

FINANCIAL SECTION

CONTENTS

36	SIX-YEAR SUMMARY—CONSOLIDATED
37	ANALYSIS OF PERFORMANCE AND FINANCIAL POSITION
41	RISKS IMPACTING OPERATIONS
42	CONSOLIDATED BALANCE SHEETS
44	CONSOLIDATED STATEMENTS OF INCOME
45	CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
46	CONSOLIDATED STATEMENTS OF CASH FLOWS
47	NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
59	INTERNAL CONTROL REPORT
60	INDEPENDENT AUDITORS' REPORT
61	SIX-YEAR SUMMARY—NON-CONSOLIDATED
62	NON-CONSOLIDATED BALANCE SHEETS
64	NON-CONSOLIDATED STATEMENTS OF INCOME
65	NON-CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
66	NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
72	INDEPENDENT AUDITORS' REPORT

SIX-YEAR SUMMARY—CONSOLIDATED

For the six years ended March 31.

Yen amounts are in millions except per share data.

	2009	2008	2007	2006	2005	2004
Net Sales	¥450,912	¥551,062	¥608,530	¥550,301	¥435,198	¥409,962
Operating Income	52,003	44,896	26,413	20,389	13,221	15,486
Net Income	31,543	30,020	20,187	15,011	11,585	10,587
Total Current Assets	335,220	324,617	327,333	231,777	231,811	234,521
Total Current Liabilities	208,023	217,339	237,586	175,428	175,066	160,128
Working Capital	127,197	107,278	89,747	56,349	56,745	74,393
Current Ratio	161.1%	149.4%	137.8%	132.1%	132.4%	146.5%
Net Property and Equipment	66,509	68,450	67,220	65,688	65,887	67,171
Total Assets	480,279	466,773	470,286	375,288	367,438	355,009
Long-term Debt, Less Current Maturities	23,255	17,300	17,799	993	15,712	16,086
Total Shareholders' Equity	—	—	—	—	151,155	146,289
Total Net Assets	224,488	207,537	189,239	173,355	—	—
New Contracts	506,135	402,352	301,347	807,649	469,534	498,252
Outstanding Contracts	727,321	632,827	744,679	1,024,348	722,374	674,627
Net Income per Share (in yen)	124.76	118.33	79.52	58.33	44.93	40.88
Cash Dividends per Share (in yen)	30.0	21.0	15.0	11.0	8.5	8.0
Number of Employees	5,739	4,723	4,531	4,205	4,147	4,063

OUR VIEW OF THE OPERATING ENVIRONMENT

The global economy experienced an unprecedented slowdown during the fiscal year under review as the financial crisis triggered by the U.S. subprime mortgage issue spread to the global economy and resulted in a deterioration of the real economy.

In oil and gas producing countries, which have the greatest impact on the total engineering business (the core business) of the JGC Group (the Group), the dramatic drop in the price of crude oil and other natural resources since autumn 2008 has resulted in the delay of construction of capital investment projects, as clients have taken a wait-and-see approach with respect to plant construction costs. However, oil and gas producing countries, as well as international oil companies, which together comprise the Group's key clients, will not be swayed by short-term trends in the economy or crude oil prices. With such clients carrying out development investment based on a middle- to long-term perspective, we believe that latent interest in investment is solid. With respect to the Japanese economy, exports have fallen significantly in line with the global economic slowdown, and the outlook is for a continued weakening of the economy.

Under these difficult conditions, the core total engineering business received orders below the initial target, reflecting the termination by Kuwait National Petroleum Company of the EPC contract for the New Refinery Project, in Al-Zour, Kuwait. Concerning project execution, the Group worked to strengthen its partnerships with suppliers and subcontractors and to enhance its manpower resources. At the same time, the Group paid close attention to various risks and focused on ensuring certain and efficient project execution.

RESULTS OF OPERATIONS

Consolidated net sales for the JGC Group in the year ended March 31, 2009 declined 18.2% to ¥450,912 million. Consolidated operating income increased 15.8% to ¥52,003 million, and consolidated net income was up 5.1% to ¥31,543 million, a record high. The Group also recorded increases in consolidated net income for the tenth consecutive year.

NET SALES

Reflecting project progress and the impact of exchange rates, consolidated net sales declined by ¥100,150 million compared with the previous fiscal year, totaling ¥450,912 million.

COST OF SALES AND SELLING, GENERAL AND ADMINISTRATIVE COSTS

As a result of the decline in net sales, the cost of sales fell by ¥108,420 million to ¥378,942 million. Selling, general and administrative expenses increased by ¥1,163 million to ¥19,967 million.

OPERATING INCOME

Operating income increased by ¥7,107 million to ¥52,003 million. The operating income ratio rose 3.4 percentage points from 8.1% to 11.5%.

OTHER INCOME (EXPENSES)

Other income (expenses) declined from a net income of ¥2,012 million in the previous fiscal year to a net loss of ¥2,559 million. This was primarily due to an increase in provision for doubtful accounts, a decrease in equity in the earnings of affiliates, a decrease in interest and dividend income and an increase in losses due to the devaluation of marketable and investment securities, despite an increase in gain on sales of marketable and investment securities. As a result, income before taxes on income for the year ended March 31, 2009 increased ¥2,536 million to ¥49,444 million.

TAXES ON INCOME

Income tax and other taxes increased ¥5,767 million compared to the previous fiscal year to ¥23,677 million. This was attributable to the increase in income before taxes on income and minority interests in earnings of consolidated subsidiaries as well as the increase in tax expenses for tax calculation purposes. On the other hand, deferred taxes on income was minus ¥5,715 million, while tax expenses (net) came to ¥17,962 million (an increase of ¥1,094 million from the previous fiscal year).

MINORITY INTERESTS IN EARNINGS (LOSSES) CONSOLIDATED SUBSIDIARIES

Minority interests, primarily consisting of losses allocated to minority shareholders of consolidated subsidiary JGC-ITC Rabigh Utility Co., Ltd. increased by ¥81 million from the previous fiscal year to ¥61 million.

NET INCOME

As a result of the above, net income increased by ¥1,523 million to ¥31,543 million.

SEGMENT INFORMATION

INFORMATION BY BUSINESS SEGMENT

Net sales in the total engineering business declined by ¥97,075 million to ¥411,642 million, due to progress in projects and the impact of foreign exchange rates. Operating income increased by ¥11,271 million to ¥50,688 million, attributable to higher gross profit margins on completed projects.

In the catalysts and fine products business, net sales declined by ¥3,075 million from the previous fiscal year to ¥39,270 million as the dramatic economic slowdown prompted clients to push back or reexamine business plans and caused a contraction in the product market. Operating income fell ¥4,163 million to ¥1,292 million, reflecting the worse-than-expected deterioration of the business environment, including dramatic price fluctuations for rare metals, which are key raw materials for this business. The total engineering business accounted for 91% of net sales and 97% of operating income.

INFORMATION BY REGION

Overseas sales declined by ¥86,097 million to ¥257,362 million. The breakdown of consolidated sales is 57% overseas and 43% domestic.

FINANCIAL POSITION

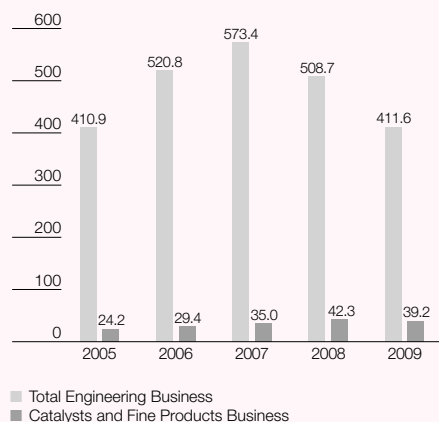
Consolidated total assets at the end of the fiscal year under review totaled ¥480,279 million, an increase of ¥13,506 million from the end of the previous fiscal year. The increase was due to an increase in cash and deposits and other factors. Total liabilities declined by ¥3,445 million to ¥255,791 million, due to a decrease in advances received for uncompleted contracts. Shareholders' equity (total net assets-minority interests) increased by ¥16,633 million to ¥223,888 million, due to the increase in net income.

As a result, the shareholders' equity ratio was 46.6%.

Effective from fiscal 2007, the Company has applied 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 2007	Mar 2008	Mar 2009
Current ratio (%)	138	149	161
Fixed assets ratio (%)	76	68	65

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 ¥7,795 million to ¥174,282 million, excluding the increase associated with newly-consolidated subsidiaries.

Net cash provided by operating activities was ¥36,595 million, mainly from the ¥49,444 million in income before income taxes, reflecting the steady collection of receivables.

Net cash used in investing activities was ¥26,457 million, reflecting disbursements for investments in business investment projects.

Net cash provided by financing activities was ¥472 million. Factors included proceeds from long-term bank loans and dividend payments.

Cash flow indicators for the JGC Group are as follows:

	Mar 2007	Mar 2008	Mar 2009
Shareholders' equity ratio (%)	40.2	44.4	46.6
Shareholders' equity ratio (market basis, %)	104.4	82.5	58.7
Years to redemption of liabilities (years)	0.3	0.6	0.7
Interest coverage ratio (times)	308.2	62.8	47.1

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

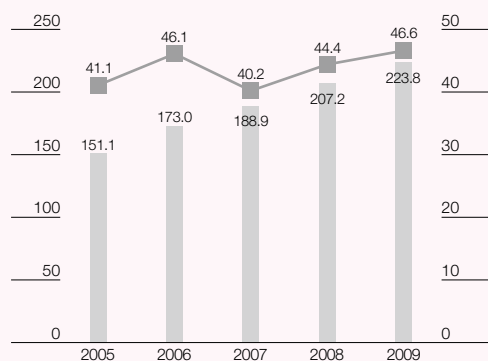
Interest coverage ratio: Net cash/interest expenses

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/%)

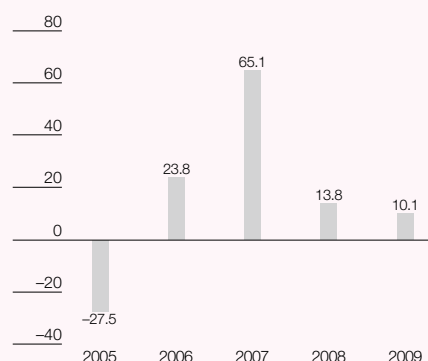


■ Shareholders' Equity
— Shareholders' Equity Ratio

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

FREE CASH FLOWS

(Billions of yen)



ANALYSIS OF NEW CONTRACTS

At the end of the fiscal year under review, new contracts on a consolidated basis for the total engineering business totaled ¥506,135 million (up 25.8% from the end of the previous fiscal year). This figure fell short of our initial forecast of ¥700,000 million. The primary factor behind this was the termination by Kuwait National Petroleum Company of the EPC contract for the New Refinery Project, in Al-Zour, Kuwait.

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

NEW CONTRACTS BY BUSINESS SECTOR

(Billions of yen)

	Mar 2008	Mar 2009	Mar 2009 Percentage of new contracts
Oil and gas development projects	11.3	268.8	53.1
Petroleum refining projects	79.1	50.8	10.1
LNG projects	16.0	31.2	6.2
Chemical projects	243.9	78.4	15.5
Other projects	51.9	76.6	15.1

NEW CONTRACTS BY REGION

(Billions of yen)

	Mar 2008	Mar 2009	Mar 2009 Percentage of new contracts
Japan	135.7	131.9	26.1
Asia	15.1	14.3	2.8
Africa	7.5	47.6	9.4
Middle East	232.0	299.6	59.2
Other	11.8	12.6	2.5

The consolidated outstanding contracts totaled ¥727,321 million, after adjustments for currency exchange and revision to contract figures.

FUTURE OUTLOOK

In the total engineering business, although latent investment desire in plant facilities is firm in our key markets centered on the Middle East, Asia and Africa, there is uncertainty in the market environment. Such uncertainty includes the postponement of investment decisions on some projects due to expectations for plant construction costs to trend downwards and the reexamination of business profitability in light of economic volatility. For the upcoming fiscal year, we expect continued capital investment in sectors including oil, gas and resource development, LNG, petroleum refining, non-ferrous metals refining and pharmaceuticals. In these areas we will consider project scale, profitability, regions and sectors, while aggressively pursuing business activities aimed at achieving the goals set forth in our "Scenario 2010" medium-term business plan.

In the catalysts and fine products business, we look for poor market conditions and slumping demand to continue, making for a continued difficult business environment. We will respond to these tough conditions by redoubling our efforts to cut costs, efficiently allocating our personnel and aggressively working to cultivate new clients. We will also strive to increase the profitability of each product, accelerate expansion into overseas markets, and build new business bases.

RISKS IMPACTING OPERATIONS

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

Forward-looking statements are based on the best information available and give consideration to the overall activities of the JGC Group as of 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 businesses, new types of fuel business, water and power generation businesses, and the global warming gas-emissions credits business. In making these decisions, specific criteria are in place to facilitate new investments and reinvestments, monitoring of existing businesses, as well as decisions to withdraw from businesses, thereby ensuring the execution of appropriate risk management. However, unanticipated dramatic changes in the investing environment, such as sudden price fluctuations in oil, gas or other energy resources, can have a negative impact on the JGC Group's performance.

4. RISKS OF CHANGES IN EXCHANGE RATES

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

CONSOLIDATED BALANCE SHEETS

JGC CORPORATION
March 31, 2009 and 2008

Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Current Assets:			
Cash and deposits (Note 14)	¥117,782	¥ 93,617	\$1,199,043
Marketable securities (Notes 10 & 14)	56,500	71,000	575,181
Notes and accounts receivable (Note 2)	72,455	68,131	737,606
Inventories (Note 4)	62,250	68,744	633,717
Deferred tax assets (Note 13)	13,734	9,136	139,815
Other current assets (Note 2)	12,559	14,522	127,852
Allowance for doubtful accounts	(60)	(533)	(611)
Total Current Assets	335,220	324,617	3,412,603
Property and Equipment (Note 3):			
Land (Note 15)	26,561	26,517	270,396
Buildings and structures	55,509	54,827	565,092
Machinery and equipment	44,461	43,316	452,621
Construction in progress	853	96	8,684
	127,384	124,756	1,296,793
Less accumulated depreciation	(60,875)	(56,306)	(619,719)
Net Property and Equipment	66,509	68,450	677,074
Other Assets:			
Investments in unconsolidated subsidiaries and affiliates (Note 10)	27,804	18,663	283,050
Marketable and investment securities (Note 10)	23,918	29,033	243,490
Long-term loans receivable (Note 2)	10,073	13,694	102,545
Deferred tax assets (Note 13)	11,241	6,188	114,436
Goodwill	404	1,211	4,113
Other	5,110	4,917	52,020
Total Other Assets	78,550	73,706	799,654
Total Assets	¥480,279	¥466,773	\$4,889,331

The accompanying notes are an integral part of these statements.

Liabilities and Net Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Current Liabilities:			
Short-term loans and current maturities of long-term debt (Note 3)	¥ 762	¥ 762	\$ 7,757
Notes and accounts payable (Note 2)	92,519	82,017	941,861
Advances received on uncompleted contracts	81,501	111,955	829,696
Reserve for job warranty costs	468	695	4,764
Reserve for losses on contracts	1,835	2,611	18,681
Income taxes payable	14,592	9,368	148,549
Other current liabilities (Notes 2 & 13)	16,346	9,931	166,405
Total Current Liabilities	208,023	217,339	2,117,713
Long-Term Debt, Less Current Maturities (Note 3)	23,255	17,300	236,740
Retirement and Severance Benefits (Note 6)	16,226	16,214	165,184
Deferred Tax Liabilities for Land Revaluation (Notes 13 & 15)	3,783	3,783	38,512
Other Non-Current Liabilities (Notes 2 & 13)	4,504	4,600	45,852
Total Liabilities	255,791	259,236	2,604,001
Contingencies (Note 7)			
Net Assets (Note 8):			
Common stock			
Authorized — 600,000,000 shares,			
Issued — 259,052,929 shares in 2009 and 2008	23,511	23,511	239,346
Capital surplus	25,599	25,593	260,603
Retained earnings	188,547	160,311	1,919,444
Treasury stock, at cost	(5,671)	(5,532)	(57,732)
Net unrealized holding gains on securities	2,481	8,056	25,257
Deferred gains (losses) on hedges	(1,027)	331	(10,455)
Land revaluation, net of deferred tax portion (Note 15)	(6,590)	(6,590)	(67,087)
Foreign currency translation adjustments	(2,962)	1,575	(30,154)
Minority interests	600	282	6,108
Total Net Assets	224,488	207,537	2,285,330
Total Liabilities and Net Assets	¥480,279	¥466,773	\$4,889,331

CONSOLIDATED STATEMENTS OF INCOME

JGC CORPORATION

Years ended March 31, 2009, 2008 and 2007

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2009	2008	2007	2009
Net Sales (Notes 9 & 12)	¥450,912	¥551,062	¥608,530	\$4,590,370
Cost of Sales	378,942	487,362	564,591	3,857,702
Gross profit	71,970	63,700	43,939	732,668
Selling, General and Administrative Expenses	19,967	18,804	17,526	203,268
Operating income	52,003	44,896	26,413	529,400
Other Income (Expenses):				
Interest and dividend income	3,980	6,593	5,184	40,517
Interest expense	(807)	(558)	(358)	(8,215)
Loss on sales and disposal of property and equipment	(90)	(177)	(286)	(916)
Loss on devaluation of marketable and investment securities	(2,148)	(24)	(26)	(21,867)
Exchange gain, net	(1,611)	(8,152)	(120)	(16,400)
Equity in earnings of affiliates	2,143	5,078	3,199	21,816
Gain on sales of marketable and investment securities	2,577	148	36	26,234
Gain on transition to new defined contribution pension plan	—	—	81	—
Provision for doubtful accounts	(6,635)	(1,424)	(1,776)	(67,546)
Loss on withdrawal from certain business	—	—	(920)	—
Provision for retirement and severance benefits	—	—	(117)	—
Other, net	32	528	513	326
	(2,559)	2,012	5,410	(26,051)
Income before taxes on income and minority interests in earnings of consolidated subsidiaries	49,444	46,908	31,823	503,349
Taxes on Income (Note 13):				
Current	23,677	17,910	11,300	241,036
Deferred	(5,715)	(1,042)	312	(58,180)
Income before minority interests	31,482	30,040	20,211	320,493
Minority Interests in Earnings (Losses) Consolidated Subsidiaries	61	(20)	(24)	621
Net Income	¥ 31,543	¥ 30,020	¥ 20,187	\$ 321,114
Amounts Per Share of Common Stock				
Net income	¥124.76	¥118.33	¥79.52	\$1.27
Cash dividends applicable to the year	¥ 30.00	¥ 21.00	¥15.00	\$0.31

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

JGC CORPORATION

Years ended March 31, 2009, 2008 and 2007

	Thousands of shares									Millions of yen	
	Shares	Amount	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gains (losses) on securities	Deferred gains (losses) on hedges	Land revaluation, net of deferred tax portion (Note 15)	Foreign currency translation adjustments	Minority Interests
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 losses 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	
Net income for the year				31,543							
Effect of change in scope of consolidation				2,003					(48)	435	
Cash dividends				(5,310)							
Gain on retirement of treasury stock			6			15					
Land revaluation, net of deferred tax portion				0				(0)			
Net unrealized holding losses on securities							(5,575)				
Net deferred losses on hedges								(1,358)			
Foreign currency translation adjustments									(4,489)		
Increase of treasury stock					(154)						
Net changes during the year										(117)	
Balance at March 31, 2009	259,053	¥23,511	¥25,599	¥188,547	¥(5,671)	¥ 2,481	¥(1,027)	¥(6,590)	¥(2,962)	¥ 600	

	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 (losses) on hedges	Land revaluation, net of deferred tax portion (Note 15)	Foreign currency translation adjustments	Minority Interests	
Balance at March 31, 2008	\$239,346	\$260,542	\$1,631,996	\$(56,317)	\$ 82,012	\$ 3,370	\$(67,087)	\$ 16,034	\$ 2,871	
Net income for the year			321,114							
Effect of change in scope of consolidation			20,391					(489)	4,428	
Cash dividends			(54,057)							
Gain on retirement of treasury stock		61		153						
Land revaluation, net of deferred tax portion			0				(0)			
Net unrealized holding losses on securities					(56,755)					
Net deferred losses on hedges						(13,825)				
Foreign currency translation adjustments								(45,699)		
Increase of treasury stock				(1,568)						
Net changes during the year										(1,191)
Balance at March 31, 2009	\$239,346	\$260,603	\$1,919,444	\$(57,732)	\$ 25,257	\$(10,455)	\$(67,087)	\$(30,154)	\$ 6,108	

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

JGC CORPORATION

Years ended March 31, 2009, 2008 and 2007

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2009	2008	2007	2009
Cash Flows From Operating Activities:				
Income before taxes on income and minority interests in earnings of consolidated subsidiaries	¥ 49,444	¥ 46,908	¥ 31,823	\$ 503,349
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	6,979	6,081	5,394	71,048
Amortization of goodwill	764	734	734	7,778
Increase (decrease) in allowance for doubtful accounts	6,687	1,421	(938)	68,075
Increase (decrease) in reserve for losses on contracts	(776)	(2,403)	1,747	(7,900)
Increase (decrease) in retirement and severance benefits	(8)	(928)	82	(81)
Interest and dividend income	(3,980)	(6,593)	(5,184)	(40,517)
Interest expense	807	558	358	8,215
Exchange (gain) loss	660	5,005	(402)	6,719
Equity in earnings of affiliates	(2,143)	(5,078)	(3,199)	(21,816)
Gain on sales of marketable and investment securities	(2,577)	(148)	(36)	(26,234)
Loss on devaluation of marketable and investment securities	2,148	24	26	21,867
Loss on sales and disposal of property and equipment	90	177	286	916
Loss on withdrawal from certain businesses	—	—	920	—
Decrease (increase) in notes and accounts receivable	(4,141)	12,300	(9,564)	(42,156)
Decrease (increase) in inventories	7,146	(9,038)	(2,848)	72,748
Decrease (increase) in other assets	5,758	176	(682)	58,618
Increase (decrease) in notes and accounts payable	9,103	(27,782)	23,917	92,670
Increase (decrease) in advances received on uncompleted contracts	(31,909)	11,676	42,907	(324,840)
Other	5,014	(40)	1,450	51,042
Subtotal	49,066	33,050	86,791	499,501
Interest and dividends received	6,667	8,801	6,206	67,871
Interest paid	(777)	(460)	(256)	(7,910)
Income taxes paid	(18,361)	(12,526)	(13,627)	(186,918)
Net Cash Provided by Operating Activities	36,595	28,865	79,114	372,544
Cash Flows From Investing Activities:				
Payments for purchases of property and equipment	(6,042)	(6,494)	(7,098)	(61,509)
Proceeds from sales of property and equipment	195	133	51	1,985
Payments for purchase of intangible fixed assets	(1,211)	(997)	(698)	(12,328)
Payments for purchase of marketable and investment securities	(21,528)	(3,872)	(6,077)	(219,159)
Proceeds from sales of marketable and investment securities	5,399	550	508	54,963
Decrease (increase) in short-term loans receivable	(77)	293	421	(784)
Payments for long-term loans receivable	(3,375)	(5,233)	(1,672)	(34,358)
Proceeds from long-term loans receivable	63	658	199	641
Other	119	(70)	356	1,212
Net Cash Used in Investing Activities	(26,457)	(15,032)	(14,010)	(269,337)
Cash Flows From Financing Activities:				
Increase (decrease) in short-term loans	(75)	(2,389)	2,351	(763)
Proceeds from long-term bank loans	6,839	1,050	17,482	69,622
Repayments of long-term bank loans	(808)	(670)	(15,300)	(8,226)
Repayment of finance lease obligation	(33)	—	—	(336)
Payments for purchase of treasury stock	(133)	(1,492)	(150)	(1,354)
Cash dividends paid	(5,307)	(3,805)	(2,790)	(54,026)
Cash dividends paid to minority shareholders	(11)	(12)	(40)	(112)
Net Cash Provided by (Used in) Financing Activities	472	(7,318)	1,553	4,805
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(2,815)	(1,360)	966	(28,657)
Net Increase in Cash and Cash Equivalents	7,795	5,155	67,623	79,355
Cash and Cash Equivalents at Beginning of Year	164,617	159,411	91,489	1,675,832
Increase in Cash and Cash Equivalents From Newly Consolidated Subsidiaries	1,870	—	299	19,037
Increase in Cash and Cash Equivalents From Subsidiaries Merged	—	51	—	—
Cash and Cash Equivalents at End of Year (Note 14)	¥174,282	¥164,617	¥159,411	\$1,774,224

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — SUMMARY OF ACCOUNTING POLICIES

(A) BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

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

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2009, which was ¥98.23 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, 2009, 2008 and 2007, was as follows:

	2009	2008	2007
Consolidated subsidiaries	14	13	12
Affiliates under the equity method	3	3	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) UNIFICATION OF ACCOUNTING POLICIES APPLIED TO FOREIGN SUBSIDIARIES FOR CONSOLIDATED FINANCIAL STATEMENTS

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

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

There were no material effects from adopting PITF No. 18 on the consolidated financial statements for the year ended March 31, 2009.

(F) 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.

(G) 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 maturity, (c) equity securities issued by subsidiaries and affiliates, and (d) all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities"). The Company and its domestic consolidated subsidiaries did not have the securities defined as (a) and (b) above in the years ended March 31, 2009 and 2008.

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

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

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.

(I) INVENTORIES

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

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

(J) OPERATING CYCLE

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

(K) PROPERTY AND EQUIPMENT, DEPRECIATION AND FINANCE LEASES

Property and equipment are stated at cost, except for certain revalued land as explained in Note 15. Depreciation of property and equipment is calculated primarily using the straight-line method for buildings used for business operation, and the declining-balance method for other property and equipment over the estimated useful lives of the assets based on the Corporate Tax Code of Japan.

Effective from the year ended March 31, 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 from the year 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.

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

Prior to the year ended March 31, 2009, the Company and its domestic subsidiaries accounted for finance leases which do not transfer ownership of the leased property to the lessee as operating leases with disclosure of certain "as if capitalized" information in a note to the consolidated financial statements.

On March 31, 2007, the Accounting Standards Board of Japan issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions" and ASBJ Guidance No. 16, "Guidance on Accounting Standard for Lease Transactions". The new accounting standards require that all finance leasing transactions should be capitalized.

Effective from the year ended March 31, 2009, the Company and its domestic subsidiaries adopted the new accounting standards for finance leases commencing after March 31, 2008 and capitalized assets used under such leases, except for certain immaterial or short-term finance leases, which are accounted for as operating leases. As permitted, finance leases which commenced prior to April 1, 2008 and have been accounted for as operating leases, continue to be accounted for as operating leases with disclosure of "as if capitalized" information.

The effect of this change on the financial result is immaterial.

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.

(L) IMPAIRMENT OF FIXED ASSETS

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

(M) RETIREMENT AND SEVERANCE BENEFITS AND PENSION COSTS

(1) Employees' severance and retirement benefits

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

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

The Company and its consolidated subsidiaries provided allowance for employees' severance and retirement benefits at March 31, 2009 and 2008, based on the estimated amounts of projected benefit obligation, actuarially calculated using certain assumptions and the fair value of the plan assets at that date.

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

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

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

(2) Officers' severance and retirement benefits

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

(N) RESEARCH AND DEVELOPMENT COSTS

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

(O) 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.

(P) RESERVE FOR JOB WARRANTY COSTS

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

(Q) RESERVE FOR LOSSES ON CONTRACTS

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

(R) PER SHARE INFORMATION

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

(S) AMORTIZATION OF GOODWILL

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

(T) DERIVATIVES AND HEDGE ACCOUNTING

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

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

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

- (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.

(U) ACCRUED BONUSES TO DIRECTORS AND CORPORATE AUDITORS

The company and consolidated subsidiaries recognize director's and corporate auditor's bonuses as expenses when incurred.

(V) 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, 2009 and 2008, were as follows:

March 31,	Millions of yen		Thousands of U.S. dollars
	2009	2008	(Note 1)
Notes and accounts receivable	¥ 402	¥ 11	\$ 4,092
Other current assets	1,266	884	12,888
Long-term loans receivable	8,412	5,257	85,636
Notes and accounts payable	1,099	1,179	11,188
Other current liabilities	448	454	4,561
Other non-current liabilities	3	—	31

NOTE 3 – BORROWINGS AND ASSETS PLEDGED AS COLLATERAL

Short-term loans consisted mainly of unsecured notes and bank overdrafts and bore interest at the annual rates of 1.39% and 0.80% to 1.36% at March 31, 2009 and 2008, respectively. Such loans are generally renewable at maturity.

Long-term debt consisted of the following:

March 31,	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Secured Loans			
0.55% – 1.75% loans from a governmental institution due serially through 2013	¥ 2,340	¥ 2,349	\$ 23,822
Unsecured Debt			
1.21% – 3.00% loans from banks and insurance companies due serially through 2015	21,652	15,613	220,421
	23,992	17,962	244,243
Less current maturities	(737)	(662)	(7,503)
Long-term debt due after one year	¥23,255	¥17,300	\$236,740

Assets pledged as collateral for long-term debt and other non-current liabilities at March 31, 2009 and 2008, were as follows:

March 31,	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Land	¥ 5,071	¥ 5,071	\$ 51,624
Buildings and structures, at net book value	3,819	3,991	38,878
Machinery and equipment, at net book value	4,809	5,725	48,956
Total	¥13,699	¥14,787	\$139,458

The annual maturities of long-term debt outstanding at March 31, 2009 were as follows:

Year ending March 31,	Amount	
	Millions of yen	Thousands of U.S. dollars (Note 1)
2010	¥ 737	\$ 7,503
2011	677	6,892
2012	899	9,152
2013	14,740	150,056
2014 and thereafter	6,939	70,640
Total	¥23,992	\$244,243

NOTE 4 – INVENTORIES

Inventories at March 31, 2009 and 2008 are summarized as follows:

March 31,	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Inventories:			
Contract works in progress	¥48,998	¥58,497	\$498,809
Finished goods and merchandise	7,729	5,292	78,683
Works in process	1,401	1,655	14,262
Raw materials and others	4,122	3,300	41,963
Total	¥62,250	¥68,744	\$633,717

NOTE 5 – LEASE TRANSACTIONS

A. LESSEE LEASES

(a) FINANCE LEASE TRANSACTIONS WITHOUT OWNERSHIP TRANSFER TO LESSEE

As discussed in Note 1 (k), finance leases commenced prior to April 1, 2008 which do not transfer ownership of leased assets to lessees are accounted for as operating leases.

Assumed amounts of acquisition cost and accumulated depreciation at March 31, 2009 and 2008 are as follows:

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

March 31,	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Machinery and equipment and others:			
Purchase price equivalents	¥1,501	¥1,725	\$15,280
Accumulated depreciation equivalents	(820)	(839)	(8,347)
Book value equivalents	¥ 681	¥ 886	\$ 6,933

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

(2) Lease commitments

March 31,	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Due within one year	¥244	¥312	\$2,484
Due after one year	437	574	4,449
Total	¥681	¥886	\$6,933

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

(3) Lease payments and depreciation equivalents

Year ended March 31,	Millions of yen			Thousands of U.S. dollars (Note 1)
	2009	2008	2007	2009
Lease payments	¥335	¥358	¥387	\$3,410
Depreciation equivalents	335	358	387	3,410

(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		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Due within one year	¥ 414	¥1	\$ 4,214
Due after one year	1,103	1	11,229
Total	¥1,517	¥2	\$15,443

B. LESSOR LEASES

(a) FINANCE LEASE TRANSACTIONS WITHOUT OWNERSHIP TRANSFER TO LESSEE, WHOSE TRANSACTION DATE WAS AFTER APRIL 1, 2008.

(1) Details of Investment in Leased assets

(i) Current Assets

March 31,	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2009	2009
Lease payment receivable	¥36		\$366
Estimated residual value	—		—
Interest Income	—		—
Total	¥36		\$366

(2) As at March 31, 2009, the investment in leased assets due in each of the next five years was as follows:

(i) Current Assets

Year ending March 31,	Amount	
	Millions of yen	Thousands of U.S. dollars (Note 1)
2010	¥ 7	\$ 71
2011	8	81
2012	8	81
2013	8	81
2014	5	52
Total	¥36	\$366

(b) FINANCE LEASE TRANSACTIONS WITHOUT OWNERSHIP TRANSFER TO LESSEE, WHOSE TRANSACTION DATE WAS BEFORE MARCH 31, 2008.

As discussed in Note 1 (k), finance leases commenced prior to April 1, 2008 which do not transfer ownership of leased assets to lessees are accounted for as operating leases.

Assumed amounts of acquisition cost and accumulated depreciation at March 31, 2009 and 2008 are as follows:

(1) Purchase price, accumulated depreciation and book value

March 31,	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Machinery and equipment and others:			
Purchase price	¥ 187	¥ 350	\$ 1,904
Accumulated depreciation	(131)	(214)	(1,334)
Book value	¥ 56	¥ 136	\$ 570

(2) Lease commitments

March 31,	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Due within one year	¥32	¥ 72	\$326
Due after one year	29	77	295
Total	¥61	¥149	\$621

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

(3) Rental income and depreciation

Year ended March 31,	Millions of yen			Thousands of U.S. dollars (Note 1)
	2009	2008	2007	2009
Rental income	¥87	¥99	¥146	\$886
Depreciation	79	91	136	804

NOTE 6 — 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, 2009 and 2008 consisted of the following:

March 31,	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Projected benefit obligation	¥ 47,651	¥ 48,795	\$ 485,096
Less fair value of pension assets	(25,363)	(28,213)	(258,200)
Unfunded projected benefit obligation	22,288	20,582	226,896
Less unrecognized net transition obligation	(38)	(150)	(386)
Unrecognized actuarial differences	(8,462)	(6,930)	(86,145)
Unrecognized prior service costs	1,934	2,197	19,688
Net liability for employees' severance and retirement benefits	15,722	15,699	160,053
Subtotal	15,722	15,699	160,053
Allowance for officers' lump-sum severance benefits	504	515	5,131
Retirement and severance benefits	¥ 16,226	¥ 16,214	\$ 165,184

Included in the consolidated statements of income for the years ended March 31, 2009 and 2008, were severance and retirement benefit expenses comprising the following:

March 31,	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Service costs — benefits earned during the year	¥1,910	¥1,746	\$19,444
Interest cost on projected benefit obligation	739	739	7,523
Expected return on plan assets	(428)	(447)	(4,357)
Amortization of net transition obligation	25	21	254
Amortization of actuarial differences	1,315	958	13,387
Amortization of prior service costs	(262)	(262)	(2,667)
Contribution for Defined Contribution Pension Plan	109	—	1,110
Severance and retirement benefit expenses	¥3,408	¥2,755	\$34,694

The discount rate used by the Company and its domestic consolidated subsidiaries was 1.5%–2.0% at March 31, 2009 and 2008. However, some overseas consolidated subsidiaries used the rate of 8.0% at March 31, 2009. The rate of expected return on plan assets used by the Company and its domestic consolidated subsidiaries was 1.5%–2.0% for March 31, 2009 and 2008. However, some consolidated subsidiaries used the rate of 8.0% at March 31, 2009. Actuarial differences are recognized in consolidated statements of income using the declining-balance method over 12 years to 16 years and over 12 years and 15 years for the years ended March 31, 2009 and 2008, 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 years ended March 31, 2009 and 2008, respectively, from the fiscal year incurred. Net transition obligation is amortized over 15 years.

NOTE 7 — CONTINGENCIES

(1) It is a business practice in Japan for a company to guarantee the indebtedness of certain of its trading agents, suppliers, subcontractors and certain subsidiaries and affiliates. The aggregate amount of such guarantees were ¥5,367 million (\$54,637 thousand) and ¥15,839 million at March 31, 2009 and 2008, respectively.

(2) The Company and one consolidated subsidiary have guaranteed employees' housing loans and others from banks in the amount of ¥16 million (\$163 thousand) and ¥24 million at March 31, 2009 and 2008, respectively.

NOTE 8 — NET ASSETS

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

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

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

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

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

At the annual shareholders' meeting of the Company held on June 26, 2009, the shareholders approved cash dividends amounting to ¥7,584 million (\$77,207 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2009. Such appropriations are recognized in the period in which they are approved by the shareholders.

NOTE 9 — NET SALES

Net sales recognized on the percentage-of-completion method for the years ended March 31, 2009, 2008 and 2007, were ¥270,696 million (\$2,755,737 thousand), ¥396,618 million, and ¥465,956 million, respectively.

NOTE 10 — 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, 2009 and 2008.

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

(1) Securities with book values exceeding acquisition costs:

March 31, 2009	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥7,400	¥11,948	¥4,548

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

March 31, 2009	Thousands of U.S. dollars (Note 1)		
	Acquisition cost	Book value	Difference
Equity securities	\$75,333	\$121,633	\$46,300

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

March 31, 2009	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥4,092	¥3,434	¥(658)

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

March 31, 2009	Thousands of U.S. dollars (Note 1)		
	Acquisition cost	Book value	Difference
Equity securities	\$41,657	\$34,959	\$(6,698)

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, 2009 and 2008.

(a) AVAILABLE-FOR-SALE SECURITIES:

March 31,	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Non-listed equity securities	¥ 8,492	¥ 3,165	\$ 86,450
Subscription certificate	38	938	387
Bonds	5	5	51
Negotiable certificate of deposit	56,500	71,000	575,181
Total	¥65,035	¥75,108	\$662,069

(b) UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES:

March 31,	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Securities of unconsolidated subsidiaries	¥10,276	¥ 8,423	\$104,612
Securities of affiliates	17,528	10,240	178,438
Total	¥27,804	¥18,663	\$283,050

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

March 31, 2009	Millions of yen				
	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	¥56,500	¥—	¥—	¥—	¥56,500

March 31, 2008	Millions of yen				
	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

March 31, 2009	Thousands of U.S. dollars (Note 1)				
	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	\$575,181	\$—	\$—	\$—	\$575,181

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 considered to be substantial and non-recoverable decline in value. In addition, in the case whereby the available fair value of the securities declines by more than 30% but by less than 50%, the Company and its domestic consolidated subsidiaries examine the recoverability of the fair value of the securities and devalue if those securities are considered to be non-recoverable.

NOTE 11 — DERIVATIVE TRANSACTIONS AND HEDGE ACCOUNTING

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

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

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

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

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

Hedging instruments:	Hedged items:
Foreign currency forward contracts	Foreign currency trade receivables, payables and future transactions denominated in a foreign currency
Foreign currency 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 counter-parties were all prime banks operating domestically in Japan, and the Company does not expect non-performance by the counter-parties.

Fair value of derivative transactions as of March 31, 2009 and 2008 were summarized as follows:

March 31, 2009	Millions of yen				
	Contract amounts in yen equivalent			Fair value	Difference
	Due within one year	Due after one year	Total		
Forward exchange contracts					
Sell U.S. dollars	¥6,864	¥—	¥6,864	¥6,865	¥(1)
Buy U.S. dollars	¥ 197	¥—	¥ 197	¥ 194	¥(3)

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

March 31, 2009	Thousands of U.S. dollars (Note 1)				
	Contract amounts in U.S. dollars equivalent			Fair value	Difference
	Due within one year	Due after one year	Total		
Forward exchange contracts					
Sell U.S. dollars	\$69,877	\$—	\$69,877	\$69,877	\$(10)
Buy U.S. dollars	\$ 2,005	\$—	\$ 2,005	\$ 1,975	\$(30)

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 12 — 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 "Chemical and catalyst" 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 actual realities of the activities involved.

The following is information by business segment for the years ended March 31, 2009, 2008 and 2007:

Year ended March 31, 2009	Millions of yen				
	Total engineering	Catalysts and fine products	Total	Elimination or corporate	Consolidated
Net sales:					
External customers	¥411,642	¥39,270	¥450,912	¥ —	¥450,912
Inter-segment	25	66	91	(91)	—
Total	411,667	39,336	451,003	(91)	450,912
Operating expenses	360,979	38,044	399,023	(114)	398,909
Operating income	¥ 50,688	¥ 1,292	¥ 51,980	¥ 23	¥ 52,003
Identifiable assets	¥446,976	¥39,064	¥486,040	¥(5,761)	¥480,279
Depreciation and amortization	¥ 3,625	¥ 3,354	¥ 6,979	¥ (0)	¥ 6,979
Capital expenditures	¥ 2,544	¥ 2,359	¥ 4,903	¥ —	¥ 4,903

Year ended March 31, 2008	Millions of yen				
	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 income	¥ 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

Year ended March 31, 2007	Millions of yen				
	Total engineering	Catalysts and fine 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 income	¥ 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

Year ended March 31, 2009	Thousands of U.S. dollars (Note 1)				
	Total engineering	Catalysts and fine products	Total	Elimination or corporate	Consolidated
Net sales:					
External customers	\$4,190,594	\$399,776	\$4,590,370	\$ —	\$4,590,370
Inter-segment	254	672	926	(926)	—
Total	4,190,848	400,448	4,591,296	(926)	4,590,370
Operating expenses	3,674,835	387,295	4,062,130	(1,160)	4,060,970
Operating income	\$ 516,013	\$ 13,153	\$ 529,166	\$ 234	\$ 529,400
Identifiable assets	\$4,550,300	\$397,679	\$4,947,979	\$(58,648)	\$4,889,331
Depreciation and amortization	\$ 36,903	\$ 34,145	\$ 71,048	\$ (0)	\$ 71,048
Capital expenditures	\$ 25,898	\$ 24,015	\$ 49,913	\$ —	\$ 49,913

(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, 2009, 2008 and 2007:

Year ended March 31,	Millions of yen			Thousands of U.S. dollars (Note 1)
	2009	2008	2007	2009
East Asia	¥ 4,182	¥ 6,537	¥ 9,124	\$ 42,573
Southeast Asia	65,102	94,170	78,123	662,751
Middle East	175,872	213,437	322,539	1,790,410
Africa	7,069	21,494	32,695	71,964
Other	5,137	7,821	5,764	52,296
Total overseas sales	¥257,362	¥343,459	¥448,245	\$2,619,994
Consolidated sales	¥450,912	¥551,062	¥608,530	\$4,590,370
Percentage of overseas sales over consolidated sales	57.1%	62.3%	73.7%	57.1%

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

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

NOTE 13 — TAXES ON INCOME

The statutory tax rates for 2009, 2008 and 2007 were 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, 2009, 2008 and 2007:

	2009	2008	2007
Statutory tax rate	36.2%	36.2%	36.2%
Non-deductible expenses	0.6	0.3	0.7
Non-taxable dividend income	(1.8)	(0.7)	(0.6)
Tax credit utilized	(1.1)	(2.1)	(1.9)
Differences in tax rate applied to certain subsidiaries	0.4	1.2	1.2
Other	2.0	1.1	0.9
Effective tax rate	36.3%	36.0%	36.5%

Significant components of the Company and its consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2009 and 2008, were as follows:

March 31,	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Current deferred taxes			
Deferred tax assets:			
Excess accrued employees' bonuses	¥ 2,601	¥ 2,540	\$ 26,479
Excess reserve for losses on contracts	667	950	6,790
Other	11,720	7,151	119,312
Total current deferred tax assets	14,988	10,641	152,581
Deferred tax liabilities:			
Retained earnings of foreign subsidiaries	(195)	(1,286)	(1,985)
Other	(1,059)	(219)	(10,781)
Total current deferred tax liabilities	(1,254)	(1,505)	(12,766)
Net current deferred tax assets	¥13,734	¥ 9,136	\$139,815
Deferred tax liabilities:			
Other	—	36	—
Total current deferred tax liabilities	¥ —	¥ 36	\$ —

For the year ended March 31, 2009 there was no valuation allowance and for the year ended March 31, 2008, the valuation allowances of ¥192 million have been deducted from the gross amount of the current deferred tax assets.

March 31,	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Non-current deferred taxes			
Deferred tax assets:			
Loss recognized on percentage-of-completion method not deductible for income tax purposes	¥ 196	¥ 196	\$ 1,995
Employee's Retirement and Severance benefits	5,711	5,820	58,139
Excess bad debt expenses	5,595	3,293	56,958
Other	1,290	1,602	13,133
Total non-current deferred tax assets	12,792	10,911	130,225
Deferred tax liabilities:			
Net unrealized gains on securities	(1,409)	(4,573)	(14,344)
Other	(142)	(150)	(1,445)
Total non-current deferred tax liabilities	(1,551)	(4,723)	(15,789)
Net non-current deferred tax assets	¥11,241	¥ 6,188	\$114,436

For the years ended March 31, 2009 and 2008, the valuation allowances of ¥701 million (\$7,136 thousand) and ¥ 924 million have been deducted from the gross amount of the non-current deferred tax assets, respectively.

March 31,	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Deferred tax liabilities for land revaluation	¥3,783	¥3,783	\$38,512
Deferred tax liabilities for full revaluation of the consolidated subsidiary	¥ 61	¥66	\$ 621
Other	17	—	173
Non-current deferred tax liabilities	¥ 78	¥66	\$ 794

NOTE 14 — NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

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

March 31,	Millions of yen			Thousands of U.S. dollars (Note 1)
	2009	2008	2007	2009
Cash and deposits	¥117,782	¥ 93,617	¥100,811	\$1,199,043
Marketable securities	56,500	71,000	58,600	575,181
Cash and cash equivalents	¥174,282	¥164,617	¥159,411	\$1,774,224

NOTE 15 — 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 sheets at March 31, 2009 and 2008. When such land is sold, land revaluation is reversed and debited to retained earnings.

Fair value of the revalued land as of March 31, 2009 was ¥4,706 million (\$47,908 thousand) less than the book value as of March 31, 2009.

NOTE 16 — RELATED PARTY TRANSACTIONS

Significant transactions with related party for the years ended March 31, 2009, 2008 and 2007 were as follows:

Year ended March 31,	Millions of yen			Thousands of
	2009	2008	2007	U.S. dollars (Note 1)
Rabigh Arabian Water and Electricity Co., Ltd. (affiliated company) — guarantee obligation	¥2,793	¥8,289	¥9,903	\$28,433
JGC Energy Development (USA), Inc. (non consolidated subsidiary company) —unsecured long-term loan	¥2,882	¥4,730	¥ 297	\$29,339

The balances of the Company due to related party as of March 31, 2009, 2008 and 2007 were as follows:

March 31,	Millions of yen			Thousands of
	2009	2008	2007	U.S. dollars (Note 1)
JGC Energy Development (USA), Inc (non consolidated subsidiary company) —unsecured long-term loan receivable	¥7,171	¥4,358	¥295	\$73,002

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

The interest rate for the long-term loan receivable was reasonably determined, considering the market interest rate. No pledged assets were furnished.

NOTE 17 —BUSINESS COMBINATIONS

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

(A) OUTLINE OF THE TRANSACTIONS

(1) Name and business of combined entity

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

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

(2) Form of business combinations

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

(3) Name of the entity after the reorganization

JGC Catalysts and Chemicals Ltd.

(4) Outline and purpose of the transaction

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

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

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

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

(B) ACCOUNTING METHOD

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

(C) AMOUNTS OF ASSETS AND LIABILITIES RECEIVED AND INCURRED ON THE DATE OF BUSINESS COMBINATION

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

NOTE 18 — SUBSEQUENT EVENTS

The Company's wholly owned subsidiary, JGC Information System Co., Ltd., merged its wholly owned subsidiary, J-SYS Software Co., Ltd. on April 1, 2009 and surviving company name is JGC Information Systems Co., Ltd.

INTERNAL CONTROL REPORT

1 FRAMEWORK OF INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

2 ASSESSMENT SCOPE, TIMING AND PROCEDURES BASIS OF PRESENTING INTERNAL CONTROL REPORT

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

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

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

SCOPE OF ASSESSMENT

We have assessed our ICOFR as of March 31, 2009 in accordance with the Assessment Standards.

We assessed the design and operation of our company-level control and based on this assessment, we analyzed business processes within the scope of the internal controls to be assessed, identified a key control that would have a material

impact on the reliability of financial reporting and assessed whether the basic components of internal control are operating with regard to the key control.

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

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

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

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

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

3 RESULTS OF ASSESSMENT

Based on the above assessments, the Company’s management has concluded that, as of March 31 2009, the Company’s internal control over financial reporting was effective.

4 SUPPLEMENTARY INFORMATION

Not applicable.

5 OTHER

Not applicable.



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

June 26, 2009

INDEPENDENT AUDITORS' REPORT

JGC CORPORATION

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

Financial statement audit

We have audited the accompanying consolidated balance sheets of JGC Corporation (a Japanese corporation) and consolidated subsidiaries as of March 31, 2009 and 2008, 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, 2009, 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, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Internal control audit

We also have audited the accompanying report on internal control over financial reporting of the consolidated financial statements of JGC Corporation as of March 31, 2009 ("Internal Control Report"). The design and operation of internal control over financial reporting and the preparation of the Internal Control Report are the responsibility of the Company's management. Our responsibility is to independently express an opinion on the Internal Control Report based on our audit. Internal control over financial reporting may not completely prevent or detect financial statement misstatements.

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

In our opinion, the Internal Control Report referred to above, in which JGC Corporation states that internal control over financial reporting of the consolidated financial statements was effective as of March 31, 2009, presents fairly, in all material respects, the assessment of internal control over financial reporting in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.



Tokyo, Japan
June 26, 2009

SIX-YEAR SUMMARY—NON-CONSOLIDATED

For the six years ended March 31.

Yen amounts are in millions except per share data.

	2009	2008	2007	2006	2005	2004
Net Sales	¥349,925	¥460,161	¥528,794	¥484,382	¥386,041	¥367,741
Operating Income	41,356	30,550	14,432	12,221	7,748	11,171
Income Before Taxes on Income	44,578	32,832	21,538	16,652	12,787	12,934
Net Income	30,214	21,312	15,183	11,412	8,690	8,265
Total Current Assets	276,325	270,646	278,627	191,149	201,338	207,037
Total Current Liabilities	184,205	194,470	216,473	158,011	161,881	147,385
Working Capital	92,120	76,176	62,154	33,138	39,457	59,652
Current Ratio	150.0%	139.2%	128.7%	121.0%	124.4%	140.5%
Net Property and Equipment	49,414	51,115	53,081	53,745	54,897	56,355
Total Assets	412,893	404,424	418,285	333,545	332,727	319,109
Long-term Debt, Less Current Maturities	16,757	15,519	16,382	176	15,227	15,277
Total Net Assets	192,655	174,795	165,191	155,636	136,660	134,860
New Contracts	440,548	348,755	255,015	765,188	439,355	477,955
Outstanding Contracts	698,002	607,378	728,168	1,009,515	714,214	652,247
Net Income per Share (in yen)	119.50	84.01	59.81	44.49	33.82	31.98
Cash Dividends per Share (in yen)	30.0	21.0	15.0	11.0	8.5	8.0
Number of Employees	2,069	2,014	1,953	1,868	1,804	1,719

NON-CONSOLIDATED BALANCE SHEETS

JGC CORPORATION
March 31, 2009 and 2008

Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Current Assets:			
Cash and deposits	¥106,889	¥ 81,876	\$1,088,150
Marketable securities	56,500	71,000	575,181
Notes and accounts receivable (Note 2)	46,398	40,882	472,340
Contract works in progress	39,182	57,255	398,880
Deferred tax assets (Note 8)	12,363	7,773	125,858
Other current assets (Note 2)	15,041	12,449	153,121
Allowance for doubtful accounts	(48)	(589)	(489)
Total Current Assets	276,325	270,646	2,813,041
Property and Equipment (Note 3):			
Land (Note 9)	22,493	22,493	228,983
Buildings and structures	45,780	46,547	466,049
Machinery and equipment	7,708	8,562	78,469
Construction in progress	693	31	7,055
	76,674	77,633	780,556
Less accumulated depreciation	(27,260)	(26,518)	(277,512)
Net Property and Equipment	49,414	51,115	503,044
Other Assets:			
Investments in subsidiaries and affiliates	33,638	31,222	342,441
Marketable and investment securities	23,797	28,872	242,258
Long-term loans receivable (Note 2)	16,628	14,719	169,276
Deferred tax assets (Note 8)	9,300	4,263	94,676
Other	3,791	3,587	38,593
Total Other Assets	87,154	82,663	887,244
Total Assets	¥412,893	¥404,424	\$4,203,329

The accompanying notes are an integral part of these statements.

Liabilities and Net Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Current Liabilities:			
Short-term loans (Notes 2 & 3)	¥ 10,976	¥ 16,537	\$ 111,738
Notes and accounts payable (Note 2)	66,289	55,082	674,835
Advances received on uncompleted contracts (Note 2)	79,293	109,102	807,218
Reserve for job warranty costs	360	616	3,665
Reserve for losses on contracts	1,770	2,497	18,019
Income taxes payable	13,339	5,413	135,794
Other current liabilities (Note 2)	12,178	5,223	123,973
Total Current Liabilities	184,205	194,470	1,875,242
Long-Term Debt, Less Current Maturities (Note 3)	16,757	15,519	170,589
Retirement and Severance Benefits	11,510	11,722	117,174
Deferred Tax Liabilities for Land Revaluation (Notes 8 & 9)	3,783	3,783	38,512
Other Non-Current Liabilities (Note 2)	3,983	4,135	40,548
Total Liabilities	220,238	229,629	2,242,065
Contingencies (Note 5)			
Net Assets (Note 6):			
Common stock			
Authorized — 600,000,000 shares,			
Issued — 259,052,929 shares in 2009 and 2008	23,511	23,511	239,346
Capital surplus	25,599	25,593	260,603
Legal earnings reserve	2,693	2,693	27,415
Retained earnings	151,784	126,880	1,545,190
Treasury stock, at cost	(5,790)	(5,651)	(58,943)
Net unrealized holding gains on securities	2,475	8,028	25,195
Deferred gains (losses) on hedges	(1,027)	331	(10,455)
Land revaluation, net of deferred tax portion (Note 9)	(6,590)	(6,590)	(67,087)
Total Net Assets	192,655	174,795	1,961,264
Total Liabilities and Net Assets	¥412,893	¥404,424	\$4,203,329

NON-CONSOLIDATED STATEMENTS OF INCOME

JGC CORPORATION

Years ended March 31, 2009, 2008 and 2007

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2009	2008	2007	2009
Net Sales (Note 7)	¥349,925	¥460,161	¥528,794	\$3,562,303
Cost of Sales	298,305	420,019	505,273	3,036,802
Gross profit	51,620	40,142	23,521	525,501
Selling, General and Administrative Expenses	10,264	9,592	9,089	104,489
Operating income	41,356	30,550	14,432	421,012
Other Income (Expenses):				
Interest and dividend income	12,030	11,701	9,651	122,468
Interest expense	(725)	(604)	(344)	(7,381)
Loss on sales and disposal of property and equipment	(31)	(22)	(32)	(316)
Gain on sales of marketable and investment securities	2,577	161	—	26,234
Loss on devaluation of marketable and investment securities	(2,143)	(24)	(26)	(21,816)
Exchange (loss), net	(2,196)	(7,963)	(15)	(22,356)
Loss on withdrawal from certain business	—	—	(920)	—
Provision for doubtful accounts	(6,638)	(1,477)	(1,790)	(67,576)
Other, net	348	510	582	3,543
	3,222	2,282	7,106	32,800
Income before taxes on income	44,578	32,832	21,538	453,812
Taxes on Income (Note 8):				
Current	20,071	11,997	7,117	204,326
Deferred	(5,707)	(477)	(762)	(58,098)
Net Income	¥ 30,214	¥ 21,312	¥ 15,183	\$ 307,584
Amounts Per Share of Common Stock				
Net income	¥119.50	¥84.01	¥59.81	\$1.22
Cash dividends applicable to the year	¥ 30.00	¥21.00	¥15.00	\$0.31

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		Capital surplus	Legal reserve	Retained earnings	Treasury stock, at cost	Net unrealized holding gains (losses) on securities	Deferred gains (losses) on hedges (Note 1)	Land revaluation, net of deferred tax portion (Note 9)	
	Shares	Amount								
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 losses 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 losses 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)	
Net income for the year					30,214					
Cash dividends					(5,310)					
Land revaluation, net of deferred tax portion					0				(0)	
Gain on retirement of treasury stock			6			15				
Net unrealized holding losses on securities							(5,553)			
Net deferred losses on hedges								(1,358)		
Increase of treasury stock						(154)				
Balance at March 31, 2009	259,053	¥23,511	¥25,599	¥2,693	¥151,784	¥(5,790)	¥ 2,475	¥(1,027)	¥(6,590)	

Thousands of U.S. dollars (Note 1)

	Common stock		Capital surplus	Legal reserve	Retained earnings	Treasury stock, at cost	Net unrealized holding gains (losses) on securities	Deferred gains on hedges	Land revaluation, net of deferred tax portion (Note 9)
Balance at March 31, 2008	\$239,346	\$260,542	\$27,415	\$1,291,663	\$(57,528)	\$ 81,726	\$ 3,370	\$(67,087)	
Net income for the year				307,584					
Cash dividends				(54,057)					
Land revaluation, net of deferred tax portion				0				(0)	
Gain on retirement of treasury stock		61			153				
Net unrealized holding losses on securities						(56,531)			
Net deferred losses on hedges							(13,825)		
Increase of treasury stock					(1,568)				
Balance at March 31, 2009	\$239,346	\$260,603	\$27,415	\$1,545,190	\$(58,943)	\$ 25,195	\$(10,455)	\$(67,087)	

The accompanying notes are an integral part of these statements.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — SUMMARY OF ACCOUNTING POLICIES

(A) BASIS OF PRESENTING NON-CONSOLIDATED FINANCIAL STATEMENTS

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

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

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2009, which was ¥98.23 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, 2009 and 2008.

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 Tax Code of Japan.

Effective from the year ended March 31, 2008, the Company has 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 from the year ended March 31, 2008, the Company has 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.

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

Prior to the year ended March 31, 2009, the Company accounted for finance leases which do not transfer ownership of the leased property to the lessee as operating leases with disclosure of certain "as if capitalized" information in a note to the financial statements.

On March 31, 2007, the Accounting Standards Board of Japan issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions" and ASBJ Guidance No. 16, "Guidance on Accounting Standard for Lease Transactions". The new accounting standards require that all finance leasing transactions should be capitalized.

Effective from the year ended March 31, 2009, the Company adopted the new accounting standards for finance leases commencing after March 31, 2008 and capitalized assets used under such leases, except for certain immaterial or short-term finance leases, which are accounted for as operating leases. As permitted, finance leases which commenced prior to April 1, 2008 and have been accounted for as operating leases, continue to be accounted for as operating leases with disclosure of "as if capitalized" information.

The effect of this change on the financial result is immaterial.

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

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

(H) IMPAIRMENT OF FIXED ASSETS

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

(I) RETIREMENT AND SEVERANCE BENEFITS AND PENSION COSTS

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

The Company provided allowance for employees' severance and retirement benefits at March 31, 2009 and 2008, based on the estimated amounts of projected benefit obligation, actuarially calculated using certain assumptions, and the fair value of the plan assets at that date.

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

(J) RESEARCH AND DEVELOPMENT COSTS

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

(K) TAXES ON INCOME

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

(L) RESERVE FOR JOB WARRANTY COSTS

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

(M) RESERVE FOR LOSSES ON CONTRACTS

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

(N) PER SHARE INFORMATION

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

(O) DERIVATIVES AND HEDGE ACCOUNTING

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

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

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

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

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

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

(P) ACCRUED BONUSES TO DIRECTORS AND CORPORATE AUDITORS

The Company recognizes director's and corporate auditor's bonuses as expenses when incurred.

(Q) 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, 2009 and 2008, were as follows:

March 31,	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Notes and accounts receivable	¥ 534	¥ 75	\$ 5,436
Other current assets	6,589	3,478	67,077
Long-term loans receivable	14,877	5,957	151,451
Notes and accounts payable	15,234	14,716	155,085
Short-term loans	10,976	16,537	111,738
Advances received on uncompleted contracts	1	1	10
Other current liabilities	446	451	4,540
Other non-current liabilities	12	—	122

NOTE 3 — BORROWINGS AND ASSETS PLEDGED AS COLLATERAL

At March 31, 2009 and at March 31, 2008, short-term loans consisted of unsecured debt from subsidiaries and bore interest at TIBOR.

Long-term debt consisted of the following:

March 31,	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Unsecured Debt			
1.21% – 2.91% loans from banks and insurance companies, due serially through 2014	¥16,757	¥15,519	\$170,589
Less current maturities	—	—	—
Long-term debt due after one year	¥16,757	¥15,519	\$170,589

Assets pledged as collateral for other non-current liabilities at March 31, 2009 and 2008, were as follows:

March 31,	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Land	¥4,280	¥4,280	\$43,571
Buildings and structures, at net book value	2,560	2,684	26,061
Machinery and equipment, at net book value	9	10	92
Total	¥6,849	¥6,974	\$69,724

The annual maturities of long-term debt outstanding at March 31, 2009, were as follows:

Year ending March 31,	Amount	
	Millions of yen	Thousands of U.S. dollars (Note 1)
2010	¥ —	\$ —
2011	350	3,563
2012	14,442	147,022
2013	786	8,002
2014 and thereafter	1,179	12,002
Total	¥16,757	\$170,589

NOTE 4 — LEASE TRANSACTIONS

(A) FINANCE LEASE TRANSACTIONS WITHOUT OWNERSHIP TRANSFER TO LESSEE

As discussed in Note 1 (g), finance leases commenced prior to April 1, 2008 which do not transfer ownership of leased assets to lessees are accounted for as operating leases.

Assumed amounts of acquisition cost and accumulated depreciation at March 31, 2009 and 2008 are as follows:

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

March 31,	Millions of yen	
	2009	2008
	Machinery and equipment	Machinery and equipment
Purchase price equivalents	¥219	¥ 92
Accumulated depreciation equivalents	(44)	(14)
Book value equivalents	¥175	¥ 78

March 31,	Thousands of U.S. dollars (Note 1)	
	2009	2008
	Machinery and equipment	Machinery and equipment
Purchase price equivalents	\$2,230	\$ 92
Accumulated depreciation equivalents	(448)	(14)
Book value equivalents	\$1,782	\$ 78

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

(2) Lease commitments:

March 31,	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Due within one year	¥ 36	¥22	\$ 367
Due after one year	139	56	1,415
Total	¥175	¥78	\$1,782

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

(3) Lease payments and depreciation equivalents

Year ended March 31,	Millions of yen			Thousands of U.S. dollars (Note 1)
	2009	2008	2007	2009
Lease payments	¥33	¥25	¥14	\$336
Depreciation equivalents	33	25	14	336

(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		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Due within one year	¥ 358	¥1	\$ 3,645
Due after one year	903	1	9,192
Total	¥1,261	¥2	\$12,837

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 ¥6,939 million (\$70,640 thousand) and ¥15,839 million at March 31, 2009 and 2008, respectively.

(2) The Company has guaranteed employees' housing loans and others from banks in the amount of ¥15 million (\$153 thousand) and ¥23 million at March 31, 2009 and 2008, respectively.

NOTE 6 — NET ASSETS

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

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

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

NOTE 7 — NET SALES

Net sales recognized on the percentage-of-completion method for the years ended March 31, 2009, 2008 and 2007, were ¥270,696 million (\$2,755,737 thousand), ¥396,618 million, and ¥465,956 million, respectively.

NOTE 8 — TAXES ON INCOME

The statutory tax rates for 2009, 2008 and 2007, were 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, 2009, 2008 and 2007:

	2009	2008	2007
Statutory tax rate	36.2%	36.2%	36.2%
Non-deductible expenses	0.6	0.5	0.7
Non-taxable dividend income	(6.0)	(4.4)	(6.1)
Tax credits utilized	(0.4)	(0.5)	(0.8)
Past year's income tax adjustment	1.0	2.1	(1.3)
Other	0.8	1.2	0.8
Effective tax rate	32.2%	35.1%	29.5%

Significant components of the Company's deferred tax assets and liabilities as of March 31, 2009 and 2008, were as follows:

March 31,	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Current deferred taxes			
Deferred tax assets:			
Excess accrued employees' bonuses	¥ 1,657	¥1,440	\$ 16,869
Excess reserve for losses on contracts	641	904	6,526
Other	11,096	5,647	112,958
Total current deferred tax assets	13,394	7,991	136,353
Deferred tax liabilities:			
Other	(1,031)	(218)	(10,495)
Net current deferred tax assets	¥12,363	¥7,773	\$125,858

For the year ended March 31, 2009 there is no valuation allowance and for the year ended March 31, 2008, the valuation allowance of ¥192 million has been deducted from the gross amount of the current deferred tax assets.

March 31,	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Non-current deferred taxes			
Deferred tax assets:			
Loss recognized on percentage-of-completion method not deductible for income tax purposes	¥ 196	¥ 196	\$ 1,995
Employee's Retirement and Severance benefits	4,167	4,243	42,421
Excess bad debt expenses	5,724	3,284	58,271
Other	758	1,232	7,717
Total non-current deferred tax assets	10,845	8,955	110,404
Deferred tax liabilities:			
Net unrealized holding gains on securities	(1,405)	(4,554)	(14,303)
Other	(140)	(138)	(1,425)
Total deferred tax liabilities	(1,545)	(4,692)	(15,728)
Net non-current deferred tax assets	¥ 9,300	¥ 4,263	\$ 94,676
Deferred tax liabilities for land revaluation	¥ 3,783	¥ 3,783	\$ 38,512

For the years ended March 31, 2009 and 2008, the valuation allowances of ¥559 million (\$5,691 thousand) and ¥211 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 sheets at March 31, 2009 and 2008. When such land is sold, land revaluation is reversed and debited to retained earnings.

Fair value of revalued land as of March 31, 2009 was ¥4,706 million (\$47,908 thousand) less than the book value as of March 31, 2009.

INDEPENDENT AUDITORS' REPORT

JGC CORPORATION

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

We have audited the accompanying non-consolidated balance sheets of JGC Corporation (a Japanese corporation) as of March 31, 2009 and 2008, and the related non-consolidated statements of income, changes in net assets for each of the three years in the period ended March 31, 2009, 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, 2009 and 2008, and the non-consolidated results of their operations for each of the three years in the period ended March 31, 2009, 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, 2009 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 26, 2009