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JGC Report 2015

2015

Fiscal 2014

JGC JGC CORPORATION

**Program
Management
& Contractor
& Investment
Partner**

Program Management Contractor & Investment Partner

Editorial Policy For JGC Report 2015

The "JGC Report" is an integrated report containing information that we at JGC deem important or that may be of interest to our stakeholders. It provides shareholders, investors and other members of a wide-ranging readership with data on not just on our business performance, but also medium to long-term outlooks, activities contributing to society and other topics that will help build a better understanding of our overall corporate activity.

Scope

Consolidated subsidiaries in the JGC Group

Period

Fiscal 2014 (April 1, 2014 to March 31, 2015)

Important matters occurring up to the end of July 2015, after the above period has expired, are also included.

Publishing Date

August 2015

Referenced Guidelines

- ISO 26000, an international guidance standard for social responsibility issued by the International Organization for Standardization
- The Sustainability Reporting Guidelines Version 3.1 (G3.1), an international guideline concerning corporate sustainability reporting issued by the Global Reporting Initiative (GRI)
- The Environmental Reporting Guidelines 2012 issued by Japan's Ministry of the Environment

Notes Concerning Future Outlook

This presentation may contain forward-looking statements about JGC Corporation. You can identify these statements by the fact that they do not relate strictly to historic or current facts. These statements discuss future expectations, identify strategies, contain projections of results of operations or financial conditions or state other "forward-looking" information. These statements are based on currently available information and represent the beliefs of the management of JGC Corporation. These statements are subject to numerous risks and uncertainties that could cause JGC's actual results, performance, achievements or financial condition to differ materially from those described or implied in the forward-looking statements.

JGC Corporation assumes no obligation to publicly update any forward-looking statements after the date of this presentation. These potential risks and uncertainties include, but are not limited to: competition within the financial services industries in Japan and overseas, our ability to adjust our business focus and to maintain profitable strategic alliances, volatile and sudden movements in the international securities markets, and foreign exchange and global economic situations affecting JGC Corporation.

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(Left) Masayuki Sato
Chairman and Representative Director

(Right) Koichi Kawana
President and Representative Director

With the release of our JGC Report 2015, I would like to express my heartfelt gratitude to our stakeholders for their continued understanding and strong support of our business activities. Looking back on the 2014 fiscal year, I regard it as a period of great uncertainty for the engineering business. The slowdown of the Chinese economy and developing economies as well as the falling price of oil, persistently affected the global economy, causing the postponement or cancellation of the capital investment projects of major oil companies and state-owned national oil companies.

Faced with this challenging market environment, we focused all of our efforts on the business activities of sales, project implementation and investment. In fiscal 2015, although the market outlook is still unclear as of August, we will exert our maximum energies on meeting sales targets and earnings forecasts. Our aim is to achieve expansion of our business areas and overall sustainable growth.

Looking at the global economy from a medium to long-term perspective, we anticipate that the developing countries of Southeast Asia, the Middle East and South America that are members of the G20 will continue to follow the path of growth, led by nations with massive populations such as China and India. This will require us to tackle many issues on a global scale, including the environmental problems that accompany increased energy demand and production, following population increase.

The Group's core philosophy emphasizes that its mission is to "contribute to the prosperity of the economy and society while protecting the global environment, and aim for sustainable development as a globally active company with its core business in engineering-based services." We therefore consider it our duty to provide stable energy and effectively utilize resources, commercialize unconventional resources, promote and popularize renewable energy contributing to a reduction in carbon dioxide emissions, as well as establish and improve social infrastructure. These will lead the way toward the solution of issues that directly affect the global economy, while achieving even further growth and expansion.

Looking ahead, we will thoroughly fulfill our obligations and meet the expectations of our broad range of stakeholders, including shareholders, customers, clients, and local communities. We would deeply appreciate your continued support.

JGC's History and Present

JGC's Journey

We are proud to present JGC's history, from its establishment through to the present along with projects and societal events of the time.

JGC began engineering operations in conjunction with its processing license operations

JGC Corporation (formerly Japan Gasoline Co., Ltd.) was founded on 25 October 1928 with capital of 2.5 million yen. Its first head office was located at Uchisaiwai-cho, Koji-machi, in Tokyo. The original purpose of the company was to purchase cracking processing technology from UOP (Universal Oil Products) of the U.S.A. with the intent to construct and operate an oil refinery on the Pacific Rim. However, JGC opted to withdraw from refinery operations for several reasons, and instead, focused its business operations on promoting the UOP processing license. To further this new direction, the Company commenced engineering operations during the 1930's.



The Osaka building (Koji-machi ward, Tokyo), which housed JGC's main office at the time of establishment

1928

Bringing our performance, which supported Japan's rapid economic expansion, to overseas markets

Restoration from WWII included new construction as well as modernization of oil refineries in Japan. Around this time, JGC expanded its engineering operations to coincide with the sudden rise of the petrochemical industry. In 1956, JGC took on the project to construct the new Tokuyama Refinery of Idemitsu Kosan Co., Ltd., which was Japan's first large-scale grassroots petroleum refinery after WWII. Thereafter JGC worked on successive plans to build new oil refineries and petrochemical plants, making our contribution as an engineering contractor to Japan's rapid economic growth.

By 1965 JGC had grown into a global contractor after winning refinery projects in South America, which paved the way for future Japanese plant exports. Subsequently, JGC expanded into the Chinese, Southeast Asian, Central and South American, North African, and Eastern European Markets. Through the years, JGC expanded into diverse fields of business including nuclear power, pharmaceutical and food products. In 1969, JGC joined the First Section of the Tokyo Stock Exchange. In 1975, JGC still maintained over a 50% contract rate for foreign projects, solidifying its foundation as a global engineering contractor. In 1976, JGC changed its name from Japan Gasoline Co., Ltd. to JGC Corporation.



Tokuyama Refinery of Idemitsu Kosan Co., Ltd.

1950

Positioning ourselves as a world-leading engineering contractor

The project to modernize a refinery in Kuwait, awarded in 1980, was undertaken by full application groundbreaking methods of modern project management and completed with successful results. In 1985, while the yen was high due to the Plaza Accord, JGC actively created overseas bases in order to combat reduced cost competitiveness. As a result, JGC continued to receive contracts for major LNG plant projects in Malaysia and Australia, as well as the construction of a refinery in Indonesia and an ethylene plant in China.

From the latter half of the 1990s, JGC attempted to globalize its implementation of projects utilizing overseas resources, aiming to further improve its cost competitiveness. The year 1997 was also when the main office operations in Otemachi, Tokyo merged with the engineering center in Minami-ku, Yokohama, to found the Yokohama World Operations Center (Yokohama Headquarters) in the Minato-Mirai area of Nishi-ku, Yokohama.



LNG plant for Malaysia

1980

Responding to the plant construction boom and increased environmental awareness

By the 2000s, the price of crude oil skyrocketed against a backdrop of increasing energy demand from emerging countries, creating a plant construction boom in the Gulf countries, which allowed us to win many contracts for oil- and gas-related plants. Furthermore, increased environmental awareness around the globe led us to expand our investment in natural gas-related projects, and JGC won contracts for LNG plants and a GTL plant construction project in Qatar, the second of its kind in the world.

Since 2005, JGC has engaged in non-EPC businesses, and JGC Group has invested in fields where it can generate synergy as well as in local businesses.



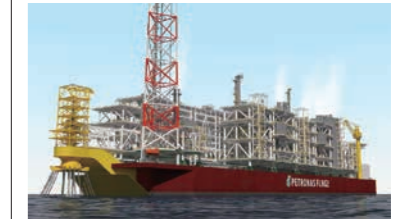
GTL plant for Qatar

2000

Aiming to be a business that contributes to the growth of our customers and partner countries

From 2011, JGC set a new goal, to become a "Project Management Contractor & Investment Partner," promoting investment in the field of new means of energy and power generation, such as solar power and the field of water and the environment, as well as city infrastructure development and hospital projects,

In its core EPC business, JGC specializes in the field of natural gas, and is currently one of the four largest players in the LNG field. In 2014, JGC contracted to build the world's third floating LNG plant, marking a full-fledged entry into the offshore sector. JGC is aggressively developing its business with the aim of acquiring further results.



Architectural rendering of completed floating LNG plant for Malaysia

2010

Major Events

- 1929 the Great Depression
- 1939 World War II
- 1941 the Pacific War
- 1945 Acceptance of the Potsdam Declaration

- 1956 Japan joins the United Nations
- 1960 Establishment of the Organization of Petroleum Exporting Countries (OPEC)
- 1964 Tokyo Olympic Games
- 1973 First Oil Shock

- 1985 Plaza Accord
- 1989 Fall of the Berlin Wall
- 1990 Burst of the economic bubble
- 1997 Asian Currency Crisis
- 1999 11 EU countries adopt the euro as a common currency

- 2001 Simultaneous terrorism incidents in USA
- 2003 Outbreak of war in Iraq
- 2005 Kyoto Protocol comes into effect
- 2008 Global Financial Crisis ("Bankruptcy of Lehman Brothers")

- 2011 Great East Japan Earthquake



Pursuing New Possibilities in Engineering with Proven Technology and Management Capabilities.



Since its founding in 1928, JGC Corporation (JGC) has drawn on its broad range of engineering technology and project management capabilities to provide EPC (Engineering, Procurement, and Construction) services to a range of domestic and overseas plants and facilities as one of the world's top engineering contractors. Now, JGC is putting the technical capabilities and expertise cultivated through these EPC services to work in new business fields, including business investment and operation, as well as planning, and management services.

JGC is evolving into a "Project Management Contractor & Investment Partner," contributing not only to the development of clients, but also to the development of nations.



JGC, at a Glance

Consolidated Net Sales for fiscal 2014

¥799 billion

(new record set in fiscal 2014)

Outstanding Contracts in fiscal year 2014

¥1,775.8 billion

(new record for end of fiscal year)

Project Completion Record

80 countries

More than **20,000** projects

Consolidated Employees

7,332

(as of March 31, 2015)

CO₂ Emissions (main office)

5,319 tons

(fiscal 2014)

World's Best Record of Zero Accidents
Requiring Time Away From Work

Approx. **130,900,000** hours

*For the total duration of the Qatar gas processing project
from July 12, 2012 to March 25, 2014

JGC Businesses

EPC Business

As one of the top engineering contractors in the world,

JGC is prepared to put its unique engineering technology and outstanding project management capabilities into effective action in any country and any region of the world, ranging from the full breadth of the hydrocarbon sector, including oil, gas, LNG and petrochemicals, to other sectors such as non-ferrous metals, nuclear power, pharmaceuticals, hospitals and research centers.

Business Management and Investment Business

Evolving into a new enterprise transcending the bounds of an engineering firm

In order to meet the diversifying needs of our clients, we put the technical capabilities and know-how we have cultivated in the EPC business to effective use and pursue our investment business in the fields of electric power and new energy, the environment and water resources, and resource development. At the same time, we are also engaged in providing planning and management services in urban development, the hospital business, and other such areas.



26 LNG plant construction project (Australia)



6 Mega-solar power plant project (Chiba Prefecture)



10 Oil-gas field production and development (USA)



29 Production and power generation demonstration project for the new coal slurry fuel, JCF® (Indonesia)



4 Integrated coal Gasification Combined Cycle demonstration plant (Hiroshima Prefecture)



24 Floating LNG plant construction project (Malaysia)

Status of major projects (Results in Fiscal 2014)

● Order received ● In progress ● Operational (Investment Business)

Europe/CIS

- 1 Large-scale LNG plant (Russia)
- 2 Solar thermal power generation plant (Spain)

Africa and Middle East

- 12 Crude-oil processing plant (Algeria)
- 13 Large-scale oil refinery (Kuwait)
- 14 Large-scale oil refinery (Saudi Arabia)
- 15 Gas processing plant (Qatar)

Japan

- 3 LNG receiving terminal (Fukushima Prefecture)
- 4 Integrated coal Gasification Combined Cycle demonstration plant (Hiroshima Prefecture)
- 5 Carbon dioxide capture, storage, and compression facilities (Hokkaido)
- 6 Mega-solar power plant (Chiba Prefecture)
- 7 Mega-solar power plant (Oita Prefecture)

North America

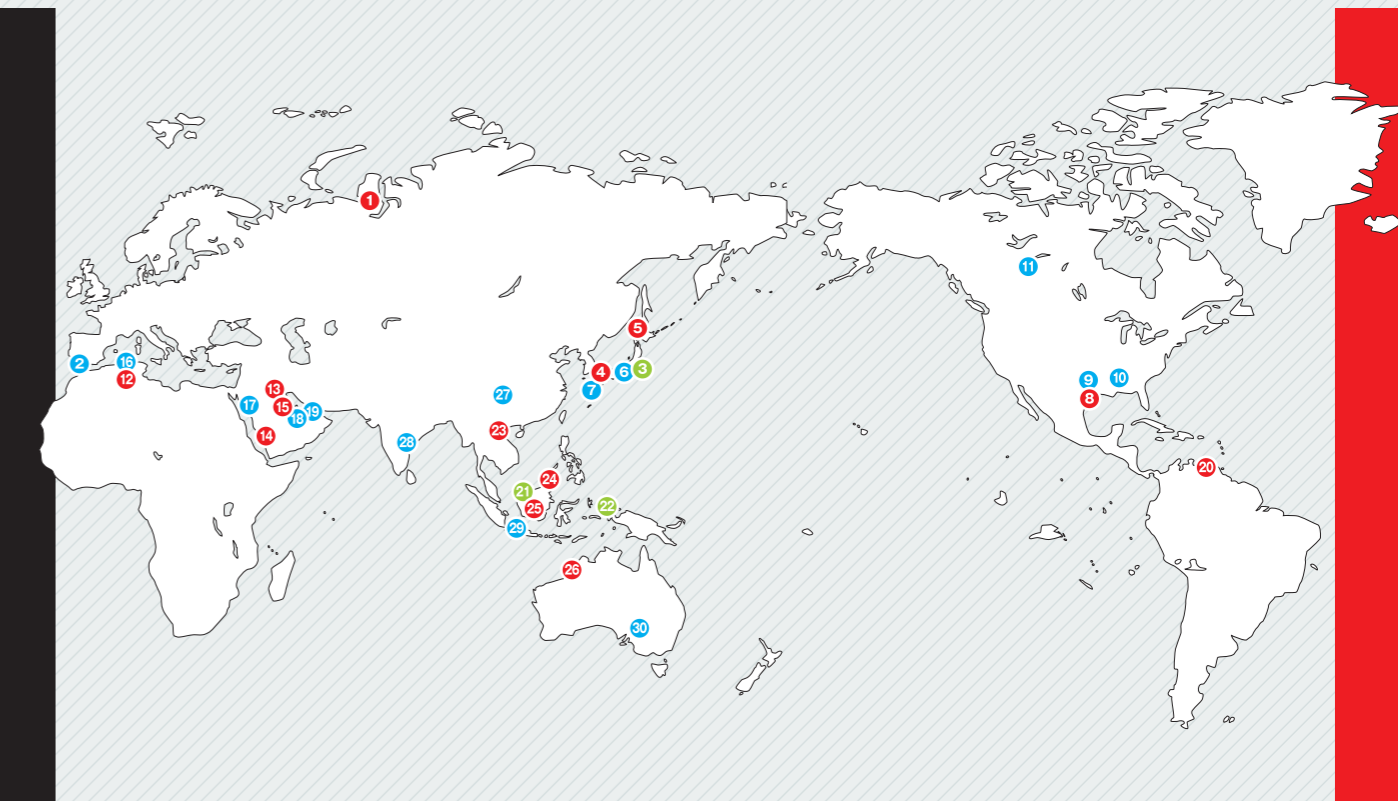
- 8 Large-scale ethylene plant (USA)
- 9 Shale oil production and development (USA)
- 10 Oil-gas field production and development (USA)
- 11 Shale gas production and development (Canada)

South America

- 20 Heavy oil upgrading facilities (Venezuela)

Asia and Oceania

- 16 Maintenance and operating service for thermal power station (Algeria)
- 17 Power generation and desalination (Saudi Arabia)
- 18 Power generation and desalination (Saudi Arabia)
- 19 Power generation and desalination (UAE)
- 21 Rejuvenation work for LNG plant (Malaysia)
- 22 FEED Service for LNG plant (Indonesia)
- 23 Oil refinery and petrochemicals complex (Vietnam)
- 24 Floating LNG plant (Malaysia)
- 25 LNG plant (Malaysia)
- 26 LNG plant (Australia)
- 27 Integrated industrial city development (China)
- 28 Integrated industrial city development (India)
- 29 Production and power generation demonstration project for the new coal slurry fuel, JCF® (Indonesia)
- 30 Water supply and sewerage (Australia)



JGC Businesses

EPC Services

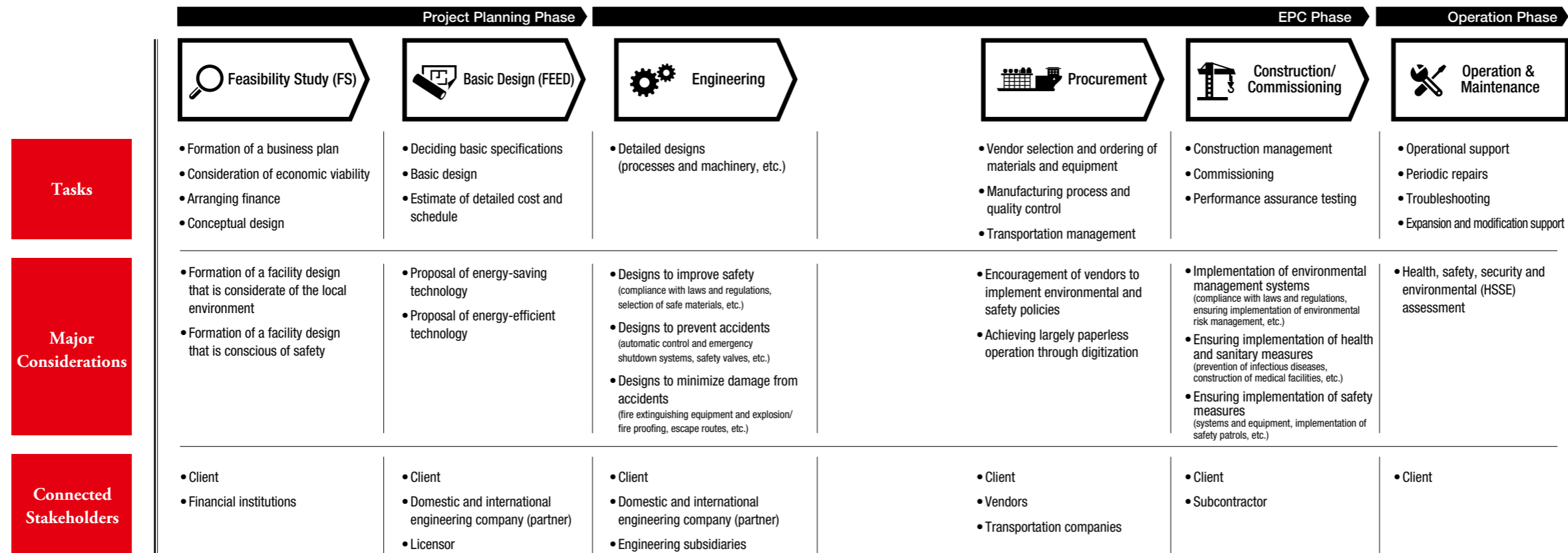
JGC is an engineering contractor that considers EPC services to be our core business, and we have been involved with many plant construction projects, both domestic and overseas.

When carrying out EPC projects, we aim to provide high-quality plants that meet the needs of our clients according to the limitations we are given, such as deadlines and budget, and we endeavor to constantly improve our engineering skills and project management ability.

Our contributions are not limited to the EPC phase. In the commercialization phase, we support our clients to actualize their projects through feasibility studies and conceptual design, and we also provide operational support, maintenance, enhancement and modification after completion of the plant, so that we are able to support our clients during every phase of the project. We consistently consider projects holistically during each phase, taking into account safety and impact on the surrounding environment as well as the obvious financial factors to provide our clients with the optimal plant construction.



EPC Value Chain



Project execution Capabilities Yield Competitive Advantages

JGC has a record of experience and accomplishment in working on various types of plants in all regions of the world. Here we put the spotlight on the project execution capabilities of JGC, which have supported the Company in its many achievements to date. We will introduce the strength of the project execution capabilities that have enabled us to cooperate with all the parties involved and provide appropriate solutions, even for unforeseeable phenomena, and to always see our projects through to the end.

Optimizing Costs, Delivery Schedules and Quality

In the process of undertaking many lump-sum contract*¹ projects, JGC has developed superior abilities to forecast all the risks expected to arise in the course of project execution so that we can produce appropriate profits while strictly adhering to the specified costs and delivery times. At the same time, we have devised methods for managing projects in a manner that is steady and cognizant of risks, and we have cultivated a corporate culture that will always apply these methods thoroughly and painstakingly. This experience has imbued our employees with the deeply rooted attitude that "project execution is company management," by which we act to secure profits, earn client trust and optimize costs, delivery schedules and quality. These capabilities and this experience are being utilized to advantage in various large-scale projects being planned around the world. Our ability to forecast risks in a manner that minimizes design changes has been particularly highly regarded.

*1. A form of contract for project execution that fixes overall costs and delivery schedules in advance. Other forms of contract include cost-plus-fee contracts, in which costs that arise in the course of execution are charged as additional fees as they arise.

+ New employees training at a construction site
All new employees on the main career track at JGC are dispatched on a long-term basis to construction sites inside or outside Japan in order to instill the strengths of JGC in our employees from the earliest stage. They learn about plant construction technology, about teamwork with staff members of different nationalities, and about the magnitude of our responsibility to our clients.

The Technological Frontier

Through the execution of its projects, JGC has compiled a history of consistently meeting the challenges of operating in new regions and industrial fields through the use of extensive knowledge of a variety of process technologies as well as its own engineering component technology. Today, worldwide advances in oil-gas field development have been accompanied by expansion of the regions where such development is pursued, and future development is expected to take place in "3D" regions*² that are remote from where the resources are consumed as well as in the deep sea. JGC steadily monitors such changes in the market, and we actualize the projects sought by our clients, as witnessed by our construction of the world's third floating LNG plant, and our introduction of new technology.

*2. "3D" regions are deep, difficult, and distant locations that are not readily accessible.

Introducing modular construction:

We are now able to complete projects in areas where construction is difficult due to environmental or other considerations by manufacturing the machinery and piping in multiple segments at another location and assembling those segments at the building site (modular construction).

[Refer to page 27 for details.](#)

Technological proposals to improve productivity:

Using weather data, etc., we analyze the temperature and flow of hot air around the construction site, enabling us to achieve more precise and productive LNG plant designs than in the past.

[Refer to page 37 for details.](#)

Responding to Increasing HSSE Needs

In recent years, European and North American major oils in particular have recognized that taking organized measures to deal with issues of health, safety, security and the environment (HSSE) enables them to maintain their competitiveness in world markets and contributes to their recognition as good corporate citizens. JGC has focused on the importance of HSSE from an early stage. With our aim of becoming the world's leading contractor in the area of HSSE, JGC has aggressively promoted and reinforced initiatives to realize project design and operation that take HSSE into consideration.



World's best record of no incident and no injury

More than 30,000 workers from 45 countries worked on Qatar large-scale gas processing plant construction project, and we were able to achieve the world's best record of no incident and no injury during that period (July 2012 to March 2014), with over 130,000,000 man-hours worked.

May 2014

More than 130 Million Hours with Zero Accidents Requiring Time Away from Work

We achieved the world's highest level of zero accidents requiring time away from work of more than 130 million hours worked, at our Qatar large gas processing plant construction project. (July 12, 2012 to March 25, 2014)



Commemorative ceremony at the worksite (May 3, 2014)

Opening Ceremony Held for JGC America, Inc.

JGC America, Inc. was established in Houston, Texas USA with the aim of strengthening ties with clients and regional partners.



JGC America, Inc. opening ceremony (May 15, 2014)

October

Awarded Contract for LNG Receiving Terminal in Soma

JGC received an order for the construction of an LNG receiving terminal in Soma, Fukushima, planned by Japan Petroleum Exploration Co., Ltd. (JAPEX).



Conceptual drawing

Contribution to the Carbon Offset of the Minato Mirai 21 Area

We contributed to the offset of total CO₂ emissions (more than 40,000 tons) by providing the CO₂ reductions achieved through the execution of our overseas projects to Yokohama City free of charge.



Press conference at Yokohama City Hall (October 8, 2014)

Highlights of Business Activities in Fiscal 2014

The JGC Group pursues a wide range of business activities both domestically and abroad, centered around our plant engineering business.

We are proud to present the main business activities of the JGC Group in fiscal 2014.

Awarded FEED Contract for LNG Project in Indonesia

JGC received an order for the front-end engineering and design for an extension project of an LNG plant completed in 2009, in West Papua Province, from BP Berau Ltd.



Tangguh LNG Plant in Indonesia

November

Groundbreaking Ceremony for Cambodian Hospital Project

The groundbreaking ceremony for the hospital project in progress in Cambodia was held in the capital, Phnom Penh.



Groundbreaking ceremony in Phnom Penh (November 27, 2014)

December

Completion of Installation of JGC's Largest Modular

The module weighing over 5,000 tons were installed at the Australian Ichthys LNG project construction site. (Refer to the special feature on page 27.)



Shipment of module weighing over 5,000 tons

January 2015

Commencement of Commercial Operation of the Mega-Solar Photovoltaic Power Plant in Kamogawa City, Chiba Prefecture

JGC conducted the entirety of this project, from design to procurement of materials and equipment, construction, and operation. We seek high profitability based on its output capacity (31 MW).



Festival to mark completion and pray for safe operation (March 19, 2015)

Awarded EPCC Contract for LNG Complex Expansion Project

Petronas, the Malaysian national petroleum corporation, ordered world-leading shipping facilities, etc. for its LNG complex.



Malaysian LNG complex

March

Completion of the Hachinohe LNG Terminal

Construction of an LNG terminal was completed for JX Nippon Oil & Energy Corporation in Hachinohe City, Aomori Prefecture.



Image: Hachinohe PPG Hiroshi Yamamoto Provided by: JX Nippon LNG Service Company, Limited

Financial and Non-financial Highlights

	March 31, 2006	March 31, 2007	March 31, 2008	March 31, 2009	March 31, 2010	March 31, 2011	March 31, 2012	March 31, 2013	March 31, 2014	March 31, 2015		
											(Millions of yen)	(Thousands of U.S. dollars)
Performance highlights												
Net Sales	¥ 550,301	608,529	551,062	450,911	414,257	447,222	556,966	624,637	675,821	¥ 799,076	\$ 6,649,547	
Operating Income	20,389	26,413	44,896	52,003	41,919	63,559	67,053	64,123	68,253	29,740	247,491	
Net Income	15,011	20,187	30,019	31,543	27,112	25,477	39,111	46,179	47,178	20,628	171,665	
New Contracts	807,649	301,347	402,352	506,135	733,549	618,203	793,278	594,091	818,161	769,680	640,493	
Outstanding Contracts	1,024,348	744,679	632,827	671,341	982,594	1,163,256	1,506,146	1,549,813	1,767,814	1,775,885	14,390,595	
Financial position at Year-End												
Total Current Assets	¥ 231,776	327,333	324,616	335,220	283,538	319,464	376,172	460,231	575,886	¥ 533,538	\$ 4,439,860	
Total Current Liabilities	175,428	237,585	217,339	208,023	137,728	174,293	205,771	262,439	333,353	286,533	2,384,397	
Total Assets	375,287	470,286	466,772	480,279	430,176	468,502	526,169	628,757	746,102	719,754	5,989,473	
Total Net Assets	173,063	189,239	207,536	224,488	246,140	264,483	291,042	336,083	379,882	388,496	3,232,895	
Shareholders' Equity	173,063	188,965	207,254	223,887	245,819	263,983	290,415	335,534	374,654	387,480	314,953	
Cash-flow												
Net operating cash flow	¥ 26,811	79,113	28,864	36,595	-25,179	48,214	97,847	85,010	120,576	¥ -71,416	\$ -594,300	
Investment cash flow	-2,963	-14,009	-15,032	-26,457	-19,823	116	-18,746	-28,370	-18,728	-23,411	-194,816	
Financing cash flow	-2,424	1,552	-7,317	472	-8,893	-7,317	-20,536	-3,695	-10,687	3,836	31,930	
Cash and Cash Equivalents at End of Year	91,489	159,410	164,617	174,281	123,808	161,894	222,556	284,777	385,252	297,707	2,477,390	
Financial Highlights												
ROA (Return On Assets) (%)	4.0	4.3	6.4	6.6	6.3	5.4	7.4	7.3	6.3	2.9		
ROE (Return On Equity) (%)	9.3	11.2	15.2	14.6	11.5	10.0	14.1	14.8	13.3	5.4		
EPS (Earnings Per Share)	58.33	79.52	118.33	124.76	107.25	100.83	154.90	182.91	186.90	81.73		
Cash Dividends per Share (in yen)	11.0	15.0	21.0	30.0	21.0	30.0	38.5	45.5	46.5	21.0		
Gross Margin Ratio (%)	6.6	7.2	11.6	16	14.6	18.2	15.6	13.5	13.1	6.6		
Operating Income Ratio (%)	3.7	4.3	8.1	11.5	10.1	14.2	12.0	10.3	10.1	3.7		
Shareholders' equity ratio (%)	46.1	40.2	44.4	46.6	57.1	56.3	55.2	53.4	50.2	53.8		
Payout Ratio (%)	25.1*1	24.9*1	25.0	25.1	25.0	33.2	24.9	24.9	24.9	25.7		
ESG indicators (non-consolidated data, except for Employees)												
Energy -related CO ₂ emission units (kg CO ₂ /hour) *2	—	—	—	1.05	0.94	0.75	0.46	0.36	0.58	0.63		
Final disposal rate of industrial waste(%)	—	—	—	5.3	3.7	4.1	3.3	4.2	5.8	5.9		
Toxic substance, etc. leaks (incidents)	—	—	—	0	2	1	0	0	0	0		
Employees (people) (consolidated)	4,205	4,531	4,723	5,739	5,795	5,826	6,524	6,721	7,005	7,332		

*1: Fiscal 2005 and fiscal 2006 figures based on non-consolidated calculations

*2: Scope of calculation – JCG and JCG group's domestic offices

(Note) Exchange rate: 1 USD = 120.17 JPY (rate as of March 31, 2015)



Interview with the Chairman Taking a Long-term View of the Market and Moving to Sustained Growth

Chairman and Representative Director, Masayuki Sato

Career Summary

Since joining JGC in April 1979, has worked throughout in finance. Has been in charge of finance for projects in Middle East, North Africa, Southeast Asia, and CIS countries. From July 2011, served as Managing Director, Senior General Manager of the Corporate Administrative & Financial Affairs Division, and Chief Financial Officer, and in June 2012 was appointed Executive Vice President and Director. Since June 2014, has held position of Chairman and Representative Director.

In fiscal 2014, ended March 31, 2015, the plant market was significantly affected by the economic slowdown in the developing countries and the fall in crude oil prices. In this market climate, we achieved close to our target of 800 billion yen with 769.6 billion yen in projects received. However, results were affected by an increase in costs due to construction delays for projects currently under execution, and net income initially projected to reach 42 billion yen came instead to 20.6 billion yen. Uncertainties will continue to face the plant market in fiscal 2015, but we will exert all our energies to achieve sales targets and to meet earnings forecasts.

Q1 Please give us your summary of fiscal 2014.

A1. The business climate was harsh, but the strenuous sales efforts we made resulted in an all-time high backlog of projects.

The world economy was severely shaken during the 2014 fiscal year by various factors, including the move toward a reduction of quantitative monetary easing in the United States, debt problems in Europe, slowing of the economies in China and other developing countries, falling crude oil prices, and geopolitical risks. In the second half of the fiscal year in particular, the significant drop in crude oil prices caused postponement or cancellation of projects planned by the oil majors and the state-owned oil companies. Even in this harsh climate, however, we achieved 769.6 billion yen in projects received due to the Yamal LNG Project in Russia and others, and our backlog of projects ended at 1 trillion, 775.8 billion yen. We also achieved all-time high sales for the third consecutive fiscal year, enabling our steady progress toward expansion of scale.

Meanwhile, other factors such as the increase in construction costs on a large-scale gas processing plant construction project under execution in Qatar led us to a downward revision of the fiscal 2014 earnings forecasts on April 14. This caused our initially projected net income to be reduced by one-half, resulting in the truly regrettable reduction in dividends that we were forced to make. We view these circumstances as a transient problem, however, and on the whole, the projects currently under execution are largely progressing according to schedule.

Q2 Please give us the forecast for the 2015 fiscal year.

A2. We are aiming to fully meet both our target for projects received and our earnings forecasts, laying a solid groundwork for the future.

Consolidated earnings forecasts for the 2015 fiscal year are generally at the same level as initial forecasts for fiscal 2014. We are projecting sales of 900 billion yen, gross profit of 78 billion yen, and net income of 40 billion yen.

With regard to projects under execution, we will further step up our already stringent management to even higher levels and make every possible effort to achieve earnings targets.

The 2015 fiscal year is the final year of NEW HORIZON 2015,

our medium-term management plan, which sets a net income of 50 billion yen as one of its targets. In the 2013 fiscal year, our net income of 47.1 billion yen came close to achieving this target.

Considering the present business climate in which the Company is situated, circumstances suggest it will be difficult to achieve the 2015 fiscal year targets. However, we are fully committed to making every possible effort to approach those targets, even by incremental amounts.

In order for the Company to continue on a course of sustained growth, we consider it necessary to be awarded 700 to 800 billion yen of new projects. To that end, we have set the target amount for projects awarded in fiscal 2015 at 750 billion yen. With the slump in crude oil prices, the world plant market is in an unpredictable state, and we are aware that this will not be a simple task. In order to achieve our target, we intend to focus our energies on LNG projects planned not only in North America, but also in Southeast Asia and East Africa, and additionally on oil refining, gas processing, petrochemicals, and other such non-LNG projects, as well as those in Japan.

Potential energy demand in developing countries remains high, and we anticipate that capital investment plans to meet domestic demand will be steadily implemented. There are also oil-producing countries where the depletion of domestic resources is accompanied by a new need for energy importation facilities and a growing need for increasing the added value of petroleum products. Taking into consideration the circumstances in these various regions, we will make every effort to win front-end engineering and design (FEED) contracts that will realize future capital investment, and we will also support customers by contributing to the realization of their business plans. We will actively implement and expand these and other such future-oriented activities.

Q3 What steps are you taking to differentiate JGC in the EPC business?

A3. We will lead the world with our innovative technical capabilities and outstanding project completion capacity.

To realize an overwhelming differentiation in the EPC business, we will use our innovations in completion technology to take on the challenge in so-called "3D" areas, or deep, difficult, and distant locations, where projects cannot readily be completed by conventional methods, such as polar regions in harsh climatic conditions, the depths of oceans, or other such frontier regions.

For the Ichthys LNG project in Australia, we are bringing it to completion by applying modular construction methods that are unprecedented anywhere in the world for a project of its size. Large-scale module carrier vessels are transporting modules constructed at various sites in Asia to the final construction site in Darwin. The work is progressing smoothly. In Russia, a large-scale LNG project is under execution at Yamal, which faces onto the Arctic Ocean. Construction work was begun there at a site that faces the most severe climatic conditions, with temperatures as low as 40 to 50 degrees below zero in the winter. In Malaysia, we are working on a floating LNG project that is the world's first such project to extract resources from ocean floor gas fields at depths greater than 1,000 meters. There we have taken on the challenge of acquiring technology in new fields for dealing with the unique issue of the rocking faced by floating plants, and for efficiently laying out equipment in limited shipboard space.

Q4 Please tell us about current conditions in the investment business, which is your other core business.

A4. We are assessing new investment projects and further reinforcing our control of management business in order to focus on fields that will produce steady profit.

About a decade has passed since we started our investment business in 2005, and our balance of investments and loans

outstanding now amounts to approximately 73 billion yen. To date, we have been involved in 20 or more projects, and the main fields of this business at present are power generation, desalination, resource development, the environment, new energy, and urban development. While desalination, power generation, and other potentially profitable fields have emerged, there are also some businesses that have not performed as once envisioned, and unfortunately, the overall profit is not as planned either. We have tackled a variety of different projects with a policy of expanding our breadth. Going forward, we intend to focus on fields where we can use our strengths as an engineering company to the best possible advantage and, moreover, on fields that can produce steady profit.

One concrete example is the solar power generation business in Kamogawa City, Chiba Prefecture, which began commercial operation in January of 2015. This project realized a synergy with our plant business. We handled the project all the way from the design and construction of the facilities to the management of the business. Our policy for the future is to seek out project management in the Middle East and other areas overseas.

We are also engaged in developing new business based on core in-house technology development. These are projects aiming at the effective utilization of resources that, although already discovered, have remained undeveloped because of the difficulties involved.

The project for power generation using low-grade coal as feedstock that we are currently pursuing in Indonesia is one

example. The effective utilization of low-grade coal, which has low calorific value, has high water content, and tends to combust spontaneously, is an urgent issue in Indonesia. We are proceeding with a program to upgrade that coal and manufacture JGC Coal Fuel® from it as an oil substitute fuel, and to develop small to medium-scale power generation projects that will use that fuel.

In Canada, we are engaged in a joint project with the Japan Oil, Gas and Metals National Corporation (JOGMEC) to develop technology to upgrade extra-heavy crude oil with supercritical water and utilize it to manufacture more easily transportable synthetic crude oil. The extra-heavy crude oil from oil sands in Canada and the Orinoco River in Venezuela is said to comprise nearly 30% of the world's 1,702 trillion barrels of recoverable crude oil reserves, while the establishment of economic methods for utilizing that oil has become an issue. The demonstration and testing of such methods was recently begun using a small-scale pilot plant, and this approach has now reached a new stage of development.

In the future, we intend to continue following the initial policy of compensating for augmenting profit fluctuations of the EPC business and contributing to an overall increase in profits. We will, however, strengthen our selection procedures for new investment projects, and we will rigorously review the profitability of projects in operation.

Q5 Please explain your basic policy regarding the use of funds and returns to shareholders.

A5. The basis of what we are doing is to expand profits so as to realize increased dividends and higher stock prices.

So far as JGC is concerned, we are realizing increased dividends and higher stock prices by expanding the Company's profits. By returning profits to the shareholders who support our efforts, we work to be worthy of our shareholders' continuing support. That is basically what we do.

There are three main uses for the funds held by the Company. The first is to provide a risk buffer for our core EPC business. In other words, this is to prepare for project losses that may occur. The second is to fund our investment business that is intended to cover fluctuating profits in our EPC business. The third use is to fund office building, M&A, and other such measures to expand the EPC business. This is our basic policy.

The size of our dividends has been set at 25% of consolidated net profit under the medium-term management plan up to the

2015 fiscal year. Our thinking is that under the next plan, we would like to determine the figure through a comprehensive consideration given to shareholder expectations, the situation for dividends at other companies, and other such factors.

Q6 What vision does the JGC Group have regarding what to aim for in the future?

A6. We intend to realize sustained growth and expansion, and to address the expectations of all our stakeholders.

Right now we are in the process of studying a new medium-term management plan to take effect from the 2016 fiscal year. Since crude oil prices began dropping in autumn of 2014, the market environment has become uncertain. We want to maintain as clear an understanding as possible of how the market may change when we formulate the next plan. Our objective for the medium to long-term is to act in the role of "program management contractor and investment" partner. While continuing with the EPC business as our core activity, as we have been doing to date, we will take steps to diversify our fields of activity. Additionally, we will develop our business on the upstream side to further expand the scope of our contribution to customers by conducting feasibility studies, engaging in front-end engineering and design, and other such activities. At the same time, we are also aiming to reinforce our investment business and augment our profits from the EPC business.

JGC was established in 1928 as Japan's first engineering company, and since then we have contributed to industrialization and social infrastructure development in Japan and other countries in accordance with our corporate philosophy of "maintaining our core business of engineering-based services, reaffirming our corporate policy of pursuing the highest standards of performance and achieving enduring growth as a globally active company, while contributing to world economic and social prosperity as well as to the conservation of the earth's environment." The world is experiencing expanding energy demand while facing numerous environmental and other problems that have accompanied population growth. As we continue toward realization of sustained growth and expansion as a corporate group into the future, we will employ our project management capabilities and the engineering technology we have cultivated across a wide range of fields to engage in resolving those problems. We will proceed with the challenge of realizing a sustainable society, and continue making every effort to address the expectations of all our stakeholders.



Special Feature ①

Conversation

Changes in the Energy Situation and Expectations of Engineering

(Conversation held July 13, 2015)

The Rapidly Changing Energy Situation

Kikkawa: The situation surrounding energy has changed greatly since the turn of the century. In the last few years, the price of crude oil has gone from \$30 per barrel to around \$100 per barrel against a backdrop of rapid economic growth in developing countries. Utilization of natural gas has expanded due to heightened environmental awareness, and increased demand for LNG as a fuel for electricity generation is another major change. In addition, the introduction of shale gas and shale oil for which development has proceeded rapidly in North America has sent shockwaves throughout the energy sector. However, since the beginning of autumn in 2014, falling oil prices have begun to cast their shadow over the economies of oil-producing nations. Has the plant business also experienced similar changes?

Kawana: Major oil companies and the national oil companies of oil-producing nations are rethinking the implementation of their plans for resource development and production facilities. LNG projects using shale gas as a feedstock have resulted in a global oversupply of LNG, causing final investment decisions to be delayed. However, it is clear that developing countries are proceeding along the path of growth, and I believe that energy demand will steadily increase in the medium to long term. Eventually, resource prices will recover and plans for the construction of large LNG plants, etc. will proceed. On the other hand, particularly due to the lack of clarity, I believe our true abilities will be tested. JGC must take this opportunity to showcase our ability to support the realization of projects, while meeting our clients' needs with regard to cost, timeframe, and quality.

Koichi Kawana

President and Representative Director of JGC Corporation



Takeo Kikkawa

Graduate School Professor of Tokyo University of Science

- 1975 Graduated from University of Tokyo Faculty of Economics, Economics Department
- 1977 Graduated from University of Tokyo Faculty of Economics, Management Department
- 1983 Completed requirements for doctorate at University of Tokyo Graduate School of Economics
- 1996 Professor at University of Tokyo Institute of Social Science, Doctor of Economics
- 2007 Professor at Hitotsubashi University Graduate School of Commerce and Management
- 2015 Professor at Tokyo University of Science Graduate School of Innovation Studies
Specialist in Japanese economic history and energy industry theory



Basic Energy Plan and Energy Mix

Kikkawa: Shifting our focus to Japan, the "Basic Energy Plan" that was recently released by the government and outlined domestic policy for the provision of energy through 2030, outlined arguments concerning the "energy mix (electricity composition)." I was involved with this publication as a member of the review committee. The direction of Japan's energy policy has gone through some twists and turns before crystallizing.

Kawana: Given that knowledge in a range of fields is necessary including the decreasing population of Japan, energy security, and measures to combat global warming, how will we reduce energy costs in the future? What direction will the energy industry take after it was shaken to its core by the Great East Japan Earthquake? I think it is highly significant that we can now see a way forward. Also, although overseas sales account for around 80% of JGC's overall sales, Japan's energy policy also affects the global energy supply, so I am watching it with great interest. Of course, it also cannot be overlooked from the perspective of it being a new domestic business opportunity.

The Issues of Nuclear Power and Renewable Energy

Kikkawa: At present, more than 40% of Japan's electricity is produced by LNG thermal plants, and the planned "energy mix" for 2030 is to reduce the proportion of LNG thermal power to less than 27% and nuclear power to 20% to 22%. I believe that in order to reduce reliance on LNG and to gain the people's support to increase nuclear power generation, it is necessary to ensure safety, i.e. to replace existing facilities with the latest facilities available. At the same time, I am aware of the necessity of decommissioning nuclear power stations that reach the end of their 40-year lifespan. On the other hand, under the proposal renewable energy is to be increased to account for 22% to 24% of the "energy mix."

Special Feature ①

Conversation

Changes in the Energy Situation and Expectations of Engineering

Kawana: JGC has been involved with the field of nuclear power through treatment and disposal of radioactive waste and reprocessing of spent nuclear fuel, so I think we will be able to greatly contribute to realizing safe nuclear power generation. Also, I would like to leverage our strength of managing large overseas projects to participate in overseas nuclear power projects in cooperation with companies in the nuclear field. As we must confront the issue of minimizing impact on the environment through the use of fossil fuels, JGC has engaged in a number of activities to combat environmental issues. We are actively pursuing renewable energy options, through our solar power projects in Japan and our solar thermal projects overseas.

Kikkawa: However, renewable energy comes with the inherent revenue issue of a feed-in tariff, so I think it takes determination to increase the amount of renewable energy produced.

Kawana: I have certainly heard it said that 22 to 24% is a very aggressive target due to anxiety about the energy density being low and that it takes time to fully implement renewable options. However, I would like to contribute to achieving this target through our extensive knowledge of environmental problems and expanding our renewable energy projects.

The Continuing Importance of LNG

Kikkawa: Thermal power plants, such as those that use LNG, will still account for more than 50% of Japan's power supply in 2030 and will



continue to be an important part of Japan's electricity composition. In particular, although LNG has issues relating to cost, procurement is flexible and it seems as though it will continue to be a major source of energy for Japan. By the way, up to this point, Asia has accounted for about 60% of the global demand for LNG, with the majority of that demand coming from Japan, Korea, and Taiwan. However, demand for LNG in developing countries is slowly rising. I've heard that JGC is one of four companies in the world that design and build LNG plants, however LNG plants need even greater diversity.

Kawana: JGC has been involved with the design and construction of many LNG plants since the 1970s, and at present, it is conducting the world's third floating LNG plant project in Malaysia. We are also involved with the development of small to medium-sized gas fields that have been considered difficult to commercialize until now due to reasons relating to location, scale, or financial viability. JGC is also aggressively pursuing new technologies such as modular construction with the aim of realizing plans for projects under conditions that make construction difficult, such as current projects in Australia and Russia. We pride ourselves on being one of the few engineering companies in the world that can construct plants in any environment in the world, in temperatures ranging from 50°C to -50°C.

Kikkawa: Whether or not companies involved in the energy industry can carefully assess trends in the industry and ride the waves of change will greatly affect the future of those companies.

A Direction to Increase Profits

Kikkawa: Right now, the low ROE of Japanese businesses is seen as a problem, which has increased pressure from investors that value investment efficiency. Companies are required to place their capital in new business, seeking to increase their profits and improve efficiency; however, I feel that many companies are not expanding overseas sufficiently. Engineering companies have sought to expand overseas from the beginning, so they are able to provide support to other Japanese businesses that seek to expand overseas. One other aspect I would like

engineering companies to focus on is developing their businesses to encompass back-end operations. The appeal of engineering lies in plant construction, and that is at the core of profitability. However, if companies are able to be involved in projects after the plant has been handed over, I think it will add even greater value.

Kawana: We are also aware of this point. In addition to implementing designs that consider profit maximization over the whole lifecycle of the plant, our Group companies also assist operation and maintenance at many domestic refineries, etc. Also, since about 10 years ago, in addition to plant design, we have also been directly involved with projects in the fields of resource development, desalination, electricity generation, environment, new energy and urban development as a business operator, in order to realize steady profits. For domestic mega solar power station projects, we have created additional value by operating the plant as well as handling design and construction. We are also focusing on enterprise creation through our own technology. In Indonesia, we are planning a power station utilizing a new coal slurry from low rank coal, and in Canada, we are working on development with JOGMEC to upgrade non-conventional resources such as oil sands using supercritical water and improve financial viability.

Community Contributions and HR Development
The Wider Value of Engineering

Kikkawa: One of my fields of specialization is economic history. I believe that the reason that Japanese businesses such as automotive manufacturers were able to dominate the world with their workmanship is that they were able to "share ideas." In comparison to the western mode of operation where each job is conducted independently and responsibilities are clearly defined, I feel that the secret of the success of Japanese businesses is that the interface between each role is valued, and that people pay attention to surrounding roles in order to improve the productivity of the business as a whole. I think that this sharing of ideas is particularly pronounced in engineering companies.

Kawana: It is just as you say. Engineering is about addressing



the seemingly inconsistent conditions of quality, cost, and timing in the optimal way. In short, it is a task that must be tackled in an integrated manner. We would like to display this integration and not limit ourselves to mere plant construction, but rather continue to contribute to local regions and countries through a number of means, such as community contributions, HR development, technical tradition and consideration of the environment.

Kikkawa: From what I have heard, it seems that the work of an engineering company is dynamic and exciting.

Kawana: The other day, I visited our Chinese modular construction yard. I'm told that a young engineer was overcome with emotion and shed tears when a module weighing over 5,000 tons that he had worked hard to complete was shipped to the construction site. Overseas plant construction sites can have more than 10,000 people working on them. Teams are formed from members of various nationalities, and members find that working together to achieve a goal is an experience without compare. I tell young employees that they should become "talkative samurai." What I mean by this is that because JGC employs people from a diverse range of nationalities and backgrounds, each employee is responsible for leveraging the strengths inherent in being Japanese, while also looking outwards and using their communication skills to bring the team together. I believe that one of JGC's roles is to use engineering to develop resilient employees who can apply their talents around the world.

Special Feature

②

Overcoming Challenges with Modular Construction Projects

JGC is executing a number of major projects, such as Ichthys LNG Project in Australia, Yamal LNG project in Russia, and PFLNG2 project for offshore Malaysia. While our project areas have expanded globally, more projects are likely to be planned in difficult conditions which require innovative responses to many technical challenges, including modular construction. In this article, we would like to profile the Ichthys LNG Project in Australia as a case study.



Special Feature ②

Overcoming Challenges with Modular Construction Projects

Background of application of the modular construction approach:

While large-scale oil and gas developments have historically been executed mainly onshore, rising demand for energy is prompting plans for the development of resources in increasingly difficult locations.

These include (i) the deep ocean floor, and (ii) remote regions far removed from the locations where the product will actually be used or traditional transportation routes.

Project execution in such areas present significant challenges during the construction phase as stick-built construction is usually difficult in such locations. This often leads to additional cost increases during the construction phase or prolongation of the construction period, which makes such projects difficult to fund as developers are often reluctant to accept the uncertainty surrounding such risks. As one of the solutions to respond to these challenges, JGC has actively sought to introduce a modular construction approach in support of and to contribute to clients' project development plans.

Major cases where this approach can be effective:

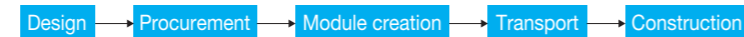
- Limited construction period due to difficult climatic conditions - such as in extremely cold climates
 - Strict environment regulation around constructions site
 - Limited space to apply stick-built construction method
 - Difficult to secure man power for construction due to shortage of skilled local labor
- (For the transportation of Module Units and Loading of Gas/Oil Products for export, the preferable plant location under modularized project is along the coast)

What is modular construction?

Conventional Construction Methods



Modular construction



Modular construction is a method for use on projects where challenging local conditions can prevent or make stick-built construction much harder than is commercially practical. The basic principle is that construction of a proposed facility is broken down into a number of modules which are then more effectively fabricated at remote specialized locations. Each module is first assembled on land at a fabrication yard which is usually in another country, and then delivered by ship to the site for installation.

Proper implementation of a modularized project significantly reduces the volume of construction required at site and ensures that construction delays due to local conditions can be minimized. However, this requires significant technical expertise and very careful planning and management of all the phases of the project to be successful.



Mega LNG project applying modular construction method

In January 2012, INPEX awarded the EPC Contract to JKC Australia LNG Pty Ltd (Incorporated AUS Joint Venture among AUS subsidiary of JGC as Leader, Chiyoda and KBR) for the Ichthys Project Onshore LNG Facilities near Darwin, NT. This was a very successful project award in Australia and by drawing fully on its project execution know-how, including modular construction, JGC is fully committed to the successful completion of this landmark project.

Ichthys Project strengths and features

- Simultaneous module fabrications at several different yards
JGC has faced unique challenges in coordinating work at a number of different locations around the world.
- Corresponding to high technical engineering demand
Utilizing know-how and experience accumulated through the company's long history, JGC endeavors to forecast every risk beforehand, and minimize the number of modifications to engineering design.

Message From Project Manager



No. 2 Business Division
Senior Manager, Ichthys Division

Takahiro Shimoota

Modular construction consists of module units fabricated offsite in fabrication yards and then transported to the final construction site where the modules are installed and assembled into the final product plant.

JGC has applied the modular construction method to the Ichthys LNG Project. The modular approach, constructing more than 200 of modules in offsite fabrication yards, requires management skills running multiple yards simultaneously, high design capabilities, accumulated know how in the purchase of materials, careful planning and collaboration with the Darwin construction site, and smooth logistics connecting all phases.

JGC has an excellent team of professionals capable of coordinating these elements of the Project.

Even with such experience and talent, there are constant challenges for us to solve every day. In 2014, the installation of the modules began at the Darwin site, and I watched in amazement as the construction site filled with modules in a very short space of time. The dynamism of a module project is incomparable with those of the stick-built projects, and it can be said this is the powerful charm of a module project.

JGC will continue to contribute to the Project by optimizing quality, cost and schedule, and look forward to contributing to the energy supply in Japan.

Review of Operations

Director,
Senior Executive Officer
Senior General Manager,
Global Marketing
Division

**Hiroyuki
Miyoshi**



The slump in oil prices has been a trigger for oil- and gas-producing countries, with which the JGC Group's total engineering business has the strongest bonds, to reconsider some of their capital investment plans, making it difficult to predict the market outlook at this point in fiscal 2015. Also, the business environment is remaining harshly competitive due to the constantly intensifying price competition with rival companies over the last several years. However, given the rising global population and the economic growth in emerging countries, we expect the world's energy demands to continue to increase, so oil- and gas-producing countries and large oil corporations, etc. remain willing to invest in the medium-to-long term, and we anticipate that they will continue to plan and implement investment in the field of oil and gas. In North America in particular, due to the unprecedented progress in non-renewable energy development, projects—primarily LNG and gas chemical projects—that use cheap and abundant shale gas as feedstock are now in the planning and execution stages. Also, LNG projects and oil refinery projects, etc. are planned for the Southeast Asian region. Meanwhile, in Russia and East Africa, several LNG projects are being planned as a medium-to-long-term increase in LNG demand is expected in Asian markets. In this positive environment, in fiscal 2014 the JGC Group implemented aggressive sales activities aimed at achieving its target for orders and continued to strengthen cost-competitiveness throughout the organization. Furthermore, by paying the closest attention to the various risks on projects currently in progress, the JGC Group has worked to execute its projects even more reliably.

Oil and Gas Development Projects

Since autumn 2014, the price of crude oil has fallen dramatically, and resource-rich countries have canceled or postponed investment decisions, thereby adding to the current sense of market uncertainty. However, against the backdrop of anticipated high energy demand, in emerging countries mainly in Southeast Asia, etc., investment in oil and gas upstream business by JGC's clients is expected to continue in the medium-to-long term. In particular, focus continues to be placed on the important markets of North America, with its plentiful shale gas deposits, East Africa with its recently discovered vast gas fields, and major resource-rich

countries in the Middle East. Additionally, Central Asia, with its plentiful fossil fuel resources, should prove promising in the near future. In these circumstances, we will aggressively pursue sales activities to secure new projects in the future.

Focus:

Crude oil and gas processing plants, oil and gas wellhead facility, etc.

Major projects in fiscal 2014 in terms of sales:

Barzan Onshore Project (Qatar)

IGD HABUSHAN 5 Project completed in 2013 (UAE)



Petroleum Refining Projects

In the petroleum refining field, oil companies, including the majors, are proceeding with downsizing and separating of slumping downstream businesses, mainly by closing aging refineries with high maintenance costs in developed countries. At the same time, those oil companies are concentrating their management resources on upstream businesses, especially the development and production of crude oil



and natural gas. In this way, the companies are striving to further strengthen their earning power. Meanwhile, in Southeast Asia, against a backdrop of solid economic growth, construction and expansion of oil refineries is proceeding. In the Middle East, capital investments are expected to be made not only in response to the steady demand for improving crude oil production capacity and oil refining capacity to cater for domestic demand, but also for constructing and expanding refineries with the latest low-environmental-impact facilities and increasing production of high-value-added aromatic products. In these circumstances, JGC has received an order for a large-scale oil refinery refurbishment project in Kuwait, multiple oil refinery refurbishment projects in Southeast Asia, and multiple domestic projects as well.

+ Nghi Son Refining and Petrochemical Complex Project (Vietnam)
(under construction)

Focus:

Peroleum refinery plant, utility facilities, off-site facilities, etc.

Major projects in fiscal 2014 in terms of sales:

Jazan Refinery Project (Saudi Arabia)

KNPC Clean Fuels Project (Kuwait)

Nghi Son Refining and Petrochemical Complex Project (Vietnam)



LNG Projects

PETRONAS LNG Train 9 Project (Malaysia)

In the LNG field, changes in the balance of supply and demand together with the fall in crude oil prices have caused the market outlook to remain uncertain. In addition to strong demand in such countries as Japan, South Korea and Taiwan, demand is expected to continue to increase in India, China and the emerging countries of Southeast Asia, and investment in LNG production facilities and transport facilities is expected to grow in the medium-to-long term. From a regional perspective, multiple large-scale LNG plant construction projects are being planned, with a focus on North America, Russia, and East Africa. Furthermore, many offshore gas fields exist around that world, for which development and commercialization are difficult, and we have been gradually working on actualizing plans for floating LNG plants, which are a new development technique for effectively exploiting these gas fields. JGC has begun construction of floating LNG plants, and we see the offshore field as a new market to which we would like to devote further attention in the future.

In the LNG field, JGC has received orders from a Malaysian oil company for the expansion of an LNG complex in Malaysia. And domestically, we have received an order for construction of an LNG receiving terminal for Japan Petroleum Exploration Co., Ltd. in Soma Country, Fukushima Prefecture. In the future, while paying close attention to market conditions, we will ascertain highly feasible projects and work aggressively to receive even more orders.

Focus:

LNG plants and LNG receiving facilities, etc.

Major projects in fiscal 2014 in terms of sales:

PETRONAS LNG Train 9 Project (Malaysia)

Ichthys LNG Project (Australia)

Yamal LNG Project (Russia)

Chemical Projects

In the area of petrochemical products, mainly due to declining price-competitiveness, the scale of production of basic petrochemical products, such as ethylene and propylene, is contracting in developed countries that rely on raw material imports. Furthermore, production centers are shifting to oil- and gas-producing countries in the Middle East as well as to China, India, and other emerging countries. In Southeast Asia, Middle Eastern state-owned oil companies have been investing, and are implementing measures to integrate their petroleum refining businesses and petrochemical businesses to increase added value at each step of their value chains and to diversify their product portfolios, and as a result many new projects are being planned into the future. Meanwhile, in North America, companies are continuing to make aggressive capital investments, focusing on highly cost-competitive gas chemical production that uses abundant shale gas as the feedstock. We expect to continue to implement more of our plans to construct various chemical plants, such as ethylene plants in the future. In these circumstances, looking ahead, with a focus on Southeast Asia, the Middle East, and North America, the JGC Group will take aggressive action to increase its orders for petrochemical and gas chemical projects.

Focus:

Petrochemical plant, gas and chemical plant, etc.

Major projects in fiscal 2014 in terms of sales:

USGC Ethylene Plant (United States)



USGC Ethylene Project Groundbreaking Ceremony (United States)

Other Fields

In the power generation field, we have received orders for multiple domestic mega-solar power plant construction projects and have been working on these projects continuously. Also, in the nuclear power field, we have been aggressively pursuing sales opportunities, with a particular focus on new markets such as Europe, in which we expect to realize our plans in the future. Otherwise, in the lifestyle and general production field, following orders received and work done in previous years, JGC has received orders from multiple major domestic pharmaceutical companies for construction work on pharmaceutical manufacturing facilities, with which we are now proceeding. In addition, in the environmental, social institutions and information technology field, we have received orders for the construction of domestic medical facilities.

Focus:

Clean energy (GTL, DME, etc.) production facility, power generation facility, radioactive waste processing facility, spent fuel reprocessing facility, accelerator and nuclear fusion facility, pharmaceutical plant, non-ferrous metals plant, waste processing facility, etc.

Major projects in fiscal 2014 in terms of sales:

Takataya Hibiki Solar Power Plant

Integrated coal Gasification Combined Cycle demonstration and testing facility (IGCC)

Kamogawa Mirai mega solar power plant



Kokonoe Mega-solar Power Plant (Oita Prefecture)

Catalysts and Fine Products Business

In the petroleum refining and de-NOx catalyst business, product shipments have diminished as the domestic market contracts and customers adjust inventory or take other such steps affecting even export projects. In the chemical catalyst and electronic materials business, sales of chemical catalysts are yielding lower revenue under the influence of stagnant domestic demand. A certain amount of sales was secured in electronic materials because of sales of cathode materials for use in machine tools, but revenue was reduced by the slump in sales for eco-cars. In the fine products business, revenue increased because sales to the United States remained strong, but revenue decreased slightly in optical materials. Silica sol revenue increased because of the growth in general-purpose items and abrasives for use on aluminum and glass hard disks and on smartphone components, and functional coating materials also saw increased revenue. The fine products business therefore had an increase in revenue. As a result, catalysts and fine products business results showed decreased revenue compared to the previous year, and growth in the fine products business compensated for the decline experienced in the catalysts business due to the contracting domestic market. In this business environment, JGC will pursue continuing cost reductions while also taking steps in the catalyst business to recover domestic market share in petroleum refining and de-NOx catalysts, to expand sales in overseas markets, to develop products with advanced functionality in the area of hydrotreating catalysts and other such measures to strengthen our competitiveness. In the area of chemical catalysts, as well, we will take steps to respond to the needs of customers that are expanding overseas, and to deal with the

integration of petroleum refining and petrochemical operations by petroleum refinery companies. In the JGC fine products business, we intend to take steps to improve profits by commercializing silica sol abrasive for use in new abrasives fields, establishing mass-production systems for the silica sol, launching new products for use in display and touch panel materials, expanding the marketing of those products and promoting aggressively expanded marketing in overseas markets of optical and lacquer materials for use in eyeglasses as well as in cosmetics materials.

Various catalyst products +



Investment and Service Business

Under "NEW HORIZON 2015," the Company's medium-term management plan launched in fiscal 2011, JGC aims to expand its project management and investment businesses. However, our existing investments, with a few exceptions such as power generation, have not generated profits as expected, so we are rethinking our approach as necessary, while closely scrutinizing each investment's profitability. Looking forward, when considering new investments, we are planning to develop an efficient and financially viable business from our position as both an EPC contractor and a business operator that explores investment opportunities centered around the fields of power generation,

desalination and new energy sources, where we can make use of our existing knowledge. Furthermore, in the medium term, we would like to further improve the standard of JGC's proprietary technology and create a business that can leverage its superiority in the market, with the aim of making effective use of under-utilized resources such as heavy oil and low-grade coal.

Major achievements in fiscal 2014:

Participated in a methane hydrate development research project

Commenced sales of electricity from mega-solar photovoltaic power plant (Chiba)



Hospital project in Cambodia (Conceptual drawing)

Major Projects

	Business Sector	Client	Project	Location
Contracts Awarded	LNG Projects	Japan Petroleum Exploration Co., Ltd. (JAPEX)	LNG Terminal	Fukushima
		BP Berau, Ltd.	LNG Plant Front-End Engineering and Design	Bintuni, Indonesia
		Petroleum Nasional Bhd. (PETRONAS)	LNG Plant Expansion	Bintulu / Malaysia
Contracts Under Way	Oil and Gas Development Projects	Ras Gas Company Limited	Gas Processing Plant	Ras Laffan / Qatar
		Groupement Bir Seba	Crude Oil Processing Facilities	Bir Seba / Algeria
		Singapore Refining Co. Pte. Ltd.	Petroleum Refining-Related Plant	Jurong Island, Singapore
	Petroleum Refining Projects	PDVSA Petroleo, S.A. (PDVSA)	Heavy Crude Oil Upgrading Facilities	Puerto La Cruz / Venezuela
		Nghi Son Refinery Petrochemical Limited Liability Company	Petroleum Refining and Petrochemicals Complex	Nghi Son / Vietnam
		Saudi Arabian Oil Co. (Saudi Aramco)	Petroleum Refining	Jazan / Saudi Arabia
	LNG Projects	Kuwait National Petroleum Company	Petroleum Refining-Related Plant	Ahmadi / Kuwait
		Gorgon Joint Venture	LNG Plant	Barrow Island / Australia
		PT Donggi-Senoro LNG	LNG Plant	Luwuk / Indonesia
		Ichthys LNG Pty Ltd	LNG Plant	Darwin / Australia
		Petroleum Nasional Bhd. (PETRONAS)	LNG Plant	Bintulu / Malaysia
		Petroleum Nasional Bhd. (PETRONAS)	Floating LNG Plant	—
		Pacific Northwest LNG Ltd	FEED Service for LNG Plant	Lelu Island, Prince Rupert / Canada
		JSC Yamal LNG	LNG Plant	Sabeta / Russia
		Chemical Projects	Chevron Phillips Chemical Company LP	Ethylene Plant
Power Generation, Nuclear Power, and New Energy Projects	Osaki CoolGen Corporation	Integrated coal Gasification Combined Cycle (IGCC) Demonstration Plant		Hiroshima / Japan
		Japan CCS Co., Ltd	Carbon Dioxide Capture, Storage, and Compression Facilities	Hokkaido / Japan
		RENOVA, Inc.	Mega-Solar Power Plant	Oita / Japan
Environmental Protection, Social Development, and IT Projects	YAME HOSSINKAI	Hospital	Fukuoka / Japan	
Contracts Completed	LNG Projects	JX Nippon Oil & Energy Corporation	LNG Receiving Terminal	Aomori / Japan
		Esso Highlands Limited	LNG Plant	Port Moresby / Papua New Guinea
	Living and General Production Projects	Terumo Yamaguchi Corporation	Pharmaceutical-Related Facilities	Yamaguchi / Japan
	Power Generation, Nuclear Power, and New Energy Projects	Kamogawa Mirai Solar	Mega-Solar Power Plant	Chiba / Japan
Futtsu Solar, Inc.		Mega-Solar Power Plant	Chiba / Japan	



Major Contracts Awarded

Announced as of March 31, 2012

Business Sector*	Client	Project	Location
OGD	Groupement Bir Seba	Crude Oil Processing Facilities	Bir Seba / Algeria
PET	PDVSA Petroleo, S.A. (PDVSA)	Heavy Crude Oil Upgrading Facilities	Puerto La Cruz / Venezuela
LNG	Ichthys LNG Pty Ltd	LNG Plant	Darwin / Australia
LNG	LNG Petroleum Nasional Bhd. (PETRONAS)	FEED Service for LNG Plant	Bintulu / Malaysia
PWR	Japan Nuclear Fuel Limited	Vitrification Facility	Aomori / Japan
PWR	General Directorate of Electric Energy Production in Nassiriyah	Cooling Water Facility	Nassiriyah / Iraq
LIV	LIV TOYAMA CHEMICAL CO., LTD	Pharmaceutical-Related Facilities	Toyama / Japan
ENV	Japan Freight Railway Company	Hospital	Tokyo / Japan
ENV	Houshikai Group	Hospital	Fukuoka / Japan

Announced as of March 31, 2013

Business Sector*	Client	Project	Location
PET	Nghi Son Refinery Petrochemical Limited Liability Company	Petroleum Refining and Petrochemicals Complex	Nghi Son / Vietnam
PET	Saudi Arabian Oil Co. (Saudi Aramco)	Petroleum Refining	Jazan / Saudi Arabia
LNG	LNG Petroleum Nasional Bhd. (PETRONAS)	Rejuvenation work for LNG Plant	Bintulu / Malaysia
LNG	INPEX Masela, Ltd.	FEED Service for Floating LNG Plant	—
LNG	Petroleum Nasional Bhd. (PETRONAS)	FEED Service for Floating LNG Plant	—
LNG	Anadarko Moçambique Área 1, Limitada	FEED Service for LNG Plant	Cabo Delgado / Mozambique
PWR	PWR Osaki CoolGen Corporation	Integrated coal Gasification Combined Cycle (IGCC) Demonstration Plant	Hiroshima / Japan
LIV	Terumo Yamaguchi Corporation	Pharmaceutical-Related Facilities	Yamaguchi / Japan
ENV	ENV Japan CCS Co., Ltd	Carbon Dioxide Capture, Storage, and Compression Facilities	Hokkaido / Japan
ENV	ENV SHONAN DAIICHI HOSPITAL	Hospital	Kanagawa / Japan

Announced as of March 31, 2014

Business Sector*	Client	Project	Location
OGD	Singapore Refining Co. Pte. Ltd (SRC)	Petroleum Refining-Related Plant	Jurong Island / Singapore
PET	Kuwait National Petroleum Company	Petroleum Refining-Related Plant	Ahmadi / Kuwait
LNG	Petroleum Nasional Bhd. (PETRONAS)	LNG Plant	Bintulu / Malaysia
LNG	Petroleum Nasional Bhd. (PETRONAS)	Floating LNG Plant	—
LNG	JSC Yamal LNG	Estimation, Detailed Engineering and Early Procurement for LNG Plant	Sabeta / Russia
LNG	Pacific Northwest LNG Ltd	FEED Service for LNG Plant	Lelu Island, Prince Rupert / Canada
CHM	Chevron Phillips Chemical Company LP	Ethylene Plant	Baytown / U.S.
PWR	Kamogawa Mirai Solar	Mega-Solar Power Plant	Chiba / Japan
PWR	RENOVA, Inc.	Mega-Solar Power Plant	Oita / Japan
PWR	Futtsu Solar, Inc.	Mega-Solar Power Plant	Chiba / Japan
ENV	YAME HOSSINKAI	Hospital	Fukuoka / Japan

* Business Sector OGD : Oil and Gas Development Projects

LNG : LNG Projects

PWR : Power Generation, Nuclear Power, and New Energy Projects

ENV : Environmental Protection, Social Development, and IT Projects

PET : Petroleum Refining Projects

CHM : Chemical Projects

LIV : Living and General Production Projects

Technology and Research & Development



Natural gas liquefies when cooled to the extremely low temperature of approximately 162°C below zero, and shrinks to approximately one six-hundredth (1/600) of its volume in gas form. Liquefying it makes it possible to use large carriers to supply natural gas even to distant destinations that would be difficult to reach by pipeline. Numerous LNG plants are therefore being constructed as world energy demand increases, and many plans for future construction are under consideration. JGC is a leading company in this field, and we have made effective use of experience and technology spanning some 50 years to engage in construction projects for LNG plants that account for 30% or more of total world production. LNG plant construction can only be accomplished by a select group of global engineering companies. Here we will introduce the technical challenge of maximizing LNG production efficiency in a way achievable only through the combination of JGC field experience and expertise, accumulated over many years, with leading-edge design engineering.

30%

or more of total world production comes from plants that JGC has worked on

AIRLIZE LNG®

Taking on the Challenge of Maximizing Production Efficiency in an Environmentally Friendly LNG Plant

Maximum Production Efficiency in Quicker Completion at Optimum Cost

Air-Cooled LNG Plant with Environmental Harmony

An LNG plant is an enormous freezer. In order to cool the natural gas, the plant has to exchange heat with the natural environment (water and air). These plants formerly operated by water cooling, in which large amounts of water (sea water) were used as a medium for heat exchange. More recently, concern for impact on the marine environment and ecosystems in neighboring areas has led to the use of air cooling as the major method, in which air is the medium instead of water. On the other hand, the crucial cooling capability of the air-cooling method is directly affected by the season and by the changes in air temperature that occur in the course of a day. Even if the air temperature is within design tolerances, it is said that an increase of just 1°C can cause LNG production volume to drop by approximately 1-2%. Another consideration is that the cooling of natural gas results in the plant emitting a high volume of hot-air exhaust, and when this hot wind is hit by a crosswind, the exhaust can be blown back into the plant. This phenomenon has been reported to result in temporary production declines amounting to several tens of percent.

In order to deal with problems of this kind, JGC took measurements not only of air temperature, wind direction, and wind speed, but also of the flow of hot-air exhaust generated by the plant itself. Making use of the latest technology, we recreated the air behavior in computer models and pursued design methods that would optimize production efficiency. We have overcome numerous technical issues as a result, and created AIRLIZE LNG® engineering services that we can provide to all customers across the entire life cycle (planning, design, procurement, construction, operation and maintenance) of their air-cooled LNG plants, whether for new or existing facilities. In this way, we intend to achieve maximized production efficiency for our customers' LNG plants and address their needs across the broad range from new plant construction to refurbishment of existing plants.

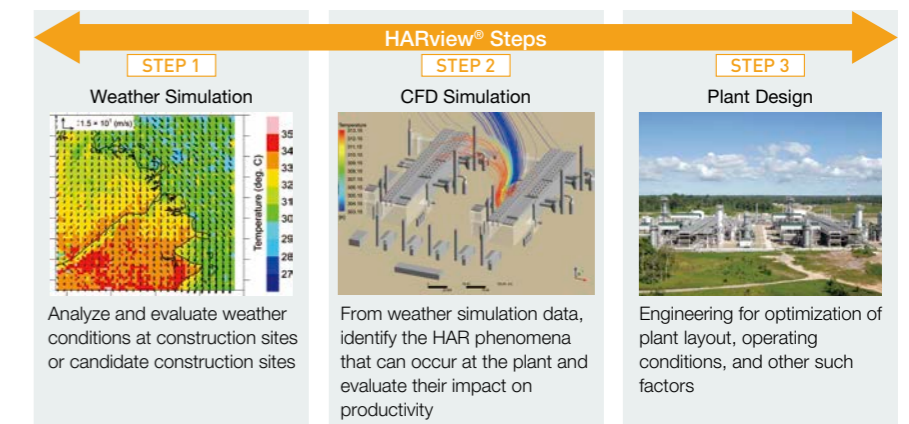
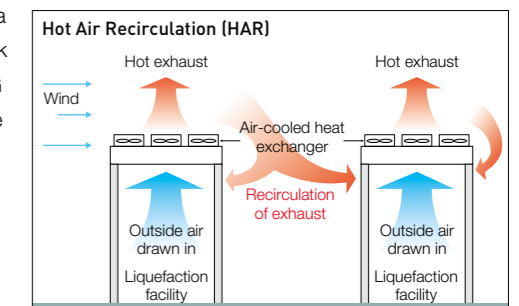
Original JGC Technology Making up AIRLIZE LNG®

1. Weather Simulation

We created an analytical method (developed by Japan NUS Co., Ltd., a member of the JGC Group) that could use published wide-area weather data for pin-point recreation of weather at the plant construction site. We have to date carried out comparison and verification of measurement data and simulation values at multiple construction sites, demonstrating the accuracy of this method. At a time when LNG production bases have been spreading across the entire globe, without regard to location JGC is working to further expand the regions where our weather simulation method can be applied.

2. Plant Design Optimization Tool HARview®

JGC has established the technology for visualization of air temperature and hot-air flow around the component items of air-cooled LNG plant equipment by performing fluid simulations incorporating air temperature, wind direction, and wind speed data by means of computational fluid dynamics (CFD). Use of this CFD approach makes it possible for us to design a plant with superior energy efficiency as well as with earlier completion and at optimal cost. For air-cooled systems, in particular, it is essential to create designs that limit hot-air recirculation (HAR), the phenomenon in which hot exhaust from heat exchangers is drawn back into the heat exchangers as well as into adjacent devices. We have combined the flow of (1) weather simulation, (2) CFD simulation, and (3) plant design and packaged it as a design optimization tool that takes HAR into consideration. This tool, called HARview®, has already built up a record of extensive results. JGC's work on applying weather simulation to LNG plant design was the first such initiative in the world, and the use of HARview® has also notably advanced the work of equipment arrangement, making it possible to propose a variety of plant layouts.



AIRLIZE LNG® provides the means for resolving problems by the optimal combination of a variety of different technologies that are original to JGC and that are backed by years of results in the various stages of the plant life cycle. In the case of new plant construction, this approach simulates weather data for the construction location, creates HAR projects on that basis, and takes the resulting impact into account in a compact plant design. In the case of an existing plant, the approach can contribute to optimization of LNG production efficiency in terms of both operation and maintenance services by proposing and implementing diagnosis of equipment and facilities, measures to improve performance, and so on. Going forward, we will continue to make innovations in the technology so as to provide for maximum and stable LNG production in our customers' plants and to minimize construction and operating costs.

JGC's Responsibility

CSR Management

The JGC Group's CSR

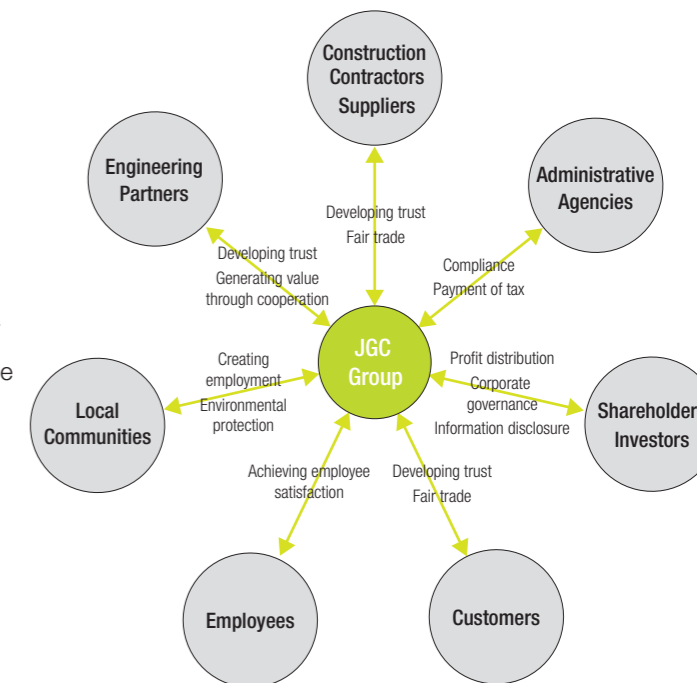
The JGC Group aims to live up to our corporate philosophy of “maintaining our core business of engineering-based services, reaffirming our corporate policy of pursuing the highest standards of performance and achieving enduring growth as a globally active company, while contributing to world economic and social prosperity as well as to the conservation of the earth's environment.”

We are proceeding with several different approaches through communication with our many stakeholders, such as contributing to the resolution of social issues through engineering and formulating a CSR Basic Policy that is linked with the core themes of ISO 26000*, in order to respond also to the demands of the global community.

ISO26000 is an international guidance social responsibility standard for corporate and other organizations issued by the International Organization for Standardization in November 2010. Over and above the stringent eye being cast on organizations by a variety of stakeholders (vested interests), this standard is designed to help enhance an organization's performance with respect to its relationship with society.

Relationships with Major Stakeholders

The JGC Group cooperates with a variety of different stakeholders while pursuing business activities. The major stakeholders in our Group and their communication can be diagrammed as shown in the figure on the right.



Addressing International Standards and the JGC Group's CSR

ISO26000		The JGC Group's CSR		The JGC Group's CSR
Core Social Responsibility Issues	Issues	Basic CSR Policy		CSR Guidelines
Consumer (Customer) Related Issues	<ul style="list-style-type: none"> Ensure fair marketing, information disclosure, and contractual business practice Ensure consumer health and safety Promote sustainable consumption Provide services and support to consumers, address complaints, and resolve conflicts Protect consumer data and privacy Undertake education regarding access to essential services and enhance awareness 	<p>1. Maintain and enhance quality, safety, and the environment We shall conduct our business with a full understanding of the importance of quality, safety, and the environment.</p>		<p>“Quality, Safety, and the Environment” are the fundamental watchwords which will guide the JGC Group's continued efforts to work toward the sustainable development of society. As we devote our maximum efforts to these concepts, we shall maintain awareness that providing safe, high quality, and environmentally friendly products and services contributes to ensuring our clients' satisfaction.</p>
Environment-Related Issues	<ul style="list-style-type: none"> Prevent pollution Ensure the sustainable use of resources Alleviate and adapt to issues relating to climate change Protect the environment and biodiversity while restoring natural ecosystems 	<p>2. Contribute to society by drawing on the Group's experience and technologies We shall provide our social contributions by drawing on the strengths of the JGC Group</p>		<p>The JGC Group's diverse global business activities range from comprehensive engineering services to catalysts and fine chemicals, and we aim to put the unique technologies and experiences we have gained through our involvement in such business fields to full use in our social contribution activities. Details of JGC's policy regarding our social contributions are described in the “JGC Social Contributions Policy.” The four target areas for our social contributions are Environment, Education, Science and Technology, and Community.</p>
Organizational governance and fair business practice-related issues	<ul style="list-style-type: none"> Promote organizational governance Prevent corruption Pursue responsible political involvement Engage in fair competition Promote social responsibility across the value chain Respect property rights 	<p>3. Engage in fair and honest business activities We shall comply with legal requirements inside and outside the country, and conduct our business in a fair and sincere manner following a proper governance system.</p>		<p>The JGC Group is profoundly conscious that the maintenance of compliance and an efficient internal governance system are essential for the sustained well-being of any organization. Hence, we shall continue to maintain these elements as we respond to the requirements from society and the trends of the times. All management and employees shall follow legal and social rules based on high ethical standards.</p>
Respect human rights and engage in proper labor practices	<ul style="list-style-type: none"> Promote employment and engage in proper employment activities Ensure fair labor conditions and social protection Promote dialog with society Ensure labor health and safety Conduct workplace human resource education and training 	<p>4. Ensure proper information disclosure to stakeholders We shall disclose necessary information to our stakeholders in a timely and appropriate manner.</p>		<p>The JGC Group is a listed company, and we take it as our duty to disclose information to the market in a timely and appropriate manner. We shall proactively provide important information in terms of the business environment and social situation, information that may have an impact on stakeholders, helpful information to deepen the understanding of the JGC Group as well as fulfilling our duty of information disclosure required by laws and regulations such as the Companies Act and the Financial Instruments and Exchange Law.</p>
Participate in community events and contribute to the growth and development of local communities	<ul style="list-style-type: none"> Promote employment and engage in proper employment activities Ensure fair labor conditions and social protection Promote dialog with society Ensure labor health and safety Conduct workplace human resource education and training 	<p>5. Implement human resource measures that develop the abilities and vitality of employees We shall endeavor to maintain and further improve fair human resource management to develop the ability and vitality of our employees based on mutual trust and responsibility.</p>		<p>The JGC Group's CSR Policy describes “fair human resource management to develop the ability and vitality of our employees.” We shall be fully guided by the principle that the growth and development of the company occurs reciprocally with the growth and development of its employees. Based on this sense of mutual trust and responsibility, each employee shall contribute to the company as a professional, and the company shall provide opportunities for the empowerment of employees and for them to show their ability and vitality.</p>
	<ul style="list-style-type: none"> Participate in community events Engage in educational and cultural pursuits Create employment opportunities and develop skills Develop technologies and promote access Create prosperity and income Promote sound health Undertake social investment 	<p>6. Enhance CSR activities We shall promote awareness of CSR and further develop our CSR activities reflecting the voices of stakeholders.</p>		<p>The JGC Group shall promote CSR awareness throughout its organization, from management to employees. We shall carefully listen to the voices of stakeholders and continue making optimal efforts to respond to social needs and trends in the business environment. We shall also proactively engage in the CSR activities defined in 1-5 of the Basic CSR Policy.</p>

Occupational Health and Safety

In accordance with our Health and Safety Policy, JGC conducts health and safety management covering the JGC Group companies and business partners.

Above all, we focus on the prevention of occupational accidents at construction sites.

Safety and Health Policy

JGC Corporation places the highest priority on maintaining the safety and good health of all the personnel participating in or affected by JGC's operations and preventing property losses as JGC serves its clients, industry and the world community.

In the fulfillment of the above-stated policy, JGC hereby declares:

First JGC's management, employees and project employees are committed to continuing efforts for zero accidents, injuries and property losses.

Second JGC's management encourages safety and health awareness among its employees on an ongoing basis.

Third Regardless of the location, nature and type as well as size of projects, all applicable safety and health rules shall be strictly applied on all of JGC's projects.

JGC Corporation ensures that this policy, related directives and procedures are thoroughly communicated and implemented throughout the corporation and subcontractors engaged in JGC's projects.

Koichi Kawana

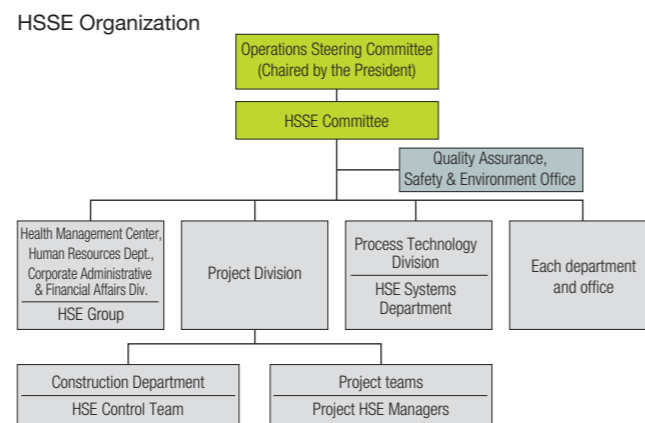
President and Representative Director,
JGC Corporation
1st July 2012

HSSE Organization

The HSSE* Committee deliberates on important safety matters for the entire group. It also reports to the Operations Steering Committee, which is chaired by the President. Matters decided by the HSSE Committee are promptly acted upon by the various company divisions.

An audit group appointed by the chairman of the HSSE Committee conducts health and safety audits at principal construction sites in Japan and overseas, and reports the audit results to the Operations Steering Committee.

* The first letters of "Health," "Safety," "Security," and "Environment."



Safety Performance

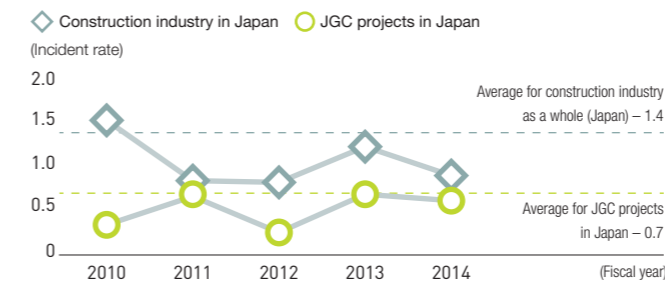
As a result of continuous implementation of Group-wide health and safety improvement measures, our incident rate*¹ (ILO method) has remained at around 0.7 for the past ten years, a lower level than the average incident rate of 1.4 for the construction industry as a whole. In addition, specific internal annual Total Recordable Injury Rate*² (TRIR) targets have been set for domestic and overseas projects, with monthly status of achievement circulated within the Company to raise the awareness of safety. The TRIR is a workplace safety indicator that includes the number of cases of accidents without first aid cases. For fiscal 2014, JGC's TRIR for domestic projects was 0.48 against a target of 0.57 or below, and 0.18 for overseas projects against a target of 0.15 or below.

Note:

*¹ The incident rate expresses the occupational accident frequency as the toll of occupational accidents that result in a fatality or time off work of more than one day per million hours worked.

*² TRIR is a benchmark of the frequency of occupational injuries developed by OSHA in the United States. It is calculated as the number of recordable injuries, which includes injuries not requiring time away from work, per 200,000 work hours.

The incident rates for JGC's domestic projects and the Japanese construction industry as a whole (ILO Method)



PNG LNG Project is recognized as

the world's best at the ExxonMobil Safety Forum

"The Chiyoda – JGC joint venture" that completed the PNG LNG Project received the award for the "2013 No. 1 Safe Contractor" at the ExxonMobil Safety Forum that was held in Houston, Texas on October 13 to 14, 2014.

This project was conducted over a period of two and a half years from the end of 2011, spearheaded by JGC. Subsequently, we worked with our client to conduct IIF* activities and change the worksite safety culture, and the safety results we achieved were extremely highly commended.

To be named the safest in the world by the world's largest major oil company, which places the utmost importance on safety, is a great honor for us and reminds us of the value of IIF.

* IIF stands for "incident and injury-free" and is a registered trademark of JMJ Associates in the United States.



The trophy we received at the award ceremony

Topics

HSSE Conference Hosted by the President

Every year in July since 2007, JGC has held an HSSE conference hosted by the President as a part of efforts to bolster HSSE initiatives. Approximately 140 corporate officers, project division heads, project department heads, project managers, and construction managers participate in the conference. Following the President's opening speech and the Zero-Accident Award Ceremony, presentations are given on a variety of safety themes, and are followed by group discussions. Through the conference, JGC seeks to enhance the health and safety awareness of officers and employees and demonstrate the leadership of top management in HSSE matters.



The HSSE Conference

Occupational Health and Safety

HSSE Patrols by the President

At JGC, the president performs HSSE patrols of major business sites overseas, and works to raise awareness of safety among all employees working at the site. The purpose of these patrols is to have the president visit the business sites in person, underscoring the importance of having a high awareness of HSSE at JGC. In this initiative, in order to foster a culture of safety and promote safety education, the president patrols the business sites in person, warmly greeting the workers at the site, after a discussion to raise safety awareness with customers and business partners. In recent years, the president paid a visit to the construction site of the Donggi-Senoro LNG Project in Indonesia, held a discussion to raise awareness of HSSE with management at its customers and business partners, and patrolled the site to directly communicate to workers the importance of HSSE.



President Kawana communicating to workers

Introducing "HSSE Moments"

Since September 2010, JGC has introduced "HSSE Moments," five-minute lectures given by a participant officer at the opening of meetings of the Operations Steering Committee, which are attended by officers and executives. The purpose is for management to take the lead in addressing HSSE matters, in consideration of JGC's aim to be a No. 1 HSSE contractor. Carrying on from the previous year, various topics were again covered in fiscal 2013, including "measures to protect the eyes from blue light damage," "emergency evacuation procedures from offshore facilities," and "the need to be wary of theft when on a business trip." A wide range of topics, such as issues closely related to work and subjects that arouse intellectual curiosity, are chosen to heighten HSSE awareness at JGC.

HSSE Moments



Safety Day Campaign

In July 2014, JGC conducted a Group-wide campaign that focuses on traffic as well as construction safety. This campaign covers all of the Group's construction sites, offices, subsidiaries, and affiliates in Japan and overseas. In fiscal 2014, the Group continued with efforts to lift awareness toward HSSE. In addition to calling for safety posters and slogans, employees were asked to record and carry on their person Commitment Cards. These cards outline details of each individual's HSSE initiatives. Moreover, safety committee meetings and other events were held on a team basis.



Fiscal 2014 safety poster award winner

Measures for Traffic Accident Prevention

JGC is strengthening its measures to prevent traffic accidents at domestic and overseas sites and bases. In fiscal 2010, we introduced a thorough set of guidelines for management of vehicle operation, including the Seven Golden Rules for accident prevention, a traffic safety management system, and the In-Vehicle Monitoring System (IVMS). We also revised the guidelines for the prevention of traffic accidents overseas. In addition, to continuously monitor the status of traffic safety measure implementation at sites both in Japan and overseas, JGC's management conducts traffic safety audits and mandates the submission of Monthly Traffic Safety Reports and semiannual reports.

7 Golden Rules for Safe Driving



IIF activities at each construction site



IIF activities

IIF activities are based on the idea of workers watching out for each other and ensuring that everyone involved in a construction project is able to return home safely without incident. Safety is not something that is enforced, but a conscious decision made by each person involved in a project. By working to improve safety awareness, we foster a culture of safety throughout the whole corporate group. Everyone, from our managers in charge of a construction site to the workers at the site, play a vital role in

ensuring the safety of all of those involved. IIF is not set in stone such as in a safety manual, but decided in accordance with conditions that vary from site to site, by the people working at the construction site. IIF also serves to increase the motivation of each individual worker, because constant communication is at the root of these initiatives. In this close-up, we introduce some examples of IIF at JGC's construction sites in Japan and around the world.

At sites in Japan

"Ii Fureai Undo" - Aiming for a safe, secure, and comfortable work environment

Domestically, we have given the name "Ii Fureai Undo" (good rapport campaign) to our IIF activities, following suggestions from workers at our model worksite for an easily recognizable nickname in 2011. Today, in 2015, all worksites participate, and we have incorporated ideas from each, including self-introductions when starting the job, addressing workers by name, mandating greetings and handshakes at the beginning of each day, and instituting lunch meetings. Through these activities, we have realized that it is essential to have leaders, and that considerate teamwork is important. With leaders to guide, we ensure that workers and supervisors work towards the same

goals, and we encourage active discussion of unsafe situations and practices to establish a safe and secure work environment. Success in this has led to a sharp decrease in work-related incidents and accidents, as well as increased quality and shorter construction times, and even our customers have praised our efforts. "Ii Fureai Undo" is not our goal in and of itself, but rather, we recognize that each activity is a process through which we hope to see daily improvement. We are conducting this campaign so that when construction is complete, our customers will feel "glad we employed JGC for this project," and our workers will feel "glad we worked on this site."

At sites overseas

Hope for everyone in the workplace can return home safely to their families

The goal of JGC's IIF activities is for everyone in the workplace to return home safely to their families. That philosophy is shared at each of our workplaces around the world, and our activities have been shared broadly by likeminded people. For example, IIF activities that were implemented on the Icthis project in Australia began with staff calling each worker by their first name. This was based on the concept that camaraderie in the workplace is important to making each worker more safety-conscious. This awareness is shared throughout the workplace, so that even construction

site supervisors greet each worker individually. Also, on the Icthis project, we instituted a family day, to allow workers to invite family members to the worksite so that fathers can show their families what they do for a living. These kinds of activities fostered a strong sense of wanting to return home safely to their families in each worker, which spread the will to create a safe worksite throughout the entire project. Through these kinds of IIF initiatives, JGC aims to create a safe workplace environment for all workers at JGC worksites around the world.

Fostering this kind of attitude in each individual worker creates a safe workplace.



Quality Management System

Improved performance by means of QMS

JGC obtained ISO 9001 quality management system (QMS) certification in 1993. At the time, QMS certification was essential, particularly for overseas projects, and we were engaged in operations for acquiring certification from a third-party certifying body and maintaining certification. Since 2009, we have implemented drastic QMS reforms and promoted continuous improvement, led by the Quality Assurance Committee, with the aim of improving organizational performance as appropriate to the type of work performed.

Quality Policy

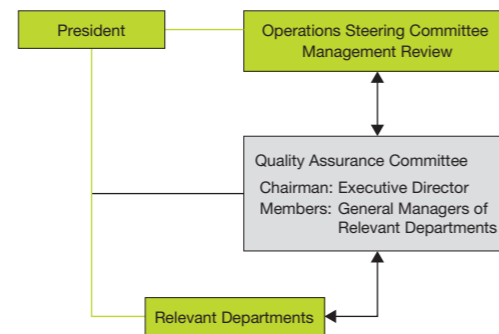
It is JGC's purpose that, in realizing our Clients' projects, we will fulfill our Clients' needs in the optimal way by fully applying our knowledge and experience and by incorporating state-of-the-art technology. In order to achieve this purpose, we affirm the following quality policy.

- We will deliver plants and services fully complying with agreed requirements as well as statutory and regulatory requirements, thus achieving our Clients' satisfaction and confirming their trust in JGC.
- We will continually improve the effectiveness of our quality management system.

Quality Assurance Committee

The Quality Assurance Committee reports directly to the President. It is chaired by a managing director, comprises executive-level general managers and meets once a month. The Quality Assurance Committee implements various improvement strategies to ensure that the quality of the products and services we provide will consistently satisfy our customers, and evaluates the results to ensure that improvement is continuous. The Operations Steering Committee, convened each year by the President, conducts a management review of the activities of the Quality Assurance Committee, and under the leadership of the President, it works towards continuous improvement of the organization.

Role of the Quality Assurance Committee

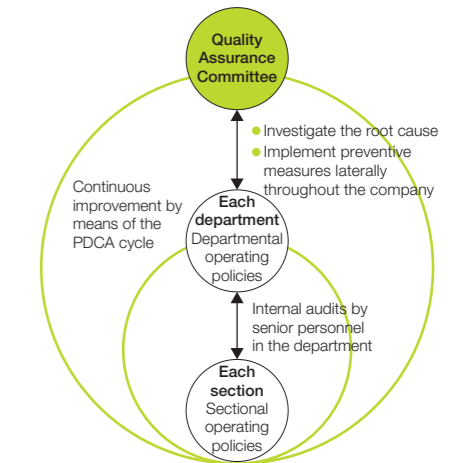


Effective Improvements Through the PDCA Cycle

At JGC, we use the "Plan, Do, Check, Act" PDCA cycle to ensure continuous improvement, ensuring integration of our QMS with the actual functions performed, with the aim of improving substantive performance of our organizations and operations.

- ① We ensure continuous improvement of operations and organizations by treating the operating policies of departments and sections as quality targets, identifying any organizational issues, and formulating ("Plan") operating policies and action plans, implementing them ("Do"), evaluating them ("Check") and improving them on the basis of evaluation ("Act") each fiscal year.
- ② The internal auditing conducted by each department is conducted by the general manager and by senior personnel and others nominated by the general manager who are familiar with the running of the department, and they provide instruction and support, pointing out any issues that need to be dealt with, enabling steady improvement to be made.
- ③ If issues relating to quality are discovered, we receive instruction from the Quality Assurance Committee to nip the problem in the bud by investigating its root cause and implementing preventive measures laterally throughout the company.

Improvement Programs Led by the Quality Assurance Committee



Topics

Evaluation by the Third-Party QMS Certification Body, LRQA Japan

At Lloyd's Register Quality Assurance (LRQA Japan), we are honored to have been chosen as the certifying body to conduct ISO 9001 (QMS) inspections for JGC Corporation for many years.

JGC fully understands the true objective of QMS. The whole organization works towards this objective, and there is a sharp distinction between this and other companies that merely seek to obtain and maintain ISO certification. JGC integrates QMS with day-to-day business in its project management, which focuses on overseas operations and works towards continuous improvement throughout the organization using the PDCA cycle. JGC has the highest level of QMS understanding and implementation in Japan, a level that is also extremely high when considered from an international perspective.

We use our own inspection system, known as "FABIK," under which inspections also take note of, and propose solutions to, important issues for customers, and we will continue to conduct inspections not only of the suitability of quality management systems, but also of their effectiveness.

*FABIK: <http://www.lrqa.or.jp/who-we-are/business-assurance/fabik/>



Lead Auditor Ozawa



Suppliers

Effectively utilizing the knowledge acquired so far, we exercise leadership in our cooperative work with suppliers, and we are engaging in efforts for continuous improvement of our competitiveness in order to bring our projects to successful completion.

Basic Conceptual Approach

The suppliers that provide equipment and materials to the projects that JGC implements are not simply suppliers. They are important partners that contribute to the success of our projects by satisfying the quality requirements and delivery deadlines for each project according to schedule and in a cost-competitive manner. By providing the safe transportation of equipment and materials, carriers also contribute to the success of our projects. All the cooperating companies that

take part in our projects can provide our customers with a major boost in confidence regarding project success by establishing a culture of quality and safety and achieving first-time-right* as a result. At JGC we exhibit maximum leadership as an engineering contractor while taking steps to strengthen relationships with cooperating companies and improving the competitiveness of the project team.

* First-time-right is an approach to obtaining favorable results on work from the beginning by using appropriate methods, eliminating the need to correct or redo work.

Procurement Policy

Our purpose is not to pursue superficial reductions in the prices of equipment and materials. Rather, we aim to minimize the overall project cost from the construction of a plant to when it is turned over to the customer. We use the most up-to-date technology, market and supplier information and other such resources concerning equipment and materials as the basis to exercise leadership with suppliers and provide our customers with optimal procurement solutions.

Organization

JGC procurement activities are organized around a project procurement manager who exercises overall leadership over six teams comprised of staff responsible for equipment procurement and process management, a bulk team that is comprised of specialists with responsibility for procurement of bulk materials, and a logistics (cargo transport) team that is comprised of specialists in accomplishing the safe transportation of all equipment and materials.

Initiatives for "Absolutely Safe Transportation"

Logistics is a major key to project completion. Transporting ultra-heavy and ultra-large cargo, particularly items such as large modules, with safety and reliability requires the vast knowledge that JGC possesses, together with our strong sense of mission and responsibility. Accidents that occur in logistics can have incalculable effects on a project. At JGC, therefore, we are engaged in "Absolutely Safe Transportation," a campaign aiming

for zero cargo accidents, zero personnel accidents, and minimal environmental impact from transportation. The campaign covers a wide range of activities, but one major element at present is exercising



Logistics Safety Workshop

leadership in establishing a culture of safety by providing joint venture partners and cooperating companies with education on how to provide safe transportation. Going forward, we will continue sharing these activities with all the people involved in our projects, taking steps to instill further awareness of transportation safety so that JGC Logistics will achieve "Absolutely Safe Transportation," enabling us to fully meet our customers' expectations for safety.

Column

Shareholders & Investors

The JGC Group values its partnerships with shareholders and investors, and we work hard to ensure ample opportunities for timely disclosure of detailed information and communication. The Group is pleased to outline our basic policy concerning information disclosure, and our IR activities.

IR Policy

1. Disclosure Standards

JGC discloses information accurately in a fair and timely manner in accordance with the "Disclosure of Corporate Affairs and Other Related Matters" chapter of the Financial Instruments and Exchange Act, and with the "Timely Disclosure Rules for Issuers of Listed Negotiable Securities or Valuable Instruments" (hereafter "Timely Disclosure Rules") laid out by the Tokyo Stock Exchange. In addition, regarding the content of financial results briefings and other information not under the jurisdiction of the Timely Disclosure Rules, JGC has a policy of disclosing appropriate information to investors upon request to the best of our ability.

2. Methods of Information Disclosure

Information falling under the jurisdiction of the Timely Disclosure Rules will be disclosed, as specified in the rules, over the Tokyo Stock Exchange information disclosure system (TDnet), following an explanation to the Tokyo Stock Exchange. Information that does not fall under the jurisdiction of the Timely Disclosure Rules shall be disclosed at an appropriate time, by an appropriate method, in an accurate and fair manner, with due consideration for its dissemination to general investors. Therefore, we request that investors who wish to confirm information disclosed by JGC should refer to the information posted on the company website, TDnet, and the like.

3. Future Prospects

In addition to the performance forecast submitted by JGC to the Tokyo Stock Exchange, JGC may also provide guidance on its future prospects to investors and securities analysts for their

reference. In addition, lectures, Q&A sessions, documents published by the company, information posted on the company website, etc. may include information about current plans, future prospects and strategies. In either case, any information which is not recorded historical fact is a forecast for the future based on set preconditions and the judgment of the company management based on the information available at the time the prediction was made. Therefore, when investigating JGC's performance, business value, etc. we request that analysts and investors refrain from relying solely on future forecasts and forward-looking statements. Since actual business performance depends on numerous different factors, in some cases, actual results may differ significantly from predicted results. Factors with a major influence on actual business performance include (1) economic circumstances surrounding the company in the domestic and worldwide market, (2) domestic and worldwide energy demand, (3) currency exchange rates, and others. Factors affecting business performance are not limited to the three items mentioned above.

4. Regarding the Period of Silence

Before financial results briefings, JGC establishes a "period of silence," during which we refrain from making comments or answering questions regarding financial results, so as to avoid information disclosures which could influence our stock prices while we are preparing the data to be presented at the financial results briefing. However, in the event that facts calling for appropriate disclosure arise during the "period of silence," we will disclose the information in a timely and appropriate manner.

Outline of Communication Opportunities

and IR Activities

At JGC, in addition to timely disclosure, we issue shareholder newsletters and integrated reports, as well as posting information on our homepage, in order to give our shareholders and investors a deeper understanding of our management policies, business stance, and the business environment in which the Company operates. Also, at shareholders meetings and bi-annual financial results briefings, to which we invite institutional investors and analysts, our top management directly explains our financial results, and future outlook, etc. Looking forward, we will strive to conduct timely and appropriate disclosures, and facilitate two-way communication with shareholders and investors with the aim of creating an environment in which shareholders feel they can securely retain their shares over the long term.

12-Month IR Activity Schedule



Scene from the financial results briefing held in March 2015

Employees

As an engineering company, JGC's sustained growth depends upon our people.

Therefore, the JGC Group focuses on personnel development and communication with our employees.

Basic Conceptual Approach

As an engineering company that does not possess assets such as production facilities, most important assets are its personnel. Each person is regarded as a professional, and thus we provide personnel development programs that bring out their abilities and enable them to play an active part on the world stage. The scope of the development programs ranges from all forms of engineering technology to English and Japanese-language business skills and leadership development.

Personnel Systems

JGC's fundamental policy for personnel systems is defined as the "autonomous development and creation of new value." Our personnel system that aims to "enable employees to autonomously develop their professional skills, while sharing the strategic direction of the company, and offering new value and contributions to customers and society" was first introduced in 2001. We will continue to make improvements to our systems thereafter, as well, in order to strive for the growth of the Company and of our employees individually.

Diversity of Personnel

① Development of Global Recruitment

JGC has been involved in more than 20,000 projects in 80 countries across the world to date. To further strengthen its involvement in projects undertaken on a multinational basis, JGC is promoting diversity in terms of the nationality of its employees. The Company is enterprisingly conducting recruitment drives at universities outside Japan and employing exchange students who come to Japan.

② Giving Senior Staff Members a New Lease of Life

Under the Revised Act for Stabilization of Employment of Older Persons, the Company is implementing a re-employment system for employees aged 60 or over. In principle, all those who wish to participate in the program are re-employed. Looking ahead to when the mandatory retirement age is raised to 65, we are taking steps to review the various systems involved. In addition to assuming the responsibility of continuing in employment, the senior staff member elements are passing on their techniques, providing advice, and making a major contribution to the training of young engineers.

③ Employment of the Disabled

Under a law promoting their employment, JGC actively works to comply with the legal ratio of employees with disabilities. Efforts are also being made to upgrade or improve workplace environments to cater for the type and degree of a person's disability.

Support for Childcare/Nursing Care

To enable employees to care for their families or children, the Company introduced a system that includes leave of absence, time off, and reduced working hours. Since 2007, JGC has also consistently gained the "Kurumin Mark" accreditation in recognition of its active support for the bringing up of children.



Topics

JGC Family Day (Bring-Your-Child-To-Work Day)

Held annually since 2009, the JGC Family Day allows children to observe their parents' workplaces. In addition to developing children's social awareness and fostering the concept of work and occupation, the aim is for them to gain an understanding of the work family. The event is designed for employees' children in the fourth to sixth grades of primary school. In fiscal 2014, 23 children attended and experienced work and meetings in the actual company office.

Employees and their children participating in the JGC Family Day



HR Data (Non-consolidated)

Basic Data Concerning Continued Employment

Fiscal year	2010	2011	2012	2013	2014	
Years of employment	16.4	16.3	16.9	17.1	17.2	
Mean age	42.8	42.9	43.0	43.2	43.3	
Employees by Gender (%)	Male	88.1	88.0	88.4	88.3	88.2
	Female	11.9	12.0	11.6	11.7	11.8
	Total	2,121	2,142	2,162	2,215	2,289

New Employees

Fiscal year	2010	2011	2012	2013	2014	
Graduates	Management trainee	52	66	70	78	99
	General staff	1	3	5	8	5
	Subtotal	53	69	75	86	104
Mid-career (%)	Management trainee	30	23	21	14	9
	General staff	0	1	0	1	1
	Subtotal	30	24	21	15	10
Total	83	93	96	101	114	

Job Turnover Rate

Fiscal year	Job turnover rate
2010	0.9%
2011	1.2%
2012	1.4%
2013	1.2%
2014	1.7%
Total	1.3%

Applicable: Employees, voluntary resignations only. Numbers are yearly averages taken from monthly employee report.

Employees Claiming Maternity Leave and Long-Term Parental Leave

Fiscal year	Employees claiming leave	Rate of return to position
2010	10	100.0%
2011	14	100.0%
2012	14	100.0%
2013	12	94.7%
2014	20	100.0%

Overseas Employees

351 employees as of March 2015

Social Contribution Activities

JGC Techno College

In addition to the personnel development programs offered by the Company, the JGC Techno College was founded in 2001 as a place where motivated personnel can voluntarily participate in continuing education courses. Senior staff members volunteer to act as instructors at the college and organize and run the sessions, thereby helping to pass on their skills and experience to younger employees. The college also invites prominent experts from Japan and foreign countries to give lectures. In fiscal 2014, JGC held approximately 100 lectures that were attended by more than 2,500 employees.



The JGC Techno College

people from several tens of different countries come together to work. At the work site, there is a mix of customers, vendors that supply materials and equipment, as well as subcontractors involved in plant construction work, and they each have their own way of thinking and value systems. In this environment, JGC expects new employees to represent the company and develop the leadership and teamwork skills necessary to align everyone toward the goal of completing the plant.

Of the new employees that have participated in this training, some have said that while initially bewildered by the new environment, they felt the responsibility that they must fulfill, the teamwork built through daily face-to-face communication, and sense of accomplishment constructing a massive plant. JGC will continue to implement this training program for new employees.



Worksite Training System

Worksite Training System

Since fiscal 2013, JGC has dispatched all new employees to construction sites inside and outside Japan for six months out of their first year. By having them see with their own eyes and feel the plants that JGC constructs as its final product at an early stage in their careers, the new employees gain an understanding of how engineering blueprints drawn up in head office are used in plant construction by experiencing construction in various stages. The ultimate aim is for the new employees to experience the weight of the responsibility of delivering quality plants to customers on schedule.

At overseas construction sites, there are times when

Health Checks, Mental Health

The Company implements, for example, partially subsidized medical checkups, including regular health checks that are held in-house twice a year, and actively works to improve awareness of health issues among its employees.

Besides requiring its managers to attend mental health workshops, interviews are conducted by industrial physicians at the on-site health management centers established within the Company.

Based on the “Principle of Business Conduct” of “establishing client satisfaction and earning society’s trust, developing our business through coexistence with society,” the JGC Group recognizes that the social prosperity and the development of our business are inextricably linked. We are constantly striving to fulfill our social responsibility and give consideration to our coexistence with society.

The Four Priorities of Social Contribution Activities

Upon establishing priority areas for activities to make social contributions in ways that make effective use of what is uniquely characteristic of JGC, we are promoting efforts related to the following four topics.

Environment:	To actively contribute to environmental conservation
Education:	To support the education of the next generation of qualified professionals
Science and Technology:	To support science and technology that will form the foundation of sustainable development
Community:	To contribute to the sustainable development of the areas where JGC does business

Environment

To commemorate its 80th anniversary, JGC became a watershed forest partner in Kanagawa Prefecture’s Water Source Conservation Project in August 2008 and launched an environmental conservation project. In September 2013, a donation was made to Kanagawa Prefecture and the decision taken to continue as a forest renewal partner in the project for another five years. Through the project, employees of the JGC Group assist with watershed forest conservation while deepening their understanding of the role of watershed forests and the importance of coexisting with nature.

Activities are carried out once a month, and during fiscal 2014 more than 200 employees participated in various events, including forest walking tours and aquatic wildlife observation tours, as well as special events held with the president and employees participating. We will also increase our ongoing efforts in environmental initiatives, for example by even introducing forest activities into new employee training.



Many employees, including President Kawana, participated in an event at a watershed protection forest

Education

Through the JGC-S Scholarship Foundation, JGC contributes to the cultivation of scientists and the advancement of science and technology in Japan and overseas. The foundation was established in March 1968 with an endowment from JGC founder Masao Saneyoshi. Its principal undertakings include the provision of educational loans to Japanese university and graduate students majoring in scientific and technical fields, grants to foreign students studying in Japan, and research funding assistance for young researchers. As of fiscal 2014, the foundation has provided assistance to a total of 21,179 persons, through educational loans to 13,656 students and educational grants to 7,562 students (2,137 Japanese and 5,425 foreigners studying in Japan at their own expense). The foundation has also provided research funding assistance to a total of 2,162 young researchers. Annual disbursements have reached 397 million and 920 thousand yen.



Ceremony held in 2014 to award scholarship grants to foreign students

Environment

At JGC, we have determined our “Environmental Policy” in the context of growing concern in society over protection of the global environment. Here we will introduce that policy and the environmental management system we established to implement it.

Environmental Policy

JGC, as a professional engineering contractor, is committed to achieving environmental excellence in both its corporate operations and the services it renders its clients. To meet this commitment, JGC has hereby established the following principles, which shall be applied throughout its operations.

1. We shall endeavor to preserve the natural environment through the prevention of pollution and the conservation of energy and natural resources.
2. We shall provide our clients with technical solutions that conserve energy and natural resources, and reduce pollution and other adverse environmental impacts.
3. We shall fully comply with both environmental laws and regulations, and the environmental requirements of our clients.
4. We shall reduce the production of waste through measures that emphasize reuse and recycling.
5. We shall apply the following specific principles to the execution of our EPC projects:

Engineering Phase:
We shall reduce the adverse environmental impacts of completed plants by minimizing the energy and resource consumption of each plant, and minimizing emissions and waste production.

Procurement Phase:
We shall give preference to vendors that adopt environmentally-friendly manufacturing practices.

Construction Phase:
During construction, we shall endeavor to minimize emissions, adverse impacts on the surrounding environment, energy and resource consumption, and waste production. Furthermore, we shall ensure that our subcontractors adopt work practices consistent with this principle.

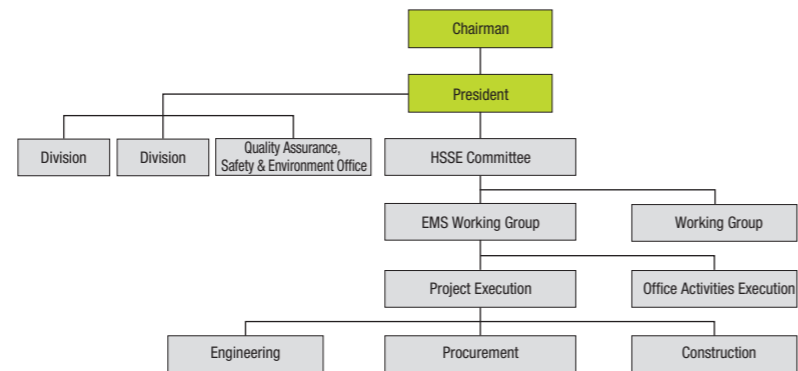
Koichi Kawana

President and Representative Director, JGC Corporation
1st July 2011

Safety and Environmental Consideration in Investment Projects and Research & Development

In December 2003, JGC obtained the ISO 14001 certification from Lloyds Register Quality Assurance (LRQA). ISO 14001 is the international standard for environmental management systems, and we have renewed this certification three times. In November 2014, we completed the audit for maintaining certification in the 2014 fiscal year. We are also taking steps for continuous improvement by setting annual activity targets geared to realization of our environmental policy, measuring the degree of achievement of those targets, and evaluating the results.

Environmental Management Systems



Assessment
E: Completely implemented G: Extensively implemented NG: Not yet implemented
Improvement:
↑ Substantial modification of environmental improvement measures
→ Continuation of environmental improvement measures

Fiscal 2014 Results and Fiscal 2015 Initiatives

Activity objective	Fiscal 2014 results	Assessment	Initiatives for fiscal 2015	Improvement
Implementation of the Zero Emissions Initiative 2015	<ul style="list-style-type: none"> CO₂ emissions reduced to the Kyoto Protocol level. Soil pollution from leaks reduced to almost zero. Reduced the final disposal of waste (reduction in the amount of final disposal without an improvement in the final disposal rate) Promoted environmental investment 	G	Continued implementation of the Zero Emissions Initiative 2015	→
Environmental targets	Setting of environmental targets directly linked to original business, promoting of linkage with quality management systems.	G	Continuing promotion of environmental improvements directly linked to original business	→
Strengthening of internal auditing	Implemented at all overseas sites. (Currently implemented 21 times in total.) Score: 88.5 points (target: 84 points)	E	Planning for multiple implementation at all overseas sites (To be implemented 18 times in total.) Target: 86 points	↑
Strengthening initiatives for biodiversity	Initiatives for biodiversity directly linked to original business (expansion also at overseas sites and in Group companies.)	G	Continued the implementation of initiatives for biodiversity directly linked to original business	→

Environmental Improvement Activities in Line with Our Business

Since past environmental improvement activities by JGC have centered on reducing waste, paper, and electricity consumption at Headquarters, our task was to shift this focus to activities that fall in line with our actual business. To accomplish this, with the participation of the heads of all divisions, we reviewed our methods for identifying opportunities for environmental conservation and our procedures for target setting. What we achieved from these discussions was a common recognition of the following points.

- While we solve environmental issues through our original business and aim for sustainable development in society, it is important to link these processes to the creation of corporate value and improvements in competitiveness.
- While concerns over environmental issues are rising worldwide, JGC is contributing directly and indirectly to solutions through its original core business. JGC recognizes sustainability as an issue it has to address in this particular business.
- Important points that JGC must consider to develop itself sustainably are as follows:

1. Implementing adequate operation and maintenance to prevent environmental problems from arising in the future.
2. Continuing to implement improvements to increase corporate profits, while giving consideration to environmental matters.

With this common recognition, JGC continuously makes a concrete review of the significance of environmental objectives and targets, and implements environmental management activities from the following perspectives.

- Environmental management activities conducted with environmental objectives and targets are not separate from business, they are business.
- The operational policies of divisions and departments are determined for substantial performance improvements of the organization and its operations.

- Environmental targets and QMS quality targets can be matched together.
- In this way, JGC conducts environmental improvement activities in line with its original business, by lightly linking its environmental management systems to its quality management systems.

Promotion of the Zero Emissions Initiative 2015

Since 2008, as one part of our measures to fulfill our corporate social responsibility, the JGC Group has enacted environmental improvements through the Zero Emissions Initiative, which details strategies for reducing the harmful by-products of JGC's business activities to zero. In 2011, with new targets set for the mid- and long-term in consideration for the development of our environmental business, we have renewed the initiative under the new title, “Zero Emissions Initiative 2015.”

The Zero Emissions Initiative 2015 covers the head office, the Research and Development Center, JGC construction sites in Japan and overseas, and domestic and international sales bases.



Zero Emissions Initiative 2015 poster

JGC Group Offices

Environmental improvements are being promoted in offices by adopting an environmental target of a five-year average reduction of 1% or more in energy-related CO₂ emissions units.

JGC Domestic Construction Sites

Environmental improvement targets were quantified in three areas: final disposal rate, number of leaks, and CO₂ emission units. The target (3%) for the final disposal rate in fiscal 2014 was not reached (5.9%). The JGC Group will continue to make every effort to achieve the target in fiscal 2015. On a positive note, the targets for the number of leaks and CO₂ emission units were reached with the Group securing favorable results.

Zero Emissions Initiative 2015 Environmental Performance (JGC construction sites in Japan)

Environmental indicators	Unit	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014
Final disposal rate of industrial waste	Result (Target) %	3.3 (3)	4.2 (3)	5.8 (3)	5.9 (3)
Number of leaks of toxic substances, etc.	Result (Target) Leaks	0 (0)	0 (0)	0 (0)	0 (0)
Energy-related CO ₂ emission units	Result (Target) kg-CO ₂ /hour	0.46 (1)	0.36 (1)	0.58 (0.9)	0.63 (0.9)

Environment

Environmental Considerations Associated with Business Activities

The JGC Group implements projects on a global scale in a wide range of fields, from the hydrocarbon sector including oil, gas, LNG and petrochemicals, to other sectors such as nuclear power, pharmaceuticals, hospitals and research centers. Throughout the entirety of all these projects, we are constantly committed to consideration for the environment. Environmental consideration is naturally a factor in plant EPC activities, but it is also essential in higher upstream stages such as sales activities and feasibility studies, down to maintenance and plant decommissioning, as well as in service business and investment business other than EPC. The JGC Group adds a high level of environmental consideration to its engineering and management capabilities with the aim of helping to realize a sustainable society.

Here we present some examples to demonstrate our environmental consideration in construction work.

Construction Planning Stage

Meticulous concern for sustainability at plant construction sites is essential. In many countries, construction of new plants requires submission of an environmental impact assessment (EIA) report for the purpose of understanding what impacts the construction has on the environment of the construction site and minimizing those impacts as much as possible. The EIA report describes in detail impacts that construction work will have on the air, water, soil, flora, fauna, and marine life, and it also details measures that can be taken to counter them. JGC applies environmental management systems to construction work to ensure that we demonstrate environmental consideration in compliance with EIA reports, emphasizing the following points.

- ① We practice strict legal compliance and environmental risk management by identifying environmental laws and regulations and environmental considerations that have bearing on construction work.
 - ② We endeavor to increase client satisfaction and reinforce communication with stakeholders.
 - ③ We manage environmental risks and endeavor to minimize the possibility of incidents which may have a negative impact on the environment by anticipating, preparing for, and speedily responding to emergencies.
- Before starting construction work, we consider the above matters and unflinchingly perform the following preliminary work:

- ① Identifying environmental impacts of the construction work
- ② Setting environmental objectives and targets for the construction work
- ③ Preparing a Construction Environmental Management Plan for the construction work
- ④ Providing new workers with environmental education and training

We incorporate the Zero Emissions Initiative 2015, a JGC Group independent environmental conservation initiative, into this preliminary work, and thoroughly confirm environmental conservation measures before starting construction.

Construction Stage

Construction work by JGC is preceded by thorough environmental consideration at the planning stage.

Matters laid out in the Construction Environmental Management Plan include the project environmental policy, organizations and persons responsible for environment-related work, environmental protection measures, environmental performance monitoring and measurement, regular testing of emergency prevention and relief procedures, monthly reporting, etc. Following the start of construction, a review of the environmental aspects of the project (the relationship between construction work and the environment) is conducted to confirm whether the construction work differs from the plan. If any differences are found, the plan is revised to ensure that there are no omissions in the environmental considerations included in the environmental management framework.

Recycling of Construction Waste

JGC aims at minimizing final waste through the rigorous implementation of the "Zero Emissions Initiative 2015." In fiscal 2014, the final disposal rate of construction work in Japan was 5.9%.

On every site, before contracting disposal to a provider of intermediate waste treatment services, we confirm its recycling rate with our own industrial waste surveys. In particular, because there are significant differences between contractors regarding the treatment methods and recycling rates of construction sludge, we carefully compare treatment methods and costs. Before starting construction, we also establish an adequate waste separation plan based on the characteristics of waste to be generated. In addition, through the rigorous separation of wastes in accordance with this plan, we seek to improve the recycling rate during construction.

Initiatives in Offices

Efforts based on Minato Mirai 21 Urban Management

The Minato Mirai 21 district in the Nishi Ward of Yokohama city, where JGC's Yokohama World Operations Center is located, is being developed with consideration for a more efficient use of energy, the needs of a recycling-oriented society, urban disaster prevention, and environmental friendliness. Its urban management is based on the "Basic

Agreement on Town Development under Minato Mirai 21." The efforts made by JGC to mitigate the environmental impacts of its office activities are also based on this concept, and they include reducing electricity consumption, heating and cooling consumption, energy consumption, and waste, and increasing the recycling rate.

Reduction of Electricity Consumption

Electricity consumption in the 2014 fiscal year was reduced 2.9% by comparison with the previous fiscal year. JGC is engaging in a variety of activities to achieve a 15% reduction in electric power consumption, implemented in our capacity as the Queen's Square Yokohama Management Association, which houses our Yokohama head office, and in accordance with a ministerial ordinance restricting the use of electricity. This ordinance is based on Article 27 of the Electricity Business Act, which was enacted following the Great East Japan Earthquake. In steps taken to reduce electricity consumption in the 2014 fiscal year, we replaced LED lighting on the 36th floor and replaced automatic variable air volume (VAV) valves for air conditioning units on the 25th to 35th floors to enable more efficient air conditioning operation.

Reduction of Heating and Cooling Consumption

For cooling and heating, the Minato Mirai 21 District has a District Heating and Cooling System designed for the efficient use of energy, with centralized production, supply, and management of heat, cold, and steam for cooling, heating, hot water, and other such essential uses. In the 2014 fiscal year, the consumption of chilled water, which is needed to regulate heating and cooling, was reduced 10.2% by comparison with the previous fiscal year. This was achieved partly because average temperatures from mid-July through September of 2014 were lower than in the previous year, and also because air conditioning operation times were brought forward and the use of heat sources during peak times was limited. Meanwhile, the use of steam, which is needed for heating, was reduced 4.0% by comparison with the previous fiscal year, even though the winter of 2014 was more severe than the previous year. This was achieved partly because air

conditioning operation times were brought forward and partly because the VAV valves on the 25th to 35th floors were replaced. As a result, the total consumption of chilled water and steam for the year was reduced 8.3% compared with the previous fiscal year.

Note: The crude oil conversion emissions coefficient for chilled water and steam was 1.36 in the 2014 fiscal year (no annual change)

Reduction of Energy Consumption

Our Yokohama head office is required to report on its energy consumption (crude oil equivalent) because it is a Type 1 Designated Energy Management Facility according to the Act on the Rational Use of Energy (Energy Saving Act). Our energy consumption in the 2014 fiscal year was 2,770 kl, a reduction of 4.7% over the previous fiscal year.

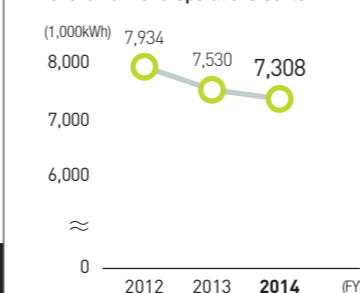
Note: Electric power consumption crude oil conversion emissions coefficient: 9.97 in the 2014 fiscal year (no annual change)

Resource Saving, Waste Reduction, and Recycling

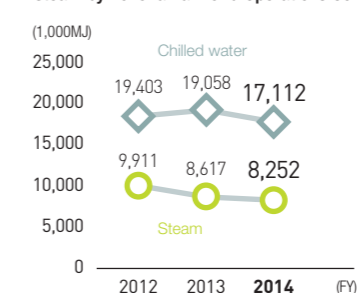
In Minato Mirai District 21, all the companies are taking part in a joint program to recycle used paper, bottles, and cans in order to reduce waste and reuse resources. The amount of waste disposed of in the 2014 fiscal year was down by 16.5% over the previous fiscal year because, even though relocations occurred due to organizational reform, there were fewer unnecessary files for disposal, and there was an increase in unoccupied office area.

The recycling rate for the 2014 fiscal year declined 2.1% over the previous fiscal year to 63.2%, but the actual amount of general waste itself decreased by 10.5% over the previous fiscal year. Going forward, we will continue the shift to paperless operation and promote the rigorous practice of waste separation.

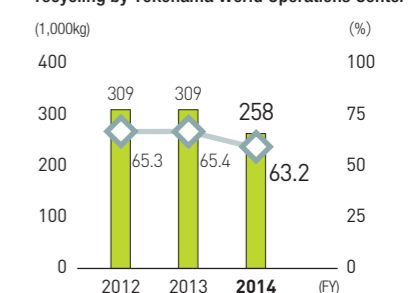
Electricity consumption by Yokohama World Operations Center



Consumption of chilled water and steam by Yokohama World Operations Center



Volume of waste disposal and rate of waste recycling by Yokohama World Operations Center



Management

Governance

JGC is keenly aware of the importance of corporate governance, and we have formulated the “Corporate Philosophy” of the JGC Group in order to foster that awareness in our corporate culture and climate. Through awareness-raising, education, and training, we are taking steps to earn the public’s trust and maintain harmonious coexistence with society in order to develop our corporate activities.

Corporate Governance

JGC is a company with a board of directors and an audit & supervisory board. We are also adopting the executive officer system in order to clearly define the responsibility and authority for the execution of corporate business while also seeking to make management decision-making and the execution of business faster and more efficient. We have further appointed an outside director and outside audit & supervisory board member who satisfy the requirement for independent officers so as to strengthen the supervisory function of management and enhance its transparency. The main elements of improvement are as shown below.

Board of Directors

The Board of Directors is headed by the Chairperson of the Board of Directors and comprises nine board members, including one outside board member, and five audit & supervisory board members. In principle, the Board of Directors meets twice a month.

Audit & Supervisory Board

The Audit & Supervisory Board comprises five audit & supervisory board members, including three outside audit & supervisory board members. In principle, the Audit & Supervisory Board meets once a month.

Director and Executive Officer Committee

The Director and Executive Officer Committee in principle meets once a month for the purpose of sharing information regarding the status of management policies and reporting/confirming the status of operations. The Chairperson of the Board of Directors

heads this committee, which is composed of directors, executive officers, and audit & supervisory board members.

Management Strategy Committee

The Management Strategy Committee in principle meets once a month to deliberate on important matters for JGC and the JGC Group relating to management strategy. The Chairperson Emeritus of the JGC Group heads this committee, which is comprised of directors, audit & supervisory board members, and other members.

Operations Steering Committee

The Operations Steering Committee in principle meets twice a month to deliberate on matters for JGC and the JGC Group relating to the execution of operations. Chaired by the president, this committee includes audit & supervisory board members and other individuals elected by the president.

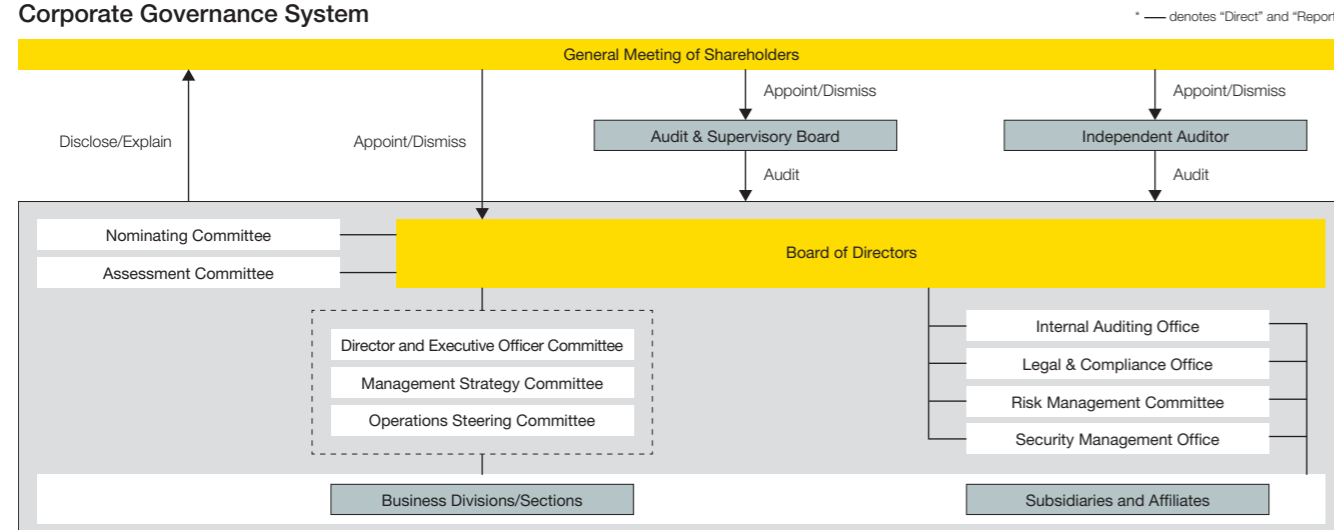
Nominating Committee and Assessment Committee

The Nominating Committee and the Assessment Committee each meet in principle once a year for the purpose of enhancing fairness and transparency in the selection of executive personnel and in the determination of compensation issues. Their membership includes outside directors.

Independent Auditor

The certified public accountants who audit JGC’s accounts are Kazutoshi Isogai, Michitaka Shishido, and Yoshinori Saito of KPMG AZSA LLC. Eight other CPAs and twelve other individuals assist in carrying out these audits.

Corporate Governance System



Message from the Outside Director

The World is Waiting

JGC conducts from 80 to 90% of its business overseas. As a “Program Management Contractor & Investment Partner” that contributes to clients over a broad range of fields, including the investment business in addition to its main present focus, the plant business, JGC is seeking to shed its old identity and become a global corporation in both name and effect. At the same time, the Company is concentrating its efforts on an everyday basis to further improve its governance. Under these circumstances, the challenge as I see it is to determine what contributions should be made to heighten JGC’s corporate value.

Efforts are recently being made to promote infrastructure exports by Japanese corporations. The term “All Japan” is frequently used in this context. What this signifies is a cooperative effort by the government and private sector to act as an “All Japan” team to export this country’s technology and products as a way of promoting the growth of Japanese corporations and, by extension, the Japanese economy. At JGC, the term “Core Japan” is often used. This means that Japanese corporations use outstanding technology and low-priced, high-quality products from around the world, and take the leadership to put their project in order as a whole to bring it to completion. In other words, this means to position Japan as the core and build partnerships with people in countries around the world. I would consider “Core Japan” to be a concept that is both a step more advanced and more profound than “All Japan.”

For JGC, the question is how to deploy the concept of “Core JGC” globally. It is a great challenge. It can be grasped from a variety of aspects, and one of those is human capabilities. “Work your way to a position that is very close to the other party, grasp their heart and do not let go.” This is how I see human capabilities, and I would like to see every individual member of JGC grasp the hearts of those people they have a relationship with. It may seem at first like a difficult thing to do, but JGC has the foundation on which it can be made to happen. The reason is that benefit to others is part of the Company spirit. It has a truly large number of people who want to perform their work in a way that will please the inhabitants of the project country. JGC is a fortress of talented people, which is no doubt why it has so many



Shigeru Endo

Outside Director
Special Assistant to
the Minister for
Foreign Affairs

fans in Japan and overseas. Benefit to others is the wellspring of credibility, and it is precisely this spirit that makes it possible to be the core. And the result of that is a return to oneself, or in other words, benefit to the self. That is how I see it.

It is in the midst of struggle that a way out becomes visible to us. If we look at successful venture businesses in the United States and other countries, we almost inevitably find that they have had failures. I would like for JGC to continue taking on challenges of all kinds without fearing failure. The reason is that human beings learn more when they fail than when they succeed. It is also an investment in the future. Maintaining the status quo may turn out to be synonymous with stagnation. JGC has an openness and a corporate culture that takes to challenges.

There is no question that the plant market is unpredictable, and this is a difficult situation for JGC. This is a time for perseverance. That is not to say, however, that JGC is sitting still. In some senses, it is struggling hard. Eventually, its effort and its perseverance will be the forces that help transform it into a stronger JGC. JGC has large numbers of supporters and friends who are looking forward to the day when JGC with its human resources emerges into its splendid role in the world as a well-trusted “Program Management Contractor & Investment Partner” together with the overseas bases that form the front line of its global development.

Compliance

In order to conduct sustainable business development as a member of the international community, JGC believes that it is essential for each and every employee to conduct business in conformity with corporate ethical standards, as well as to observe local laws and regulations not only in Japan but also overseas.

PRINCIPLES OF BUSINESS CONDUCT

For the long-term stability of the JGC Group and for its further growth, each person working, from director to employee, full-time or part-time, is required to keep in mind clear principles of business conduct and perform his or her daily activities in compliance with such principles. Through continued stable operations, JGC Group achieves its Corporate Philosophy by maintaining and honoring the following principles derived from the previously stated "Core Values":

1. Decision-making: Highest ethical standards and sense of legal responsibility

- Behave in accordance with the highest ethical standards, and in a socially acceptable manner.
- Understand the requirements, and observe the laws, regulations and rules, of the business conducted.

2. Conduct: fairness and transparency

- Be fair, honest and transparent at all times in conducting business.
- Maintain Integrity in all the relationships that constitute the business being conducted.

3. Corporate atmosphere: Progressive spirit and open mind

- Maintain a progressive spirit not restricted merely to established business practices, and behave at all times with a sense of innovation and improvement not limited to traditional practices.

- Based on a will to achieve objectives, devote oneself to the maximum extent possible as an individual and to the team.
- Through free and aggressive exchanges, strive to enhance the intelligence of the organization.

4. Corporate direction: Customer satisfaction and trust of society, as well as corporate growth in harmony with society

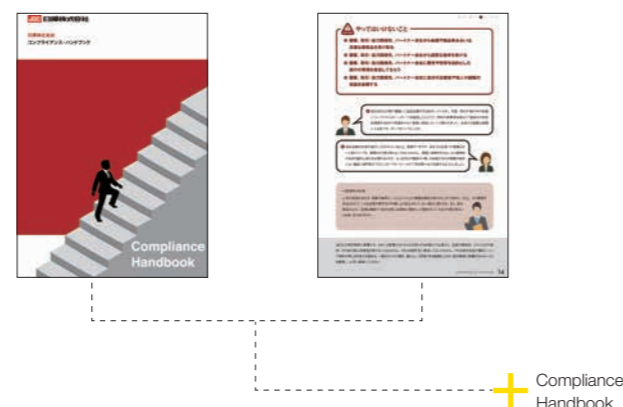
- Gain the trust of clients and shareholders by performing faithfully and by providing an adequate level of information.
- Direct efforts at providing reliable services and products that satisfy the client's needs.
- Seek corporate growth together with the development of society, in the knowledge that without prosperity of society the JGC Group will not grow.

Results and Initiatives

JGC has raised employee awareness of compliance issues by enacting policy documents, including the "Corporate Philosophy" and "Principles of Business Conduct" of the JGC Group, the "Code of Business Conduct" of JGC Corporation, and anti-bribery rules, and provided opportunities for education and training concerning rules and regulations.

In order to further improve understanding and awareness, in January 2015, we distributed the "JGC Corporation Compliance Handbook" to our entire staff. Based on the idea that compliance is not just for some employees, we have aimed to make material easy to read for everyone, without abstract expressions and dry explanations. For example, under the heading "Forbidden Actions," we have listed rules that must be adhered to, and introduced specific practices that should be adopted. We have also come up with new ideas to make it easier for the reader to digest material through columns, such as "Bite-Sized Advice" and "Q&A." We have also listed a helpline for those who are unsure of what action to take and made it possible for people to check whether an action is proper or not.

In order to create an organization and atmosphere that values compliance, JGC will continue to implement effective compliance measures.



Risk Management

Security Management Office

JGC employees and executives make approximately 5,600 overseas business trips per year, and approximately 500 JGC personnel are stationed overseas at any one time, in 30 different countries. Therefore, JGC has established Security Management Office available on a 24-7 basis to cope immediately with any risks employees stationed overseas might face, including natural disasters, acts of terrorism, war, pandemics, crimes, riots, traffic accidents, and illness. Security Management Office has two operating patterns: Crisis Management Operations and Preventive Operations, details of which are presented as follows.

Crisis Management Operations

Security Management Office takes the lead in implementing a range of measures based on the risk level in a given area, according to the Basic Rules for Risk Management.

*Examples: business trip cancellation, temporary evacuation, etc.

Preventive Operations

- Collect, analyze and communicate risk information: issue situation-specific reminders and warnings
- Update standard documentation such as crisis response manuals and safety standards
- Survey, analyze and evaluate the levels of public safety, potential dangers and threats as well as risks and take steps to put in place countermeasures on an individual project basis
- Monitor each of the aforementioned items and provide guidance to ensure continuous improvement
- Provide education and training on crisis management
- Make all necessary adjustment to ensure a point of contact with related organizations (government agencies, outside consultants, etc.)

Information Security Management

Handling large volumes of information (specification documents, drawings and reports) is part and parcel of EPC operations. Much of this information contains confidential data received from customers and business partners as well as materials regarding proprietary know-how. As an engineering contractor, it is a matter of course that we work to ensure that these information assets are properly protected.

Meanwhile, it is equally important that the Company's employees, customers and business partners have safe and ready access to essential information in order to ensure that projects scattered throughout the world are carried out smoothly. To this end, we actively undertake information investments which include security countermeasures. These investments help to ensure that information security is maintained at an appropriate level that satisfies the needs of customer and business partners.

Group-wide information security promotion structure

The JGC Group looks closely at the ISO/IEC 27001 international standard when maintaining its information security management systems. We draw up rules and regulations for each project and put in place the necessary operating structures based on major differences in customer requirements, the operating environment and conditions confronting the Company. From both the technological and human resource perspectives, we take steps to improve the quality of the information security.

Acquiring information system platform certification

The Company's Corporate Administrative & Financial Affairs Division, which is responsible for the planning, construction, operation and management of IT infrastructure, Corporate IT Office and the responsible department of JGC Information Systems Co., Ltd. acquired ISO/IEC 27001 certification in 2006 as a part of effort to ensure the stable operation of information system platforms. Certification entails continuous screening on an annual basis and renewed certification every year. Plans are in place for continuous screening to be undertaken in July 2015.

Business Continuity Plan (BCP)

JGC does not have production facilities such as manufacturing plants, and we conduct our business through our employees, a sophisticated ICT infrastructure and our offices. Consequently, JGC's BCP consists of the following three pillars.

① Early confirmation of employee safety

In 2004, JGC introduced a "Safety Confirmation System." Today, the scope of the system has been extended to include not only regular employees, but also temporary staff and JGC contract employees who work at JGC. In addition, an emergency contact network has been established in each department as a backup to quickly confirm employee safety.

② Securing of ICT infrastructure

In 2006, JGC was the first company in the Japanese engineering industry to obtain ISO certification (ISO 27001) for its information security management systems. In order to maintain and improve information security, we have a backup system and use highly reliable devices. In addition, we have measures in place to respond to accidents and emergencies. We conduct periodic drills, and the resulting increased awareness is reflected in workers' preparedness. In these ways, we continuously improve our information security through the PDCA cycle and work towards an even more secure ICT infrastructure.

③ Securing of office safety

The Yokohama Headquarters of JGC was built in 1997. It was designed for strength meeting or exceeding the new earthquake resistance standards, and would have been largely undamaged even by the severe tremors of the Great East Japan Earthquake.

In addition to conducting periodic disaster management training and full preparedness with emergency supplies, provisions and other necessities, we provide positive protection for the safety of people working in our office.

Directors, Audit & Supervisory Board Members, Executive officers

(As of July 1, 2015)



Chairman and Representative Director
Masayuki Sato



President and Representative Director
Koichi Kawana

Directors

Yutaka Yamazaki
Tsutomu Akabane
Hideaki Miura
Satoshi Sato
Hiroyuki Miyoshi
Masanori Suzuki
Shigeru Endo*1

Audit & Supervisory Board Members

Yukihiko Shimizu
Minoru Sakuma*2
Toyohiko Shimada

Audit & Supervisory Board Members (Outside Auditor)

Masao Mori*2
Kouichi Oono*2

Senior Executive Vice Presidents

Yutaka Yamazaki*3
Tsutomu Akabane*3

Senior Executive Officers

Hideaki Miura*3
Satoshi Sato*3
Hiroyasu Fukuyama
Hitoshi Kitagawa
Yasushi Momose
Takehito Hidaka
Hiroyuki Miyoshi*3
Kazuyoshi Muto
Takashi Yasuda
Tadao Takahashi
Kenichi Yamazaki

Executive Officers

Shigeru Abe
Hiroshi Bunazawa
Tokutaro Nomura
Shigeo Kobayashi
Yoshikatsu Nishida
Hisakazu Nishiguchi
Takahiro Kobori
Yasutoshi Okazaki
Masato Kato
Nobuhiro Kobayashi
Yasuhiro Okuda
Nobutaka Nohara
Akio Yoshida
Toru Amemiya
Masanori Suzuki*3
Masayasu Endo
Kiyotaka Terajima
Yuji Tanaka
Takaya Matsuoka
Masurao Fujii
Terumitsu Hayashi
Masahiro Aika

*1 Outside Director *2 Outside Audit & Supervisory Board Member *3 Secondary duty as Executive Officer

Financial Affairs Section

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Six-Year Summary—Consolidated

For the six years ended March 31.
Yen amounts are in millions except per share data.

	2010	2011	2012	2013	2014	2015
Net Sales	¥ 414,258	¥ 447,222	¥ 556,967	¥ 624,637	¥ 675,821	¥ 799,076
Operating Income	41,919	63,559	67,054	64,123	68,254	29,741
Net Income	27,112	25,478	39,111	46,179	47,179	20,629
Total Current Assets	283,538	319,464	376,173	460,232	575,887	533,538
Total Current Liabilities	137,728	174,293	205,772	262,439	333,354	286,533
Working Capital	145,810	145,171	170,401	197,793	242,533	247,005
Current Ratio	205.9%	183.3%	182.8%	175.4%	172.8%	186.2%
Net Property and Equipment	66,058	64,634	64,887	71,708	70,291	78,560
Total Assets	430,176	468,503	526,169	628,758	746,102	719,755
Long-Term Debt, Less Current Maturities	21,926	6,624	7,591	9,363	13,001	22,715
Total Net Assets	246,140	264,483	291,042	336,084	379,882	388,497
New Contracts	733,549	618,203	793,278	594,091	818,161	769,680
Outstanding Contracts	982,594	1,163,256	1,506,146	1,549,813	1,767,814	1,775,885
Net Income per Share (in yen)	107.25	100.83	154.90	182.91	186.90	81.73
Cash Dividends per Share (in yen)	21.0	30.0	38.5	45.5	46.5	21.0
Number of Employees	5,795	5,826	6,524	6,721	7,005	7,332

Analysis of Performance and Financial Position

Our View of the Operating Environment

In the fiscal year under review ended March 31, 2015, the Japanese economy was supported by the effects of various measures implemented by the government and the Bank of Japan to reinvigorate the economy, but there were also some signs of weakness, and the economy continued to undergo a moderate recovery. The global economy was affected by risks imposing downward pressure including moves to curtail quantitative easing in the United States, uncertain prospects regarding the economies of Europe, China and other emerging market countries, the impact of falling crude oil prices, and geopolitical risks, and although signs of recovery were seen in some segments, the future outlook remains uncertain.

JGC engaged in active marketing to obtain orders in multiple regions, posted an order as a result of finalization of the order amount for a liquid natural gas (LNG) construction project in Russia, and received orders for LNG-related projects in Japan and Southeast Asia. There were some projects for which orders were previously received whose completion dates were delayed, but the steady progress of large-scale projects including an LNG plant construction project in Australia, which is nearing the peak of construction, attracted attention. There were some moves to reevaluate the implementation of capital investment projects as a result of the impact of falling crude oil prices and other factors, but over the medium to long term, we expect that the potential willingness to invest by leading clients such as oil-and gas-producing countries and major oil companies will remain firm as a result of the growing energy demand against the backdrop of a rising global population and economic growth in emerging market countries.

Results of Operations

Consolidated net sales for the Group in the year ended March 31, 2015 were ¥799,076 million, up 18.2% year on year. Consolidated operating income decreased 56.4% to ¥29,741 million, and consolidated ordinary income decreased 46.4% to ¥44,867 million. Consolidated net income decreased 56.3% to ¥20,629 million.

● Net Sales

Reflecting steady progress in projects accounted for on a percentage of completion basis, consolidated net sales increased ¥123,254 million year on year to ¥799,076 million.

● Cost of Sales and Selling, General and Administrative Expenses

As a result of higher net sales, deterioration of the profitability of some projects and other factors, cost of sales was ¥746,241 million, an increase of ¥158,804 million year on year. Selling, general and administrative expenses increased ¥2,963 million year on year to ¥23,094 million.

● Operating Income

In conjunction with a decline in total income for completed projects as a result of the deterioration of the profitability referenced above and other factors, operating income decreased ¥38,513 million year on year to ¥29,741 million.

● Other Income (Expenses)

Other income (expenses) decreased ¥8,337 million from ¥8,656 million (net) in the previous consolidated fiscal year to a net gain of ¥319 million due to impairment losses and other factors.

● Taxes on Income

Income tax and other taxes decreased ¥12,846 million year on year, to ¥15,748 million. Meanwhile, deferred taxes on income decreased ¥6,536 million, and tax expenses (net), were ¥9,212 million.

● Minority Interests in Earnings of Consolidated Subsidiaries

Minority interests decreased ¥30 million year on year, to ¥219 million.

● Net Income

As a result of the aforementioned factors, net income decreased ¥26,549 million, to ¥20,629 million.

Segment Information

● Total Engineering Business

In the engineering, procurement and construction (EPC) business, we engaged in active marketing in Japan as well as the Middle East, Africa (particularly sub-Saharan Africa), Southeast Asia, North America, Russia, and the CIS, and the steady progress of projects for which orders have already been received also attracted attention. As a result, the order for an LNG plant construction project in Russia for which advanced services were being performed pursuant to an agreement executed in April 2013 was posted in the first quarter of the consolidated fiscal year as a result of finalization of the order amount. An order for an LNG receiving base construction project in Soma-gun, Fukushima Prefecture was received in September 2014, and an order for basic design services for an LNG plant construction project in Indonesia was received in October of the same year. In addition, an order for an LNG complex expansion project in Malaysia was received in January 2015. With regard to projects that are currently underway, a large-scale LNG plant construction project in Australia is at the peak of construction. Under a new modular construction method that was introduced for this project, plant construction divided by function is proceeding at construction yards located in various regions of Asia, with the parts being transported by large ship for assembly into a single plant at the final construction site. Completion of the large gas processing plant construction project for Barzan Gas Company Limited in Qatar was delayed, resulting in higher construction expenses and causing profits to decline.

In the investment business, JGC continued to engage in business operations and business investment in multiple regions. We also continued to conduct urban development and infrastructure development projects in Asia under the planning and management service business.

● Catalyst and Fine Chemical Business

In the catalyst segment of the catalyst and fine chemical business, FCC catalyst export deals increased, but shipments fell because of a decline in the domestic denitrification catalyst business and weak exports of denitrification catalyst raw materials. In the fine chemical business, shipments of abrasive materials for use with smart phone component materials and of functional film materials were strong, and orders for ceramics and metal composites for use in liquid crystal exposure devices increased. As a result, sales in the catalyst and fine chemical business were relatively flat from the previous year, however income was down.

● Other Business

In the other business segment, JGC remained active in the domestic mega-solar business including completion of construction of a mega-solar project in Kamogawa City, Chiba Prefecture and the start of sales of electric power in January 2015. The company posted extraordinary losses, etc. as a result of fixed asset impairment losses relating to shale oil interests that consolidated subsidiaries hold in North America in conjunction with the effects of falling crude oil prices.

Financial Position

Consolidated total assets at March 31, 2015, totaled ¥719,755 million, a year-on-year decrease of ¥26,348 million.

Total net assets were ¥388,497 million, up ¥8,615 million year on year.

The shareholders' equity ratio was 53.8%.

Balance sheet indicators for the Group were as follows:

	March 31, 2013	March 31, 2014	March 31, 2015
Current ratio (%)	175	173	186
Fixed asset ratio (%)	50	45	48

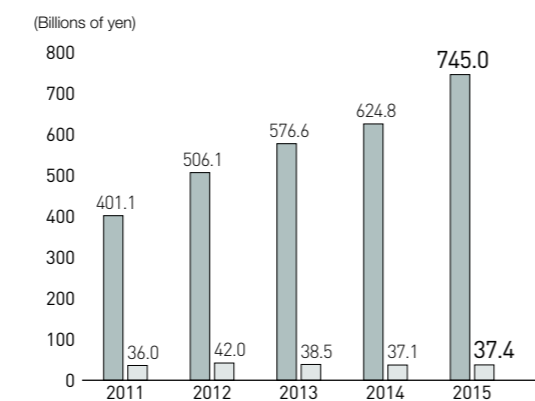
Notes: Current ratio: Current assets / Current liabilities

Fixed asset ratio: Net property and equipment + Total other assets / Total net assets

* Both indicators are calculated using consolidated financial figures.

Net Sales by Reporting Segment

■ Total Engineering Business □ Catalysts and Fine Products Business



Cash Flow

In the fiscal year under review, consolidated cash and cash equivalents ("Net Cash") decreased ¥87,684 million year on year to ¥297,708 million, excluding increases in conjunction with the addition of new companies to the scope of consolidation since the end of the previous fiscal year.

Income before taxes on income was ¥30,060 million, but as a result of a decrease in customer advances for projects in hand and other factors, Net Cash used in operating activities was ¥71,417 million.

Net cash used in investing activities was ¥23,411 million, primarily due to acquisition of tangible fixed assets.

Net cash provided by financing activities was ¥3,837 million, mainly from new borrowings.

Cash flow indicators for the Group are as follows:

	March 31, 2013	March 31, 2014	March 31, 2015
Shareholders' equity ratio (%)	53.4	50.2	53.8
Shareholders' equity ratio (market basis, %)	95.5	121.5	83.7
Years to redemption of liabilities (years)	0.2	0.1	—
Interest coverage ratio (times)	338.6	319.5	—

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 operating cash flow

Interest coverage ratio: Net operating cash flow / Interest expense

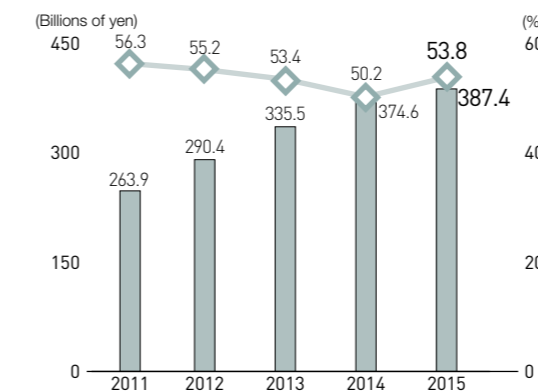
* All indicators are calculated using consolidated financial figures.

* Interest-bearing liabilities include all liabilities reported on the Consolidated Balance Sheets on which interest was paid. Net operating cash flow is taken from cash flows from operating activities, as reported in the Consolidated Statements of Cash Flows. Interest paid is taken from the amount of interest paid as reported in the Consolidated Statements of Cash Flows.

* Years to redemption of liabilities and the interest coverage ratio are indicated by a dash (—) in years where cash flows from operating activities are negative.

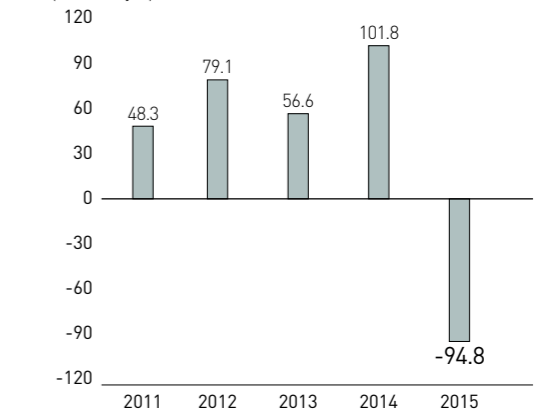
Shareholders' Equity and Shareholders' Equity Ratio

■ Shareholders' Equity ◆ Shareholders' Equity Ratio



Free Cash Flows

(Billions of yen)



Risks Impacting Operations

Analysis of New Contracts

In the fiscal year under review, orders received were ¥769,680 million.

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

New Contracts by Business Sector	(Billions of yen)		
	March 31, 2014	March 31, 2015	March 31, 2015 Percentage of New Contracts
Oil and gas development projects	55.3	47.8	3.6%
Petroleum refining projects	215.2	243.6	18.2%
LNG projects	314.1	580.6	43.4%
Chemical projects	136.4	386.5	28.9%
Other projects	96.8	78.2	5.9%

New Contracts by Region	(Billions of yen)		
	March 31, 2014	March 31, 2015	March 31, 2015 Percentage of New Contracts
Japan	124.6	132.0	17.2%
Asia	170.7	72.5	9.4%
Africa	4.0	4.7	0.6%
Middle East	187.1	52.1	6.8%
Oceania and Others	331.6	508.2	66.0%

Outlook for the Future

● Total Engineering Business

Due to the effects of falling crude oil prices and other factors, it is expected that conditions will remain uncertain with regard to implementation of capital investment projects in the plant market. In addition, price competition is ongoing with other companies, particularly in Asia and Europe, and the adverse competitive environment is expected to continue in the next and subsequent fiscal years.

Under these circumstances, JGC will maintain its companywide efforts to bolster cost competitiveness in all areas of EPC services while developing new markets, maintaining a solid position in areas where the company is highly competitive such as the LNG sector, and taking steady action to raise the level of project implementation such as adoption of modular construction methods.

In the electric power and new energy field including solar power, the environmental and water field, and other areas, we will invest in new fields such as urban infrastructure development and the hospital business.

● Catalyst and Fine Chemical Business

The business environment for the catalyst business remains adverse because of contraction and consolidation of domestic refineries, integration of oil refining and petrochemicals and other factors. Under these circumstances, we will focus on recovering share of the domestic FCC catalyst business and increasing sales in overseas markets as well as developing highly-functional hydrogenation processing catalysts while increasing sales of chemical catalysts by cultivating new projects and responding to the overseas development of business by customers.

In the fine chemical business, we will respond to rising demand for abrasives, accelerate overseas development of raw materials for cosmetics and optical materials, and take active measures to increase sales of ceramics and metal composite materials to domestic customers and develop overseas business.

The following matters regarding risks associated with the businesses of the JGC Group could potentially have a material impact on the 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 March 31, 2015.

1. Risks with Overseas Causes

Overseas businesses generate more than 80% of the JGC Group's total net sales. Such businesses are subject to country risks including economic risks and socio-political risks. Specific risks include political unrest, war, revolution, civil strife, terrorism, changes in economic policy or conditions, default on foreign debt, and changes in exchange and taxation systems. To minimize the effects on its businesses arising from these risks, 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 extreme than anticipated and projects are canceled, suspended, or delayed, the possibility of a negative impact on the Group's performance arises.

2. Risks Affecting Project Execution

Most 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 project execution. When confronted with unforeseen impediments to the execution of a project including sudden steep rises in the costs of materials, equipment, machinery and labor, natural disasters and outbreaks of disease or if the JGC Group's actions or a problem during project execution should cause a major accident, the profitability of a project can be adversely affected, which can have an impact on the JGC Group's performance.

3. Risks Affecting Investing Activities

The JGC Group invests in oil, gas and other resource development businesses; new fuels businesses; water and power generation businesses; and urban development and infrastructure development businesses. The Group conducts appropriate risk management by conducting risk assessment when making new investments and reinvestments and by performing timely monitoring of existing business. However, unanticipated events such as dramatic changes in the investment environment exemplified by sudden price changes for oil, gas and other energy resources as well as changes in estimated reserves can have an impact on the JGC Group's performance.

4. Risks of Changes in Exchange Rates

Almost all of the JGC Group's overseas sales are paid under agreements denominated in foreign currencies. To hedge the associated exchange rate risks, we have introduced countermeasures including executing project contracts denominated in multiple currencies, conducting overseas procurement, ordering in overseas currencies and entering into forward foreign exchange agreements. However, sudden exchange rate fluctuations could affect the JGC Group's performance.

Consolidated Balance Sheets

JGC CORPORATION
March 31, 2015 and 2014

ASSETS	(Millions of yen)		(Thousands of U.S. dollars)
	March 31, 2015	March 31, 2014	March 31, 2015 (Note 1)
CURRENT ASSETS:			
Cash and deposits (Notes 3, 13 & 17)	¥ 282,708	¥ 354,200	\$ 2,352,567
Marketable securities (Notes 9, 13 & 17)	15,000	31,053	124,823
Notes and accounts receivable (Notes 2 & 17)	134,823	102,170	1,121,936
Inventories (Note 4)	41,730	49,485	347,258
Deferred tax assets (Note 12)	17,729	15,535	147,533
Other current assets (Notes 2, 10 & 17)	41,679	23,559	346,833
Allowance for doubtful accounts	(131)	(115)	(1,090)
TOTAL CURRENT ASSETS	533,538	575,887	4,439,860
PROPERTY AND EQUIPMENT (Note 3):			
Land (Notes 14 & 16)	25,996	25,977	216,327
Buildings and structures (Note 16)	67,386	63,420	560,756
Machinery and equipment	68,639	60,451	571,182
Construction in progress	680	382	5,659
Other	5,181	4,207	43,114
	167,882	154,437	1,397,038
Less accumulated depreciation	(89,322)	(84,146)	(743,297)
NET PROPERTY AND EQUIPMENT	78,560	70,291	653,741
OTHER ASSETS:			
Investments in unconsolidated subsidiaries and affiliates (Notes 9 & 17)	23,264	28,768	193,593
Marketable and investment securities (Notes 9 & 17)	51,029	46,327	424,640
Long-term loans receivable (Notes 2 & 17)	5,941	1,018	49,438
Deferred tax assets (Note 12)	5,823	1,691	48,456
Net defined benefit asset (Note 6)	682	—	5,675
Other	20,918	22,121	174,070
TOTAL OTHER ASSETS	107,657	99,925	895,872
TOTAL ASSETS	¥ 719,755	¥ 746,103	\$ 5,989,473

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS	(Millions of yen)		(Thousands of U.S. dollars)
	March 31, 2015	March 31, 2014	March 31, 2015 (Note 1)
CURRENT LIABILITIES:			
Short-term loans and current maturities of long-term debt (Note 3)	¥ 13,205	¥ 867	\$ 109,886
Notes and accounts payable (Notes 2 & 17)	106,598	107,450	887,060
Advances received on uncompleted contracts	84,649	163,406	704,410
Reserve for job warranty costs	2,226	2,449	18,524
Reserve for losses on contracts	35,624	21,063	296,447
Income taxes payable	3,289	16,844	27,370
Provision for loss on guarantees	6,324	66	52,625
Other current liabilities (Notes 2, 3, 10 & 17)	34,618	21,209	288,075
TOTAL CURRENT LIABILITIES	286,533	333,354	2,384,397
Long-term debt, less current maturities (Notes 3 & 17)	22,715	13,001	189,024
Net defined benefit liability (Note 6)	13,820	11,725	115,004
Deferred tax liabilities for land revaluation(Notes 12 & 14)	3,307	3,692	27,519
Other non-current liabilities (Notes 2, 3, & 12)	4,883	4,449	40,634
TOTAL LIABILITIES	331,258	366,221	2,756,578
CONTINGENCIES (Notes 7 & 15)			
NET ASSETS (Note 8):			
SHAREHOLDERS' EQUITY			
Common stock			
Authorized — 600,000,000 shares,			
Issued — 259,052,929 shares in 2015 and 2014	23,511	23,511	195,648
Capital surplus	25,608	25,607	213,098
Retained earnings	336,324	327,775	2,798,735
Treasury stock, at cost	(6,659)	(6,478)	(55,413)
TOTAL SHAREHOLDERS' EQUITY	378,784	370,415	3,152,068
ACCUMULATED OTHER COMPREHENSIVE INCOME			
Net unrealized holding gains on securities (Notes 9 & 17)	10,273	6,869	85,487
Deferred losses on hedges (Note 10)	(488)	(51)	(4,061)
Revaluation reserve for land (Note 14)	(6,289)	(6,542)	(52,334)
Foreign currency translation adjustments	6,594	4,384	54,872
Remeasurements of defined benefit plans (Note 6)	(1,393)	(421)	(11,592)
TOTAL ACCUMULATED OTHER COMPREHENSIVE INCOME	8,697	4,239	72,372
MINORITY INTERESTS	1,016	5,228	8,455
TOTAL NET ASSETS	388,497	379,882	3,232,895
TOTAL LIABILITIES AND NET ASSETS	¥ 719,755	¥ 746,103	\$ 5,989,473

Consolidated Statements of Income

JGC CORPORATION
Years ended March 31, 2015 and 2014

		(Millions of yen)	(Thousands of U.S. dollars) (Note 1)
	2015	2014	2015
NET SALES (Note 11)	¥ 799,076	¥ 675,821	\$ 6,649,547
COST OF SALES	746,241	587,437	6,209,878
Gross profit	52,835	88,384	439,669
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	23,094	20,130	192,178
Operating income	29,741	68,254	247,491
OTHER INCOME (EXPENSES):			
Interest and dividend income	5,740	4,759	47,766
Interest expense	(453)	(324)	(3,770)
Gain on sales of affiliates securities	820	—	6,824
Loss on impairment of fixed assets (Notes 11 & 18)	(4,852)	—	(40,376)
Exchange gain, net	8,673	9,908	72,173
Equity in earnings of affiliates	723	730	6,016
Reversal of allowance for investment loss	589	—	4,901
Reversal of provision for guarantees	—	2,351	—
Loss on provision for guarantees	(6,258)	—	(52,076)
Loss on valuation of investment securities (Note 9)	(5,001)	(419)	(41,616)
Provision of allowance for doubtful accounts	(156)	—	(1,298)
Gain on negative goodwill	334	—	2,779
Other, net (Note 16)	160	(8,349)	1,332
	319	8,656	2,655
Income before taxes on income and minority interests in earnings of consolidated subsidiaries	30,060	76,910	250,146
TAXES ON INCOME (Note 12):			
Current	15,748	28,594	131,048
Deferred	(6,536)	888	(54,390)
Income before minority interests	20,848	47,428	173,488
MINORITY INTERESTS IN EARNINGS OF CONSOLIDATED SUBSIDIARIES	(219)	(249)	(1,823)
NET INCOME	¥ 20,629	¥ 47,179	\$ 171,665
		Yen	U.S. dollars (Note 1)
AMOUNTS PER SHARE OF COMMON STOCK :			
Net income	¥ 81.73	¥ 186.90	\$ 0.68
Cash dividends applicable to the year	¥ 21.00	¥ 46.50	\$ 0.17

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

JGC CORPORATION
Years ended March 31, 2015 and 2014

		(Millions of yen)	(Thousands of U.S. dollars) (Note 1)
	Year ended March 31, 2015	Year ended March 31, 2014	Year ended March 31, 2015
INCOME BEFORE MINORITY INTERESTS	¥ 20,848	¥ 47,428	\$ 173,488
OTHER COMPREHENSIVE INCOME (Note 19)			
Net unrealized holding gains on securities (Notes 9 & 17)	3,404	1,451	28,326
Deferred losses on hedges (Note 10)	(363)	(1,657)	(3,021)
Land revaluation (Note 14)	338	—	2,813
Translation adjustments	2,210	3,897	18,390
Remeasurements of defined benefit plans (Note 6)	(959)	—	(7,980)
Share of other comprehensive income of affiliates accounted for using equity method	(13)	0	(108)
TOTAL OTHER COMPREHENSIVE INCOME	¥ 4,617	¥ 3,691	\$ 38,420
TOTAL COMPREHENSIVE INCOME	¥ 25,465	¥ 51,119	\$ 211,908
Comprehensive income attributable to owners of JGC Corporation	¥ 25,273	¥ 50,870	\$ 210,310
Comprehensive income attributable to minority interests	¥ 192	¥ 249	\$ 1,598

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

JGC CORPORATION
Years ended March 31, 2015 and 2014

	(Thousands of shares)				(Millions of yen)						
	Common stock		Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gains on securities (Notes 9 & 17)	Deferred gains (losses) on hedges (Note 10)	Revaluation reserve for land (Note 14)	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Minority Interests
Shares	Amount										
Balance at April 1, 2013	259,053	¥ 23,511	¥ 25,603	¥ 291,782	¥ (6,330)	¥ 5,418	¥ 1,606	¥ (6,542)	¥ 487	-	¥ 549
Net income for the year				47,179							
Effect of change in scope of consolidation				301					(133)		
Cash dividends				(11,487)							
Gain on disposal of treasury stock			4		1						
Net unrealized holding gains on securities						1,451					
Net deferred losses on hedges							(1,657)				
Foreign currency translation adjustments									4,030		
Increase of treasury stock					(149)						
Remeasurements of defined benefit plans										(421)	
Net changes during the year											4,679
Balance at March 31 and April 1, 2014	259,053	¥ 23,511	¥ 25,607	¥ 327,775	¥ (6,478)	¥ 6,869	¥ (51)	¥ (6,542)	¥ 4,384	¥ (421)	¥ 5,228
Cumulative effects of changes in accounting policies				(277)							
Restated balance at April 1, 2014	259,053	23,511	25,607	327,498	(6,478)	6,869	(51)	(6,542)	4,384	(421)	5,228
Net income for the year				20,629							
Effect of change in scope of consolidation				(151)			(150)		(1)		4
Cash dividends				(11,737)							
Decrease of land revaluation				85							
Gain on disposal of treasury stock			1		1						
Net unrealized holding gains on securities						3,404					
Net deferred losses on hedges							(287)				
Foreign currency translation adjustments									2,211		
Increase of treasury stock					(182)						
Remeasurements of defined benefit plans										(972)	
Net changes during the year								253			(4,216)
Balance at March 31, 2015	259,053	¥ 23,511	¥ 25,608	¥ 336,324	¥ (6,659)	¥ 10,273	¥ (488)	¥ (6,289)	¥ 6,594	¥ (1,393)	¥ 1,016

(Thousands of U.S. dollars)(Note 1)

	(Thousands of U.S. dollars)(Note 1)									
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gains on securities (Notes 9 & 17)	Deferred gains (losses) on hedges (Note 10)	Revaluation reserve for land (Note 14)	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Minority Interests
Balance at April 1, 2014	\$ 195,648	\$ 213,090	\$ 2,727,594	\$(53,907)	\$ 57,161	\$(425)	\$(54,439)	\$ 36,482	\$(3,503)	\$ 43,505
Cumulative effects of changes in accounting policies			(2,305)							
Restated balance at April 1, 2014	195,648	213,090	2,725,289	(53,907)	57,161	(425)	(54,439)	36,482	(3,503)	43,505
Net income for the year			171,665							
Effect of change in scope of consolidation			(1,256)			(1,248)		(8)		33
Cash dividends			(97,670)							
Decrease of land revaluation			707							
Gain on disposal of treasury stock		8		8						
Net unrealized holding gains on securities					28,326					
Net deferred gains on hedges						(2,388)				
Foreign currency translation adjustments							18,398			
Increase of treasury stock				(1,514)						
Remeasurements of defined benefit plans									(8,089)	
Net changes during the year							2,105			(35,083)
Balance at March 31, 2015	\$ 195,648	\$ 213,098	\$ 2,798,735	\$(55,413)	\$ 85,487	\$(4,061)	\$(52,334)	\$ 54,872	\$(11,592)	\$ 8,455

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

JGC CORPORATION
Years ended March 31, 2015 and 2014

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended March 31, 2015	Year ended March 31, 2014	Year ended March 31, 2015 (Note 1)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before taxes on income and minority interests in earnings of consolidated subsidiaries	¥ 30,060	¥ 76,910	\$250,146
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	10,293	9,269	85,654
Amortization of goodwill	0	0	0
Increase in allowance for doubtful accounts	3,507	1,812	29,184
Increase (Decrease) in reserve for losses on contracts	14,512	(1,207)	120,762
Increase (Decrease) in net defined benefit plans	1,995	(993)	16,601
Interest and dividend income	(5,740)	(4,759)	(47,766)
Interest expense	453	324	3,770
Exchange gain	(7,968)	(9,476)	(66,306)
Equity in earnings of affiliates	(723)	(730)	(6,016)
(Gain) Loss on sales of marketable and investment securities	(824)	925	(6,857)
Loss on sales and disposal of property and equipment	137	147	1,140
Loss on impairment of fixed assets	4,852	—	40,376
Increase in notes and accounts receivable	(30,333)	(4,043)	(252,417)
Decrease (Increase) in inventories	7,557	(5,003)	62,886
Increase in other assets	(14,655)	(1,888)	(121,952)
(Decrease) Increase in notes and accounts payable	(1,825)	12,561	(15,187)
(Decrease) Increase in advances received on uncompleted contracts	(78,463)	75,458	(652,933)
Other	18,823	(3,395)	156,635
Subtotal	(48,342)	145,912	(402,280)
Interest and dividends received	6,456	5,645	53,724
Interest paid	(441)	(377)	(3,670)
Income taxes paid	(29,090)	(30,603)	(242,074)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(71,417)	120,577	(594,300)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for purchases of property and equipment	(12,475)	(6,188)	(103,811)
Proceeds from sales of property and equipment	856	469	7,123
Payments for purchase of marketable and investment securities	(2,763)	(5,168)	(22,992)
Proceeds from sales of marketable and investment securities	1,840	368	15,312
Other	(10,869)	(8,209)	(90,448)
NET CASH USED IN INVESTING ACTIVITIES	(23,411)	(18,728)	(194,816)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase (Decrease) in short-term loans	10,580	(685)	88,042
Proceeds from long-term loans	6,374	3,406	53,042
Repayments of long-term loans	(823)	(1,407)	(6,849)
Payments for purchase of treasury stock	(370)	(143)	(3,079)
Cash dividends paid	(11,741)	(11,484)	(97,703)
Cash dividends paid to minority shareholders	(14)	(144)	(117)
Other	(169)	(230)	(1,406)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	3,837	(10,687)	31,930
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	3,306	9,161	27,511
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(87,685)	100,323	(729,675)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	385,253	284,777	3,205,900
INCREASE IN CASH AND CASH EQUIVALENTS FROM NEWLY CONSOLIDATED SUBSIDIARIES	140	153	1,165
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 13)	¥ 297,708	¥ 385,253	\$ 2,477,390

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Note 1 — SUMMARY OF SIGNIFICANT 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 Act 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.

The accounts of consolidated overseas subsidiaries are prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the specified five items as applicable. The accompanying consolidated financial statements have been 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 Japanese Financial Instruments and Exchange Act. 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.

In addition, certain reclassifications have been made to present the accompanying consolidated financial statements in a format which is more familiar to readers outside Japan. Furthermore, certain reclassifications of previously reported amounts have been made to reconcile the consolidated financial statements for the year ended March 31, 2014 to the 2015 presentation.

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, 2015, which was ¥120.17 to U.S. \$1. The convenience translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at this or any other rate of exchange.

(b) PRINCIPLE OF CONSOLIDATION

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, 2015 and 2014, was as follows:

	2015	2014
Consolidated subsidiaries	19	17
Affiliates under the equity method	2	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 and retained earnings from those investments not accounted for under the equity method is immaterial.

At the year ended March 31, 2015, two of subsidiaries, Kamogawa Mirai Solar Co., Ltd. and JGC Gulf Engineering Co., Ltd., were included in the scope of consolidation because their effect on the consolidated financial statement became significant.

At the year ended March 31, 2014, a subsidiary, JGC America, Inc., was included in the scope of consolidation because its effect on the consolidated financial statement became significant and JGC PLANTECH Co., Ltd. was excluded from the scope of consolidation because the company merged into JGC Plant Solutions Co., Ltd. (The company name after the merger: JGC PLANT INNOVATION CO., LTD.) and was liquidated during the period.

(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

The Accounting Standards Board of Japan has 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 five 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.

- (1) Goodwill not subjected to amortization
- (2) Actuarial gains and losses of defined benefit plans recognized outside profit or loss
- (3) Capitalized expenditures for research and development activities
- (4) Fair value measurement of investment properties, and revaluation of property, plant and equipment, and intangible assets
- (5) Accounting for net income attributable to minority interests

(f) ALLOWANCE FOR DOUBTFUL ACCOUNTS

Notes and accounts receivable, including loans and other receivables, are valued by providing for individually estimated uncollectible amounts plus the amounts for probable losses calculated by applying a percentage based on collection experience to the remaining accounts.

In Other Assets, the amount of Allowance for doubtful accounts is deducted from long-term loans receivable, marketable and investment securities and other.

(g) MARKETABLE SECURITIES, INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES, AND MARKETABLE AND INVESTMENT SECURITIES

The company and its consolidated subsidiaries are required to examine the intent of holding each security and classify those securities as (1) securities held for trading purposes, (2) debt securities intended to be held to maturities, (3) equity securities issued by subsidiaries and affiliates, and (4) all other securities that are not classified in any of the above categories (hereafter, “available-for-sale securities”). The Company and its consolidated subsidiaries did not have the securities defined as (1) and (2) above in the years ended March 31, 2015 and 2014.

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.

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) ALLOWANCE FOR LOSSES ON INVESTMENT

To prepare for estimated losses to be incurred in the future, allowance for losses on investment is stated in amounts considered to be appropriate based on financial condition of investments. In Other Assets, the amount of Allowance for losses on investment is deducted from investments in unconsolidated subsidiaries and affiliates and marketable and investment securities.

(i) PROVISION FOR LOSSES ON GUARANTEES

To provide for losses on guarantees, the Company makes a provision for potential losses at the end of the fiscal year.

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

Sales on 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.

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.

(k) INVENTORIES

Inventories of the Company and its consolidated subsidiaries are stated at cost determined using the moving-average method (which writes off the book value of inventories based on decreases in profitability) except for contract works in progress as stated in Note 1(j).

(l) 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.

(m) PROPERTY AND EQUIPMENT, DEPRECIATION AND FINANCE LEASES

Property and equipment are stated at cost, except for certain revalued land as explained in Note 14. 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.

All finance leasing transactions were capitalized except for finance leases which commenced prior to April 1, 2008 and have been accounted for as operating leases, and continue to be accounted for as operating leases with disclosure of "as if capitalized" information as stated in Note.5

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.

(n) 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.

(o) 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.

Certain 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, 2015 and 2014, 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 method of attributing the amount of expected retirement benefit in each period is a benefit formula basis.

The Company and its consolidated subsidiaries recognize past 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, certain consolidated subsidiary recognized actuarial differences as expenses in the period incurred.

On July 1, 2013, certain consolidated domestic subsidiary transferred its employees' severance and retirement benefits to the defined contribution pension plan. The transfer is accounted for in accordance with the "Guidance on Accounting Standard for Transfer between Retirement Benefit Plans" (Accounting Standards Board of Japan Guidance No. 1) and "Practical Solution on Accounting Standards for Transfer between Retirement Benefit Plans" (PITF No. 2). The effect of these changes on the financial statement result is immaterial.

Effective from March 31, 2015, the Company and its consolidated domestic subsidiaries have applied the article 35 of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012 ("Statement No. 26")) and the article 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015 ("Guidance No. 25")). The Company and its consolidated domestic subsidiaries have reviewed the determination of retirement benefit obligations and current service costs and have changed the method of attributing expected benefit to periods from a straight-line attribution to a benefit formula basis. In addition, the Company and its consolidated domestic subsidiaries have changed the determination of discount rate from based on the average period approximate to the expected average remaining working lives of employees to the use of a single weighted average discount rates reflecting the estimated timing and amount of benefit payment.

In accordance with the article 37 of the Statement No. 26, the effect of the changing the determination of retirement benefit obligations and current service costs has been recognized in retained earnings as of April 1, 2014.

There were no significant effects of this change on liability for retirement benefits and retained earnings as of April 1, 2014 and net income and net income per share for the year ended March 31, 2015.

Effective from March 31, 2014, the Company and its consolidated domestic subsidiaries have applied the "Statement No. 26" and the "Guidance No. 25" except the article 35 of the "Statement No. 26" and the article 67 of the "Guidance No. 25" and actuarial gains and losses and past service costs that are

yet to be recognized have been recognized and the difference between retirement benefit obligations and plan assets has been recognized as a liability for retirement benefits.

In accordance with the article 37 of the Statement No. 26, the effect of the change in accounting policies arising from initial application has been recognized in remeasurements of defined benefit plans in accumulated other comprehensive income

As a result of the application, net defined benefit liability in the amount of ¥ 601 million has been recognized, deferred tax assets has increased by ¥213 million and accumulated other comprehensive income has decreased by ¥393 million, respectively, at the year ended March 31, 2014.

(2) Officers' severance and retirement benefits

Consolidated domestic 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 a year-end.

(p) 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 income in the period incurred. The total amount of research and development expenses, included in Cost of Sales and Selling, General and Administrative expenses, was ¥4,697 million (\$39,086 thousand) and ¥3,960 million, respectively, in 2015 and 2014.

(q) 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.

(r) 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.

(s) 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.

(t) 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.

(u) AMORTIZATION OF GOODWILL

Goodwill is amortized over five years on a straight-line basis. Negative goodwill is recognized in income statement immediately.

(v) DERIVATIVE TRANSACTIONS 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 consolidated domestic 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 foreign exchange forward contracts are used as hedges and meet certain hedging criteria, foreign exchange forward contracts and hedged items are accounted for in the following manner (Allocation Method):

(1) If a foreign exchange forward 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 foreign exchange forward 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 foreign exchange forward 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 liabilities for which the swap contract was executed (Special method for interest rate swap).

(w) ACCRUED BONUSES TO DIRECTORS AND CORPORATE AUDITORS

The Company and consolidated subsidiaries recognize directors' and corporate auditors' bonuses as expenses when incurred.

(x) CHANGES IN PRESENTATION

(Consolidated statements of income)

“Loss on allowance for investment”, which was stated as a separate account item in “Other Income (Expenses)” in the previous fiscal year, is incorporated in “Other, net” for the fiscal year ended March 31, 2015 due to its decreased materiality. As a result, ¥7,877 million presented as “Loss on allowance for investment” under “Other Income (Expenses)” on the consolidated statement of income for the previous fiscal year has been included in “Other, net.”

“Loss on valuation of investment securities”, which was included in “Other, net” under “Other income (Expenses)” in the previous fiscal year, is presented separately for the fiscal year ended March 31, 2015 due to its increased materiality. As a result, ¥ 419 million included in “Other, net” under “Other Income (Expenses)” on the consolidated statement of income for the previous fiscal year has been reclassified as “Loss on valuation of investment securities”.

Note 2 — RECEIVABLES FROM AND PAYABLES TO UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

Significant receivables from and payables to unconsolidated subsidiaries and affiliates at March 31, 2015 and 2014, were as follows:

March 31	(Thousands of U.S. dollars) (Note 1)			
	(Millions of yen)	2015	2014	2015
Notes and accounts receivable		¥ 146	¥ 822	\$ 1,215
Other current assets		2,325	2,152	19,348
Long-term loans receivable		6,079	1,000	50,587
Notes and accounts payable		567	537	4,718
Other current liabilities		148	583	1,232
Other non-current liabilities		10	10	83

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 1.55% and 0.72% at March 31, 2015 and 2014, respectively. Such loans are generally renewable at maturity.

Long-term debt consisted of the following:

March 31,	(Thousands of U.S. dollars) (Note 1)			
	(Millions of yen)	2015	2014	2015
Secured Loans				
0.70%-1.35 loans from banks due serially through 2029		¥13,222	¥ 5,509	\$ 110,027
Unsecured Debt				
0.44% – 1.74% loans from banks and insurance companies due serially through 2023		10,812	8,217	89,973
		24,034	13,726	200,000
Less current maturities		(1,319)	(725)	(10,976)
Long-term debt due after one year		¥ 22,715	¥ 13,001	\$ 189,024

Assets pledged as collateral for short-term loans, long-term debt, other current liabilities and other non-current liabilities at March 31, 2015 and 2014, were as follows:

March 31,	(Thousands of U.S. dollars) (Note 1)			
	(Millions of yen)	2015	2014	2015
Land		¥ 4,280	¥ 4,280	\$ 35,616
Buildings and structures, at net book value		3,022	2,239	25,148
Machinery and equipment, at net book value		12,604	5,873	104,885
Cash and deposits		1,842	1,039	15,328
Total		¥ 21,748	¥ 13,431	\$ 180,977

No borrowing was outstanding for the following assets pledged as collateral as of March 31, 2015 and 2014.

March 31,	(Thousands of U.S. dollars) (Note 1)			
	(Millions of yen)	2015	2014	2015
Land		¥ 791	¥ 791	\$ 6,582
Buildings and structures, at net book value		933	993	7,764
Machinery and equipment, at net book value		1,855	2,254	15,437
Total		¥ 3,579	¥ 4,038	\$ 29,783

The annual maturities of long-term debt outstanding at March 31, 2015 were as follows:

Year ending March 31	Amount	
	(Millions of yen)	(Thousands of U.S. dollars) (Note 1)
2016	¥ 1,319	\$ 10,976
2017	1,722	14,330
2018	1,384	11,517
2019	2,995	24,923
2020 and thereafter	16,614	138,254
Total	¥24,034	\$ 200,000

Note 4 — INVENTORIES

Inventories at March 31, 2015 and 2014 were summarized as follows:

March 31,	(Thousands of U.S. dollars) (Note 1)			
	(Millions of yen)	2015	2014	2015
Inventories:				
Contract works in progress		¥ 32,728	¥ 41,007	\$ 272,348
Finished goods and merchandise		3,703	4,204	30,815
Works in process		2,471	1,676	20,562
Raw materials and others		2,828	2,598	23,533
Total		¥ 41,730	¥ 49,485	\$ 347,258

Note 5 — LEASE TRANSACTIONS

A. LESSEE LEASES

(a) FINANCE LEASE TRANSACTIONS WITHOUT OWNERSHIP TRANSFER TO LESSEE

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, 2015 and 2014 were as follows:

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

March 31,	(Thousands of U.S. dollars) (Note 1)			
	(Millions of yen)	2015	2014	2015
Machinery and equipment and others:				
Purchase price equivalents		¥ 319	¥ 469	\$ 2,654
Accumulated depreciation equivalents		(284)	(389)	(2,363)
Book value equivalents		¥ 35	¥ 80	\$ 291

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

(2) Lease commitments

March 31,	Amount			
	(Millions of yen)	(Thousands of U.S. dollars) (Note 1)	(Thousands of U.S. dollars) (Note 1)	
Due within one year		¥ 18	¥ 45	\$ 150
Due after one year		17	35	141
Total		¥ 35	¥ 80	\$ 291

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

(3) Lease payments and depreciation equivalents

March 31,	(Thousands of U.S. dollars) (Note 1)			
	(Millions of yen)	2015	2014	2015
Lease payments		¥ 45	¥ 56	\$ 374
Depreciation equivalents		45	56	374

(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,	(Thousands of U.S. dollars) (Note 1)			
	(Millions of yen)	2015	2014	2015
Due within one year		¥ 392	¥ 294	\$ 3,262
Due after one year		504	338	4,194
Total		¥ 896	¥ 632	\$ 7,456

B. LESSOR LEASES

(a) FINANCE LEASE TRANSACTIONS WITHOUT OWNERSHIP TRANSFER TO LESSEE

(1) Details of investment in leased assets

March 31,	(Thousands of U.S. dollars) (Note 1)			
	(Millions of yen)	2015	2014	2015
Lease payment receivable		¥ 94	¥ 103	\$ 782
Estimated residual value		0	1	0
Interest income		—	—	—
Book value		¥ 94	¥ 104	\$ 782

(2) The investment in leased assets due in each of the next five years at March 31, 2015 was as follows:

Year ending March 31	Amount	
	(Millions of yen)	(Thousands of U.S. dollars) (Note 1)
2016	¥ 32	\$ 266
2017	31	258
2018	23	192
2019	7	58
2020	1	8
Total	¥ 94	\$ 782

Note 6 — RETIREMENT BENEFIT PLAN

The significant components of the pension plans as of and for the years ended March 31, 2015 and 2014 were summarized as follows:

(a) DEFINED BENEFIT PLAN

(1) Movement in retirement benefit obligations

March 31,	(Thousands of U.S. dollars) (Note 1)		
	(Millions of yen)	2014	2015
Balance at beginning of year	¥ 45,122	¥ 44,180	\$ 375,485
Cumulative effects of changes in accounting policies	432	—	3,595
Restated balance at April 1, 2014	45,554	44,180	379,080
Service cost	1,877	1,808	15,620
Interest cost	655	673	5,450
Actuarial loss	3,350	1,026	27,877
Benefits paid	(2,737)	(2,772)	(22,776)
Past service costs	—	84	—
Other	255	123	2,122
Balance at end of year	¥ 48,954	¥ 45,122	\$ 407,373

(2) Movement in plan assets

March 31,	(Thousands of U.S. dollars) (Note 1)		
	(Millions of yen)	2014	2015
Balance at beginning of year	¥ 33,686	¥ 30,740	\$ 280,320
Expected return on plan assets	505	449	4,202
Actuarial gain	2,253	1,548	18,749
Contributions paid by the employer	1,494	2,898	12,432
Benefits paid	(1,962)	(2,000)	(16,327)
Other	116	51	965
Balance at end of year	¥ 36,092	¥ 33,686	\$ 300,341

(3) Reconciliation from retirement benefit obligations and plan assets to net defined benefit liability and asset.

March 31,	(Thousands of U.S. dollars) (Note 1)		
	(Millions of yen)	2014	2015
Funded retirement benefit obligations	¥ 37,580	¥ 34,810	\$ 312,724
Plan assets	(36,092)	(33,686)	(300,341)
	1,488	1,124	12,383
Unfunded retirement benefit obligations	11,374	10,312	94,649
Allowance for officers' lump-sum severance benefits	276	289	2,297
Total net defined benefit liability	¥13,138	¥ 11,725	\$ 109,329
Net defined benefit liability	13,820	11,725	115,004
Net defined benefit asset	(682)	—	(5,675)
Total net defined benefit liability	¥ 13,138	¥ 11,725	\$ 109,329

(4) Retirement benefit expenses

March 31,	(Thousands of U.S. dollars) (Note 1)		
	(Millions of yen)	2014	2015
Service cost	¥ 1,877	¥ 1,808	\$ 15,620
Interest cost	655	673	5,450
Expected return on plan assets	(505)	(449)	(4,202)
Net actuarial loss amortization	(57)	161	(475)
Past service cost amortization	(231)	(177)	(1,922)
Total retirement benefit expenses	¥1,739	¥ 2,016	\$ 14,471

(5) Remeasurements of defined benefit plans

March 31,	(Thousands of U.S. dollars) (Note 1)		
	(Millions of yen)	2014	2015
Actuarial losses	¥ (1,154)	¥ —	\$ (9,603)
Past service costs	(231)	—	(1,922)
Others	(6)	—	(50)
Total balance	¥(1,391)	¥ —	\$ (11,575)

(6) Cumulative effect of remeasurements of defined benefit plans

March 31,	(Thousands of U.S. dollars) (Note 1)		
	(Millions of yen)	2014	2015
Actuarial losses that are yet to be recognized	¥ (2,411)	¥ (1,246)	\$ (20,063)
Past service costs that are yet to be recognized	346	598	2,879
Total balance	¥(2,065)	¥ (648)	\$ (17,184)

(7) Plan assets

Components of plan assets

	March 31, 2015	March 31, 2014
Bonds	70%	71%
Equity securities	19	18
Cash and cash equivalents	1	1
Other	10	10
Total	100%	100%

Long-term expected rate of return

Current and target asset allocations and historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(8) Actuarial assumptions

The principal actuarial assumptions at March 31, 2015 and 2014 were as follows:

	March 31, 2015	March 31, 2014
Discount rate	Principally 0.8%	Principally 1.5%
Long-term expected rate of return	Principally 1.5%	Principally 1.5%
Expected rate of salary increase	Principally 5.1%	Principally 5.1%

(b) DEFINED CONTRIBUTION PENSION PLAN

The Company's contributions were ¥185 million (\$1,539 thousand) and ¥209 million for the years ended March 31, 2015 and 2014, respectively.

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 was ¥27,608 million (\$229,741 thousand) and ¥31,184 million at March 31, 2015 and 2014, respectively.

(2) The Company has guaranteed employees' housing loans and others from banks in the amount of ¥10 million (\$83 thousand) and ¥9 million at March 31, 2015 and 2014, 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, companies 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.

Under the Law, companies are required to set aside an amount equal to at least 10% of cash dividends and other cash appropriations in a legal earnings reserve until the total of the legal earnings reserve and additional paid-in capital equals 25% of common stock.

Under the Law, the legal earnings reserve and additional paid-in capital can be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or can be capitalized by a resolution of the Board of Directors.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, however, additional paid-in capital and legal earnings reserve may be transferred to retained earnings by a resolution of the shareholders' meeting as long as the total amount of the legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock.

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, 2015, the shareholders approved cash dividends amounting to ¥5,299 million (\$44,096 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2015. Such appropriations are recognized in the period in which they are approved by the shareholders.

Note 9 — 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, 2015 and 2014.

AVAILABLE-FOR-SALE SECURITIES WITH AVAILABLE FAIR VALUES:

(1) Securities with book values exceeding acquisition costs:

March 31, 2015	(Millions of yen)		
	Acquisition cost	Book value	Difference
Equity securities	¥ 12,830	¥ 26,320	¥ 13,490

March 31, 2014	(Millions of yen)		
	Acquisition cost	Book value	Difference
Equity securities	¥ 10,549	¥ 20,976	¥ 10,427

March 31, 2015	(Thousands of U.S. dollars) (Note 1)		
	Acquisition cost	Book value	Difference
Equity securities	\$ 106,765	\$ 219,023	\$ 112,258

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

March 31, 2015	(Millions of yen)		
	Acquisition cost	Book value	Difference
Equity securities	¥ 79	¥ 67	¥ (12)

March 31, 2014	(Millions of yen)		
	Acquisition cost	Book value	Difference
Equity securities	¥ 2,355	¥ 2,008	¥ (347)

March 31, 2015	(Thousands of U.S. dollars) (Note 1)		
	Acquisition cost	Book value	Difference
Equity securities	\$ 658	\$ 558	\$ (100)

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, 2015 and 2014.

(a) AVAILABLE-FOR-SALE SECURITIES WITH NO AVAILABLE FAIR VALUES:

March 31,	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	2015	2014	2015
Non-listed equity securities	¥ 24,604	¥ 23,305	\$ 204,743
Subscription certificate	38	38	316
Other investment securities	22,715	—	189,024
Allowance for doubtful accounts*	(22,715)	—	(189,024)
Total	¥ 24,642	¥ 23,343	\$ 205,059

* The amount of allowance for doubtful accounts is deducted from other investment securities.

(b) UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES:

March 31,	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	2015	2014	2015
Securities of unconsolidated subsidiaries	¥ 3,650	¥ 2,871	\$ 30,374
Securities of affiliates	19,614	25,897	163,219
Total	¥23,264	¥ 28,768	\$ 193,593

(c) AVAILABLE-FOR-SALE SECURITIES WITH MATURITIES:

March 31, 2015	(Millions of yen)					Total
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Over ten years	
Negotiable certificate of deposit	¥ 15,000	¥ —	¥ —	¥ —	¥ —	¥ 15,000

March 31, 2014	(Millions of yen)					Total
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Over ten years	
Negotiable certificate of deposit	¥ 31,053	¥ —	¥ —	¥ —	¥ —	¥ 31,053

March 31, 2015	(Thousands of U.S. dollars) (Note 1)					Total
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Over ten years	
Negotiable certificate of deposit	\$ 124,823	\$ —	\$ —	\$ —	\$ —	\$ 124,823

(d) LOSS ON VALUATION OF INVESTMENT SECURITIES :

The Company recognized loss on valuation for investment securities in the amount of ¥ 5,001million (\$ 41,616 thousands) for the year ended March 31, 2015.

The Company and its consolidated domestic subsidiaries follow a policy of devaluation of available-for-sale securities. The policy

of devaluation for the Company and its consolidated domestic 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 is considered to be substantial and non-recoverable 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 consolidated domestic subsidiaries examine the recoverability of the fair value of the securities and devalue if those securities are considered to be non-recoverable.

Note 10 — DERIVATIVE TRANSACTIONS AND HEDGE ACCOUNTING

As explained in Note 1 (v), 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 receivable and payable 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 receivable, payable and future transactions denominated in a foreign currency
Foreign currency deposit	Foreign currency trade receivable, payable 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 are all prime banks with high ratings, and the Company does not expect non-performance by the counter-parties.

(a) FAIR VALUE OF UNDESIGNATED DERIVATIVE FINANCIAL INSTRUMENTS

Fair value of undesignated derivative financial instruments as of March 31, 2015 and 2014, is summarized as follows:

March 31, 2015	(Millions of yen)				Profit or loss evaluation
	Contract amount			Fair value	
Forward exchange contracts	Due within one year	Due after one year	Total		
Sell U.S. dollars	¥ 29,846	¥ —	¥ 29,846	¥ (139)	¥ (139)
Sell Euro	¥ 1,060	¥ —	¥ 1,060	¥ 8	¥ 8
Buy Euro	¥ 5,799	¥ —	¥ 5,799	¥ (1,100)	¥ (1,100)

March 31, 2014	(Millions of yen)				Profit or loss evaluation
	Contract amount			Fair value	
Forward exchange contracts	Due within one year	Due after one year	Total		
Sell U.S. dollars	¥ 50,281	¥ —	¥ 50,281	¥ (138)	¥ 173
Sell Euro	¥ 2,207	¥ —	¥ 2,207	¥ (79)	¥ (79)

March 31, 2015	(Thousands of U.S. dollars) (Note 1)				Profit or loss evaluation
	Contract amount			Fair value	
Forward exchange contracts	Due within one year	Due after one year	Total		
Sell U.S. dollars	\$ 248,365	\$ —	\$ 248,365	\$ (1,157)	\$ (1,157)
Sell Euro	\$ 8,821	\$ —	\$ 8,821	\$ 67	\$ 67
Buy Euro	\$ 48,257	\$ —	\$ 48,257	\$ (9,154)	\$ (9,154)

Fair value of forward exchange contracts is stated based on the quoted price from banks.

(b) FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS DESIGNATED AS HEDGING INSTRUMENTS

Fair value of derivative financial instruments designated as hedging instruments as of March 31, 2015 and 2014 is summarized as follows:

March 31, 2015	(Millions of yen)				Profit or loss evaluation
	Contract amount			Fair value	
Accounting method	Hedging instruments	Hedged item	Contract amount		Portion over one year
Allocation method (Note 1(v))	Forward exchange contracts				
	Buy U.S. dollars	Accounts payable	¥759	¥ —	¥ 153
	Buy Euro	Accounts payable	¥ 7,901	¥ —	¥ (239)
	Buy British pound	Accounts payable	¥ 1,166	¥ —	¥ 2
Principal method (Note 1(v))	Sell U.S. dollars	Accounts receivable	¥ 1,369	¥ —	¥ (3)
	Interest rate swap contracts				
Principal method (Note 1(v))	Receive variable rate and Pay fixed rate swap	Long-term debt	¥ 11,515	¥ 11,515	¥ (567)

March 31, 2014		(Millions of yen)			
Accounting method	Hedging instruments	Hedged item	Contract amount	Portion over one year	Fair value
Allocation method (Note 1(v))	Forward exchange contracts				
	Buy U.S. dollars	Accounts payable	¥ 2,321	¥ 1,646	¥ 79
Principal method (Note 1(v))	Interest rate swap contracts				
	Receive variable rate and Pay fixed rate swap	Long-term debt	¥ 5,606	¥ 5,606	¥ (147)

Fair value of forward exchange contracts is stated based on the quoted price from banks.

March 31, 2015		(Thousands of U.S. dollars) (Note 1)			
Accounting method	Hedging instruments	Hedged item	Contract amount	Portion over one year	Fair value
Allocation method (Note 1(w))	Forward exchange contracts				
	Buy U.S. dollars	Accounts payable	\$ 6,316	\$ —	\$ 1,273
	Buy Euro	Accounts payable	\$ 65,749	\$ —	\$ (1,989)
Principal method (Note 1(w))	Buy British pound	Accounts payable	\$ 9,703	\$ —	\$ 17
	Sell U.S. dollars	Accounts receivable	\$ 11,392	\$ —	\$ (25)
Principal method (Note 1(w))	Interest rate swap contracts				
	Receive floating and Pay fixed swap	Long-term debt	\$ 95,823	\$ 95,823	\$ (4,718)

Note 11 — SEGMENT INFORMATION

(a) OVERVIEW OF REPORTED SEGMENTS

The reported segments of the Company are those units for which separate financial statements can be obtained among the constituent units of the Company and regularly examined by Chief Executive Officer for decisions on the allocation of management resources and for assessing business performance. 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, hydro treating 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.).

The accounting policies of the segments are substantially the same as those described in the significant accounting policies in Note 1.

The following is information about sales and profit or loss by reported segments for the years ended March 31, 2015 and 2014:

Year ended March 31, 2015	Reported Segment						Adjustment	Consolidated
	Total engineering	Catalysts and fine products	Sub-Total	Other	Total			
(Millions of yen)								
Net sales:								
External customers	¥ 745,035	¥ 37,467	¥ 782,502	¥ 16,574	¥ 799,076	¥ —	¥ 799,076	
Inter-segment	7,658	15	7,673	4,569	12,242	(12,242)	—	
Total	¥752,693	¥ 37,482	¥ 790,175	¥21,143	¥ 811,318	¥ (12,242)	¥ 799,076	
Segment profit	¥ 23,536	¥ 3,735	¥ 27,271	¥ 3,536	¥ 30,807	¥ (1,066)	¥ 29,741	
Segment assets	¥ 624,472	¥ 41,624	¥ 666,096	¥ 69,039	¥ 735,135	¥ (15,380)	¥ 719,755	
Impairment	—	—	—	¥ 4,852	¥ 4,852	—	4,852	
Depreciation and amortization	¥ 4,049	¥ 2,117	¥ 6,166	¥ 3,421	¥ 9,587	¥ 706	¥ 10,293	
Capital expenditures	¥ 6,871	¥ 2,214	¥ 9,085	¥ 9,697	¥ 18,782	¥ (892)	¥ 17,890	

- *1. The "Other" category includes business activities of information processing, consulting, management of real estate, power and water supply and oil and gas production.
*2. Adjustments for segment income, segment assets and other items represent the elimination of intersegment transactions.
*3. Segment income is reconciled to operating income of consolidated statements of income.

Year ended March 31, 2014	Reported Segment						Adjustment	Consolidated
	Total engineering	Catalysts and fine products	Sub-Total	Other	Total			
(Millions of yen)								
Net sales:								
External customers	¥ 624,807	¥ 37,165	¥ 661,972	¥ 13,849	¥ 675,821	¥ —	¥ 675,821	
Inter-segment	221	18	239	4,658	4,897	(4,897)	—	
Total	¥ 625,028	¥ 37,183	¥ 662,211	¥18,507	¥ 680,718	¥ (4,897)	¥ 675,821	
Segment profit	¥ 62,327	¥ 4,209	¥ 66,536	¥ 1,684	¥ 68,220	¥ 34	¥ 68,254	
Segment assets	¥ 661,536	¥ 38,586	¥ 700,122	¥ 60,763	¥ 760,885	¥ (14,782)	¥ 746,103	
Depreciation and amortization	¥ 4,199	¥ 2,043	¥ 6,242	¥ 2,992	¥ 9,234	¥ 35	¥ 9,269	
Capital expenditures	¥ 2,573	¥ 1,391	¥ 3,964	¥ 5,717	¥ 9,681	¥ (43)	¥ 9,638	

- *1. The "Other" category includes business activities of information processing, consulting, management of real estate, power and water supply and oil and gas production.
*2. Adjustments for segment income, segment assets and other items represent the elimination of intersegment transactions.
*3. Segment income is reconciled to operating income of consolidated statements of income.

Year ended March 31, 2015	Reported Segment						Adjustment	Consolidated
	Total engineering	Catalysts and fine products	Sub-Total	Other	Total			
(Thousands of U.S. dollars) (Note 1)								
Net sales:								
External customers	\$ 6,199,842	\$ 311,783	\$ 6,511,625	\$ 137,922	\$ 6,649,547	\$ —	\$ 6,649,547	
Inter-segment	63,726	125	63,851	38,021	101,872	(101,872)	—	
Total	\$ 6,263,568	\$ 311,908	\$ 6,575,476	\$ 175,943	\$ 6,751,419	\$ (101,872)	\$ 6,649,547	
Segment profit	\$ 195,856	\$ 31,081	\$ 226,937	\$ 29,425	\$ 256,362	\$ (8,871)	\$ 247,491	
Segment assets	\$ 5,196,572	\$ 346,376	\$ 5,542,948	\$ 574,511	\$ 6,117,459	\$ (127,986)	\$ 5,989,473	
Impairment	—	—	—	\$ 40,376	\$ 40,376	—	—	
Depreciation and amortization	\$ 33,694	\$ 17,617	\$ 51,311	\$ 28,468	\$ 79,779	\$ 5,875	\$ 85,654	
Capital expenditures	\$ 57,177	\$ 18,424	\$ 75,601	\$ 80,694	\$ 156,295	\$ (7,423)	\$ 148,872	

(b) RELATED INFORMATION

I. INFORMATION BY GEOGRAPHY

(1) Net Sales

Year ended March 31, 2015						
Japan	East and Southeast Asia	Middle East	North America	Oceania	Other	Total
¥ 138,169	¥ 207,988	¥ 93,793	¥ 47,944	¥ 238,870	¥ 72,312	¥ 799,076

- *1. Net sales are classified by the place of customers' address.
*2. East and Southeast Asia includes Malaysia ¥ 105,049 million (\$ 874,170 thousand).
*3. Oceania includes Australia ¥ 225,733 million (\$ 1,878,447 thousand).

Year ended March 31, 2014						
Japan	East and Southeast Asia	Middle East	Africa	Oceania	Other	Total
¥ 113,338	¥ 129,914	¥ 143,524	¥ 44,699	¥ 215,557	¥ 28,789	¥ 675,821

- *1. Net sales are classified by the place of customers' address.
*2. Middle East includes the State of Qatar ¥ 69,911 million
*3. Oceania includes Australia ¥ 187,258 million

Year ended March 31, 2015						
Japan	East and Southeast Asia	Middle East	North America	Oceania	Other	Total
\$ 1,149,780	\$ 1,730,781	\$ 780,503	\$ 398,968	\$ 1,987,767	\$ 601,748	\$ 6,649,547

(2) Property and equipment

The following is information on property and equipment for the years ended March 31, 2015 and 2014:

	Years ended		March 31, 2015
	March 31, 2015	March 31, 2014	
Japan	¥ 65,593	¥ 59,908	\$ 545,835
Other	12,967	10,383	107,906
Total	¥ 78,560	¥ 70,291	\$ 653,741

II. INFORMATION BY MAJOR CUSTOMERS

The following is information on major customers which account for 10% or more of the net sales on the consolidated statements of income for the years ended March 31, 2015 and 2014:

Year ended March 31, 2015	Years ended		Total engineering
	(Millions of yen)	(Thousands of U.S. dollars) (Note 1)	
Ichthys LNG Pty Ltd	¥ 195,966	\$ 1,630,740	

Year ended March 31, 2015	(Millions of yen)	Related segments
Ichthys LNG Pty Ltd	¥ 149,418	Total engineering
Ras Laffan Liquefied Natural Gas Company Limited.	69,880	Total engineering

III. INFORMATION ON IMPAIRMENT LOSS

This information is not disclosed, as this information is disclosed in Note 11 (a) for the year ended March 31, 2015, and as this is immaterial for the year ended March 31, 2014.

IV. INFORMATION ON AMORTIZATION OF GOODWILL AND AMORTIZED BALANCE

This information is not disclosed, as this is immaterial for the years ended March 31, 2015 and 2014.

V. INFORMATION ON GAIN ON NEGATIVE GOODWILL

This information is not disclosed, as this is immaterial for the years ended March 31, 2015 and 2014.

Note 12 — TAXES ON INCOME

Income taxes applicable to the Company and its domestic consolidated subsidiaries comprise corporate taxes, inhabitants' taxes and enterprise taxes which, in the aggregate, resulted in statutory tax rates of 35.6% and 38.0% for the years ended March 31, 2015 and 2014, respectively.

(1) The following table summarizes the 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, 2015 and 2014:

	2015	2014
Statutory tax rate	35.6%	Reconciliations for the year ended March 31, 2014 is not disclosed as the difference between the statutory tax rate and Company's and its consolidated subsidiaries' effective tax rate was less than 5%
Non-deductible expenses	1.1	
Non-taxable dividend income	(2.8)	
Tax credit utilized	(2.2)	
Other	(1.1)	
Effective tax rate	30.6%	

(2) Significant components of the Company's and its consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2015 and 2014, were as follows:

March 31,	Years ended		2015
	2015	2014	
(Thousands of U.S. dollars) (Note 1)			
Current deferred taxes			
Deferred tax assets:			
Accrued employees' bonuses	¥ 2,446	¥ 2,465	\$ 20,354
Reserve for job warranty costs	707	751	5,883
Reserve for losses on contracts	11,670	7,054	97,113
Other	2,964	5,297	24,665
Total current deferred tax assets	17,787	15,567	148,015
Deferred tax liabilities:			
Foreign currency hedge	(50)	(28)	(416)
Other	(8)	(4)	(66)
Total current deferred tax liabilities	(58)	(32)	(482)
Net current deferred tax assets	¥ 17,729	¥ 15,535	\$ 147,533

March 31,	(Thousands of U.S. dollars) (Note 1)		
	(Millions of yen)		
2015	2014	2015	
Non-current deferred taxes			
Deferred tax assets:			
Net defined benefit liability	¥ 4,093	¥ 4,011	\$ 34,060
Depreciation	393	405	3,270
Other	6,444	1,306	53,624
Total non-current deferred tax assets	10,930	5,722	90,954
Deferred tax liabilities:			
Net unrealized holding gains on securities	(4,904)	(3,797)	(40,809)
Other	(203)	(234)	(1,689)
Total non-current deferred tax liabilities	(5,107)	(4,031)	(42,498)
Net non-current deferred tax assets	¥ 5,823	¥ 1,691	\$ 48,456
Deferred tax liabilities for land revaluation			
	¥ 3,307	¥ 3,692	\$ 27,519
Valuation of assets and liabilities of acquired consolidated subsidiaries at fair market value			
	¥ 43	¥ 161	\$ 358
Others	539	49	4,485
Non-current deferred tax liabilities	¥ 582	¥ 210	\$ 4,843

For the years ended March 31, 2015 and 2014, the valuation allowances of ¥ 10,918 million (\$ 90,855 thousand) and ¥ 12,620 million have been deducted from the gross amount of the non-current deferred tax assets, respectively.

Adjustment of deferred tax assets and liabilities for enacted changes in tax laws and rates

On March 31, 2015, new tax reform laws were announced in Japan, which changed the normal statutory tax rate from approximately 35.6% to 33.1% for the years beginning on or after April 1, 2015 and to 32.3% for the years beginning on or after April 1, 2016.

Due to this change in the statutory tax rate, net deferred tax assets, deferred losses on hedges, and remeasurements of defined benefit plans decreased by ¥ 1,751 million (\$ 14,571 thousand), ¥ 8 million (\$ 67 thousand), and ¥ 68 million (\$ 566 thousand), respectively, and deferred income tax and net unrealized holding gains on securities increased by ¥ 2,175 million (\$ 18,099 thousand) and ¥ 500 million (\$ 4,161 thousand), respectively.

Net deferred tax liabilities for land revaluation also decreased by ¥ 337 million (\$ 2,804 thousand), and revaluation reserve for land increased by ¥ 337 million (\$ 2,804 thousand).

Note 13 — 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 was as follows:

March 31,	(Thousands of U.S. dollars) (Note 1)		
	(Millions of yen)		
2015	2014	2015	
Cash and deposits			
	¥ 282,708	¥ 354,200	\$ 2,352,567
Marketable securities			
	15,000	31,053	124,823
Cash and cash equivalents			
	¥ 297,708	¥ 385,253	\$ 2,477,390

Note 14 — LAND REVALUATION

Pursuant to Article 2 of the Enforcement Ordinance for the Law Concerning Land Revaluation 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, 2015 and 2014. When such land is sold, land revaluation is reversed and debited to retained earnings.

Fair value of the revalued land as of March 31, 2015 was ¥4,281 million (\$35,625 thousand) less than the book value as of March 31, 2015, which amounts include ¥1,199 million (\$9,978 thousand) relevant to rental property.

Note 15 — RELATED PARTY TRANSACTIONS

This information is not disclosed, as this is immaterial for the year ended March 31, 2014.

Significant transactions with related parties for the year ended March 31, 2015 were as follows:

Year ended March 31, 2015	(Thousands of U.S. dollars) (Note 1)	
	(Millions of yen)	
Rabigh Arabian Water and Electricity Company (affiliated company) — guarantee obligation	¥ 8,659	\$ 72,056

The Company does not receive a guarantee charge from Rabigh Arabian Water and Electricity Company.

Note 16 — RENTAL PROPERTY

The fair value of investment and rental property on the consolidated financial statements at March 31, 2015 and 2014, were as follows:

	Book value (net of depreciation)		Fair value	
	March 31, 2013	Decrease	March 31, 2014	March 31, 2014
Millions of yen	¥ 7,743	¥ (98)	¥ 7,645	¥ 6,180
	March 31, 2014	Decrease	March 31, 2015	March 31, 2015
Millions of yen	¥ 7,645	¥ (99)	¥ 7,546	¥ 6,180
Thousands of U.S. dollars (Note 1)	\$ 63,618	\$ (824)	\$ 62,794	\$ 51,427

Rental real estate assets are presented on the consolidated balance sheets net of accumulated depreciation and accumulated impairment loss.

The reason of the decrease was mainly due to the depreciation of the assets.

The fair value was determined by the Company based on “the guidance for appraising real estate”.

The Company has rental commercial properties (including land) in Kanagawa Prefecture. The rental incomes in the Other income were ¥404 million (\$3,362 thousand) and ¥416 million for the years ended March 31, 2015 and 2014, respectively.

Note 17 — FINANCIAL INSTRUMENTS

A. QUALITATIVE INFORMATION ON FINANCIAL INSTRUMENTS

(a) POLICIES FOR USING FINANCIAL INSTRUMENTS

The Company manages surplus capital using financial instruments that are short-term and carry low risk. The Company uses derivatives to mitigate the risks that are described below, and does not use derivatives for speculative transactions.

(b) FINANCIAL INSTRUMENTS, ASSOCIATED RISKS AND THE RISK MANAGEMENT SYSTEM

Notes and accounts receivable expose the Company to customer credit risk. Marketable securities are mainly negotiable certificate of deposit. Investment securities are mainly related to the business and capital alliance companies and expose the Company to the changes in market prices. Long-term loans receivable are mainly related to subsidiaries and affiliates.

Most notes and accounts payable are due within one year. Some accounts payable associated with purchasing machines and construction contracts are denominated in foreign currencies, which expose the Company to the risks of exchange rate fluctuations. The Company generally procures capital required under its business plan through bank loans. Some bank loans expose the Company to the risks of interest rate fluctuations, which the Company uses interest rate swaps to hedge.

The Company uses derivatives transactions including foreign exchange forward contracts to hedge the risk of exchange rate fluctuations associated with accounts receivable and payable denominated in foreign currencies and interest rate swaps to hedge the risk of interest rate fluctuations associated with loans. “Derivative Transactions and Hedge Accounting” in Note 1(v) and Note 10 presented earlier explain hedge accounting issues including methods, hedging policies, hedged items and recognition of gain or loss on hedged positions.

(c) RISK MANAGEMENT SYSTEM FOR FINANCIAL INSTRUMENTS

(1) Credit risk management (counter-party risk)

The Company has established internal procedures for receivables under which the related divisions are primarily responsible for periodically monitoring counter-party status. The department manages amounts and settlement dates by counter-party and works to quickly identify and mitigate payment risk that may result from situations including deterioration of the financial condition of counter-parties. Consolidated subsidiaries are subject to the same risk management rules.

In using derivatives transactions, the Company mitigates counter-party risk by conducting transactions with highly creditworthy financial institutions.

(2) Market risk management (risk of exchange rate and interest rate fluctuations)

The Company monitors the balance of the foreign currency receivable and payable by each currency and every month and utilizes foreign currency forward contracts and foreign currency deposit to hedge the risk of fluctuations. The Company uses interest rate swaps to mitigate the risk of interest rate fluctuations associated with loans.

Regarding marketable securities and investment securities, the Company periodically examines fair value and the financial condition of the issuing entities and revises its portfolio based on its relationships with issuing entities.

The derivative transactions are executed and managed by the Finance & Accounting Department in accordance with the established policies and within the specified limit on the amounts of derivative transactions allowed. The Department periodically provides administrative reports on the results to the financial director and treasurer.

(3) Management of liquidity risk associated with capital procurement (payment default risk)

The Company manages liquidity risk by creating and updating a capital deployment plan based on reports from each division.

(d) SUPPLEMENTAL INFORMATION ON THE FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments is based on market prices, or a reasonable estimate of fair value for instruments for which market prices are not available. Estimates of fair value are subject to fluctuation because they employ variable factors and assumptions. In addition, the contractual amounts of the derivatives transactions discussed in B (a) below are not an indicator of the market risk associated with derivatives transactions.

B. FAIR VALUES OF FINANCIAL INFORMATION

(a) FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair values of financial instruments as of March 31, 2015 and 2014 were summarized as follows:

The financial instruments, whose fair values were difficult to measure, were not included in the table below and were summarized in B (b).

	March 31, 2015			March 31, 2014		
	Carrying amount	Estimated fair value	Difference	Carrying amount	Estimated fair value	Difference
Cash and deposits	¥ 282,708	¥ 282,708	—	¥ 354,200	¥ 354,200	—
Marketable securities	15,000	15,000	—	31,053	31,053	—
Notes and accounts receivable	134,823	134,823	—	102,170	102,170	—
Other receivables ^{*1}	28,956	28,956	—	13,287	13,287	—
Marketable and investment securities	26,387	26,387	—	22,984	22,984	—
Long-term loans receivable, net ^{*2}	5,941	5,964	¥ 23	1,018	1,280	¥ 262
Total Assets	¥ 493,815	¥ 493,838	¥ 23	¥ 524,712	¥ 524,974	¥ 262
Notes and accounts payable	¥ 106,598	¥ 106,598	—	¥ 107,450	¥ 107,450	—
Long-term debt	22,715	22,706	¥ (9)	13,001	13,558	¥ 557
Total Liabilities	¥ 129,313	¥ 129,304	¥ (9)	¥ 120,451	¥ 121,008	¥ 557
Derivative financial instruments, net	¥ (1,884)	¥ (1,884)	—	¥ 26	¥ 26	—

	March 31, 2015		
	Carrying amount	Estimated fair value	Difference
Cash and deposits	\$ 2,352,567	\$ 2,352,567	—
Marketable securities	124,823	124,823	—
Notes and accounts receivable	1,121,936	1,121,936	—
Other receivables ^{*1}	240,958	240,958	—
Marketable and investment securities	219,581	219,581	—
Long-term loans receivable, net ^{*2}	49,438	49,630	\$ 192
Total Assets	\$ 4,109,303	\$ 4,109,495	\$ 192
Notes and accounts payable	\$ 887,060	\$ 887,060	—
Long-term debt	189,024	188,949	\$ (75)
Total Liabilities	\$ 1,076,084	\$ 1,076,009	\$ (75)
Derivative financial instruments, net	\$ (15,678)	\$ (15,678)	—

*1. Other receivables is included in Other current assets on the consolidated balance sheets.

*2. The amount of individual allowance for doubtful accounts is deducted from long-term loans receivable.

The following methods and assumptions were used to estimate the fair value of the financial instruments.

Cash and deposits, and Marketable securities

All deposits and negotiable certificates of deposit are short-term. Therefore, the carrying amount is used for the fair value of these items because these amounts are essentially the same.

Notes and accounts receivable

Notes and accounts receivable are short-term. Therefore, the carrying amount is used for the fair value of short-term receivables because these amounts are essentially the same.

Other receivables

Other receivables are short-term. Therefore, the carrying amount is used for the fair value of short-term receivables because these amounts are essentially the same.

Marketable and investment securities

Fair value of marketable and investment securities is the price listed on securities exchanges for equities. In addition, Note 9 provides information on marketable securities by holding intent.

Long-term loans receivable

Fair value of long-term loans receivable is estimated as discounted present value of total principal and interest using assumed interest rates for equivalent new loans.

Notes and accounts payable

Notes and accounts payable are short-term. Therefore, carrying amount is used for the fair value of short-term payables because these amounts are essentially the same.

Long-Term Debt

Fair value of long-term debt is estimated as the discounted present value of total principal and interest using assumed interest rates for equivalent new loans. Interest rate swaps subject to special method are used for long-term floating-rate loans. Principal and interest of the loans in which these interest rate swaps are embedded are discounted using a reasonable estimate of the interest rate on the loan at the time of issue.

Derivative financial instruments

Please refer to “DERIVATIVE TRANSACTIONS AND HEDGE ACCOUNTING” in Note 1(v) and Note 10.

(b) FINANCIAL INSTRUMENTS, WHOSE FAIR VALUES WERE DIFFICULT TO MEASURE

The financial instruments, whose fair values were difficult to measure, as of March 31, 2015 and 2014, were summarized as follows:

March 31,	(Millions of yen)		(Thousands of U.S. dollars)
	2015	2014	(Note 1)
Unconsolidated subsidiaries and affiliates	¥ 23,264	¥ 28,768	\$ 193,593
Non-listed equity securities	24,604	23,305	204,743
Subscription certificate	38	38	316
Other investment securities	22,715	—	189,024
Allowance for doubtful accounts*	(22,715)	—	(189,024)

* The amount of allowance for doubtful accounts is deducted from other investment securities.

It is difficult to measure the fair value of these financial instruments because there is no market price available and it is not practical to calculate future cash flow. Therefore, these financial instruments were not included in the Marketable and investment securities described in B (a).

(c) MATURITIES OF FINANCIAL INSTRUMENTS

The maturities of the financial instruments at March 31, 2015 were as follows:

Year ending March 31	(Millions of yen)			
	2016	2017 - 2021	2022 - 2026	2027 and thereafter
Cash and deposits	¥ 282,708	—	—	—
Marketable securities	15,000	—	—	—
Notes and accounts receivable	134,823	—	—	—
Other receivable	28,956	—	—	—
Long-term loans receivable, net	—	¥ 5,941	—	—
Other investment securities*	—	—	—	—
Assets Total	¥ 461,487	¥ 5,941	—	—

Year ending March 31	(Thousands of U.S. dollars)			
	2016	2017-2021	2022-2026	2027 and thereafter
Cash and deposits	\$ 2,352,567	—	—	—
Marketable securities	124,823	—	—	—
Notes and accounts receivable	1,121,936	—	—	—
Other receivable	240,958	—	—	—
Long-term loans receivable, net	—	\$ 49,438	—	—
Other investment securities*	—	—	—	—
Assets Total	\$ 3,840,284	\$ 49,438	—	—

Please see Note 3 for the maturities of long term-debt.

* The amount of individual allowance for doubtful accounts is deducted from Other investment securities.

Note 18 — IMPAIRMENT OF FIXED ASSETS

As discussed in Note 1 (n), the Company and its consolidated subsidiaries have applied the accounting standard for impairment of fixed assets.

The Company and its consolidated subsidiaries have grouped their fixed assets principally based on their business segment, while considering mutual supplementation of the cash flows.

This information is not disclosed, as this is immaterial for the years ended March 31, 2014

The following is information on impairment loss for the year ended March 31, 2015:

Location	Use	Type of assets
U.S.A	Oil and gas production and sales business	Intangible and other assets

The Company grouped the assets for oil and gas production and sales business based on individual countries. Carrying amount of certain assets was devalued to their recoverable amounts, since oil and gas business environment had significant adversely changed. As a result, the Company recognized loss on impairment in the amount of ¥ 4,852 million (\$40,376 thousand). The Company used the value in use which was calculated by discounting future cash flows at the discount rates of 10%.

Note 19 — OTHER COMPREHENSIVE INCOME

Reclassification adjustments of the Company's and consolidated subsidiaries' other comprehensive income for the years ended March 31, 2015 and 2014, were as follows:

March 31,	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	2015	2014	2015
Net unrealized holding gains on securities			
Unrealized holding gains arising during the year	¥ 4,509	¥ 1,829	\$ 37,521
Reclassification adjustment for gains (losses) realized in net income	—	423	—
Sub-total	4,509	2,252	37,521
Deferred losses on hedges			
Deferred losses on hedges arising during the year	(563)	(2,657)	(4,685)
Reclassification adjustment for deferred losses on hedges	127	—	1,057
Sub-total	(436)	(2,657)	(3,628)
Translation adjustments			
Translation adjustments arising during the year	2,210	3,897	18,390
Sub-total	2,210	3,897	18,390
Remeasurements of defined benefit plans			
Defined benefit plans during the year	(1,361)	—	(11,326)
Reclassification adjustment for defined benefit plans	(30)	—	(249)
Sub-total	(1,391)	—	(11,575)
Equity for equity method affiliates			
Share of other comprehensive income of affiliates accounted for using equity method arising during the year	(13)	0	(108)
Sub-total	(13)	0	(108)
Before-tax amount	4,879	3,492	40,600
Tax benefit (expense)	(262)	199	(2,180)
Total other comprehensive income	¥4,617	¥ 3,691	\$ 38,420

Tax effects allocated to each component of other comprehensive income for the years ended March 31, 2015 and 2014, were as follows:

Year ended March 31, 2015	(Millions of yen)		
	Before-tax amount	Tax benefit (expense)	Net-of-tax amount
Net unrealized holding gains on securities	¥ 4,509	¥ (1,105)	¥3,404
Deferred gains (losses) on hedges	(436)	73	(363)
Land revaluation	—	338	338
Translation adjustments	2,210	—	2,210
Remeasurements of defined benefit plans	(1,391)	432	(959)
Equity for equity method affiliates	(13)	—	(13)
Other comprehensive income	¥ 4,879	¥ (262)	¥ 4,617

Year ended March 31, 2014	(Millions of yen)		
	Before-tax amount	Tax benefit (expense)	Net-of-tax amount
Net unrealized holding gains on securities	¥ 2,252	¥ (801)	¥ 1,451
Deferred gains (losses) on hedges	(2,657)	1,000	(1,657)
Translation adjustments	3,897	—	3,897
Equity for equity method affiliates	0	—	0
Other comprehensive income	¥ 3,492	¥ 199	¥ 3,691

Year ended March 31, 2015	(Thousands of U.S. dollars) (Note 1)		
	Before-tax amount	Tax benefit (expense)	Net-of-tax amount
Net unrealized holding gains on securities	\$ 37,521	\$ (9,195)	\$ 28,326
Deferred gains (losses) on hedges	(3,628)	607	(3,021)
Land revaluation	—	2,813	2,813
Translation adjustments	18,390	—	18,390
Remeasurements of defined benefit plans	(11,575)	3,595	(7,980)
Equity for equity method affiliates	(108)	—	(108)
Other comprehensive income	\$ 40,600	\$ (2,180)	\$ 38,420

Independent Auditor's Report

To the Board of Directors of JGC Corporation:

We have audited the accompanying consolidated financial statements of JGC Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2015 and 2014, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of JGC Corporation and its consolidated subsidiaries as at March 31, 2015 and 2014, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2015 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.

KPMG AZSA LLC

KPMG AZSA LLC
June 26, 2015
Tokyo, Japan

Supplemental Explanation

Internal Control over Financial Reporting in Japan

Under the Financial Instruments and Exchange Act in Japan ("the Act"), which was enacted in June 2006, the management of all listed companies in Japan are required to implement assessments of internal control over financial reporting ("ICOFR") as of the end of the fiscal year and the management assessment shall be audited by independent auditors, effective from the fiscal year beginning on or after April 1, 2008.

We have evaluated our ICOFR as of March 31, 2015, in accordance with "On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" published by the Business Accounting Council on March 30, 2011.

As a result of conducting the evaluation of ICOFR for the year ended March 31, 2015, we concluded that our internal control system over financial reporting as of March 31, 2015 was operating effectively and reported as such in the Internal Control Report.

Independent Auditor, KPMG AZSA LLC, performed an audit of our management assessment on the effectiveness of ICOFR under the Act.

An English translation of the Internal Control Report and the Independent Auditor's Report filed under the Act is provided on the following pages.

JGC Corporation

Internal Control Report (Translation)

NOTE

The following is an English translation of the report on internal control over financial reporting filed under the Financial Instruments and Exchange Act in Japan ("ICOFR under the Act"). This report is presented merely as supplemental information.

There are differences between the management assessment of ICOFR under the Act and one conducted under the attestation standards established by the American Institute of Certified Public Accountants ("the AICPA").

In the management assessment of ICOFR under the Act, there is detailed guidance on the scope of the management assessment of ICOFR, such as quantitative guidance on business location selection and/or account selection. In the management assessment of ICOFR under the attestation standards established by the AICPA, there is no such guidance. Accordingly, based on the quantitative guidance which provides an approximate measure for the scope of assessment of internal control over business processes, we used a measure of approximately two-thirds of total sales and others for the selection of significant locations and business units.

[TRANSLATION]

Internal Control Report

1 Framework of Internal Control Over Financial Reporting

Masayuki Sato, Chairman and Representative Director, and Koichi Kawana, President and Representative Director of JGC Corporation ("the Company") are responsible for establishing and maintaining adequate internal control over financial reporting as defined in the rule "On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)".

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

2 Assessment Scope, Timing and Procedures

We have assessed our ICOFR as of March 31, 2015 in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

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 control 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 equity-method affiliates to the extent necessary in light of their degree of impact on the reliability of financial reporting.

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

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 its degree of quantitative and qualitative impact on financial reporting in a similar manner as company-level control.

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 sales levels until combined sales amounts reach 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

As a result of the above assessment, the Company's management has concluded that, as of March 31, 2015, the Company's ICOFR was effective.

4 Supplementary Information

Not applicable.

5 Other

Not applicable.

Independent Auditor's Report (Translation)

NOTE

The following is an English translation of the Independent Auditor's Report filed under the Financial Instruments and Exchange Act in Japan ("the Act"). This report is presented merely as supplemental information.

There are differences between an audit of ICOFR under the Act and one conducted under the attestation standards established by the American Institute of Certified Public Accountants ("the AICPA").

In an audit of ICOFR under the Act, the auditor expresses an opinion on management's report on ICOFR and does not express an opinion on the company's ICOFR directly. In an audit of ICOFR under the attestation standards established by the AICPA, the auditor expresses an opinion on the company's ICOFR directly.

Also in an audit of ICOFR under the Act, there is detailed guidance on the scope of an audit of ICOFR, such as quantitative guidance on business location selection and/or account selection. In an audit of ICOFR under the attestation standards established by the AICPA, there is no such guidance. Accordingly, based on the quantitative guidance which provides an approximate measure for the scope of assessment of internal control over business processes, we used a measure of approximately two-thirds of total sales and others for the selection of significant locations and business units.

[TRANSLATION]

Independent Auditor's Report

June 26, 2015

To the Board of Directors of JGC Corporation

KPMG AZSA LLC

Designated Limited Liability Partner,
Engagement Partner,
Certified Public Accountant: Kazutoshi Isogai

Designated Limited Liability Partner,
Engagement Partner,
Certified Public Accountant: Michitaka Shishido

Designated Limited Liability Partner,
Engagement Partner,
Certified Public Accountant: Yoshinori Saito

Audit of Consolidated Financial Statements

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act in Japan ("the Act"), we have audited the consolidated financial statements of JGC Corporation (the "Company") and its consolidated subsidiaries included in the Financial Section, namely, the consolidated balance sheet as of March 31, 2015, the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in net assets and consolidated statement of cash flows for the fiscal year from April 1, 2014 to March 31, 2015, and a summary of significant accounting policies, other explanatory information and consolidated supplementary schedules.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to independently express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

JGC Group

As of March 31, 2015

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of JGC Corporation and its consolidated subsidiaries as of March 31, 2015 and their financial performance and cash flows for the year ended March 31, 2015, in accordance with accounting principles generally accepted in Japan.

Audit of Internal Control

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act in Japan, we also have audited the Company's report on internal control over financial reporting of the consolidated financial statements of JGC Corporation as of March 31, 2015 ("Internal Control Report").

Management's Responsibility for the Internal Control Report

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the Internal Control Report in conformity with assessment standards for internal control over financial reporting generally accepted in Japan. Internal control over financial reporting may not completely prevent or detect financial statement misstatements.

Auditor's Responsibility

Our responsibility is to express an opinion on the Internal Control Report based on our internal control audit. 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Internal Control Report is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about the assessment of internal control over financial reporting in the Internal Control Report. The procedures selected depend on the auditor's judgment, including significance of effect on the reliability of financial reporting. Also, an internal control audit includes evaluating the appropriateness of the scope, procedures and result of the assessment determined and presented by management as well as evaluating the overall internal control report presentation.

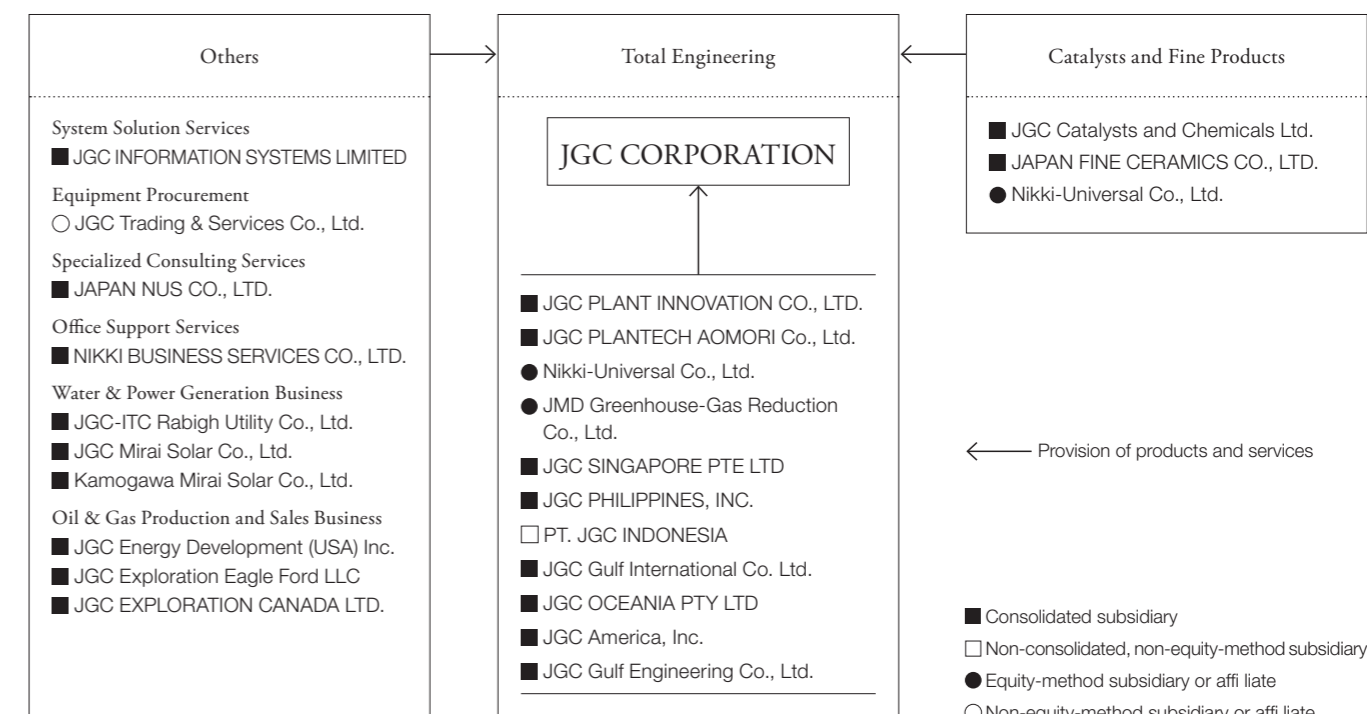
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Internal Control Report, in which JGC Corporation states that internal control over financial reporting was effective as of March 31, 2015, 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.

Interest

The firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act of Japan.



Total Engineering

Business	Company	Country	Capital	Capital Share	Other
Engineering & Construction Services	JGC PLANT INNOVATION CO., LTD.	Japan	¥830,000,000	100%	
	JGC SINGAPORE PTE LTD	Singapore	S\$2,100,000	100%	
	JGC PHILIPPINES, INC.	Philippines	P1,200,000,000	100%	
	PT. JGC INDONESIA	Indonesia	US\$1,600,000	100%	* JGC 70% * JGC PLANT INNOVATION 30%
	JGC Gulf International Co. Ltd.	Saudi Arabia	SAR187,500,000	100%	* JGC 92% * JGC SINGAPORE 8%
	JGC OCEANIA PTY LTD	Australia	A\$1,000,000	100%	
	JGC America, Inc.	U.S.A.	US\$41,100,000	100%	
	JGC Gulf Engineering Co., Ltd.	Saudi Arabia	SAR500,000	75%	
Maintenance Services	JGC PLANTECH AOMORI Co., Ltd.	Japan	¥50,000,000	100%	* JGC PLANT INNOVATION 100%
Process Licensing Services	Nikki-Universal Co., Ltd.	Japan	¥1,000,000,000	50%	
Global Warming Gas-Emissions Credits Business	JMD Greenhouse-Gas Reduction Co., Ltd.	Japan	¥30,000,000	47%	

Catalysts and Fine Products

Company	Country	Capital	Capital Share	Other
JGC Catalysts and Chemicals Ltd.	Japan	¥1,800,000,000	100%	
JAPAN FINE CERAMICS CO., LTD.	Japan	¥300,000,000	100%	
Nikki-Universal Co., Ltd.	Japan	¥1,000,000,000	50%	

Others

Business	Company	Country	Capital	Capital Share	Other
System Solution Services	JGC INFORMATION SYSTEMS LIMITED	Japan	¥400,000,000	100%	
Equipment Procurement	JGC Trading and Services Co., Ltd.	Japan	¥40,000,000	24.5%	
Specialized Consulting Services	JAPAN NUS CO., LTD.	Japan	¥50,000,000	88%	
Office Support Services	NIKKI BUSINESS SERVICES CO., LTD.	Japan	¥1,455,000,000	100%	
Water & Power Generation Business	JGC-ITC Rabigh Utility Co., Ltd.	Japan	¥319,000,000	100%	
	JGC Mirai Solar Co., Ltd.	Japan	¥445,000,000	51%	
	Kamogawa Mirai Solar Co., Ltd.	Japan	¥231,000,000	100%	
Oil & Gas Production and Sales Business	JGC Energy Development (USA) Inc.	U.S.A.	US\$130,447,000	100%	
	JGC Exploration Eagle Ford LLC	U.S.A.	US\$65,000,000	100%	
	JGC EXPLORATION CANADA LTD.	Canada	C\$105,885,000	100%	

Outline of JGC

As of March 31, 2015

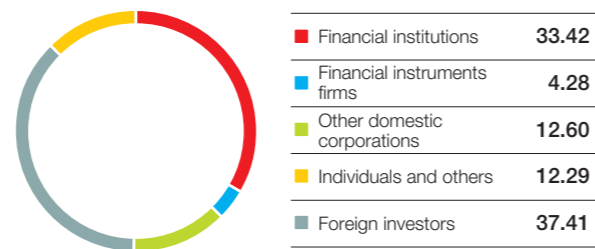
Established October 25, 1928
 Capital ¥23,511,189,612
 Number of Employees 2,289 (Consolidated: 7,332)

Major Shareholders	Number of shares (Thousands)	Percentage of total (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	18,668	7.20
Japan Trustee Services Bank, Ltd. (Trust Account)	16,631	6.41
JGC Trading and Services Co., Ltd.	12,112	4.67
Sumitomo Mitsui Banking Corporation	11,000	4.24
JGC-S SCHOLARSHIP FOUNDATION	8,433	3.25
Mizuho Bank, Ltd.	5,700	2.20
THE BANK OF NEW YORK-JASDECNON- TREATY ACCOUNT	3,713	1.43
BNP Paribas Securities Limited	3,457	1.33
THE BANK OF NEW YORK MELLON SA/NV10	3,276	1.26
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	3,066	1.18

JGC's treasury stock holdings total 6,711 thousand shares, approximately 2.59% of total shares issued.

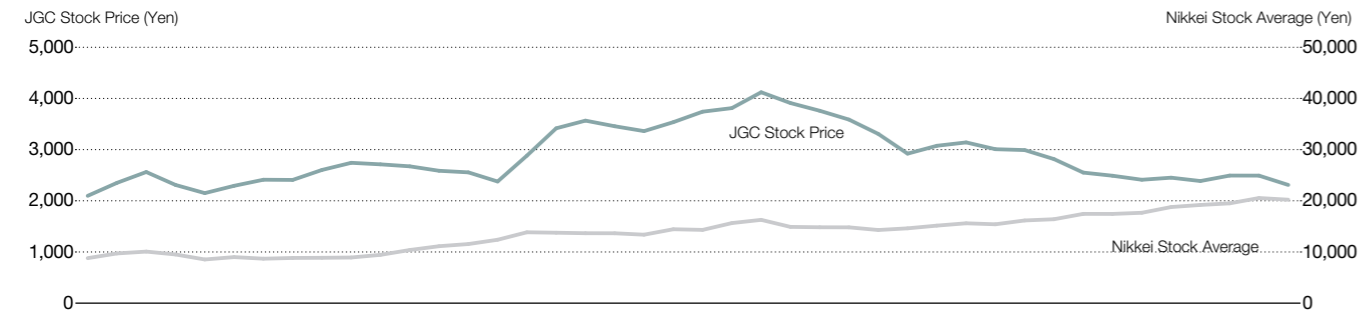
Authorized Shares 600,000,000
 Issued and Outstanding Shares 259,052,929
 Number of Shareholders 10,972
 Administrator of the Shareholders' Register Mitsubishi UFJ Trust and Banking Corp.
 1-4-5, Marunouchi, Chiyoda-ku, Tokyo 100-8212, Japan

Distribution of Shareholders (%)



Figures have been rounded to two decimal places.

Stock Price



Volume (Thousands of shares)

