

# Consolidated Interim Financial Statements--Summary

(For the fiscal year ending March 31, 2006)

November 14, 2005

The following statements are an English-language translation of the original Japanese-language document.  
(All financial information has been prepared in accordance with accounting principles generally accepted in Japan.)

Name of listed company: **JGC Corporation**

Code number: **1963**

Representative

Title: **Chairman and Chief Executive Officer**

Name: **Yoshihiro Shigehisa**

Contact

Title: **Executive Officer, Senior Manager, Finance & Accounting Department**

Name: **Hiroyoshi Suga**

Board of Directors meeting: **November 14, 2005**

Use of U.S. accounting standards: **No**

Stock exchange: **Tokyo**

Head office: **Tokyo**

Tel: **045-682-1111**

URL: <http://www.jgc.co.jp>

## 1. Business results for the interim term (April 1, 2005–September 30, 2005)

### (1) Consolidated financial results

Note: All amounts are rounded down to the nearest million yen.

	Net sales		Operating income		Ordinary income	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
Sep. 2005 interim term	250,291	37.7	9,913	99.9	12,753	70.6
Sep. 2004 interim term	181,779	(3.9)	4,958	(40.0)	7,477	(14.1)
Mar. 2005 term	435,197		13,220		16,001	

	Net income		Earnings per share (Yen)	Earnings per share (diluted) (Yen)
	(Millions of yen)	(%)		
Sep. 2005 interim term	9,458	79.4	37.24	–
Sep. 2004 interim term	5,271	(13.4)	20.74	–
Mar. 2005 term	11,585		44.93	–

Notes:

① Equity in earning of affiliates (millions of yen):

Sep. 2005 interim term: 796      Sep. 2004 interim term: 669      Mar. 2005 term: 1,359

② Average number of shares outstanding (consolidated):

Sep. 2005 interim term: 254,011,390      Sep. 2004 interim term: 254,130,621      Mar. 2005 term: 254,101,172

③ Changes in accounting methods: Changed

④ Percentages for net sales, operating income, ordinary income and net income indicate changes from the previous corresponding term.

### (2) Consolidated financial position

	Total assets (Millions of yen)	Shareholders' equity (Millions of yen)	Shareholders' equity/total assets (%)	Shareholders' equity per share (Yen)
Sep. 2005 interim term	375,397	163,260	43.5	642.84
Sep. 2004 interim term	393,679	148,606	37.7	584.81
Mar. 2005 term	367,437	151,155	41.1	595.01

Note: Number of shares outstanding at term-end (consolidated):

Sep. 2005 interim term: 253,966,586      Sep. 2004 interim term: 254,108,605      Mar. 2005 term: 254,040,214

### (3) Consolidated cash flows

	Cash flows from operating activities (Millions of yen)	Cash flows from investing activities (Millions of yen)	Cash flows from financing activities (Millions of yen)	Cash and cash equivalents at term-end (Millions of yen)
Sep. 2005 interim term	11,827	(1,688)	(1,688)	76,888
Sep. 2004 interim term	(2,332)	(8,899)	(2,537)	86,939
Mar. 2005 term	(16,848)	(10,656)	(3,456)	68,925

### (4) Scope of consolidation and application of the equity method

Consolidated subsidiaries: 13 companies

Non-consolidated subsidiaries accounted for by the equity method: None

Affiliated companies accounted for by the equity method: 2 companies

### (5) Changes in scope of consolidation and application of the equity method

Consolidated subsidiaries: (increase) None      (decrease) None

Equity-method companies: (increase) None      (decrease) None

## 2. Forecast for fiscal 2005 (April 1, 2005–March 31, 2006)

	Net sales (Millions of yen)	Ordinary income (Millions of yen)	Net income (Millions of yen)
Entire term	490,000	21,000	13,500

Reference: Estimated earnings per share (yen, fiscal 2005): 53.16

Note: The forecasts given above are based on information available at the time of compilation and are inherently subject to a variety of risks and uncertainties. Actual results may vary significantly from forecasts due to factors including, but not limited to, changes in the economic or business environment and exchange rate fluctuations.

## Consolidated Balance Sheets

## ASSETS

	September 30, 2005 (Millions of yen)	September 30, 2004 (Millions of yen)	March 31, 2005 (Millions of yen)
<b>Current assets:</b>	<b>¥ 233,579</b>	<b>¥ 253,203</b>	<b>¥231,810</b>
Cash	69,889	71,921	55,940
Notes and accounts receivable	62,762	56,364	65,057
Marketable securities	6,998	15,018	12,984
Contract works in progress	68,961	90,383	74,367
Other inventories	6,603	5,671	5,582
Deferred tax assets	5,170	3,582	5,499
Other receivables	10,961	5,558	9,287
Other current assets	5,601	8,172	6,571
Allowance for doubtful accounts	(3,369)	(3,469)	(3,480)
<b>Fixed assets:</b>	<b>141,818</b>	<b>140,476</b>	<b>135,627</b>
<b>Tangible fixed assets:</b>	<b>65,957</b>	<b>66,366</b>	<b>65,887</b>
Buildings and structures	31,775	32,910	32,373
Land	26,378	26,692	26,422
Other tangible fixed assets	7,804	6,763	7,091
<b>Intangible fixed assets:</b>	<b>6,623</b>	<b>7,926</b>	<b>7,330</b>
Consolidation account adjustment	3,229	4,008	3,633
Software	3,283	3,806	3,586
Other intangible fixed assets	110	111	110
<b>Investments and other assets:</b>	<b>69,237</b>	<b>66,184</b>	<b>62,409</b>
Investment securities	44,556	32,987	35,621
Long-term loans receivable	24,856	24,440	23,651
Deferred tax assets	5,299	12,529	8,131
Deferred tax assets for land revaluation	-	1,061	-
Other investments and other assets	2,329	3,098	2,613
Allowance for doubtful accounts	(7,803)	(7,933)	(7,608)
<b>Total assets</b>	<b>¥ 375,397</b>	<b>¥ 393,679</b>	<b>¥ 367,437</b>

\* Accumulated depreciation on tangible fixed assets

September 30, 2005	September 30, 2004	March 31, 2005
48,269	46,542	46,836

## LIABILITIES AND SHAREHOLDERS' EQUITY

	September 30, 2005 (Millions of yen)	September 30, 2004 (Millions of yen)	March 31, 2005 (Millions of yen)
<b>Total liabilities:</b>	<b>211,880</b>	<b>244,841</b>	<b>215,981</b>
<b>Current liabilities:</b>	<b>170,998</b>	<b>200,890</b>	<b>175,065</b>
Notes and accounts payable	75,312	59,847	61,614
Short-term loans	1,221	1,186	552
Accrued expenses	8,390	9,554	6,860
Income taxes payable	2,999	2,291	2,217
Advances received on uncompleted contracts	72,511	119,130	91,600
Reserve for job warranty costs	1,906	1,821	1,880
Reserve for losses on contracts	1,568	-	2,074
Reserve for bonuses	3,703	3,402	4,748
Other current liabilities	3,385	3,656	3,516
<b>Long-term liabilities:</b>	<b>40,882</b>	<b>43,950</b>	<b>40,916</b>
Long-term loans	15,638	15,924	15,711
Reserve for retirement benefits	16,245	22,792	16,252
Reserve for directors' retirement bonuses	415	338	385
Consolidation account adjustment	246	215	212
Deffered tax liabilities	56	252	63
Deffered tax liabilities for land revaluation	3,787	-	3,798
Other long-term liabilities	4,492	4,428	4,491
<b>Minority interests</b>	<b>256</b>	<b>231</b>	<b>300</b>
<b>Shareholders' equity:</b>	<b>163,260</b>	<b>148,606</b>	<b>151,155</b>
Common stock	23,511	23,511	23,511
Additional paid-in capital	25,581	25,579	25,580
Retained earnings	112,380	99,079	105,395
Land revaluation, net of deferred tax assets	(6,582)	(1,870)	(6,732)
Net unrealized holding gains (losses) on securities	12,480	6,342	7,284
Foreign currency translation adjustments	(406)	(509)	(285)
Treasury stock, at cost	(3,703)	(3,526)	(3,598)
<b>Total liabilities and shareholders' equity</b>	<b>¥ 375,397</b>	<b>¥ 393,679</b>	<b>¥367,437</b>

\* Contingent liabilities relating to debt assumption of bonds

\* Pledged assets

September 30, 2005	September 30, 2004	March 31, 2005
—	11,900	11,900
11,838	12,036	11,754

## Consolidated Statements of Income

	Sep. 2005 interim term (Millions of yen)	Sep. 2004 interim term (Millions of yen)	Mar. 2005 term (Millions of yen)
<b>Net sales</b>	<b>¥250,291</b>	<b>¥181,779</b>	<b>¥435,197</b>
Cost of sales	232,717	169,543	406,902
Gross profit	17,573	12,235	28,295
Selling, general and administrative expenses	7,660	7,277	15,075
<b>Operating income</b>	<b>9,913</b>	<b>4,958</b>	<b>13,220</b>
<b>Non-operating income:</b>	<b>3,822</b>	<b>2,912</b>	<b>4,166</b>
Interest income	648	493	1,071
Dividend income	607	506	642
Exchange gain, net	1,126	737	-
Rental income from fixed assets	374	344	681
Amortization for consolidation difference	30	30	60
Equity in earnings of affiliates	796	669	1,359
Other non-operating income	238	130	351
<b>Non-operating expenses:</b>	<b>981</b>	<b>393</b>	<b>1,386</b>
Interest expense	154	161	348
Exchange loss, net	-	-	382
Provision for allowance for doubtful accounts	291	-	-
Expense of rental fixed assets	227	178	391
Other non-operating expenses	308	52	262
<b>Ordinary income</b>	<b>12,753</b>	<b>7,477</b>	<b>16,001</b>
<b>Extraordinary gain:</b>	<b>803</b>	<b>3,925</b>	<b>5,484</b>
Gain on sales of property and equipment	0	20	44
Gain on sales of investment securities	177	66	1,591
Reversal of allowance for doubtful accounts	143	121	90
Gain on return of the substituted portion of the government's welfare Pension Insurance Scheme	171	3,679	3,668
Reversal of retirement and severance benefits	295	-	-
Other extraordinary gain	15	38	88
<b>Extraordinary loss:</b>	<b>82</b>	<b>3,491</b>	<b>3,803</b>
Loss on sales of property and equipment	-	36	35
Loss on disposal of property and equipment	39	18	102
Loss on devaluation of marketable and investment securities	9	23	23
Loss on devaluation of investment in affiliates	-	-	200
Loss on devaluation of property and equipment	-	-	25
Impairment loss	23	-	-
Lump-sum amortization of net transition obligation arising from change in retirement benefit accounting	-	3,357	3,357
Other extraordinary loss	10	56	60
<b>Income before taxes on income</b>	<b>13,474</b>	<b>7,911</b>	<b>17,681</b>
<b>Taxes on income:</b>	<b>3,932</b>	<b>2,396</b>	<b>5,783</b>
Current	3,746	2,930	4,563
Deferred	186	(534)	1,219
<b>Minority interests in earnings of consolidated subsidiaries</b>	<b>82</b>	<b>243</b>	<b>313</b>
<b>Net income</b>	<b>¥9,458</b>	<b>¥5,271</b>	<b>¥11,585</b>

NOTE: These unaudited financial statements have been translated to English for the convenience of foreign readers, and have been based on financial statements disclosed by JGC Corporation on the Tokyo Stock Exchange on November 14, 2005.

## Consolidated Statements of Cash Flows

	Sep. 2005 interim term (Millions of yen)	Sep. 2004 interim term (Millions of yen)	Mar. 2005 term (Millions of yen)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Income before taxes on income and minority interests in earnings of consolidated subsidiaries	¥13,474	¥7,911	¥17,681
Adjustments to reconcile income before taxes on income and minority interests in earnings of consolidated subsidiaries to net cash provided by (used in) operating activities:			
Depreciation and amortization	2,349	2,257	4,572
Amortization of consolidation account adjustment	373	(30)	342
Increase (decrease) in allowance for doubtful accounts	103	(176)	(178)
Increase(decrease) in reserve for losses on contracts	(505)	-	2,074
Increase in retirement and severance benefits	164	1,474	(5,075)
Interest and dividend income	(1,255)	(999)	(1,714)
Interest expense	154	161	348
Equity in losses (earnings) of affiliates	(796)	(669)	(1,359)
Gain on sales of property and equipment	(0)	(20)	(44)
Gain on sales of investment securities	(177)	(66)	(1,591)
Loss on devaluation of investment securities	9	23	23
Loss on sales of property and equipment	-	36	35
Loss on disposal of property and equipment	39	18	102
Loss on devaluation of investment in affiliates	-	-	200
Impairment loss	23	-	-
Loss on devaluation of property and equipment	-	-	25
Decrease (increase) in notes and accounts receivable	2,271	3,010	(5,652)
Decrease (increase) in inventories	4,377	(40,869)	(24,757)
Decrease (increase) in other assets	(1,674)	(875)	(4,603)
Increase (decrease) in notes and accounts payable	13,706	2,587	4,334
Increase (decrease) in advances received on uncompleted contracts	(19,089)	26,532	(997)
Gain on return of the substituted portion of the government's welfare Pension Insurance Scheme	(171)	(3,679)	(3,668)
Lump-sum amortization of net transition obligation arising from change in retirement benefit accounting	-	3,357	3,357
Other	(691)	(708)	989
Subtotal	12,683	(725)	(15,555)
Interest and dividends received	2,576	1,576	3,934
Interest paid	(153)	(125)	(350)
Income taxes paid	(3,279)	(3,058)	(4,876)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	11,827	(2,332)	(16,848)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Payments for purchases of property and equipment	(1,748)	(1,272)	(3,458)
Proceeds from sales of property and equipment	28	55	429
Payments for purchases of intangible fixed assets	(242)	(512)	(855)
Payments for purchases of investment securities	(540)	(8,395)	(11,004)
Proceeds from sale of investment securities	378	294	3,196
Decrease (increase) in short-term loans receivable	131	39	(33)
Payments for long-term loans receivable	-	(12)	(12)
Proceeds from long-term loans receivable	25	270	282
Other	279	633	799
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(1,688)	(8,899)	(10,656)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Increase (decrease) in short-term loans	683	(94)	(492)
Proceeds from long-term bank loans	-	2	2
Repayments of long-term bank loans	(88)	(263)	(711)
Cash dividends paid	(2,156)	(2,030)	(2,032)
Cash dividends paid to minority shareholders	(21)	(106)	(106)
Payments for purchases of treasury stock	(104)	(45)	(116)
NET CASH USED IN FINANCING ACTIVITIES	(1,688)	(2,537)	(3,456)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>(487)</b>	<b>722</b>	<b>(100)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>7,963</b>	<b>(13,047)</b>	<b>(31,061)</b>
<b>CASH AND CASH EQUIVALENTS at beginning of year</b>	<b>68,925</b>	<b>99,987</b>	<b>99,987</b>
<b>INCREASE IN CASH AND CASH EQUIVALENTS FROM NEWLY CONSOLIDATED SUBSIDIARIES</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS at end of period</b>	<b>¥76,888</b>	<b>¥86,939</b>	<b>¥68,925</b>