

Consolidated Interim Financial Statements--Summary

(For the fiscal year ending March 31, 2007)

November 14, 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: **Director, Senior General Manager, Finance & Accounting Division**

Name: **Hiroyoshi Suga**

Board of Directors meeting: **November 14, 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 of the interim term for the Year Ending March 2007 (April 1, 2006-September 30, 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)	(%)
Sep. 2006 term	275,278	10.0	12,149	22.6	14,552	14.1
Sep. 2005 term	250,291	37.7	9,913	99.9	12,753	70.6
Mar. 2006 term	550,301		20,389		23,454	

	Net income		Earnings per share (Yen)	Earnings per share (diluted) (Yen)
	(Millions of yen)	(%)		
Sep. 2006 term	9,245	(2.2)	36.42	-
Sep. 2005 term	9,458	79.4	37.24	-
Mar. 2006 term	15,011		58.33	-

Notes:

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

Sep. 2006 term: 510 Sep. 2005 term: 796 Mar. 2006 term: 1,279

②Average number of shares outstanding (consolidated):

Sep. 2006 term: 253,871,764 Sep. 2005 term: 254,011,390 Mar. 2006 term: 253,966,135

③Changes in accounting methods: Changed

④Percentages 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)	Total net assets (Millions of yen)	Total net assets/total assets (%)	Total net assets per share (Yen)
Sep. 2006 term	390,280	177,557	45.4	698.54
Sep. 2005 term	375,397	163,260	43.5	642.84
Mar. 2006 term	375,287	173,063	46.1	681.66

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

Sep. 2006 term: 253,848,506 Sep. 2005 term: 253,966,586 Mar. 2006 term: 253,887,352

(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. 2006 term	17,142	(8,644)	(2,006)	98,112
Sep. 2005 term	11,827	(1,688)	(1,688)	76,888
Mar. 2006 term	26,811	(2,963)	(2,424)	91,489

(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) 1 company (decrease) None

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

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

	Net sales (Millions of yen)	Ordinary income (Millions of yen)	Net income (Millions of yen)
Entire term	560,000	27,000	17,000

Reference: Estimated earnings per share (yen, fiscal 2006): 66.97

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, 2006 (Millions of yen)	September 30, 2005 (Millions of yen)	March 31, 2006 (Millions of yen)
Current assets:	¥ 247,503	¥ 233,579	¥231,776
Cash	98,112	69,889	88,490
Notes and accounts receivable	67,628	62,762	69,557
Marketable securities	—	6,998	2,998
Contract works in progress	52,540	68,961	47,032
Other inventories	9,384	6,603	7,575
Deferred tax assets	7,713	5,170	6,302
Other receivables	11,412	10,961	11,101
Other current assets	4,045	5,601	2,645
Allowance for doubtful accounts	(3,332)	(3,369)	(3,927)
Fixed assets:	142,777	141,818	143,510
Tangible fixed assets:	67,539	65,957	65,687
Buildings and structures	30,653	31,775	30,997
Land	26,362	26,378	26,376
Other tangible fixed assets	10,523	7,804	8,313
Intangible fixed assets:	5,235	6,623	5,906
Consolidation account adjustment	—	3,229	2,825
Goodwill	2,422	—	—
Software	2,692	3,283	2,970
Other intangible fixed assets	120	110	109
Investments and other assets:	70,002	69,237	71,916
Investment securities	50,445	44,556	51,171
Long-term loans receivable	23,638	24,856	22,630
Deferred tax assets	2,167	5,299	3,095
Other investments and other assets	2,105	2,329	2,485
Allowance for doubtful accounts	(8,354)	(7,803)	(7,466)
Total assets	¥ 390,280	¥ 375,397	¥ 375,287

	September 30, 2006	September 30, 2005	March 31, 2006
* Accumulated depreciation on tangible fixed assets	51,207	48,269	48,778

LIABILITIES AND SHAREHOLDERS' EQUITY

	September 30, 2006 (Millions of yen)	September 30, 2005 (Millions of yen)	March 31, 2006 (Millions of yen)
Total liabilities:	212,723	211,880	201,932
Current liabilities:	186,372	170,998	175,428
Notes and accounts payable	73,685	75,312	75,575
Short-term loans	16,440	1,221	15,306
Accrued expenses	8,048	8,390	7,604
Income taxes payable	2,135	2,999	5,923
Advances received on uncompleted contracts	73,097	72,511	57,358
Reserve for job warranty costs	1,560	1,906	2,012
Reserve for losses on contracts	2,831	1,568	3,266
Reserve for bonuses	4,162	3,703	5,294
Reserve for directors' bonuses	114	—	—
Other current liabilities	4,297	3,385	3,086
Long-term liabilities:	26,350	40,882	26,504
Long-term loans	859	15,638	993
Reserve for retirement benefits	16,582	16,245	16,470
Reserve for directors' retirement bonuses	411	415	464
Consolidation account adjustment	—	246	209
Negative goodwill	172	—	—
Deferred tax liabilities	66	56	105
Deferred tax liabilities for land revaluation	3,780	3,787	3,787
Other long-term liabilities	4,478	4,492	4,473
Minority interests	—	256	291
Shareholders' equity:	—	163,260	173,063
Common stock	—	23,511	23,511
Additional paid-in capital	—	25,581	25,582
Retained earnings	—	112,380	116,850
Land revaluation, net of deferred tax assets	—	(6,582)	(6,582)
Net unrealized holding gains (losses) on securities	—	12,480	17,436
Foreign currency translation adjustments	—	(406)	144
Treasury stock, at cost	—	(3,703)	(3,878)
Total liabilities and shareholders' equity	—	¥ 375,397	¥375,287
I Shareholders' equity			
Common stock	23,511	—	—
Additional paid-in capital	25,584	—	—
Retained earnings	123,355	—	—
Treasury stock, at cost	(3,957)	—	—
Total shareholders' equity	168,493	—	—
II Valuation and translation adjustments			
Net unrealized holding gains on securities	15,159	—	—
Deferred hedge income	(184)	—	—
Land revaluation, net of deferred tax assets	(6,586)	—	—
Foreign currency translation adjustment	442	—	—
Total valuation and translation adjustments	8,830	—	—
III Minority interests	233	—	—
Total net assets	177,557	—	—
Total liabilities and net assets	¥ 390,280	—	—

	September 30, 2006	September 30, 2005	March 31, 2006
* Pledged assets	12,835	11,838	12,479

Consolidated Statements of Income

	Sep. 2006 interim term (Millions of yen)	Sep. 2005 interim term (Millions of yen)	Mar. 2006 term (Millions of yen)
Net sales	¥275,278	¥250,291	¥550,301
Cost of sales	254,589	232,717	514,071
Gross profit	20,688	17,573	36,230
Selling, general and administrative expenses	8,539	7,660	15,840
Operating income	12,149	9,913	20,389
Non-operating income:	3,648	3,822	5,908
Interest income	1,766	648	2,230
Dividend income	527	607	847
Exchange gain, net	335	1,126	358
Rental income from fixed assets	314	374	709
Amortization for consolidation difference	—	30	67
Goodwill amortization	36	—	—
Equity in earnings of affiliates	510	796	1,279
Other non-operating income	156	238	416
Non-operating expenses:	1,244	981	2,842
Interest expense	125	154	293
Expense of rental fixed assets	178	227	394
Provision for allowance for doubtful accounts	891	291	1,708
Expense of financial research	—	98	—
Other non-operating expenses	50	210	446
Ordinary income	14,552	12,753	23,454
Extraordinary gain:	111	803	934
Gain on sales of property and equipment	—	0	0
Gain on sales of investment securities	—	177	161
Reversal of allowance for doubtful accounts	26	143	293
Gain on return of the substituted portion of the government's welfare Pension Insurance Scheme	—	171	171
Reversal of retirement and severance benefits	—	295	295
Settlement gain on retirement benefit	85	—	—
Other extraordinary gain	—	15	12
Extraordinary loss:	1,115	82	1,004
Loss on sales of property and equipment	0	—	4
Loss on disposal of property and equipment	52	39	110
Loss on devaluation of property and equipment	—	—	1
Impairment loss	—	23	23
Loss on sales of marketable and investment securities	—	—	0
Loss on devaluation of marketable and investment securities	22	9	29
Loss on sales of investment in affiliates	—	—	136
Loss on devaluation of investment in affiliates	—	—	679
Loss on withdrawal from an affiliate company	920	—	—
Expense of retirement benefit	120	—	—
Other extraordinary loss	—	10	18
Income before taxes on income	13,548	13,474	23,384
Taxes on income:	4,319	3,932	8,255
Current	3,398	3,746	9,762
Deferred	921	186	(1,507)
Minority interests in earnings of consolidated subsidiaries	(17)	82	117
Net income	¥9,245	¥9,458	¥15,011

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, 2006.

Consolidated Statement of Changes in Net Assets

(April 1, 2006 - September 30, 2006)

(Millions of yen)

	Shareholder' equity				
	Common stock	Capital reserve	Retained earnings	Treasury stock, at cost	Total shareholder' equity
Balance at March 31, 2006	23,511	25,582	116,850	(3,878)	162,064
Changes in the interim period					
Increase and decrease in cash from newly consolidated subsidiaries			240		240
Cash dividends			(2,792)		(2,792)
Payments for bonuses to directors and corporate statutory auditors			(192)		(192)
Land revaluation, net of deferred tax portion			4		4
Net income			9,245		9,245
Purchases of treasury stock				(80)	(80)
Disposal of treasury stock		1		1	3
Net changes in items other than those in shareholders' equity					
Total of changes in the interim period	—	1	6,505	(78)	6,428
Balance at September 30, 2006	23,511	25,584	123,355	(3,957)	168,493

	Valuation and translation adjustments					Warrant	Minority interests	Total net assets
	Net unrealized holding gains on securities	Deferred hedge income	Land revaluation, net of deferred tax assets	Foreign currency translation adjustment	Total valuation and translation adjustments			
Balance at March 31, 2006	17,436	—	(6,582)	144	10,998	—	291	173,355
Changes in the interim period								
Increase and decrease in cash from newly consolidated subsidiaries								240
Cash dividends								(2,792)
Payments for bonuses to directors and corporate statutory auditors								(192)
Land revaluation, net of deferred tax portion								4
Net income								9,245
Purchases of treasury stock								(80)
Disposal of treasury stock								3
Net changes in items other than those in shareholders' equity	(2,277)	(184)	(4)	297	(2,168)		(57)	(2,226)
Total of changes in the interim period	(2,277)	(184)	(4)	297	(2,168)	—	(57)	4,201
Balance at September 30, 2006	15,159	(184)	(6,586)	442	8,830	—	233	177,557

Consolidated Statements of Cash Flows

	Sep. 2006 interim term (Millions of yen)	Sep. 2005 interim term (Millions of yen)	Mar. 2006 term (Millions of yen)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before taxes on income and minority interests in earnings of consolidated subsidiaries	¥13,548	¥13,474	¥23,384
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	2,548	2,349	4,817
Impairment loss	—	23	23
Amortization of consolidation account adjustment	—	373	740
Amortization of goodwill	366	—	—
Increase (decrease) in allowance for doubtful accounts	916	103	1,616
Increase (decrease) in reserve for losses on contracts	(435)	(505)	1,192
Increase (decrease) in retirement and severance benefits	60	164	389
Interest and dividend income	(2,293)	(1,255)	(3,077)
Interest expense	125	154	293
Equity in losses (earnings) of affiliates	(510)	(796)	(1,279)
Gain on sales of property and equipment	—	(0)	(0)
Gain on sales of investment securities	—	(177)	(161)
Loss on devaluation of investment securities	22	9	29
Loss on sales of property and equipment	0	—	4
Loss on disposal of property and equipment	52	39	110
Loss on devaluation of property and equipment	—	—	1
Loss on sales of investment in affiliates	—	—	136
Loss on devaluation of investment in affiliates	—	—	679
Loss on withdrawal from an affiliate company	920	—	—
Decrease (increase) in notes and accounts receivable	2,694	2,271	(4,953)
Decrease (increase) in inventories	(7,039)	4,377	25,208
Decrease (increase) in other assets	(310)	(1,674)	(1,834)
Increase (decrease) in notes and accounts payable	(2,116)	13,706	14,199
Increase (decrease) in advances received on uncompleted contracts	15,729	(19,089)	(34,247)
Gain on return of the substituted portion of the government's welfare Pension Insurance Scheme	—	(171)	(171)
Other	(1,396)	(691)	75
Subtotal	22,882	12,683	27,178
Interest and dividends received	1,799	2,576	6,241
Interest paid	(113)	(153)	(293)
Income taxes paid	(7,425)	(3,279)	(6,314)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	17,142	11,827	26,811
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for purchases of property and equipment	(3,360)	(1,748)	(3,326)
Proceeds from sales of property and equipment	39	28	61
Payments for purchases of intangible fixed assets	(240)	(242)	(484)
Payments for purchases of investment securities	(5,195)	(540)	(1,618)
Proceeds from sale of investment securities	402	378	389
Payments for sales of investment in subsidiaries related to change in scope of consolidation	—	—	(75)
Decrease (increase) in short-term loans receivable	510	131	(522)
Payments for long-term loans receivable	(1,187)	—	(849)
Proceeds from long-term loans receivable	31	25	3,368
Other	357	279	94
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(8,644)	(1,688)	(2,963)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase (decrease) in short-term loans	1,034	683	(352)
Proceeds from long-term bank loans	—	—	550
Repayments of long-term bank loans	(134)	(88)	(162)
Cash dividends paid	(2,788)	(2,156)	(2,158)
Cash dividends paid to minority shareholders	(40)	(21)	(21)
Payments for purchases of treasury stock	(76)	(104)	(278)
NET CASH USED IN FINANCING ACTIVITIES	(2,006)	(1,688)	(2,424)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(167)	(487)	1,140
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,324	7,963	22,564
CASH AND CASH EQUIVALENTS at beginning of year	91,489	68,925	68,925
INCREASE IN CASH AND CASH EQUIVALENTS FROM NEWLY CONSOLIDATED SUBSIDIARIES	298	—	—
CASH AND CASH EQUIVALENTS at end of period	¥98,112	¥76,888	¥91,489

(Reference)

Sales, Orders Received and Backlog (Consolidated)

(Millions of yen)

Business area		March 31, 2006	September 30, 2006		
		Outstanding Contracts	New Contracts	Sales	Outstanding Contracts
Domestic	Oil and gas development	169	143	191	121
	Petroleum refining	122,983	9,032	14,108	117,907
	LNG	635	728	151	1,213
	Chemical	44,352	24,975	10,459	58,868
	Power generation, nuclear power and new energy	9,765	5,285	1,611	13,439
	Living and general production facility	21,218	14,025	8,079	27,165
	Environmental protection, social development and IT	7,404	5,839	3,749	9,494
	Others	575	2,985	1,262	2,298
	Subtotal	207,105	63,016	39,613	230,508
Overseas	Oil and gas development	204,785	7,306	71,920	140,172
	Petroleum refining	121,049	1,319	33,832	88,536
	LNG	184,033	3,851	32,542	155,341
	Chemical	244,841	17,348	64,080	198,108
	Power generation, nuclear power and new energy	40,547	21,467	12,091	49,923
	Living and general production facility	36	18,486	41	18,481
	Environmental protection, social development and IT	2,630	116	2,701	45
	Others	95	498	257	335
	Subtotal	798,019	70,394	217,467	650,946
Total Engineering Business		*2 1,005,124	133,410	257,080	881,454
Catalysts and Chemical Products Business		*3 —	*3 —	18,197	*3 —
Grand Total				275,277	

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	2,914	(6,306)	(3,392)
Petroleum refining	(648)	(102)	(750)
LNG	2,115	(916)	1,199
Chemical	4,088	(204)	3,884
Power generation, nuclear power and new energy	322	—	322
Living and general production facility	—	(565)	(565)
Environmental protection, social development and IT	—	(4,630)	(4,630)
Others	—	(129)	(129)
Total	8,792	(12,855)	(4,063)