81	¥44.49	**$0.84**
Cash dividends applicable to the year	**¥21.00**	¥15.00	¥11.00	**$0.21**

The accompanying notes are an integral part of these statements.

NON-CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

JGC CORPORATION
Years ended March 31, 2008, 2007 and 2006

	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 on hedges	Land revaluation, net of deferred tax portion (Note 9)
Balance at March 31, 2005	259,053	¥23,511	¥25,581	¥2,693	¥ 88,084	¥(3,717)	¥ 7,241	¥ —	¥(6,733)
Net income for the year					11,412				
Cash dividends					(2,159)				
Bonuses to directors and corporate statutory auditors					(96)				
Land revaluation, net of deferred tax portion					(151)				151
Gain on retirement of treasury stock			1						
Net unrealized holding gains on securities							10,098		
Increase of treasury stock						(280)			
Balance at March 31, 2006	259,053	¥23,511	¥25,582	¥2,693	¥ 97,090	¥(3,997)	¥17,339	¥ —	¥(6,582)
Net income for the year					15,183				
Cash dividends					(2,793)				
Bonuses to directors and corporate statutory auditors					(113)				
Land revaluation, net of deferred tax portion					8				(8)
Gain on retirement of treasury stock			4			2			
Net unrealized holding gains on securities							(2,572)		
Increase of treasury stock						(156)			
Balance at March 31, 2007	259,053	¥23,511	¥25,586	¥2,693	¥109,375	¥(4,151)	¥14,767	¥ —	¥(6,590)
Net income for the year					**21,312**				
Cash dividends					**(3,807)**				
Land revaluation, net of deferred tax portion									
Gain on retirement of treasury stock			**7**			**6**			
Net unrealized holding gains on securities							**(6,739)**		
Net deferred gains on hedges								**331**	
Increase of treasury stock						**(1,506)**			
Balance at March 31, 2008	**259,053**	**¥23,511**	**¥25,593**	**¥2,693**	**¥126,880**	**¥(5,651)**	**¥ 8,028**	**¥331**	**¥(6,590)**

	Thousands of U.S. dollars (Note1)							
	Common stock	Capital surplus	Legal reserve	Retained earnings	Treasury stock, at cost	Net unrealized holding gains (losses) on securities	Deferred gains on hedges	Land revaluation, net of deferred tax portion (Note 9)
Balance at March 31, 2007	$234,664	$255,375	$26,879	$1,091,677	$(41,431)	$147,390	$ —	$(65,775)
Net income for the year				**212,715**				
Cash dividends				**(37,998)**				
Land revaluation, net of deferred tax portion								
Gain on retirement of treasury stock		**70**			**60**			
Net unrealized holding gains on securities						**(67,263)**		
Net deferred gains on hedges							**3,304**	
Increase of treasury stock					**(15,032)**			
Balance at March 31, 2008	**$234,664**	**$255,445**	**$26,879**	**$1,266,394**	**$(56,403)**	**$ 80,127**	**$3,304**	**$(65,775)**

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, 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 and the inclusion of non-consolidated statements of changes in net assets for 2006) 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 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 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, 2008, which was ¥100.19 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

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.

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 maturities, (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 the securities defined as (a) and (b) above in the years ended March 31, 2008 and 2007.

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

The Company recognizes sales on contracts using the completed-contract method. 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 on 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.

(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 9. 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 Income Tax Law in Japan.

Effective as of the consolidated accounting period ended March 31, 2008, the Company and its domestic subsidiaries have changed their depreciation procedure based on an amendment in corporation tax law for the tangible assets acquired on and after April 1, 2007. The effect of this change on the financial result is immaterial.

Effective as of the consolidated accounting period ended March 31, 2008, the Company and its domestic subsidiaries have changed their depreciation procedure, which book value became 5% of the acquired cost based on an amendment in corporation tax law for the tangible assets acquired before March 31, 2007. The tangible assets which book value became 5% of the acquired cost are amortized by straight-line method over 5 years. The effect of this change on the financial result is immaterial.

Finance leases, except those leases for which the ownership of the leased assets is considered to be transferred to the lessee, are accounted for in the same manner as operating leases.

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

Effective from the year ended March 31, 2006, the Company adopted the new accounting standard for impairment of fixed assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and "Implementation Guidance for the Accounting Standard for Impairment of Fixed Assets" (the Financial Accounting Standard Implementation Guidance No. 6 issued by the Accounting Standards Board of Japan on October 31, 2003).

As a result, income before taxes on income decreased by ¥13 million for the year ended March 31, 2006.

Accumulated loss from impairment is deducted directly from the acquisition costs of the related assets in accordance with the revised disclosure requirements.

(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, 2008 and 2007, 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 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.

From the year ended March 31, 2007, the Company changed the amortizing periods for the unrecognized actuarial gains and losses and the unrecognized prior service cost from 15 years to 12 years, because the average service period of its employees declined below 14 years as of March 31, 2007.

As a result, operating income and income before taxes on income decreased by ¥171 million for the year ended March 31, 2007.

(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) ACCOUNTING STANDARD FOR PRESENTATION OF NET ASSETS IN THE BALANCE SHEET

Effective from the year ended March 31, 2007, the Company adopted the new accounting standard, "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Statement No.5 issued by the Accounting Standards Board of Japan on December 9, 2005), and the implementation Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet (the Financial Accounting Standard Implementation Guidance No. 8 issued by the Accounting Standards Board of Japan on December 9, 2005), (collectively, the "New Accounting Standards").

Under the New Accounting Standards, the balance sheet comprises three sections, which are the assets, liabilities and net assets sections. Previously, the balance sheet comprised the assets, liabilities and the shareholders' equity sections.

The amount of net assets as of March 31, 2007, is the same as the amount of the shareholders' equity that would have been presented if the previous presentation rules had been applied at that date.

The adoption of the New Accounting Standards had no impact on the non-consolidated statements of income for the year ended March 31, 2007.

(O) ACCOUNTING STANDARD FOR STATEMENT OF CHANGES IN NET ASSETS

Effective from the year ended March 31, 2007, the Company adopted the new accounting standard, "Accounting Standard for Statement of Changes in Net Assets" (Statement No.6 issued by the Accounting Standards Board of Japan on December 27, 2005), and the implementation guidance for the accounting standard for statement of changes in net assets (the Financial Accounting Standard Implementation Guidance No. 9 issued by the Accounting Standards Board of Japan on December 27, 2005), (collectively, the "Additional New Accounting Standards").

Accordingly, the Company prepared the statements of changes in net assets for the year ended March 31, 2007 in accordance with the Additional New Accounting Standards. Also, the Company voluntarily prepared the non-consolidated statement of changes in net assets for 2006 in accordance with the Additional New Accounting Standards. Previously, statements of shareholders' equity were prepared for the purpose of inclusion in the non-consolidated financial statements although such statements were not required under Japanese GAAP.

(P) 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.

(Q) 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.

(R) ACCRUED BONUSES TO DIRECTORS AND CORPORATE AUDITORS

Effective from the year ended March 31, 2007, the Company adopted the new accounting standard, "Accounting Standard for Bonuses to Directors" (Statement No.4 issued by the Accounting Standards Board of Japan on November 29, 2005).

Under the new accounting standards, bonuses to directors and corporate auditors must be expensed and are no longer allowed to be directly charged to retained earnings.

As a result, operating income and income before taxes on income decreased by ¥143 million for the year ended March 31, 2007.

(S) RECLASSIFICATION AND RESTATEMENT

Certain prior year amounts have been reclassified to conform to the current year presentation.

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, 2008 and 2007, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
March 31,	**2008**	2007	**2008**
Notes and accounts receivable	**¥ 75**	¥ 29	**$ 749**
Other current assets	**3,478**	509	**34,714**
Long-term loans receivable	**5,957**	1,883	**59,457**
Notes and accounts payable	**14,716**	28,190	**146,881**
Short-term loans	**16,537**	11,763	**165,056**
Advances received on uncompleted contracts	**1**	99	**10**
Other current liabilities	**451**	531	**4,501**

NOTE 3 — BORROWINGS

At March 31, 2008 and at March 31, 2007, 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,	**2008**	2007	**2008**
Unsecured Debt			
1.36% – 5.27% loans from banks and insurance companies, due serially through 2013	**¥15,519**	¥16,558	**$154,896**
Less current maturities	**—**	(176)	**—**
Long-term debt due after one year	**¥15,519**	¥16,382	**$154,896**

Assets pledged as collateral for long-term debt and other non-current liabilities at March 31, 2008 and 2007, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
March 31,	**2008**	2007	**2008**
Land	**¥4,280**	¥4,280	**$42,719**
Buildings and structures, at net book value	**2,684**	2,828	**26,789**
Machinery and equipment, at net book value	**10**	12	**100**
Total	**¥6,974**	¥7,120	**$69,608**

The annual maturities of long-term debt outstanding at March 31, 2008, were as follows:

	Amount	
Year ending March 31,	Millions of yen	Thousands of U.S. dollars (Note 1)
2009	¥ —	$ —
2010	—	—
2011	—	—
2012	14,517	144,895
2013 and thereafter	1,002	10,001
Total	¥15,519	$154,896

NOTE 4 — LEASE TRANSACTIONS

(A) FINANCE LEASE TRANSACTIONS WITHOUT OWNERSHIP TRANSFER TO LESSEE

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

	Millions of yen	
March 31,	**2008**	2007
	Machinery and equipment	Machinery and equipment
Purchase price equivalents	**¥ 92**	¥ 63
Accumulated depreciation equivalents	**(14)**	(52)
Book value equivalents	**¥ 78**	¥ 11

	Thousands of U.S. dollars (Note 1)
March 31,	**2008**
	Machinery and equipment
Purchase price equivalents	**$ 918**
Accumulated depreciation equivalents	**(139)**
Book value equivalents	**$ 779**

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,	**2008**	2007	**2008**
Due within one year	**¥22**	¥11	**$220**
Due after one year	**56**	—	**559**
Total	**¥78**	¥11	**$779**

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

(3) Lease payments and depreciation equivalents:

Year ended March 31,	Millions of yen 2008	2007	2006	Thousands of U.S. dollars (Note 1) 2008
Lease payments	**¥25**	¥14	¥57	**$250**
Depreciation equivalents	**25**	14	57	**250**

(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 2008	2007	Thousands of U.S. dollars (Note 1) 2008
Due within one year	**¥1**	¥—	**$10**
Due after one year	**1**	—	**10**
Total	**¥2**	¥—	**$20**

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 ¥15,839 million ($158,090 thousand) and ¥20,814 million at March 31, 2008 and 2007, respectively.

(2) The Company has guaranteed employees' housing loans and others from banks in the amount of ¥23 million ($230 thousand) and ¥32 million at March 31, 2008 and 2007, respectively.

NOTE 6 — NET ASSETS

As described in Note 1 (n), net assets comprises three subsections, which are owners' equity, accumulated gains (losses) from valuation and translation adjustments and share subscription rights.

The Japanese Corporate Law ("the Law") became effective on May 1, 2006, replacing the Japanese Commercial Code ("the Code"). The Law is generally applicable to events and transactions occurring after April 30, 2006 and for fiscal years ending after that date.

Under Japanese laws 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.

Under the Law, in cases where a 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.

Under the Code, companies were required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock.

Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock, they were available for distribution by resolution of the shareholders' meeting. Under the Law, 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 Japanese laws and regulations.

At the annual shareholders' meeting held on June 27, 2008, the shareholders approved cash dividends amounting to ¥5,310 million ($52,999 thousand). Such appropriations have not been accrued in the non-consolidated financial statements as of March 31, 2008. Such appropriations are recognized in the period in which they are approved by the shareholders.

During the years ended March 31, 2008, 2007 and 2006, the Company issued no share.

NOTE 7 — NET SALES

Net sales recognized on the percentage-of-completion method for the years ended March 31, 2008, 2007 and 2006, were ¥396,618 million ($3,958,659 thousand), ¥465,956 million, and ¥375,408 million, respectively.

NOTE 8 — TAXES ON INCOME

The statutory tax rate for 2008, 2007 and 2006 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, 2008, 2007 and 2006:

	2008	2007	2006
Statutory tax rate	**36.2%**	36.2%	36.2%
Non-deductible expenses	**0.5**	0.7	0.7
Non-taxable dividend income	**(4.4)**	(6.1)	(5.2)
Tax credits utilized	**(0.5)**	(0.8)	(1.2)
Past year's income tax adjustment	**2.1**	(1.3)	1.4
Other	**1.2**	0.8	(0.4)
Effective tax rate	**35.1%**	29.5%	31.5%

Significant components of the Company's deferred tax assets and liabilities as of March 31, 2008 and 2007, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
March 31,	2008	2007	2008
Current deferred taxes			
Deferred tax assets:			
Excess accrued employees' bonuses	¥1,440	¥1,357	$14,373
Excess reserve for losses on contracts	904	1,797	9,023
Other	5,647	4,900	56,363
Total current deferred tax assets	7,991	8,054	79,759
Deferred tax liabilities:			
Other	(218)	—	(2,176)
Net current deferred tax assets	¥7,773	¥8,054	$77,583

For the years ended March 31, 2008 and 2007, the valuation allowances of ¥192 million ($1,916 thousand) and ¥170 million have been deducted from the gross amount of the current deferred tax assets, respectively.

Non-current deferred taxes			
Deferred tax assets:			
Loss recognized on percentage-of- completion method not deductible for income tax purposes	¥ 196	¥ 196	$ 1,956
Retirement benefits	4,243	4,413	42,350
Excess bad debt expenses	3,284	3,016	32,778
Other	1,232	804	12,296
Total non-current deferred tax assets	8,955	8,429	89,380
Deferred tax liabilities:			
Net unrealized holding gains on securities	(4,554)	(8,378)	(45,454)
Other	(138)	(183)	(1,377)
Total deferred tax liabilities	(4,692)	(8,561)	(46,831)
Net non-current deferred tax assets (liabilities)	¥ 4,263	¥ (132)	$ 42,549
Deferred tax liabilities for land revaluation	¥ 3,783	¥ 3,783	$ 37,758

For the years ended March 31, 2008 and 2007, the valuation allowances of ¥211 million ($2,106 thousand) and ¥246 million have been deducted from the gross amount of the non-current deferred tax assets, respectively.

NOTE 9 — 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, 2008 and 2007. When such land is sold, land revaluation is reversed and debited to retained earnings.

Fair value of revalued land as of March 31, 2008 was ¥4,662 million ($46,532 thousand) less than the book value as of March 31, 2008.

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, 2008 and 2007, and the related non-consolidated statements of income, changes in net assets for each of the three years in the period ended March 31, 2008, 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, 2008 and 2007, and the non-consolidated results of their operations for each of the three years in the period ended March 31, 2008, 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, 2008 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 & Co.

Tokyo, Japan
June 27, 2008

JGC GROUP

As of March 31, 2008

PROCESS LICENSING SERVICES
- ● Nikki-Universal Co., Ltd.

SPECIALIZED CONSULTING SERVICES
- ■ Japan NUS Co., Ltd.

ENGINEERING & CONSTRUCTION SERVICES
- ■ Nikki Construction Co., Ltd.
- ○ Nikki Shoji Co., Ltd.
- ■ JGC PROJECT SERVICES Co., Ltd.
- ■ JGC Corporation Europe B. V.
- ● M. W. Kellogg Limited
- ■ JGC SINGAPORE PTE LTD
- □ JGC PHILIPPINES, INC.
- □ PT. JGC INDONESIA
- □ JGC (USA), Inc.
- □ JGC-DESCON ENGINEERING (PRIVATE) LIMITED

GLOBAL WARMING GAS-EMISSIONS CREDITS BUSINESS
- ● JMD Greenhouse-Gas Reduction Co., Ltd.

JGC CORPORATION

MAINTENANCE SERVICES
- ■ JGC PLANTECH Co., Ltd.
- ■ JGC PLANTECH AOMORI Co., Ltd.

SYSTEM SOLUTION SERVICES
- ■ JGC Information Systems Co., Ltd.
- ■ J-SYS Software Co., Ltd.

OFFICE SUPPORT SERVICES
- ■ Nikki Business Services Co., Ltd.

CATALYSTS & FINE PRODUCTS
- ■ Catalysts & Chemicals Industries Co., Ltd.
- ■ Nikki Chemical Co., Ltd.
- ■ Japan Fine Ceramics Co., Ltd.
- ● Nikki-Universal Co., Ltd.

□ Total engineering
▭ Catalysts and fine products

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

BUSINESS	COMPANY	COUNTRY	CAPITAL	CAPITAL SHARE	OTHER
Process Licensing Services	**Nikki-Universal Co., Ltd.**	Japan	¥1,000,000,000	50%	
Specialized Consulting Services	**Japan NUS Co., Ltd.**	Japan	¥50,000,000	80%	
Engineering & Construction Services	**Nikki Construction Co., Ltd.**	Japan	¥495,000,000	100%	
	Nikki Shoji Co., Ltd.	Japan	¥40,000,000	24.5%	
	JGC PROJECT SERVICES Co., Ltd.	Japan	¥200,000,000	100%	
	JGC Corporation Europe B. V.	The Netherlands	€2,768,000	100%	
	M. W. Kellogg Limited	U.K.	£Stg.890	44.94%	
	JGC SINGAPORE PTE LTD	Singapore	S$2,100,000	100%	
	JGC PHILIPPINES, INC.	Philippines	P340,000,000	95%	
	PT. JGC INDONESIA	Indonesia	US$1,600,000	100%	* JGC 70% * JGC PROJECT SERVICES 30%
	JGC (USA), Inc.	U.S.A.	US$100,000	100%	
	JGC-DESCON ENGINEERING (PRIVATE) LIMITED	Pakistan	PRs.110,000,000	51%	* JGC SINGAPORE 51%
Maintenance Services	**JGC PLANTECH Co., Ltd.**	Japan	¥135,000,000	100%	
	JGC PLANTECH AOMORI Co., Ltd.	Japan	¥50,000,000	100%	* JGC PLANTECH 100%
System Solution Services	**JGC Information Systems Co., Ltd.**	Japan	¥400,000,000	100%	
	J-SYS Software Co., Ltd.	Japan	¥30,000,000	100%	* JGC Information Systems 100%
Office Support Services	**Nikki Business Services Co., Ltd.**	Japan	¥1,455,000,000	100%	
Catalysts & Fine Products	**Catalysts & Chemicals Industries Co., Ltd.**	Japan	¥800,000,000	100%	
	Nikki Chemical Co., Ltd.	Japan	¥1,000,000,000	100%	
	Japan Fine Ceramics Co., Ltd.	Japan	¥300,000,000	100%	
	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%	

OUTLINE OF JGC

As of March 31, 2008

Established October 25, 1928

Capital ¥23,511,189,612

Number of Employees 2,014

Major Shareholders

	Number of shares (thousands)	Percentage of total (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	16,124	6.22
Japan Trustee Services Bank, Ltd. (Trust Account)	15,738	6.07
Nikki Shoji Co., Ltd.	12,112	4.67
Sumitomo Mitsui Banking Corp.	11,000	4.24
JGC-S Saneyoshi Scholarship Foundation	8,433	3.25
SSB Clients Omnibus Om04	8,384	3.23
Mizuho Corporate Bank, Ltd.	6,150	2.37
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	6,125	2.36
Deutsche Securities Inc.	4,975	1.92
State Street Bank and Trust Company 505103	3,392	1.30

JGC's treasury stock holdings total 6,178 thousands shares, approximately 2.38% of total shares issued.

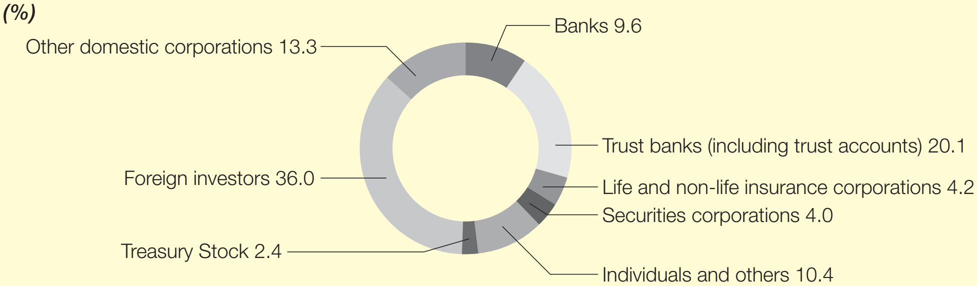
Authorized Shares 600,000,000

Issued and Outstanding Shares 259,052,929

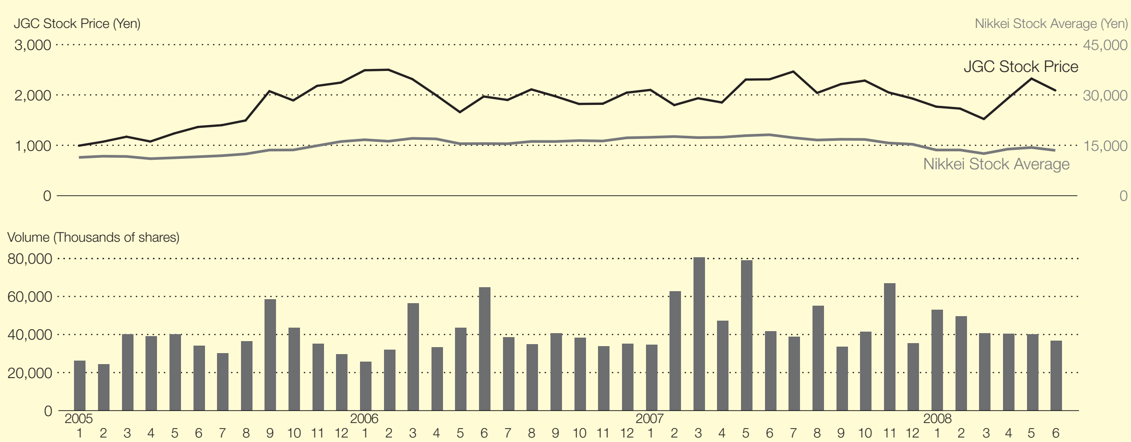
Number of Shareholders 11,830

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



Domestic Offices

Tokyo Corporate Office
New Ohtemachi Bldg., 2-2-1,
Ohtemachi, Chiyoda-ku,
Tokyo 100-0004, Japan
Tel: 81-3-3279-5441
Fax: 81-3-3273-8047

Yokohama World Operations Center
2-3-1, Minato Mirai, Nishi-ku,
Yokohama 220-6001, Japan
Tel: 81-45-682-1111
Fax: 81-45-682-1112

Research and Development Center
2205, Narita-cho, Oarai-machi,
Higashi Ibaraki-gun, Ibaraki Pref.
311-1313, Japan
Tel: 81-29-266-3311
Fax: 81-29-266-3310

Osaka Office
3-1-18, Kitahama, Chuo-ku,
Osaka 541-0041, Japan
Tel: 81-6-6208-0260
Fax: 81-6-6208-0265

Overseas Offices

Asia

Beijing Office
Room No. 605, Office Tower I,
Henderson Centre, No. 18
Jianguomennei Dajie,
Dongcheng District, Beijing
100005, China
Tel: 86-10-6518-3001
Fax: 86-10-6518-3006

Jakarta Office
Wisma Kyoei Prince, 12A Floor,
Jl. Jend. Sudirman Kav. 3,
Jakarta 10220, Indonesia
Tel: 62-21-572-3320
Fax: 62-21-572-4311

Hanoi Office
Unit 6, 6th Floor, International Center
17 Ngo Quyen Street,
Hoan Kiem District
Hanoi, Vietnam
Tel: 84-4-936-6850
Fax: 84-4-936-6851

JGC KOREA CORPORATION
Lotte Kwanak Tower 5th Floor
395-67, Shindaebang-Dong,
Dongjak-Gu, Seoul, Korea
Tel: 82-2-831-7316
Fax: 82-2-831-7317

JGC Engineering Consultants (Shanghai) Co., Ltd.
Suite 1502-1504, POS-PLAZA,
1600 Century Avenue Pudong
New Area, Shanghai 200122, China
Tel: 86-21-5058-9881
Fax: 86-21-5058-9880

JGC PHILIPPINES, INC.
2109 Prime Street,
Madrigal Business Park,
Ayala Alabang, Muntinlupa City,
Metro Manila, Philippines
Tel: 63-2-876-6000
Fax: 63-2-807-0668

PT. JGC INDONESIA
JL. Mampang Prapatan,
Raya Kav. 66, Jakarta 12790,
Indonesia
Tel: 62-21-7993848
Fax: 62-21-7990830

JGC SINGAPORE PTE LTD
29 International Business Park
#07-01 Acer Building, Tower A
Singapore 609923, Singapore
Tel: 65-6-227-0122
Fax: 65-6-227-0358

JGC CONSTRUCTION INTERNATIONAL PTE. LTD.
29 International Business Park
#07-01 Acer Building, Tower A
Singapore 609923, Singapore
Tel: 65-6-561-1255
Fax: 65-6-561-1767

JGC (MALAYSIA) SDN. BHD.
Level 9, Wisma Genting
Jalan Sultan Ismail
50250, Kuala Lumpur, Malaysia
Tel: 60-3-21612155
Fax: 60-3-21619110

JGC-DESCON ENGINEERING (PRIVATE) LIMITED
18KM Ferozepur Road,
Lahore-53000, Pakistan
Tel: 92-42-581-2330
Fax: 92-42-581-0867

Middle East

Abu Dhabi Office
Office No. 305, 3rd Floor
Al Salam Building
Junction of Zayed the 1st St./Al Salam Road
P.0. Box 28543
Abu Dhabi, U.A.E
Tel: 971-2-6443-335
Fax: 971-2-6444-204

Tehran Office
5th Floor, Uinit #18, No. 25,
Shahid Abbas Pour (Tavanir) Ave.,
Vali-Asr Ave., Tehran,
1434875443, Iran
P.O. Box 15875-5735
Tel: 98-21-8879-2226
Fax: 98-21-8888-0980

JGC Arabia Limited
(Al-Khobar Office):
P.O. Box 2414, Al-Khobar 31952,
Saudi Arabia
Tel: 966-3-801-0140
Fax: 966-3-801-0141

JGC Gulf International LTD.
P.O. Box 2257, Al-Khobar 31952,
Saudi Arabia
Tel: 966-3-896-5060
Fax: 966-3-896-5071

JGC Middle East FZE
(Jebel Ali Head Office):
Office No. LB13124
P.O.Box 18414, Jebel Ali,
Dubai, U.A.E.
Tel: 971-4-8812102
Fax: 971-4-8873102
(Doha Branch):
3rd Floor, Al Fardan Plaza,
Al Sadd Street,
P.O.Box 22173 Doha, Qatar
Tel: 974-4361501
Fax: 974-4321680

Europe

Almaty Office
050059 Almaty Samal-2
Microdistrict Bldg. 56A
Office 203, Kazakhstan
Tel: 7-327-263-5185
Fax: 7-327-263-5187

Paris Office
17 Rue de Quatre
Septembre 75002
Paris, France
Tel: 33-1-4477-4300
Fax: 33-1-4477-4311

London Office
Building 7E, Kellogg Tower,
Greenford Road,
Greenford, Middlesex,
UB6 OJA, U.K.
Tel: 44-20-8872-7851
Fax: 44-20-8872-7852

JGC Corporation Europe B.V.
Scheveningseweg 58,
2517 KW, The Hague,
The Netherlands
Tel: 31-70-306-6500
Fax: 31-70-306-6501

JGC CORPORATION (UK) LIMITED
Building 7E, Kellogg Tower,
Greenford Road,
Greenford, Middlesex,
UB6 OJA, U.K.
Tel: 44-20-8872-7851
Fax: 44-20-8872-7852

M.W. Kellogg Limited
Kellogg Tower, Greenford Road,
Greenford, Middlesex,
UB6 OJA, U.K.
Tel: 44-20-8872-7000
Fax: 44-20-8872-7272

Africa

Algiers Office
27, Chemin Doudou
Mokhtar, Impasse
Ben Aknoun, Alger, Algeria
Tel: 213-21-91-2366
Fax: 213-21-91-2285

Arzew Office
BP 41 Arzew, Wilya d'Oran,
Algeria
Tel: 213-41-48-6701
Fax: 213-41-48-6316

SAJEC S.p.A
54 Avenue des Trois Freres Bouadou,
Bir Mourad Rais
6 eme etage, Alger, Algeria
Tel: 213-21-44-8934
Fax: 213-21-44-8957

JGC Algeria S.p.A
27, Chemin Doudou Mokhtar,
Impasse No.3, Ben Aknoun, Alger, Algeria
Tel: 213-21-91-2366
Fax: 213-21-91-2285

JGC NIGERIA LIMITED
27A Festival Road Victoria Island,
Lagos, Nigeria
Tel: 234-1-463-0304
Fax: 234-1-463-0305

Americas

JGC (USA), Inc.
10370 Richmond Avenue,
Suite 800, Houston,
TX 77042, U.S.A.
Tel: 1-713-789-1441
Fax: 1-713-975-7874

JGC Energy Development (USA), Inc.
520 Post Oak Blvd., Suite 275
Houston, TX 77027, U.S.A.
Tel: 1-713-965-0200
Fax: 1-713-965-0244

JGC VENEZUELA C.A.
Edificio Bancaracas Piso 6
Oficina 6-06,
Av. San Felipe con 2da Calle,
La Castellana, Caracas, Venezuela
Tel: 58-212-266-9155
Fax: 58-212-265-9231

JGC CORPORATION
2-3-1, Minato Mirai, Nishi-Ku, Yokohama 220-6001, Japan
TEL. 81-45-682-1111 FAX. 81-45-682-1112
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