

**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 hydrochlorofluorocarbon (HCFC) plant in China, and have already acquired a total of 40 million tons in emissions rights credits on a CO<sub>2</sub>-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<sub>2</sub> 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