

### **HAVING ACHIEVED RECORD NET INCOME IN FISCAL 2008, FROM JUNE 2009 WE ARE IMPLEMENTING OUR CORPORATE STRATEGIES UNDER A NEW TOP MANAGEMENT LINEUP**

In fiscal 2008, the year ended March 31, 2009, the support of shareholders and customers, as well as the hard work of everybody in the Group, helped JGC to report consolidated net sales of ¥450.9 billion, operating income of ¥52.0 billion (record high), and net income of ¥31.5 billion (record high). As a result, JGC was able to pay shareholders an annual dividend of ¥30.0 yen per share for fiscal 2008, an increase of ¥9.0 from the previous year. New contracts for the fiscal year totaled ¥506.1 billion, which unfortunately did not meet the initial forecast of ¥700 billion. This was because the letter of intent issued in May 2008 for a large oil refinery project in

Kuwait was canceled by the client in March 2009. Our forecast for fiscal 2009 is for consolidated net sales of ¥450 billion, operating income of ¥34.5 billion, and net income of ¥20.5 billion, and we plan on paying a full-year dividend of ¥20.0 per share. We have set a target for orders of ¥500 billion, and will do our best to achieve this target.

We would like to report that Yoshihiro Shigehisa, who since 2002 has led the JGC Group as Chairman and Chief Executive Officer, stepped down from these positions effective June 26. Yoshihiro Shigehisa became Chairman Emeritus of the JGC Group and continues to direct his efforts at the further development of the company. Keisuke Takeuchi, President and COO, replaced Yoshihiro Shigehisa as Chairman and Chief Executive Officer, while Masahiko Yaegashi, Executive Vice President and CPO, was appointed as President and COO.



We have also made moves to rejuvenate our management team. This new management team will continue to carry out the management strategies we have pursued up until this point.

**WITH OUR MAJOR CUSTOMERS MAINTAINING THEIR DEVELOPMENT INVESTMENTS IN FISCAL 2009, JGC WILL CONTINUOUSLY SUPPORT THEM AS THEIR BEST PARTNER**

In fiscal 2008, the engineering market went through very significant changes. In the first half of the year, the market was still experiencing a boom in plant construction, particularly in the Middle East, underpinned by the rise in crude oil prices. However, in the second half of the year, the large drop in the price of crude oil triggered by the financial crisis stemming from the U.S. started to cast a

large shadow on the market. It was indeed a year where the business environment changed dramatically. On July 11, crude oil hit a record high of \$147 per barrel in New York, but then fell to around \$30 per barrel at one point—such changes are rarely seen.

The schedule for the implementation of project plans by the oil majors and the state-owned oil companies in fiscal 2009 has become uncertain due to a number of factors, including decline in economic viability of new plans due to the drop in crude oil prices, the difficulty for customers to procure funds due to the contraction in financial markets, and the fact that clients are expecting plant costs fall and are therefore taking a wait-and-see stance with respect to decisions on investments. This is especially true in the petrochemicals area, in which the profitability of projects is particularly affected by product prices.

## ENGINEERING THE FUTURE

We would like to express our sincere gratitude to our shareholders for their constant support to the Company and Group. Since June 2009 we have been mobilizing our directors and employees to strengthen our earnings framework under a new management team.

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

(right) **Masahiko Yaegashi**  
*President and Chief Operating Officer*

Overall, however, the oil majors and the state-run oil companies of countries rich in natural resources are taking an aggressive stance, having formulated development and investment plans for the upcoming few years that continue investments in upstream areas related to oil and natural gas development, and infrastructure projects such as plants for processing natural gas to fuel power plants. This stance is underscored by the fact that ongoing resource development is necessary in light of the accelerating natural depletion of existing large oil fields and the rise in demand for electric power due to the rising population and industrial diversification in the Middle East.

JGC's planning is to manage its businesses in line with these business strategies of the oil majors and oil producing countries. Our main focus will be on upstream businesses related to oil and gas development, where ongoing investment is expected to continue. Geographically, we will continue to focus on the Middle East and Northern Africa, but we will return to the Asia-Pacific region and also consider business development in Russia and South America.

**KEEPING E&C AS OUR CORE BUSINESS, WE ARE ALSO FOCUSED ON NEW BUSINESSES FROM THE INDUSTRIAL DIVERSIFICATION OF RESOURCE-RICH COUNTRIES**

In fiscal 2009, we expect competition for orders to intensify as the market environment becomes increasingly uncertain and so we will take measures to become even more competitive at winning orders. Specifically, we will clearly differentiate JGC from our competitors by undertaking activities in upstream businesses closely tied to our clients' business plans, such as PMC (Project Management Consulting) and front end engineering design (FEED), in addition to our core E&C business.

Furthermore, our local engineering subsidiaries in countries such as Saudi Arabia, Algeria and Vietnam will independently handle the numerous small- and medium-sized projects planned in resource-rich countries, which will enhance the JGC Group's project execution capabilities as a whole.

JGC has carried out the enterprise investment business in areas where we are able to leverage the technological capabilities we have accumulated through the E&C business, such as the oil and natural gas development and production business, the water desalination and power generation businesses and the emissions credits trading business. Going forward, we plan to focus

on new businesses born out of the industrial diversification of countries rich in natural resources.

There is an increasingly acute shortage of electric power in the resource-rich countries in the Middle East and North Africa arising in conjunction with the explosive growth in populations. In response to the power shortage, we have begun studying plans for launching a business for the conversion of abundant sunlight into electric power, supplying it to urban areas where the demand for electric power has increased most noticeably. Moreover, we are aiming to start a business along with companies specializing in the water business to address the matter of inadequate water supplies.

In the Middle East, demand for higher-quality housing is on the rise. At JGC, we are working to establish a housing supply business with home manufacturers, while leveraging the knowledge we have cultivated in the Middle East. Furthermore, we are progressing with tests for launching environmental businesses, such as our starting to study lake purification business in China, where water pollution has become a problem. In these new areas, in addition to business investments, we are planning to participate in a wide range of business fields, such as program management, FEED, EPC and O&M.

Looking hereon forward, JGC will maintain E&C as our core business, while aiming to be a "Standout Engineering Enterprise" that can help clients in the enterprise investment business and a wide range of other business fields.

We thank you sincerely for your continued support.

July 2009



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



**Masahiko Yaegashi**  
*President and Chief Operating Officer*