

Consolidated Financial Statements--Summary

(For the fiscal year ended March 31, 2006)

May 18, 2006

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: **May 18, 2006**

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 fiscal 2005 (April 1, 2005–March 31, 2006)

(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)	(%)
Mar. 2006 term	550,301	26.4	20,389	54.2	23,454	46.6
Mar. 2005 term	435,197	6.2	13,220	(14.6)	16,001	(13.4)

	Net income		Earnings per share	Earnings per share (diluted)	Return on equity	Ordinary income/total assets	Ordinary income/net sales
	(Millions of yen)	(%)	(Yen)	(Yen)	(%)	(%)	(%)
Mar. 2006 term	15,011	29.6	58.33	–	9.3	6.3	4.3
Mar. 2005 term	11,585	9.4	44.93	–	7.8	4.4	3.7

Notes:

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

Mar. 2006 term: 1,279 Mar. 2005 term: 1,359

②Average number of shares outstanding (consolidated):

Mar. 2006 term: 253,966,135 Mar. 2005 term: 254,101,172

③Changes in accounting methods: Changed

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

(2) Consolidated financial position

	Total assets (Millions of yen)	Shareholders' equity (Millions of yen)	Shareholders' equity/total assets (%)	Shareholders' equity per share (Yen)
Mar. 31, 2006	375,287	173,063	46.1	681.66
Mar. 31, 2005	367,437	151,155	41.1	595.01

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

Mar. 31, 2006: 253,887,352 Mar. 31, 2005: 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)
Mar. 2006 term	26,811	(2,963)	(2,424)	91,489
Mar. 2005 term	(16,848)	(10,656)	(3,456)	68,925

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

Consolidated subsidiaries: 12 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) 1 company

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

2. Forecast for fiscal 2005 (April 1, 2006–March 31, 2007)

	Net sales (Millions of yen)	Ordinary income (Millions of yen)	Net income (Millions of yen)
Interim term	265,000	10,500	7,000
Entire term	560,000	27,000	17,000

Reference: Estimated earnings per share

(yen, fiscal 2006): 66.96

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 Statements of Income

Years ended	Mar. 2006 term (Millions of yen)	Mar. 2005 term (Millions of yen)	Increase (decrease) (Millions of yen)
Net sales	550,301	435,197	115,104
Cost of sales	514,071	406,902	107,169
Gross profit	36,230	28,295	7,935
Selling, general and administrative expenses	15,840	15,075	765
Operating income	20,389	13,220	7,169
Non-operating income:	5,908	4,166	1,742
Interest income	2,230	1,071	1,159
Dividend income	847	642	205
Exchange gain, net	358	-	(197)
Rental income from fixed assets	709	681	28
Amortization for consolidation difference	67	60	7
Equity in earnings of affiliates	1,279	1,359	(80)
Other non-operating income	416	351	65
Non-operating expenses:	2,842	1,386	1,456
Interest expense	293	348	(55)
Exchange loss, net	-	382	382
Expense of rental fixed assets	394	391	3
Provision for allowance for doubtful accounts	1,708	-	1,708
Other non-operating expenses	446	262	184
Ordinary income	23,454	16,001	7,454
Extraordinary gain:	934	5,484	(4,550)
Gain on sales of property and equipment	0	44	(44)
Gain on sales of investment securities	161	1,591	(1,430)
Reversal of allowance for doubtful accounts	293	90	203
Reversal of allowance for retirement and severance benefits	295	-	295
Gain on return of the substituted portion of the government's welfare pension insurance scheme	171	3,668	3,668
Other extraordinary gain	12	88	(76)
Extraordinary loss:	1,004	3,803	(2,799)
Loss on sales of property and equipment	4	35	(31)
Loss on disposal of property and equipment	110	102	8
Impairment loss	23	-	23
Loss on sales of investment securities	0	0	0
Loss on devaluation of marketable and investment securities	29	23	6
Loss on sales of investment in affiliates	136	-	136
Loss on devaluation of investment in affiliates	679	200	479
Loss on devaluation of property and equipment	1	25	(24)
Lump-sum amortization of net transition obligation arising from change in retirement benefit accounting	-	3,357	3,357
Other extraordinary loss	18	60	(42)
Income before taxes on income	23,384	17,681	5,703
Taxes on income:	8,255	5,783	2,472
Current	9,762	4,563	5,199
Deferred	(1,507)	1,219	(2,726)
Minority interests in earnings of consolidated subsidiaries	117	313	(196)
Net income	15,011	11,585	3,426

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 May 18, 2005.

Consolidated Balance Sheets

ASSETS

	March 31, 2006 (Millions of yen)	March 31, 2005 (Millions of yen)	Increase (decrease) (Millions of yen)
I Current assets			
Cash	88,490	55,940	32,550
Notes and accounts receivable	69,557	65,057	4,500
Marketable securities	2,998	12,984	(9,986)
Contract works in progress	47,032	74,367	(27,335)
Other inventories	7,575	5,582	1,993
Deferred tax assets	6,302	5,499	803
Other receivables	11,101	9,287	1,814
Other current assets	2,645	6,571	(3,926)
Allowance for doubtful accounts	(3,927)	(3,480)	(447)
Total current assets	231,776	231,810	(34)
II Fixed assets			
1 Tangible fixed assets:			
Buildings and structures	52,129	52,234	(105)
Machinery, vehicles, tools and equipment	35,723	33,784	1,939
Land	26,376	26,422	(46)
Construction in progress	237	283	(46)
Less accumulated depreciation	(48,778)	(46,836)	(1,942)
Net tangible fixed assets	65,687	65,887	(200)
2 Intangible fixed assets			
Consolidation account adjustment	2,825	3,633	(808)
Software	2,970	3,586	(616)
Other intangible fixed assets	109	110	(1)
Total intangible fixed assets	5,906	7,330	(1,424)
3 Investments and other assets			
Investment securities	51,171	35,621	15,550
Long-term loans receivable	22,630	23,651	(1,021)
Deferred tax assets	3,095	8,131	(5,036)
Other investments and other assets	2,485	2,613	(128)
Allowance for doubtful accounts	(7,466)	(7,608)	142
Total investments and other assets	71,916	62,409	9,507
Total fixed assets	143,510	135,627	7,883
Total assets	375,287	367,437	7,850

LIABILITIES AND SHAREHOLDERS' EQUITY

	March 31, 2006 (Millions of yen)	March 31, 2005 (Millions of yen)	Increase (decrease) (Millions of yen)
I Current liabilities			
Notes and accounts payable	75,575	61,614	13,961
Short-term loans	15,306	552	14,754
Income taxes payable	5,923	2,217	3,706
Advances received on uncompleted contracts	57,358	91,600	(34,242)
Reserve for job warranty costs	2,012	1,880	132
Reserve for losses on contracts	3,266	2,074	1,192
Reserve for bonuses	5,294	4,748	546
Other current liabilities	10,691	10,377	314
Total current liabilities	175,428	175,065	363
II Long-term liabilities			
Long-term loans	993	15,711	(14,718)
Reserve for retirement benefits	16,470	16,252	218
Reserve for directors' retirement bonuses	464	385	79
Consolidation account adjustment	209	212	(3)
Deferred tax liabilities	105	63	42
Deferred tax liabilities for land revaluation	3,787	3,798	(11)
Other long-term liabilities	4,473	4,491	(18)
Total long-term liabilities	26,504	40,916	(14,412)
Total liabilities	201,932	215,981	(14,049)
Minority interests	291	300	(9)
I Common stock	23,511	23,511	—
II Additional paid-in capital	25,582	25,580	2
III Retained earnings	116,850	105,395	11,455
IV Land revaluation, net of deferred tax assets	(6,582)	(6,732)	150
V Net unrealized holding gains (losses) on securities	17,436	7,284	10,152
VI Foreign currency translation adjustments	144	(285)	429
VII Treasury stock, at cost	(3,878)	(3,598)	(280)
Total shareholders' equity	173,063	151,155	21,908
Total liabilities and shareholders' equity	375,287	367,437	7,850

Consolidated Statements of Cash Flows

Years ended	Mar. 2006 term (Millions of yen)	Mar. 2005 term (Millions of yen)	Increase (decrease) (Millions of yen)
I CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before taxes on income and minority interests in earnings of consolidated subsidiaries	23,384	17,681	5,703
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	4,817	4,572	245
Amortization of consolidation account adjustment	740	342	398
Increase (decrease) in allowance for doubtful accounts	1,616	(178)	1,794
Increase (decrease) in reserve for possible losses on construction projects	1,192	2,074	(882)
Increase (decrease) in retirement and severance benefits	389	(5,075)	5,464
Interest and dividend income	(3,077)	(1,714)	(1,363)
Interest expense	293	348	(55)
Equity in losses (earnings) of affiliates	(1,279)	(1,359)	80
Gain on sales of property and equipment	0	(44)	44
Gain on sales of investment securities	(161)	(1,591)	1,430
Loss on devaluation of investment securities	29	23	6
Loss on sales of property and equipment	4	35	(31)
Loss on disposal of property and equipment	110	102	8
Loss on devaluation of property and equipment	1	25	(24)
Impairment loss	23	—	23
Loss on sales of investment in affiliates	136	—	136
Loss on devaluation of investment in affiliates	679	200	479
Decrease (increase) in notes and accounts receivable	(4,953)	(5,652)	699
Decrease (increase) in inventories	25,208	(24,757)	49,965
Decrease (increase) in other assets	(1,834)	(4,603)	2,769
Increase (decrease) in notes and accounts payable	14,199	4,334	9,865
Increase (decrease) in advances received on uncompleted contracts	(34,247)	(997)	(33,250)
Gain on return of the substituted portion of the government's welfare pension insurance scheme	(171)	(3,668)	3,497
Lump-sum amortization of net transition obligation arising from change in retirement benefit accounting	—	3,357	(3,357)
Other	75	989	(914)
Subtotal	27,178	(15,555)	42,733
Interest and dividends received	6,241	3,934	2,307
Interest paid	(293)	(350)	57
Income taxes paid	(6,314)	(4,876)	(1,438)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	26,811	(16,848)	43,659
II CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for purchases of property and equipment	(3,326)	(3,458)	132
Proceeds from sales of property and equipment	61	429	(368)
Payments for purchases of intangible fixed assets	(484)	(855)	371
Payments for purchases of investment securities	(1,618)	(11,004)	9,386
Proceeds from sale of investment securities	389	3,196	(2,807)
Payments for sales of investment in subsidiaries related to change in scope of consolidation	(75)	—	(75)
Decrease (increase) in short-term loans receivable	(522)	(33)	(489)
Payments for long-term loans receivable	(849)	(12)	(837)
Proceeds from long-term loans receivable	3,368	282	3,086
Other	94	799	(705)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(2,963)	(10,656)	7,693
III CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase (decrease) in short-term loans	(352)	(492)	140
Proceeds from long-term bank loans	550	2	548
Repayments of long-term bank loans	(162)	(711)	549
Payments for purchases of treasury stock	(278)	(116)	(162)
Cash dividends paid	(2,158)	(2,032)	(126)
Cash dividends paid to minority shareholders	(21)	(106)	85
NET CASH USED IN FINANCING ACTIVITIES	(2,424)	(3,456)	1,032
IV EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	1,140	(100)	1,240
V NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	22,564	(31,061)	53,625
VI CASH AND CASH EQUIVALENTS at beginning of year	68,925	99,987	(31,062)
VII CASH AND CASH EQUIVALENTS at end of year	91,489	68,925	22,564

Note: The above statements of cash flows are unaudited.

Sales, Orders Received and Backlog (Consolidated)

(Millions of yen)

Business area		March 31, 2005	March 31, 2006		
		Outstanding Contracts	New Contracts	Sales	Outstanding Contracts
Domestic	Oil and gas development	238	302	371	169
	Petroleum refining	44,853	120,270	42,053	123,070
	LNG	203	1,354	922	635
	Chemical	8,775	52,287	16,644	44,418
	Power generation, nuclear power and new energy	9,754	6,616	6,605	9,765
	Living and general production facility	28,788	18,226	25,230	21,784
	Environmental protection, social development and IT	19,653	13,067	20,686	12,034
	Others	656	4,256	4,207	704
	Subtotal	112,924	216,381	116,721	212,583
Overseas	Oil and gas development	226,283	143,643	161,749	208,178
	Petroleum refining	94,113	103,104	75,504	121,713
	LNG	127,771	102,930	47,867	182,834
	Chemical	136,149	202,415	97,673	240,891
	Power generation, nuclear power and new energy	21,795	37,743	19,313	40,225
	Living and general production facility	165	857	987	36
	Environmental protection, social development and IT	3,071	130	571	2,630
	Others	99	442	446	95
	Subtotal	609,450	591,268	404,114	796,604
Total Engineering Business		*2 722,374	807,649	520,835	1,009,188
Catalysts and Chemical Products Business		*3 —	*3 —	29,465	*3 —
Grand Total				550,301	

Notes:

*1 Figures for each business area are exclusive of consumption and other taxes.

*2 The balances of new contracts as of the end of the previous fiscal year have been revised to reflect foreign currency translation adjustments and changes in contract amounts for the period under review as follows:

*3 As the order received system is not applied to the Catalysts and Chemical Products Business area, no figures are given.

*4 All amounts are rounded down to the nearest million yen.

(Millions of yen)

Business area	Foreign currency translation adjustment	Revision for changes in contract amounts	Total
Oil and gas development	4,464	(1,510)	2,954
Petroleum refining	(817)	(875)	(1,692)
LNG	2,901	—	2,901
Chemical	4,757	(521)	4,236
Power generation, nuclear power and new energy	220	—	220
Living and general production facility	27	—	27
Environmental protection, social development and IT	—	(403)	(403)
Others	—	—	—
Total	11,554	(3,310)	8,244