[Supplementary Volume] Absorption-Type Company Split Agreement, etc. Pertaining to 2. "Approval of Absorption-Type Company Split Agreement"

1. Provisions of the Absorption-Type Company Split Agreement

(1) Absorption-Type Company Split Agreement (Copy) (Nikkki Global Kabushiki Kaisha)

Absorption-Type Company Split Agreement

This Absorption-Type Company Split Agreement (hereinafter the "Agreement") is made and entered into by and between JGC CORPORATION ("JGC") and Nikki Global Kabushiki Kaisha. ("Nikki Global") as follows with respect to the absorption-type company split (hereinafter the "Split") through which JGC transfers a part of its rights and obligations in its business to Nikki Global.

Article 1 Absorption-Type Company Split
Pursuant to the Split, JGC shall transfer to Nikki Global, and Nikki Global shall succeed to the rights and obligations set forth in Article 3 with respect to the businesses operated by JGC related to overseas EPC (Engineering, Procurement and Construction) business (hereinafter the "Business").

Article 2 Trade Name and Address of Companies Involved in the Split
The trade name and address of the companies involved in the Split are as follows:

(1) Splitting Company in Absorption-Type Company Split
Trade name: JGC CORPORATION
(scheduled to change the trade name to "JGC HOLDINGS CORPORATION" on October 1, 2019)
Address: 2-3-1, Minato Mirai, Nishi-ku, Yokohama, Kanagawa

(2) Succeeding Company in Absorption-Type Company Split
Trade name: Nikki Global Kabushiki Kaisha
Address: 2-3-1, Minato Mirai, Nishi-ku, Yokohama, Kanagawa

Article 3 Rights and Obligations to be Transferred

1. The rights and obligations to be transferred from JGC to Nikki Global through the Split (hereinafter the "Rights and Obligations to be Transferred") are set forth in Exhibit "Details of Rights and Obligations to be Transferred."
2. Nikki Global's succession to all the liabilities from JGC pursuant to the provisions of the above paragraph shall be based on the assumption of joint and concurrent obligation method; provided, however, that if JGC performs or otherwise assumes the liabilities to be succeeded, JGC may claim compensation for all the amount assumed by JGC to Nikki Global.

Article 4 Consideration for the Split
Upon the Split, Nikki Global shall issue 5,000 common shares of Nikki Global, and deliver all of them to JGC in exchange for the Rights and Obligations to be Transferred.

Article 5 Amounts of Capital Stock, Etc. of Nikki Global
The amounts of Nikki Global's capital stock and legal capital surplus to be increased by the Split shall be as follows; provided, however, that JGC and Nikki Global may change such amounts upon mutual consultation, in accordance with the status of assets and liabilities of the Business as of the date on which the Split takes effect (hereinafter the "Effective Date"):

(1) Capital stock: ¥950 million
(2) Legal capital surplus: ¥0
(3) Other capital surplus: the change in equity less the amounts of the preceding items

(4) Legal retained earnings: ¥0

Article 6 Effective Date

The effective date of the Split shall be October 1, 2019; provided, however, that JGC and Nikki Global may change the date by agreement upon mutual consultation when necessary.

Article 7 Approval of the General Shareholders' Meeting

JGC and Nikki Global shall hold a General Shareholders' Meeting by the day immediately preceding the Effective Date to obtain approval for this Agreement and the matters necessary for the Split by resolution at each General Shareholders' Meeting.

Article 8 Non-Competition Duties

Even from the Effective Date onwards, JGC shall not bear non-competition duties with regard to the Business.

Article 9 Management, Etc. of Company Properties

JGC and Nikki Global shall execute business operations, and manage and administer properties, with the duty of due care, from the conclusion of the Agreement to the Effective Date, and if they engage in any act which may significantly impact their properties and rights and obligations, they shall do so by agreement upon prior mutual consultation.

Article 10 Change of Conditions for or Cancellation of the Split

If any significant change arises to the status of properties or business management of JGC or Nikki Global due to natural disaster or any other events during the period from the conclusion of the Agreement to the Effective Date, or if any circumstance causing a significant obstacle to the execution of the Split arises or is revealed, or if it otherwise becomes significantly difficult to fulfill the purposes of the Agreement, JGC and Nikki Global may change the conditions for the Split or contents of this Agreement, or cancel this Agreement upon mutual consultation.

Article 11 Effect of the Agreement

This Agreement shall be null and void in the event that this Agreement is not approved at a General Shareholders' Meeting of JGC or Nikki Global as provided for in Article 7, or the approval by the relevant regulatory authorities as provided for by laws and regulations is not obtained by the day immediately preceding the Effective Date.

Article 12 Matters for Consultation

JGC and Nikki Global shall determine any matters necessary in relation to the Split, in addition to those set forth in the Agreement, upon mutual consultation pursuant to the purpose of the Agreement.

IN WITNESS WHEREOF, JGC and Nikki Global have executed the Agreement in duplicate by affixing their names and seals thereto, and each shall retain one (1) copy hereof.

May 14, 2019

JGC: JGC CORPORATION
2-3-1, Minato Mirai, Nishi-ku, Yokohama, Kanagawa
Masayuki Sato, Representative Director and Chairman, Chief Executive Officer

Nikki Global: Nikki Global Kabushiki Kaisha
2-3-1, Minato Mirai, Nishi-ku, Yokohama, Kanagawa
Kiyotaka Terajima, Representative Director

Exhibit

Details of Rights and Obligations to be Transferred

As of the Effective Date, assets, liabilities, employment agreements, and any other rights and obligations to which Nikki Global will succeed from JGC shall be as follows. Assets and liabilities to which Nikki Global will succeed from JGC shall be based on JGC's balance sheet values and other figures as of March 31, 2019, and be determined after adding or subtracting any increase/decrease up to the day immediately preceding the Effective Date, to or from such values and figures.

1. Assets to be Transferred

Assets below owned in relation to the Business

(1) Current assets

Any and all current assets related to the Business, including cash and deposits, notes receivable – trade, accounts receivable from completed construction contracts, costs on uncompleted construction contracts, accounts receivable – other, suspense payments; provided, however, that this shall exclude the current assets relating to contractual positions and rights and obligations incidental thereto which shall not be transferred from JGC to Nikki Global, pursuant to the provision of 3. "Contractual Positions and Rights and Obligations to be Transferred" of this Exhibit.

(2) Non-current assets

Any and all non-current assets related to the Business, including property, plant and equipment, intangible assets, and investments and other assets; provided, however, that this shall exclude non-current assets relating to contractual positions and rights and obligations incidental thereto which shall not be transferred from JGC to Nikki Global pursuant to the provision of 3. "Contractual Positions and Rights and Obligations to be Transferred" of this Exhibit, the land and buildings of the Research & Development Center (2205, Narita-cho, Oarai-machi, HigashiIbaraki-gun, Ibaraki Prefecture), shares or equity in unlisted companies (excludes project-specific subsidiaries), shares or equity in project-specific subsidiaries that are dormant or in liquidation, and the new book management system.

2. Liabilities to be Transferred

Liabilities below owned in relation to the Business

(1) Current liabilities

Any and all current liabilities related to the Business, including accounts payable for construction contracts, accounts payable – other, advances received on uncompleted construction contracts; provided, however, that this shall exclude the current liabilities and short-term loans payable relating to contractual positions and rights and obligations incidental thereto which shall not be transferred from JGC to Nikki Global, pursuant to the provision of 3. "Contractual Positions and Rights and Obligations to be Transferred" of this Exhibit.

(2) Non-current liabilities

Any and all non-current liabilities related to the Business; provided, however, that this shall exclude the non-current liabilities, corporate bonds, and long-term loans payable relating to contractual positions and rights and obligations incidental thereto which shall not be transferred from JGC to Nikki Global, pursuant to the provision of 3. "Contractual Positions and Rights and Obligations to be Transferred" of this Exhibit.

3. Contractual Positions and Rights and Obligations to be Transferred

Any and all contracts and any and all other contractual positions and any and all other rights and obligations arising on the basis of such contracts relating to the Business in relation to construction outsourcing agreements, design agreements, equipment supply agreements, basic transaction agreements, business outsourcing agreements, rental agreements, lease agreements, and intellectual property rights such as license agreements, etc. (includes know-how, the same shall apply hereinafter) that JGC has concluded relating to the Business; provided, however, that this shall exclude contracts concluded jointly or in common with the Business and businesses other than the Business, guarantee contracts concluded by JGC, contracts for which a change in the corporate status of the contracting entity is not permitted pursuant to laws and other regulations, contracts for which a transfer of contractual position is prohibited under the contract, and those contracts which require a reacquisition of permits, etc., for a transfer of contractual position and for which the reacquisition of the permits cannot be completed before the Effective Date of the Split, and other contracts with orderers which the service provision has been completed, or which JGC has judged it necessary to hold taking into account the relationship with the counterparty to such contracts and contracts with subcontractors pursuant to such a contract.

4. Employment Agreements, Etc. to be Transferred

The contractual positions as well as the rights and obligations incidental thereto and any and all other agreements relating to employment agreements with the employees of JGC, who are principally engaged in the Business on the Effective Date as a result of the Split; provided, however, that this shall exclude the contractual positions as well as the rights and obligations incidental thereto and any and all other agreements relating to employment agreements with employees who fall into the grade classifications of G2 and G1 junior employee as defined in the Company Rules of JGC.

5. Intellectual Property Rights

Patents, utility models, trademarks, design rights, copyrights, and other intellectual property rights that are held by JGC primarily related to the Business.

6. Licenses, Approvals, Etc.

Licenses, approvals, authorizations, registrations, filings, etc. related to the Business that are allowed to be succeeded under laws and regulations.

7. Others

Those rights and obligations to be transferred that transfer would be difficult under laws and regulations or by the request from relevant regulatory authorities, may be excluded from the rights and obligations to be transferred.

(2) Absorption-Type Company Split Agreement (Copy) (JGC Plant Innovation Co., Ltd.)

Absorption-Type Company Split Agreement

This Absorption-Type Company Split Agreement (hereinafter the “Agreement”) is made and entered into by and between JGC CORPORATION (“JGC”) and JGC Plant Innovation Co., Ltd. (“JPI”) as follows with respect to the absorption-type company split (hereinafter the “Split”) through which JGC transfers a part of its rights and obligations in its business to JPI.

Article 1 Absorption-Type Company Split

Pursuant to the Split, JGC shall transfer to JPI, and JPI shall succeed to the rights and obligations set forth in Article 3 with respect to the businesses operated by JGC related to domestic EPC (Engineering, Procurement and Construction) business (hereinafter the “Business”).

Article 2 Trade Name and Address of Companies Involved in the Split

The trade name and address of the companies involved in the Split are as follows:

(1) Splitting Company in Absorption-Type Company Split

Trade name: JGC CORPORATION

(scheduled to change the trade name to “JGC HOLDINGS CORPORATION” on October 1, 2019)

Address: 2-3-1, Minato Mirai, Nishi-ku, Yokohama, Kanagawa

(2) Succeeding Company in Absorption-Type Company Split

Trade name: JGC Plant Innovation Co., Ltd.

(scheduled to change the trade name to "JGC JAPAN CORPORATION" on October 1, 2019)

Address: 2-3-1, Minato Mirai, Nishi-ku, Yokohama, Kanagawa

Article 3 Rights and Obligations to be Transferred

1. The rights and obligations to be transferred from JGC to JPI through the Split (hereinafter the "Rights and Obligations to be Transferred") are set forth in Exhibit "Details of Rights and Obligations to be Transferred."
2. JPI's succession to all the liabilities from JGC pursuant to the provisions of the above paragraph shall be based on the assumption of joint and concurrent obligation method; provided, however, that if JGC performs or otherwise assumes the liabilities to be succeeded, JGC may claim compensation for all the amount assumed by JGC to JPI.

Article 4 Consideration for the Split

Upon the Split, JPI shall issue 2,000 common shares of JPI, and deliver all of them to JGC in exchange for the Rights and Obligations to be Transferred.

Article 5 Amounts of Capital Stock, Etc. of JPI

The amounts of JPI's capital stock and legal capital surplus to be increased by the Split shall be as follows; provided, however, that JGC and JPI may change such amounts upon mutual consultation, in accordance with the status of assets and liabilities of the Business as of the date on which the Split takes effect (hereinafter the "Effective Date"):

(1) Capital stock: ¥170 million

(2) Legal capital surplus: ¥0

(3) Other capital surplus: the change in equity less the amounts of the preceding items

(4) Legal retained earnings: ¥0

Article 6 Effective Date

The effective date of the Split shall be October 1, 2019; provided, however, that JGC and JPI may change the date by agreement upon mutual consultation when necessary.

Article 7 Approval of the General Shareholders' Meeting

JGC and JPI shall hold a General Shareholders' Meeting by the day immediately preceding the Effective Date to obtain approval for this Agreement and the matters necessary for the Split by resolution at each General Shareholders' Meeting.

Article 8 Non-Competition Duties

Even from the Effective Date onwards, JGC shall not bear non-competition duties with regard to the Business.

Article 9 Management, Etc. of Company Properties

JGC and JPI shall execute business operations, and manage and administer properties, with the duty of due care, from the conclusion of the Agreement to the Effective Date, and if they engage in any act which may significantly impact their properties and rights and obligations, they shall do so by agreement upon prior mutual consultation.

Article 10 Change of Conditions for or Cancellation of the Split

If any significant change arises to the status of properties or business management of JGC or JPI due to natural disaster or any other events during the period from the conclusion of the Agreement to the Effective Date, if any circumstance causing a significant obstacle to the execution of the Split arises or is revealed, or otherwise if it becomes significantly difficult to fulfill the purposes of the Agreement, JGC and JPI may change the conditions for the Split or contents of this Agreement, or cancel this Agreement upon mutual consultation.

Article 11 Effect of the Agreement

This Agreement shall be null and void in the event that this Agreement is not approved at a General Shareholders' Meeting of JGC or JPI as provided for in Article 7, or the approval by the relevant regulatory authorities as provided for by laws and regulations is not obtained by the day immediately preceding the Effective Date.

Article 12 Matters for Consultation

JGC and JPI shall determine any matters necessary in relation to the Split, in addition to those set forth in the Agreement, upon mutual consultation pursuant to the purpose of the Agreement.

IN WITNESS WHEREOF, JGC and JPI have executed the Agreement in duplicate by affixing their names and seals thereto, and each shall retain one (1) copy hereof.

May 14, 2019

JGC: JGC CORPORATION
2-3-1, Minato Mirai, Nishi-ku, Yokohama, Kanagawa
Masayuki Sato, Representative Director and Chairman, Chief Executive Officer

JPI: JGC Plant Innovation Co., Ltd.
2-3-1, Minato Mirai, Nishi-ku, Yokohama, Kanagawa
Syoji Yamada, President and Representative Director

Exhibit

Details of Rights and Obligations to be Transferred

As of the Effective Date, assets, liabilities, employment agreements, and any other rights and obligations to which JPI will succeed from JGC shall be as follows. Assets and liabilities to which JPI will succeed from JGC shall be based on JGC's balance sheet values and other figures as of March 31, 2019, and be determined after adding or subtracting any increase/decrease up to the day immediately preceding the Effective Date, to or from such values and figures.

1. Assets to be Transferred

Assets below owned in relation to the Business

(1) Current assets

Any and all current assets related to the Business, including cash and deposits, notes receivable – trade, accounts receivable from completed construction contracts, costs on uncompleted construction contracts, deferred tax assets, suspense payments; provided, however, that this shall exclude the current assets relating to contractual positions and rights and obligations incidental thereto which shall not be transferred from JGC to JPI, pursuant to the provision of 3. "Contractual Positions and Rights and Obligations to be Transferred" of this Exhibit.

(2) Non-current assets

Any and all non-current assets related to the Business, including property, plant and equipment, intangible assets, and investments and other assets; provided, however, that this shall exclude non-current assets relating to contractual positions and rights and obligations incidental thereto which shall not be transferred from JGC to JPI pursuant to the provision of 3. "Contractual Positions and Rights and Obligations to be Transferred" of this Exhibit, shares and equity in operating companies under the control of the Healthcare Business Dept., in the Domestic Infrastructure Project Division, and the new book management system.

2. Liabilities to be Transferred

Liabilities below owned in relation to the Business

(1) Current liabilities

Any and all current liabilities related to the Business, including accounts payable for construction contracts, accounts payable – other, advances received on uncompleted construction contracts; provided, however, that this shall exclude the current liabilities and short-term loans payable relating to contractual positions and rights and obligations incidental thereto which shall not be transferred from JGC to JPI, pursuant to the provision of 3. “Contractual Positions and Rights and Obligations to be Transferred” of this Exhibit.

(2) Non-current liabilities

Any and all non-current liabilities related to the Business; provided, however, that this shall exclude the non-current liabilities, corporate bonds, and long-term loans payable relating to contractual positions and rights and obligations incidental thereto which shall not be transferred from JGC to JPI, pursuant to the provision of 3. “Contractual Positions and Rights and Obligations to be Transferred” of this Exhibit.

3. Contractual Positions and Rights and Obligations to be Transferred

Any and all contracts and any and all other contractual positions and any and all other rights and obligations arising on the basis of such contracts relating to the Business in relation to construction outsourcing agreements, design agreements, equipment supply agreements, basic transaction agreements, business outsourcing agreements, rental agreements, lease agreements, and intellectual property rights such as license agreements, etc. (includes know-how, the same shall apply hereinafter) that JGC has concluded relating to the Business; provided, however, that this shall exclude contracts concluded jointly or in common with the Business and businesses other than the Business, guarantee contracts concluded by JGC, contracts for which a change in the corporate status of the contracting entity is not permitted pursuant to laws and other regulations, contracts for which a transfer of contractual position is prohibited under the contract, and those contracts which require a reacquisition of permits, etc., for a transfer of contractual position and for which the reacquisition of the permits cannot be completed before the Effective Date of the Split.

4. Employment Agreements, Etc. to be Transferred

The contractual positions as well as the rights and obligations incidental thereto and any and all other agreements relating to employment agreements with the employees of JGC, who are principally engaged in the Business on the Effective Date as a result of the Split; provided, however, that this shall exclude the contractual positions as well as the rights and obligations incidental thereto and any and all other agreements relating to employment agreements with employees who fall into the grade classifications of G2 and G1 junior employee as defined in the Company Rules of JGC.

5. Intellectual Property Rights

Patents, utility models, trademarks, design rights, copyrights, and other intellectual property rights that are held by JGC primarily related to the Business.

6. Licenses, Approvals, Etc.

Licenses, approvals, authorizations, registrations, filings, etc. related to the Business that are allowed to be succeeded under laws and regulations.

7. Others

Those rights and obligations to be transferred the transfer of which would be difficult under laws and regulations or by the request from relevant regulatory authorities, may be excluded from the rights and obligations to be transferred.

2. Overview of Matters Stipulated in items of Article 183 of the Regulation for Enforcement of the Companies Act.

(1) Matters concerning the appropriateness of the number of shares delivered by each succeeding company to the company splitting in the absorption-type company split and the amount of capital and reserves of the succeeding companies

(i) Number of shares delivered by succeeding companies to the company splitting in the absorption-type company split due to the absorption-type company split

It is provided for that each succeeding company shall newly issue common shares as follows for the absorption-type company split, and deliver all of these to the Company, which is the company splitting in the absorption-type company split. The number of shares delivered by the succeeding companies to the company splitting in the absorption-type company split has been determined through mutual consultation by both parties and found to be appropriate because each succeeding company is a wholly-owned subsidiary of the company splitting in the absorption-type company split, and all of the shares issued by the succeeding companies in the absorption-type company split will be delivered to the company splitting in the absorption-type company split.

Name of succeeding company	Number of shares issued in the company split
Nikki Global	5,000 shares
JPI	2,000 shares

(ii) Matters concerning the amount of capital and reserves of the succeeding companies

The amounts of capital and reserves of each of the succeeding companies which will increase as a result of the absorption-type company split are as follows, and are found to be appropriate in light of the content of business after the absorption-type company split and the assets and liabilities succeeded from the Company.

Name of succeeding company	Capital	Legal capital surplus	Legal retained earnings
Nikki Global	¥ 950 million	¥ 0	¥ 0
JPI	¥ 170 million	¥ 0	¥ 0

(2) Details of the financial statements, etc. of each succeeding company

(i) Nikki Global Kabushiki Kaisha

Nikki Global, which is a succeeding company, does not have a finalized "last business year" because it is a company that was established on April 8, 2019. The balance sheet as of the date of establishment of the succeeding company is as follows:

Item	Amount	Item	Amount
Assets		Net Assets	
Cash and deposits	¥ 50 million	Capital	¥ 50 million
Total assets	¥ 50 million	Total liabilities and net assets	¥ 50 million

(ii) JGC Plant Innovation Co., Ltd. (As of March 31, 2018)

The details of the financial statements, etc. of JPI, which is a succeeding company, for its last business year are as follows.

Business Report for the 18th Term
From April 1, 2017 to March 31, 2018

I. Current Status of Business

1. Business overview

During the fiscal year ended March 31, 2018, the Japanese economy demonstrated a strong performance, better than its positive performance in the previous fiscal year, as corporate earnings continued to improve backed by export-driven economic expansion and the Nikkei Stock Average recording its highest level in 26 years in January this year. There has also been an abundance of positive factors, including an expansion in exports and production and labor shortages which again encourages capital investment, including investment for labor saving, following on from the fiscal year under review, and the stimulation of personal consumption by rising wages due to the tight supply and demand for labor. The impact of trade friction between the U.S. and China is a concern, but the risk of increases in tariffs is currently considered minor on the macro level. However, the Japanese economy is expected to maintain its trend of expansion due to such factors as the continuation of the monetary easing policy and the expectation of a rush in demand from around the end of the fiscal year ending March 31, 2019, ahead of the consumption tax hike in October 2019. The international economy showed improvement in both developed and emerging countries backed by monetary easing policies and the recovery in resource prices despite political and geopolitical instability, such as the Trump administration's lack of policy clarity, the changes in the North Korean situation, the difficulties in the Brexit negotiations between the EU and the U.K., and China's reversion to socialism. Steady growth is expected to continue in the fiscal year ending March 31, 2019 due to such factors as promotion of deregulation, particularly reductions in corporate tax and income tax in the U.S. and continued economic expansion led by internal demand and exports in Europe and ASEAN even though there are downside factors that include the cycle of resource price recovery in emerging countries and structural reform in China.

In terms of the market, demand has remained strong in the domestic construction industry related to earthquake reconstruction, the 2020 Tokyo Olympic Games, and countermeasures to the aging of large-scale infrastructure among other factors. On the other hand, faced with the risks of construction worker shortages, rising personnel expenses and the aging of workers, human resource shortages are likely to become even more serious going forward. In addition, amid rising environmental awareness, the renewable energy market also continues to be a promising target. In particular, Japan has the lowest adoption rate of renewable energy among developed countries, and although there are various issues that need to be overcome for its introduction, it still has great potential as a market. Overseas, crude oil prices, which have been unstable due to oversupply for the past few years, have stabilized owing to an agreement between oil producing countries to reduce production. As the deadline for reducing production has been extended until December 31, 2018, it is expected that the trend of stability in prices will continue throughout the year. The overseas plant engineering market has also been recovering with the stability in crude oil prices, and overseas orders received at the leading Japanese plant engineering companies were strong during the fiscal year under review, with further growth expected during the fiscal year ending March 31, 2019. In particular, the construction of LNG terminals and social infrastructure projects in Asia accompanying rising demand for electricity and environmental measures, construction of oil refineries in Middle East oil producing countries, and energy projects in the U.S. are expected to start moving. The fiscal year ending March 31, 2019 has the potential for an abundance of major business opportunities for companies in the plant engineering business. At the same time, faced with the limitation of worker shortages, job execution capability will be under more severe scrutiny than ever before, and competition for survival is expected to intensify.

Under such circumstances, in the domestic business, although it tended to contract because it was a modest year for maintenance and diagnosis projects, we secured high profits and a high profit margin for the fiscal year under review due to profitable testing for external corrosion accompanying the aging of chemical plants and facilities, including the Yokkaichi Plant of Mitsubishi Chemical Corporation, and large-scale SDM projects, including the Fuji Oil Company, Ltd., Sodegaura Refinery FOC fiscal 2017 SDM project and the Idemitsu Kosan Co., Ltd. Chiba Complex fiscal 2017 BTX SDM project. Moreover, for solar power generation (mega-solar) construction projects, while existing large-scale jobs are coming to an end, the Power Plant Matsusaka Shomachi construction project in Mie Prefecture for Succeed Matsusaka Shomachi LLC (Sojitz Corporation) ordered in March 2016 and the mega-solar park construction project in Osatocho, Miyagi Prefecture for ES NPV2 LLC (EverStream Capital Management LLC) progressed steadily while a new order was received for the construction of a solar power plant at Yamagawa, Ibusuki City, Kagoshima Prefecture for Mirai Soden Ibusuki Yamagawa LLC (Sojitz Corporation).

In the overseas sector, the Malaysia T7NJ-PAF project executed through a joint venture with JGC CORPORATION successfully finished construction with excellent performance in terms of the delivery date, safety figures, and profit. The Malaysia MDR project proceeded smoothly, completing the portion of the TA construction for the period under review on schedule. In the Algeria HMD-S project, construction got on track, but, on the profit front, a huge loss was recorded following on from the fiscal year ended March 31, 2017, which had a major impact on the Company's financial results.

As a result, net sales of completed construction contracts increased ¥410 million year on year to ¥49,440 million, operating profit decreased ¥1,660 million year on year to ¥5,000 million, ordinary profit decreased ¥1,630 million year on year to ¥5,210 million, profit decreased ¥1,190 million year on year to ¥3,640 million.

		FY2013	FY2014	FY2015	FY2016	FY2017
Net sales of completed construction contracts	(Thousand yen)	46,678,740	53,241,249	57,161,450	49,034,683	49,448,465
Operating profit	(Thousand yen)	2,698,658	4,015,113	5,844,054	6,668,336	5,001,848
Ordinary profit	(Thousand yen)	2,773,355	4,229,072	6,022,317	6,851,469	5,214,442
Profit	(Thousand yen)	1,613,764	2,736,096	4,495,389	4,838,500	3,644,119
Earnings per share	(Yen)	201,720.57	342,012.00	561,923.73	604,812.61	455,514.98
Total assets	(Thousand yen)	34,627,629	38,956,373	38,668,173	37,007,007	38,939,888

* The figures of FY2013 excluded figures for JGC Plantech Co., Ltd. from April to June.

2. Issues to be addressed and future prospects of JPI

(1) Domestic Maintenance Sector

Chronic human resource shortages for supervisors and workers and rising labor costs have become marked. However, an improved market is anticipated due to facility consolidation and streamlining aimed at creating customer synergies through the integration of major oil refiner-distributors. In addition, domestic petrochemical and chemical plants are aging, having been in operation for over fifty years, and there has been an increase in maintenance and diagnosis projects with a focus on energy conservation, improved efficiency, and stable operation of facilities. JPI will utilize this as a good opportunity for striving to win further orders by reinforcing its customer and territory base through maintenance and expansion of its existing permanent on-site operations and achieving support in two services (maintenance and diagnosis) for the same customer. In addition, JPI will strive to improve quality and develop human resources in order to achieve high availability, high efficiency, and quick delivery construction while strengthening competitiveness, achieving differentiation from competitors, and focusing on expanding profit.

(2) Renewable Energy Sector

In addition to steadily proceeding with jobs for existing orders and striving to win ongoing orders in the solar power sector, JPI will position and actively promote new sectors such as wind power as the main domestic EPC market going forward.

(3) Overseas Sector

For joint venture jobs currently being executed, JPI will focus on securing and improving profit while implementing jobs smoothly with a strong sense of responsibility and a professional mindset as an executor that takes projects to completion.

Following the completion of joint venture jobs, JPI will change its business model policy and contribute to rebuilding the core EPC business, which is a pressing issue for the JGC Group, in the form of operational support for overseas jobs with an even stronger sense of unity with JGC CORPORATION.

II. Company Overview

1. Business

JPI is the holder of a special construction business license granted by the Minister of Land, Infrastructure, Transport and Tourism under the Construction Business Act (License No. (Toku-27) 21372), and the holder of a general worker dispatching undertaking license granted by the Minister of Health, Labour and Welfare under the Act for Securing the Proper Operation of Worker Dispatching Undertakings and Improved Working Conditions for Dispatched Workers (License No. ha 14-010161), and the holder of an employment placement business license granted by the Minister of Health, Labour and Welfare under the Employment Security Act (License No. 14-yu-010122). It engages in inspection, engineering, procurement, construction, operation, safety and maintenance management, and incidental business, of facilities related to oil refineries, petrochemicals and chemicals, power generation, LNG and gas processing-related energy, pharmaceuticals, food, and research, healthcare and welfare, social, and commercial facilities, industrial plant environmental safety, and infrastructure as well as professional staffing and private employment placement services.

2. Office

Head office: 2-3-1, Minato Mirai, Nishi-ku Yokohama, Kanagawa (Queen's Tower A)

3. Status of employees (as of March 31, 2018)

Category	Number of employees	Year-on-year change	Average age
Employee serving concurrently as executive officer	2	(1)	61.05
Regular employee (Men)	*801	(50)	46.00
Regular employee (Women)	*109	(28)	54.74
Part time and casual worker	23	(14)	68.07
Total	935	(93)	46.07

* The above figures included 7 employees seconded from JGC CORPORATION, 1 employee from a company other than JGC CORPORATION, and 12 employees seconded to other companies. Figures after the decimal point in Average age show "age in months."

4. Status of shares

Number of shares

Total number of shares authorized to be issued: 26,000 shares
Number of shares issued: 8,000 shares

Major shareholders

Name of Shareholders	Number of shares held	Ratios of voting rights
JGC CORPORATION	8,000	100%

5. Directors and Audit & Supervisory Board Member

President and Representative Director: Kenichi Yoshida
Executive Vice President and Director: Makoto Miyamoto

Managing Director:	Masahiko Matsuno
Director:	Yoshikatsu Kutsumi
Director:	Yasushi Sato
Audit & Supervisory Board Member:	Takayuki Mogaki

6. Accounting Auditor
Name of accounting auditor: KPMG AZSA LLC
Amount of remuneration, etc. for the accounting auditor during the fiscal year under review: 17,500 thousand yen

Overview of Operational Status of Internal Control System

1. System to ensure the appropriate and efficient execution of duties of Directors
The Directors of JPI execute their duties appropriately and efficiently based on the Rules on Delegation of Authority. At the meetings of the Board of Directors, they discuss and decide on important management matters and report on, supervise, and give advice on the status of the business execution. In addition, JPI has established a system that the Board of Directors delegates its authorities to Executive Officers to a certain level, and therefore can make decisions and execute business rapidly and flexibly. Moreover, in the management meeting, which is a meeting held twice a month in order to supplement the Board of Directors and all Directors, Audit & Supervisory Board Member and Executive Officers attend the meeting, we confirm the status of business execution of Directors, discuss and decide on the important management matters, etc., and share information on necessary matters. These meetings are held and managed based on the internal rules, and the minutes and related materials are appropriately distributed and maintained in accordance with the laws and regulations and internal rules.

2. System to ensure the execution of duties complies with the laws and regulations and the Articles of Incorporation
The Company has formulated the JPI Management Philosophy and the JPI Management Policy reflecting "The JGC Way" and the JGC Group Code of Business Conduct, and engages in management that aspires for sound corporate development based on compliance. In addition, JPI's Conduct Manual stipulates that compliance with laws, regulations, and rules and fair and transparent corporate activities are the rules that officers and all employees must observe, and corporate activities are conducted in line with these rules. Furthermore, we provide a comprehensive compliance education system, including grade-specific and departmental training for new employees through to the manager class, and continually strive to foster and enhance companywide awareness of compliance. We have also set up an internal consultation and reporting hotline system to establish a system that not only resolves problems that have appeared but also prevents the materialization of problems by constantly listening to employees directly. With regard to the system, the Consultation Hotline System Rules stipulate that a person who makes a report will not be subjected to any kind of disadvantageous treatment due to having made that report. Pursuant to the Financial Instruments and Exchange Act, the Compliance Office conducts internal control assessments and evaluation of companywide account closing and financial reporting processes, which it reports to JPI's parent company and receives confirmation including that of the Accounting Audit & Supervisory Board Member. JPI's Conduct Manual stipulates the resolute refusal of relationships with anti-social forces, and we have implemented a corporate policy of total non-involvement in practical terms by including exclusion clauses in all kinds of contracts as much as possible.

3. Regulation concerning management for risk of loss and other system
JPI has established a system for deliberating, making decisions, and sharing information whereby deliberations are held in management meetings on important management matters that may lead to loss for the Company, and those matters for which the Representative Director determines there is a particular need are reported to the Board of Directors. The General Affairs Department takes the lead in crisis management, and, particularly in terms of responding to a large-scale earthquake, we have adopted a system for confirming and reviewing the content of disaster preparedness plans and disaster prevention rules, regular replacement of disaster prevention supplies and implementation of on-site drills, and the continuous upgrading of response capabilities in the event of an earthquake.

4. System to ensure appropriate operations in the corporate group
JPI has established a system that the Director or Audit & Supervisory Board Member of JPI attend the meetings of its subsidiaries' Board of Directors and receive reports on important management matters and status of the business execution.
Also the General Managers of JPI regularly visit subsidiaries on business trips to receive reports on the execution of operations in addition to providing opportunities for interaction with those engaged in the actual execution of operations, which helps to achieve the rationalization and streamlining of operations as a group. JPI regularly provides reports to its parent company in the form of quarterly compliance reports, risk management evaluation reports, and other reports.

5. System to ensure effective auditing by Audit & Supervisory Board Member
The Audit & Supervisory Board Member of JPI receives reports periodically on the important management matters and status of the business execution of Directors by attending the meetings of the Board of Directors. He also attends management meetings when necessary, and shares information about the important management decision-making processes and status of the business execution. In addition, the Audit & Supervisory Board Member conducts monitoring of financial statements and other statements, and auditing of business execution of Directors, based on the laws and regulations, basic policy of internal control, and internal rules. He also exchanges information with the Accounting Auditor periodically, communicates with the Accounting Department, General Affairs Department, and Compliance Office, whenever necessary, and strives to detect risks at an early stage. As for the operations of Audit & Supervisory Board Member, JPI stipulates in its internal rules that it can assign a staff to assist Audit & Supervisory Board Member, and bear the associated costs.

End

Supplementary Schedules of Business Report for the 18th Term
From April 1, 2017 to March 31, 2018

1. Details of JPI's officers who concurrently hold positions as a director who executes the business at other companies
   Not applicable.

Financial Statements for the 18th Term
From April 1, 2017 to March 31, 2018

Balance Sheet
(as of March 31, 2018)

(Thousands of yen)

Assets		Liabilities	
I. Current assets	37,379,568	I. Current liabilities	12,776,036
Cash and deposits	30,910	Accounts payable for construction contracts	6,620,061
Notes receivable - trade	50,222	Accounts payable - other	598,548
Accounts receivable from completed construction contracts	21,296,160	Income taxes payable	513,756
Costs on uncompleted construction contracts	981,978	Accrued consumption taxes	428,872
Short-term loans receivable	13,553,393	Advances received on uncompleted construction contracts	1,682,494
Accounts receivable - other	453,701	Provision for bonuses	945,555
Prepaid expenses	47,715	Provision for bonuses for directors (and other officers)	28,500
Deferred tax assets	928,413	Provision for loss on construction contracts	1,707,796
Other	37,071	Provision for warranties for completed construction	179,000
		Other	71,452
II. Non-current assets	1,560,319	II. Non-current liabilities	94,677
1. Property, plant and equipment	511,781	Provision for retirement benefits	23,305
Buildings	141,377	Provision for retirement benefits for directors (and other officers)	57,081
Facilities attached to buildings	42,787	Deferred tax liabilities	14,290
Structures	3,023		
Machinery and equipment	13,757		
Vehicles	17		
Tools, furniture and fixtures	35,262		
Land	275,555	Total liabilities	12,870,714
2. Intangible assets	136,115	Net assets	
Software	121,870	I. Shareholders' equity	26,015,183
Software in progress	14,245	1. Capital stock	830,000
		2. Capital surplus	485,000
3. Investments and other assets	912,422	Legal capital surplus	485,000
Investment securities	129,688	3. Retained earnings	24,700,183
Shares of subsidiaries and associates	403,851	(1) Legal retained earnings	83,750
Long-term accounts receivable - other	111,250	(2) Other retained earnings	24,616,433
Golf club membership	17,250	Reserve for advanced depreciation of non-current assets	36,927
Leasehold and security deposits	345,700	General reserve	20,925,600
Long-term prepaid expenses	17,776	Retained earnings brought forward	3,653,906
Other	75	II. Valuation and translation adjustments	53,990
Allowance for doubtful accounts	(113,170)	Valuation difference on available-for-sale securities	53,990
		Total net assets	26,069,174
Total assets	38,939,888	Total liabilities and net assets	38,939,888

Statement of income
(From April 1, 2017 to March 31, 2018)

(Thousands of yen)

Item	Amount	
I. Net sales of completed construction contracts	49,448,465	49,448,465
II. Cost of sales of completed construction contracts	43,769,847	43,769,847
Gross profit on completed construction contracts		5,678,618
III. Selling, general and administrative expenses	676,769	676,769
Operating profit		5,001,848
IV. Non-operating income		
Interest income	3,860	
Dividend income	188,689	
Revenue - lease	4,732	
Foreign exchange gains	120	
Reversal of allowance for loan losses	11,000	
Miscellaneous income	10,331	218,734
V. Non-operating expenses		
Rent expenses	4,273	
Miscellaneous expenses	1,866	6,140
Ordinary profit		5,214,442
VI. Extraordinary income		
Gain on sales of non-current assets	28	28
VII. Extraordinary losses		
Loss on retirement of non-current assets	25,450	
Litigation settlement	34,072	59,522
Profit before income taxes		5,154,948
Income taxes - current		1,651,709
Income taxes - deferred		(140,881)
Profit		3,644,119

Statement of changes in equity
(From April 1, 2017 to March 31, 2018)

(Thousands of yen)

	Shareholders' equity						
		Capital surplus	Retained earnings				
				Other retained earnings			
	Capital stock	Legal capital surplus	Legal retained earnings	Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	Total retained earnings
Balance at beginning of current period	830,000	485,000	83,750	38,517	18,825,600	4,808,196	23,756,063
Changes of items during period							
Dividends of surplus						(2,700,000)	(2,700,000)
Provision of general reserve					2,100,000	(2,100,000)	–
Profit						3,644,119	3,644,119
Provision of reserve for advanced depreciation of non-current assets				(1,590)		1,590	–
Net changes of items other than shareholders' equity							
Total changes of items during period	–	–	–	(1,590)	2,100,000	(1,154,289)	944,119
Balance at end of current period	830,000	485,000	83,750	36,927	20,925,600	3,653,906	24,700,183

	Shareholders' equity	Valuation and translation adjustments	Total net assets
	Total shareholders' equity	Valuation difference on available-for-sale securities	
Balance at beginning of current period	25,071,063	37,135	25,108,199
Changes of items during period			
Dividends of surplus	(2,700,000)		(2,700,000)
Provision of general reserve	–		–
Profit	3,644,119		3,644,119
Provision of reserve for advanced depreciation of non-current assets	–		–
Net changes of items other than shareholders' equity		16,854	16,854
Total changes of items during period	944,119	16,854	960,974
Balance at end of current period	26,015,183	53,990	26,069,174

Notes to Non-consolidated Financial Statements for the fiscal year ended March 31, 2018

1. Notes on Important Accounting Policies

(1) Valuation basis and method for assets

Costs on uncompleted construction contracts

Stated at cost determined by the specific identification method.

Other securities

Securities with market value

Stated at fair value based on the market prices at the end of the fiscal year (Valuation differences are included in a separate component of net assets; cost of securities sold is determined by the moving average method).

Securities without market value

Stated at cost determined by the moving average method.

Shares of subsidiaries and associates

Stated at cost.

Net receivables (and payables) arising from derivative transactions

Stated at fair value.

(2) Depreciation method for non-current assets

(i) Property, plant and equipment

Depreciation is computed by the declining-balance method while the straight-line method is applied to buildings, and facilities attached to buildings and structures acquired on or after April 1, 2016.

(ii) Intangible assets

The straight-line method is applied.

(3) Method of recording allowance and provisions

(i) Allowance for doubtful accounts

In order to provide for possible losses on uncollectable receivables, for general receivables, the amount is recorded using the historical loan loss ratio, and for specific receivables such as highly doubtful receivables, the estimated uncollectable amount is recorded by individually considering the collectability.

(ii) Provision for bonuses

In order to provide for bonuses to be paid to employees, of the estimated amount of bonuses to be paid in the future, the amount paid as at the end of the current fiscal year is recorded.

(iii) Provision for warranties for completed construction

In order to provide for warranty expenses for completed construction and others, the amount based on estimated future warranties for completed construction contracts is recorded.

(iv) Provision for loss on construction contracts

In order to provide for losses on construction contracts, of construction contracts that have not been delivered as at the end of the current fiscal year, the unrealized portion of construction contracts on which a loss is expected to occur and the amount of the loss can be reasonably estimated is recorded as the provision.

(v) Provision for retirement benefits

In order to provide for payment of retirement benefits to employees, 100% of the amount to be required at the year-end for persons who remain in the lump-sum retirement benefit plan is recorded.

(vi) Provision for retirement benefits for directors (and other officers)

In order to provide for payment of retirement benefits for directors (and other officers), the amount to be required at the year-end in accordance with the internal regulations is recorded.

(vii) Provision for bonuses for directors (and other officers)

In order to provide for payment of bonuses to directors (and other officers), the amount to be paid for the current fiscal year is recorded based on the estimated amount of payment.

(4) Basis for recording completed construction contracts

The percentage of completion method is applied to construction contracts if the outcome of the progress in construction up to the end of the current fiscal year is deemed certain (degree of progress in construction is estimated using the cost-to-cost method). The completion basis is applied to other construction contracts.

(5) Accounting treatment for consumption taxes and others

Consumption taxes and others are accounted for by the tax exclusion method.

(6) Hedge accounting method

With regard to the hedge accounting for foreign currency monetary receivables and payables and foreign currency forecast transactions, designated hedge accounting (*furiate shori:* accounting method in which the difference of amount using the current and forward rate is allocated by period length for the calculation at the accounting period) is employed for those which satisfy the requirements for *furiate shori*, and otherwise deferred hedge accounting is applied.

(7) Basis for translating foreign currency assets or liabilities into Japanese yen

Foreign currency monetary assets and liabilities are translated into Japanese yen using the spot exchange rate on the balance sheet date and any exchange difference is accounted for as profit or loss.

2. Notes on Balance Sheet

(1) Accumulated depreciation of property, plant and equipment ¥849,172 thousand

(2) Monetary receivables from and monetary payables to subsidiaries and associates

(i) Short-term monetary receivables ¥22,385,735 thousand

(ii) Short-term monetary payables ¥291,240 thousand

3. Notes on Statement of Income

(1) Volume of transactions with subsidiaries and associates

(i) Net sales of completed construction contracts ¥20,858,356 thousand

(ii) Cost of sales of completed construction contracts and others ¥579,343 thousand

(iii) Volume of transactions other than business transactions

Interest income ¥3,858 thousand

Dividend income ¥186,000 thousand

Miscellaneous income ¥10,847 thousand

(2) Provision for loss on construction contracts included in cost of sales of completed construction contracts ¥1,685,230 thousand

4. Notes on Statement of Changes in Equity

(1) Number of shares issued as at the end of the fiscal year

Common stock: 8,000 shares

(2) Matters concerning dividends of surplus paid during the period

At the Ordinary General Shareholders' Meeting on June 21, 2017, the resolution was adopted as follows:

(i) Total amount of dividends: ¥2,700,000 thousand

(ii) Dividend resource: Dividends from retained earnings

(iii) Dividend per share: ¥337,500
(iv) Record date: March 31, 2017
(v) Effective date: June 22, 2017

(3) Of dividends whose record date falls during the current fiscal year, those dividends whose effective date falls in the next fiscal year

At the Ordinary General Shareholders' Meeting on June 22, 2018, the resolution is planned to be adopted as follows:

(i) Total amount of dividends: ¥2,160,000 thousand
(ii) Dividend resource: Dividends from retained earnings
(iii) Dividend per share: ¥270,000
(iv) Record date: March 31, 2018
(v) Effective date: June 25, 2018

5. Notes on Tax Effect Accounting

(1) Breakdown of deferred tax assets and liabilities by major causes for occurrence

(i) Deferred tax assets (current)

Provision for bonuses	¥286,597 thousand
Provision for loss on construction contracts	¥517,632 thousand
Provision for warranties for completed construction	¥54,254 thousand
Accrued enterprise tax	¥37,065 thousand
Other	¥57,561 thousand
Subtotal	¥953,112 thousand
Valuation allowance	¥(8,638) thousand
Total deferred tax assets (current)	¥944,474 thousand
Deferred tax liabilities	
Reserve for advanced depreciation of non-current assets	¥(16,060) thousand
Total deferred tax liabilities	¥(16,060) thousand
Deferred tax assets, net (current)	¥928,413 thousand

(ii) Deferred tax assets (non-current)

Shares of subsidiaries and associates	¥114,891 thousand
Allowance for doubtful accounts	¥33,719 thousand
Other	¥13,201 thousand
Subtotal	¥161,813 thousand
Valuation allowance	¥(152,621) thousand
Total deferred tax assets (non-current)	¥9,191 thousand
Deferred tax liabilities	
Valuation difference on available-for-sale securities	¥(23,481) thousand
Total deferred tax liabilities	¥(23,481) thousand
Deferred tax liabilities, net (non-current)	¥(14,290) thousand

6. Notes on Transactions with Related Parties

Parent company, major corporate shareholders, etc.

(Thousands of yen)

Attribute	Name of company, etc.	Address	Ownership ratio of voting rights, etc.	Business description	Relationship		Description of transaction	Transaction amount	Item	Balance at end of current period
					Interlocking officers, etc.	Business relationship				
Parent company	JGC CORPORATION	Nishi-ku, Yokohama, Kanagawa	100%	Design, procurement and construction of plants, etc.	One person (Note 1)	Provision of outsourced services	Design and construction of plants, etc. (Note 2)	20,720,754	Accounts receivable from completed construction contracts	8,501,090
									Accounts receivable - other	321,784
									Advances received on uncompleted construction contracts	1,159,192
							Lending of funds (Note 3)	13,331,937	Short-term loans receivable	13,553,393
							Receipt of interest (Note 3)	3,858	—	

Notes:

1. Audit & Supervisory Board Member Takayuki Mogaki is an employee of JGC CORPORATION.
2. Transactions for the services of design and construction of plants and services are determined on the same terms as general terms and conditions by reference to actual market conditions.
3. Lending of funds relates to the Cash Management System (CMS) that JGC CORPORATION provides to each group company, and the transaction amount represents the average balance at month-end. In addition, the interest rate is determined by reference to market interest rates.

7. Notes on Financial Instruments

(i) Matters concerning the status of financial instruments

JPI utilizes the CMS of JGC CORPORATION, the parent company, for fund management and fundraising. Derivatives are used to avoid risks such as credit risk and market risk, and as its policy, JPI does not conduct any speculative transactions. Notes receivable – trade, accounts receivable from completed construction contracts and accounts receivable – other, which are trade receivables, are exposed to the credit risk of customers. As for this risk, due dates and balances are managed for each trade receivable of customers. Investment securities are shares related to operations with business partners and exposed to the risk of fluctuations in market prices. Notes payable – trade and accounts payable for construction contracts, which are trade payables, mostly have payment due dates within one year. In addition, while some of these payables are denominated in foreign currencies in association with procurement of equipment and construction contracts and exposed to the risk of fluctuations in exchange rates, the risk is hedged using exchange contracts. In the use of derivative transactions, JPI conducts transactions only with financial institutions with high ratings, and the Finance Department implements and manages transactions in accordance with the internal operation regulations specifying operation criteria, authority for transactions, and other matters. Outcomes of transactions are reported to a person responsible for finance regularly.

(ii) Matters concerning fair value of financial instruments and others.

Carrying amounts in the balance sheet, fair value and difference between the two as of March 31, 2018 are as follows:

(Thousands of yen)

Item	Carrying amounts in the balance sheet	Fair value	Difference
(1) Cash and deposits	30,910	30,910	—
(2) Notes receivable - trade	50,222	50,222	—
(3) Accounts receivable from completed construction contracts	21,296,160	21,296,160	—
(4) Short-term loans receivable	13,553,393	13,553,393	—
(5) Accounts receivable - other	453,701	453,701	—
(6) Investment securities	129,688	129,688	—
(7) Accounts payable for construction contracts	(6,620,061)	(6,620,061)	—

Notes:

1. Amounts recorded as liabilities are shown in parentheses.
2. Since (1) Cash and deposits, (2) Notes receivable – trade, (3) Accounts receivable from completed construction contracts, (4) Short-term loans receivable and (5) Accounts receivable – other are settled in the short term and therefore the fair value approximates the carrying amount, their fair value shown is based on their carrying amount.
3. The fair value of (6) Investment securities is assessed based on the price at the stock exchange.
4. Since (7) Accounts payable for construction contracts is settled in the short term and therefore the fair value approximates the carrying amount, its fair value shown is based on its carrying amount.
5. Shares of subsidiaries and associates (¥403,851 thousand) have no market price because they are unlisted shares, and it is deemed extremely difficult to assess the fair value due to inability to estimate future cash flows and other reasons. Therefore, these shares are not included in investment securities.

8. Notes on Per Share Information

(i) Net assets per share:	¥3,258,646.80
(ii) Earnings per share:	¥455,514.98

9. Notes on Significant Subsequent Events

No special matters to report.

Supplementary Schedules of Financial Statements for the 18th Term

From April 1, 2017 to March 31, 2018

Supplementary Schedules

1. Schedule of Property, plant and equipment and Intangible assets

(Thousands of yen)

Category	Type of assets	Book value at beginning of current period	Increase during current period	Decrease during current period	Amortization during current period	Book value at end of current period	Accumulated depreciation	Acquisition cost at end of current period
Property, plant and equipment	Buildings	149,235	435	2,033	6,259	141,377	104,125	245,503
	Facilities attached to buildings	47,363	4,645	4,657	4,562	42,787	38,717	81,505
	Structures	3,450	—	—	426	3,023	10,805	13,829
	Machinery and equipment	16,829	880	108	3,843	13,757	331,528	345,285
	Vehicles	93	—	6	69	17	20,586	20,603
	Tools, furniture and fixtures	33,160	24,838	3,970	18,766	35,262	343,409	378,672
	Land	275,555	—	—	—	275,555	—	275,555
	Total	525,688	30,798	10,777	33,927	511,781	849,172	1,360,954
Intangible assets	Software	29,528	123,772	—	31,430	121,870		
	Telephone subscription right	14,672	—	14,672	—	—		
	Software in progress	125,093	9,345	120,193	—	14,245		
	Total	169,294	133,117	134,866	31,430	136,115		

Major breakdown of the increase during the period

Facilities attached to buildings	Air conditioning facility of Chiba office	¥1,354 thousand
Tools, furniture and fixtures	File Server F2520	¥14,978 thousand
Software	HUE (Personnel and accounting system)	¥120,193 thousand

Major breakdown of the decrease during the period

Buildings	Interior refurbishment work (President's office)	¥922 thousand
Facilities attached to buildings	Server room	¥1,314 thousand
Tools, furniture and fixtures	Fluorescent X-ray analyzer	¥234 thousand

2. Schedule of provisions

(Thousands of yen)

Item	Balance at beginning of current period	Increase during current period	Decrease during current period	Balance at end of current period
Allowance for doubtful accounts	172,131	—	58,961	113,170
Provision for warranties for completed construction	704,180	179,000	704,180	179,000
Provision for loss on construction contracts	590,286	1,707,796	590,286	1,707,796
Provision for bonuses	1,046,399	945,555	1,046,399	945,555
Provision for bonuses for directors (and other officers)	19,600	28,500	19,600	28,500
Provision for retirement benefits	19,335	4,828	858	23,305
Provision for retirement benefits for directors (and other officers)	59,084	11,337	13,340	57,081

3. Schedule of selling, general and administrative expenses

(Thousands of yen)

Item	Amount	Details
Remuneration for directors (and other officers)	39,000	
Bonuses for directors (and other officers)	(800)	
Salaries and allowances	150,816	
Bonuses	64,826	
Provision for bonuses for directors (and other officers)	28,500	
Commuting expenses	6,072	
Retirement benefit expenses	6,294	

Provision for retirement benefits for directors (and other officers)	11,337	
Legal welfare expenses	33,085	
Welfare expenses	56,980	
Traveling and transportation expenses	6,690	
Communication expenses	1,662	
Entertainment expenses	2,929	
Depreciation	24,282	
Rents	11,257	
Insurance expenses	12,033	
Utilities expenses	759	
Expenses for consumable tools, furniture and fixtures	4,340	
Taxes and dues	4,660	
Postage and parcel delivery service charges	454	
Stationery expenses	1,537	
Enterprise tax	136,000	
Newspaper and book expenses	313	
Education and training expenses	6,575	
Lease payments	2,085	
Security expenses	42,207	
Copying expenses	4,118	
Conference expenses	1,525	
Miscellaneous expenses	17,222	
Total	676,769	

AUDIT REPORT

June 1, 2018

To the Board of Directors of
JGC Plant Innovation Co., Ltd.

KPMG AZSA LLC

Designated and Engagement Partner	Certified Public Accountant	Michitaka Shishido
Designated and Engagement Partner	Certified Public Accountant	Yoshinori Saito

We have audited, pursuant to the provisions of Article 436, Paragraph 2, Item 1 of the Companies Act, the financial statements of JGC Plant Innovation Co., Ltd. ("JPI") for the 18th business term which commenced on April 1, 2017 and ended on March 31, 2018, i.e., the balance sheet, the statement of income, the statement of changes in equity and notes to financial statements, and the supplementary schedules.

Management's Responsibility for the Financial Statements and others

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements and the supplementary schedules based on our audit from an independent position. We conducted our audits in accordance with generally accepted auditing standards in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supplementary schedules. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements and the supplementary schedules in order to design audit procedures that are appropriate in the circumstances, but 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 financial statements and the supplementary schedules.

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 financial statements and the supplementary schedules as stated above present fairly, in all material respects, the status of the properties and the profits and losses for the period concerning the relevant financial statements and the supplementary schedules in accordance with generally accepted accounting standards in Japan.

Conflicts of Interest

There is no interest between JPI and our firm or the Engagement Partners that should be mentioned in accordance with the provisions of the Certified Public Accountants Act of Japan.

End

AUDIT REPORT

I, the Audit & Supervisory Board Member, have audited the execution of duties by Directors in the 18th business term from April 1, 2017 to March 31, 2018 and report the methods and results as follows:

1. Method and Contents of Audit

I communicated with Directors, the Internal Audit Department, other employees, and the parent company's Audit & Supervisory Board Member, and strived to gather information and prepare the environment for the audit. At the same time, I attended the Board of Directors meetings and other important meetings, received reports from Directors, employees and others on the execution of their duties, requested explanations as needed, reviewed significant internal decision-making documents and other materials, and investigated the status of operations and assets at the headquarters and major business sites. In addition, as for the subsidiaries of JPI, communication and exchange of information were sought with the directors and the Audit & Supervisory Board Member, etc. of such subsidiaries, and reports concerning the subsidiaries' businesses were received from them, as necessary. Based on the above-mentioned method, inspection was conducted regarding the business report and its Supplementary Schedules for the business term.

In addition to monitoring and verifying whether the Accounting Auditor kept its independent position and whether it performed proper audit, I have received reports from the Accounting Auditor concerning the performance of its duties, and requested additional explanation as necessary. Moreover, a notice informing that a "system to ensure the proper performance of the duties" (as prescribed in items of Article 131 of the Ordinance on Accounting of Companies) has been established pursuant to the "Quality Control Standards Concerning Audits" (Business Accounting Council, October 28, 2005), etc. was received from the Accounting Auditor, and requests seeking explanation regarding such system were made, as necessary. Based on the above-mentioned method, inspection was conducted regarding the financial statements (the balance sheet, the statement of income, the statement of changes in equity and notes to financial statements) and the supplementary schedules thereto for the business term.

2. Results of Audit

(1) Results of Audit of Business Report, etc.

(i) I acknowledge that the business report and its supplementary schedules fairly present the status of JPI in conformity with the applicable laws and regulations and the Articles of Incorporation of JPI.

(ii) I acknowledge that no misconduct or material fact constituting a violation of any law or regulation or the Articles of Incorporation of JPI was found with respect to the Directors' performance of their duties.

(2) Results of audit on financial statements and their supplementary schedules

I confirm that the methods and the results of the audit by KPMG AZSA LLC, the Accounting Auditor of JPI, are appropriate.

June 1, 2018

JGC Plant Innovation Co., Ltd.
Audit & Supervisory Board Member Takayuki Mogaki (Seal)

(3) Disposition of material property, bearing of significant obligations and other matters that may have a material impact on the status of the company's property occurring after the final date of the last business year of the company splitting in the absorption-type company split

Not applicable.

(4) Disposition of material property, bearing of significant obligations and other matters that may have a material impact on the status of the company's property occurring after the date of establishment or final date of the last business year of the succeeding companies

Not applicable.