JGC JGC CORPORATION

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JGC Report 2016

Engineering the Future

JGC Report

2016

April 1, 2015 – March 31, 2016

First-class project execution capabilities

JGC delivers top-quality plants and facilities while staying within defined budgets and project schedules. As an engineering contractor, the company views project management as its most important skill. It forecasts and analyzes various risks inherent in projects and formulates optimal project implementation plans. Plants and facilities built by JGC worldwide bear witness to the full application of its experience for over 80 years. It is a leader among global contractors in seamless project implementation capabilities, notably lump-sum turnkey projects.

Advanced technologies for maximum returns

JGC leverages its expertise in design technologies, such as process technology, in its engineering work for plants and facilities. It factors in both plant construction costs (Capex) and plant operating costs (Opex). The completed facilities ensure maximum returns for customers making capital investments. JGC's approach to technology is not limited to the refinement of existing engineering technology and optimization by technology integration. It extends to the proactive utilization of the IoT and other advanced technologies, as well as environmental efforts such as reducing the burden of fossil fuel energy and promoting wider use of renewable energy.

LNG produced at plants built by JGC accounts for 1/3 of global production

1/3

Highly driven human resources offering excellent leadership and goal completion

JGC's outstanding performance as an engineering contractor comes from the aggregate of skills possessed by individual human resources. Talented professionals are headed by excellent managers who provide leadership and controls over a project staff that might at times reach as many as tens of thousands of people. Project managers devise and resolutely implement optimal response measures for issues that occur at all phases of projects and move projects forward to successful completion. Individuals at JGC harness a strong sense of mission to ensure that the goals of customers through capital investments become a reality.

Project locations

80 countries

Projects completed

20,000 projects

Top priority on safety

JGC's absolute aim is to deliver its customers' projects without incidents or injuries as the most important mission given to an engineering contractor. However, this cannot be achieved unless all staff involved in construction work, not only the prime contractor but also sub-contractors, recognize and implement this mission. JGC reviews procedures for individual tasks and promotes awareness to conclusively communicate the concept of safety first to all staff in the performance of construction work.

Accident-free work record

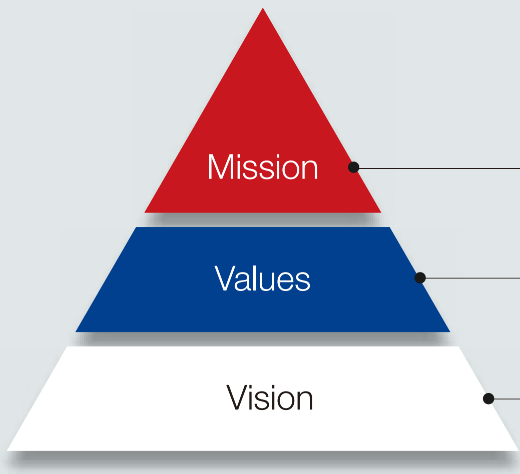
130,900,000 hours

(July 2012 - March 2014) Barzan Onshore Project

New JGC Group Corporate Philosophy

The JGC Way

The JGC Group's corporate philosophy, The JGC Way, provides us with a fundamental orientation and guidelines for the conduct of business activities by the Group as well as the individual behavior of the Group's executives and employees.



JGC Way

Corporate slogan

Engineering the Future

Mission

We are committed to creating a more prosperous future for our clients, for people, and for society through integrating our core capabilities and technical expertise to generate innovative solutions.

Values

We are driven by our shared values and commitments. These elements express our strengths and represent the basis for how we work and deliver solutions to our clients and stakeholders:

[Shared Values]

Challenge	We venture into new business fields, overcome technical hurdles and establish innovative methodologies.
Create	We remain dedicated to developing results-focused, thoughtful solutions that fully meet the needs of our clients and benefit society as a whole.
Integrate	We bring together a wide range of technologies, innovative tools and a diverse team dedicated to increasing value to all stakeholders.
Deliver	We commit to overcoming obstacles through diligence and our "nevergive-up" philosophy, and to delivering quality products and services to our clients and society.

[Professional Commitments]

Respect	We undertake to foster mutual respect and support among all those involved in our activities and to emphasize the importance of safety for all.
Integrity	We pledge to maintain the highest ethical standards in everything we do.

Vision

We bring a new generation of innovative solutions to the energy and infrastructure industries by utilizing our core competencies in engineering and project management.

Masayuki Sato
Chairman and Representative Director

Koichi Kawana
President and Representative Director

To Our Stakeholders

On the occasion of the publication of the 2016 edition of the JGC Report, we offer our heartfelt thanks for the deep understanding of our business activities and the vigorous support shown by all our stakeholders. In May 2016, the Company announced its new "Beyond the Horizon" 5-year medium-term management plan, of which fiscal 2016 is the inaugural year. While the oil and gas industries will be positioned as the core fields for the Company, as before, we will expand our business area into the infrastructure field, aiming to achieve further growth as a steadily expanding corporate group that is able to ride out any market fluctuations. The previous fiscal year of 2015 saw a continuation of the extremely challenging environment in the plant market, characterized by lower oil prices and excess LNG supply, leading in turn to tightly controlled capital investments at major oil companies and national oil companies. However, due to expanding demand for energy against a background of rising population and economic growth, capital expenditure (CAPEX) in oil and gas industries by the state-owned oil companies of oil-producing countries began to show positive signs at the start of fiscal 2016. While taking the measure of the changing market environment, the Company will resolutely implement the business strategies set out in the new "Beyond the Horizon" medium-term management plan, looking toward the realization of still greater business expansion. By this means, we will fulfill the mission of creating a prosperous future for people and the planet as outlined in its corporate philosophy, The JGC Way, and respond to the expectations of its diverse stakeholders, including shareholders, clients, suppliers and local communities.

Contents

JGC: Value Creation & Businesses

Based on our management philosophy – We are committed to creating a more prosperous future for our clients, for people and for society through integrating our core capabilities and technical expertise to generate innovative solutions – we are creating value and responding to the needs of society through our engineering business.

The Demands of Society

Expanding Demand for Energy

Rolling out Social Infrastructure

Expanding Demand for Environmentally Aware Energy

JGC Group

JGC's Businesses

EPC Business

Oil and Gas Field

In the oil and gas business, JGC's activities cover all aspects of oil and natural gas exploration and development from upstream to downstream and are trusted as a vital partner by Japanese oil firms as well as oil majors and national oil companies. It has achieved a top global position in technological capabilities and results for LNG plants in particular.

Infrastructure Field

JGC leverages its engineering technologies and project management capabilities cultivated in the oil and gas business to implement many projects in Japan and other countries involving power plants and other energy infrastructure, non-ferrous metals and other industrial infrastructure, and pharmaceutical plants, hospitals, environmental facilities, and other social infrastructure areas, and it consistently leads customers' capital investment plans to success.

Investment and Services Operations

Based on the engineering technology that we have nurtured through many EPC operations, and on a rich project management track record built in all four corners of the world as a distinctive organization that offers both operational services capabilities and technological expertise, we invest and operate in a wide range of areas around the globe, such as power generation and desalination, oil & gas development and new energy, transportation, healthcare, and agriculture.

Manufacturing Industry

As well as holding a position as a world leading supplier of petroleum refining catalysts, the JGC Group also manufactures and sells various forms of these substances for other petrochemical plants as well as for environmental protection purposes.

Additionally, it utilizes nanotechnologies cultivated for catalyst production for the production and sale of IT materials, electronic materials, optical materials, cosmetics materials, and other fine materials.

JGC's Corporate Value

Providing Stable Energy to the World Through EPC

In order to fulfill the rising demand for energy caused by the world's population growth, we contribute to global energy supplies through the Company's core business of EPC for oil and gas.

Contributing to the Development of Oil and Gas-Producing Countries

As well as managing developments in emerging economies that have expanded together with oil and gas development, we commit the resources necessary to provide close support to the further growth of these countries.

Rolling out Social Infrastructure

In developing countries with ongoing economic growth, there is an expanding need for healthcare such as pharmaceuticals and hospitals, and the provisioning of transportation infrastructure such as airports is also an urgent issue.
We support the roll-out of social infrastructure in such developing countries through both the EPC business and the investment business.

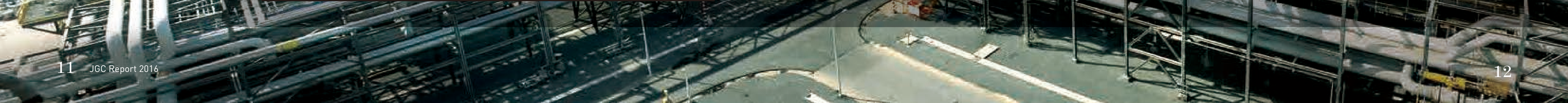
Contributing to Global Environment Conservation

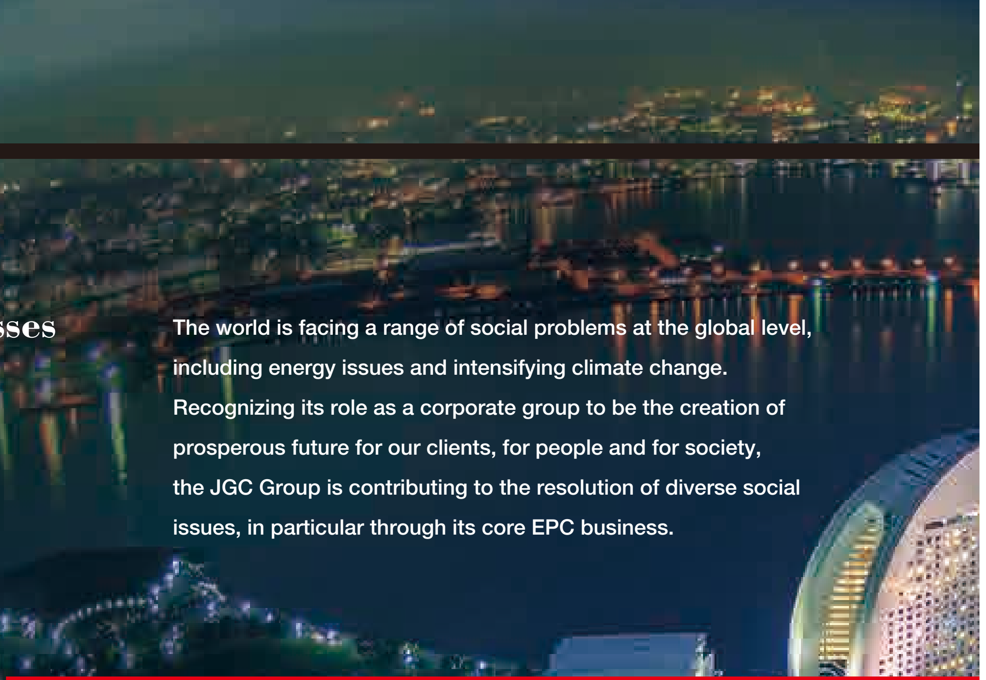
Through the EPC and investment businesses, as well as through technology development, we deploy initiatives that contribute to the conservation of the global environment by making effective use of resources, promoting greater energy efficiency usage, commercializing renewable energy and so on.

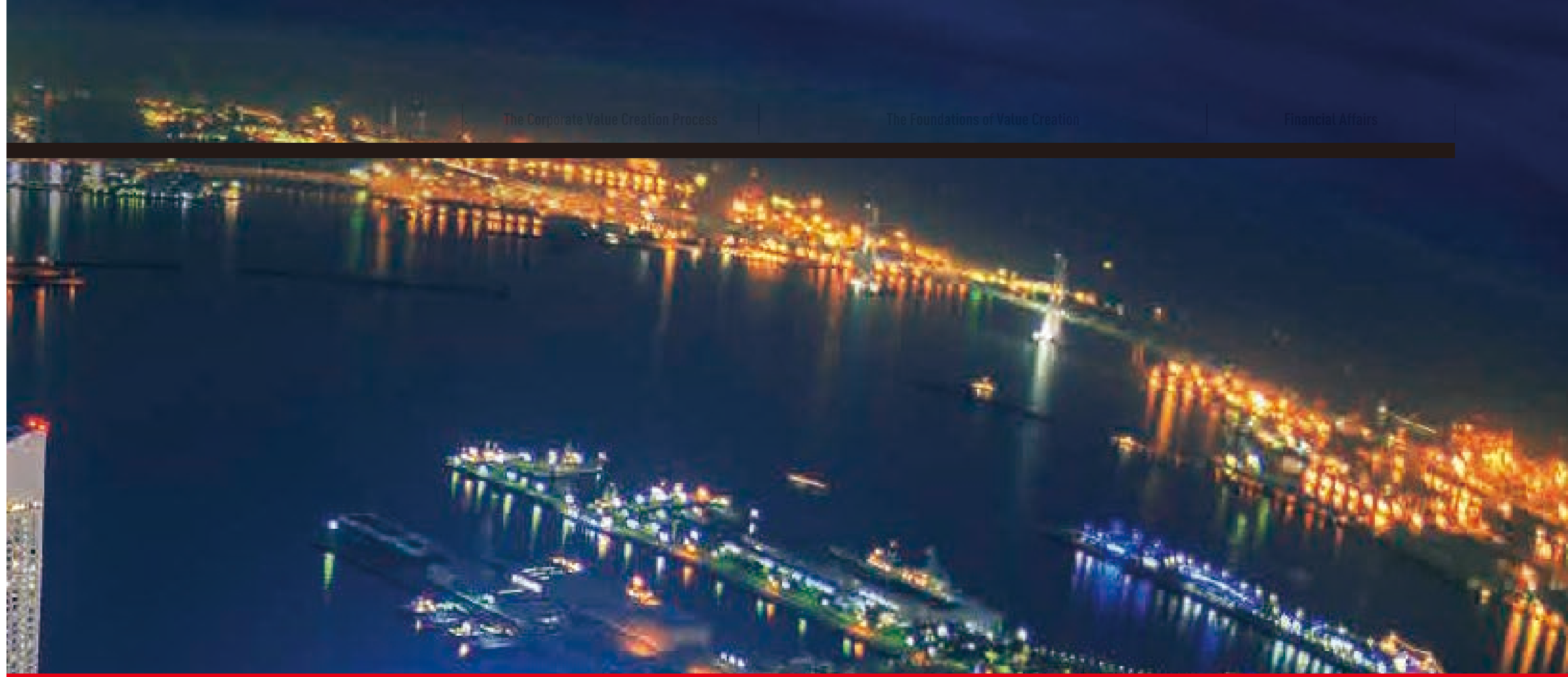
Mission

We are committed to creating a more prosperous future for our clients, for people, and for society through integrating our core capabilities and technical expertise to generate innovative solutions.

Creating Value to Realize Our Basic Philosophy







JGC:
Value Creation and Businesses

Creating Value throughout the Value Chain

The world is facing a range of social problems at the global level, including energy issues and intensifying climate change. Recognizing its role as a corporate group to be the creation of prosperous future for our clients, for people and for society, the JGC Group is contributing to the resolution of diverse social issues, in particular through its core EPC business.

Value Provided to Each Stakeholder

Clients
Realizing Development of Economic and Social Infrastructure

Shareholders / Investors
Returning Profits Generated by Medium to Long-term Corporate Value Creation

Suppliers
Working and Growing Together on Equal Terms

Local Communities
Creating Sustainable Employment

Employees
Producing Human Resources to Drive Sustained Growth

The EPC Operations and the Value Chain

	Business Planning Phase		EPC Phase			Operating Phase
	Feasibility Studies	Front-End Design	Design	Purchasing	Construction Work / Commissioning	Operations and Maintenance
Initiatives	• Draw up plan for commercialization • Consider economic potential • Arrange finance • Conceptual design	• Decide basic specifications • Various types of basic design • Calculate detailed costs and schedules	• Various types of detailed design (process, equipment, etc.)	• Selecting vendors, ordering materials • Manage manufacturing processes / quality • Manage transportation	• Manage construction work • Commissioning • Performance assurance testing	• Operational support • Periodic repair work • Dealing with trouble • Support for expansion and capacity increases
Primary Items to be Considered	• Draw up plan for composition of facilities, taking into account local environment • Draw up plan for composition of facilities, taking into account safety concerns	• Propose energy-saving technology • Propose technology for effective energy use	• Design to improve safety (observe laws and regulations and design standards,as well as selecting materials with a focus on safety) • Design for accident prevention (automatic control and emergency shut-offsystems,safety valves, etc.) • Design to prevent accident damage from spreading (fire prevention, extinguishing, fire-proof and explosion-proof facilities, escape routes, etc.)	• Encourage use of environmental safety measures by vendors • Reduce paper use significantly through use of digital technology	• Apply environment management systems (legal compliance, thorough environment risk management, etc.) • Thorough implementation of health and sanitation measures (infectious disease prevention, construction of medical facilities) • Thorough implementation of safety measures (implement systems and facilities, safety patrols, etc.)	• Health, Safety, Security, Environment (HSSE) risk assessment

Social Issues

Energy Access

Inadequate Electric Power Supply

Climate Change

Rising population

Financial and Non-financial Highlights

(Thousands of U.S. dollars)

	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	March 31, 2016
Performance highlights										
Net Sales	¥608,529	¥551,062	¥450,911	¥414,257	¥447,222	¥556,966	¥624,637	¥675,821	¥799,076	¥879,954
Operating Income	26,413	44,896	52,003	41,919	63,559	67,053	64,123	68,253	29,740	49,661
Profit attributable to owners of parent *1	20,187	30,019	31,543	27,112	25,477	39,111	46,179	47,178	20,628	42,793
New Contracts	301,347	402,352	506,135	733,549	618,203	793,278	594,091	818,161	769,680	320,626
Outstanding Contracts	744,679	632,827	671,341	982,594	1,163,256	1,506,146	1,549,813	1,767,814	1,772,036	1,250,336
Financial position at Year-End										
Total Current Assets	327,333	324,616	335,220	283,538	319,464	376,172	460,231	575,886	533,538	522,747
Total Current Liabilities	237,585	217,339	208,023	137,728	174,293	205,771	262,439	333,353	286,533	225,203
Total Assets	470,286	466,772	480,279	430,176	468,502	526,169	628,757	746,102	719,754	689,782
Total Net Assets	189,239	207,536	224,488	246,140	264,483	291,042	336,083	379,882	388,496	419,673
Shareholders' Equity	188,965	207,254	223,887	245,819	263,983	290,415	335,534	374,654	387,480	418,695
Cash-flow										
Net operating cash flow	79,113	28,864	36,595	-25,179	48,214	97,847	85,010	120,576	-71,416	-49,764
Investment cash flow	-14,009	-15,032	-26,457	-19,823	116	-18,746	-28,370	-18,728	-23,411	8,696
Financing cash flow	1,552	-7,317	472	-8,893	-7,317	-20,536	-3,695	-10,687	3,836	-4,374
Cash and Cash Equivalents at End of Year	159,410	164,617	174,281	123,808	161,894	222,556	284,777	385,252	297,707	247,947
Financial Highlights										
ROA (Return On Assets) (%)	7.8	10.0	10.4	9.0	14.1	14.6	12.6	12.2	6.1	7.4
ROE (Return On Equity) (%)	11.2	15.2	14.6	11.5	10.0	14.1	14.8	13.3	5.4	10.6
EPS (Earnings Per Share) (in yen)	79.52	118.33	124.76	107.25	100.83	154.90	182.91	186.90	81.73	169.60
Cash Dividends per Share (in yen)	15.0	21.0	30.0	21.0	30.0	38.5	45.5	46.5	21.0	42.5
Gross Margin Ratio (%)	7.2	11.6	16	14.6	18.2	15.6	13.5	13.1	6.6	8.3
Operating Income Ratio (%)	4.3	8.1	11.5	10.1	14.2	12.0	10.3	10.1	3.7	5.6
Shareholders' equity ratio (%)	40.2	44.4	46.6	57.1	56.3	55.2	53.4	50.2	53.8	60.7
Current ratio (%)	137.8	149.4	161.1	205.9	183.3	182.8	175.4	172.8	186.2	232.1
Payout Ratio (%)	18.9	17.7	24.0	19.6	29.8	24.9	24.9	24.9	25.7	25.1
ESG indicators										
Number of incidents of leaks of hazardous substances, etc. (Domestic and overseas construction sites)	-	-	0	2	1	0	0	0	0	0
Number of women in management positions	-	-	-	-	-	3	5	10	11	15
Rate of frequency of accidents accompanied by lost work time (%) *2	-	-	-	-	-	0.014	0.010	0.004	0.012	0.015

*1: As a consequence of applying "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013), "Net income" is referred to as "Net income attributable to the owners of the parent" from the fiscal year ended March 2016 onward

*2: Rate of frequency of accidents accompanied by lost work time = Number of accidents accompanied by lost work time × 200,000 ÷ Total project working hours

Message from the Chairman

Toward Further Enhancements in Corporate Value

Chairman and Representative Director

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

In May 2016 the JGC Group announced its new "Beyond the Horizon" medium-term management plan for fiscal years 2016 - 2020. Amid poor visibility in the markets for the resource business, "Beyond the Horizon" seeks to reinforce and grow the core EPC operations in the oil and gas industries in order to further enhance corporate value. At the same time, we will expand our business area outside of oil and gas into energy infrastructure and social infrastructure, while making a full-scale push into the O&M services industry and generating stable profits from business investments, with the aim of achieving the net income target we have set of 60 billion yen by fiscal 2020.

Corporate Management with a Focus on Increased Capital Efficiency

From the perspective of the medium to long-term enhancement of corporate value, we recognize the importance of improving capital efficiency, and one of the goals of "Beyond the Horizon" is to maintain the shareholders' equity ratio at a stable level of 50% or more, with an additional ROE target of 10% or higher, in order to preserve a solid financial foundation and to allow a reserve for raising funds in order to execute business strategies. At the same time, we will focus on the efficient distribution of funds in hand as part of our moves to improve capital efficiency, placing the emphasis on working capital related to the EPC business, strategic investments for further growth and expansion, and shareholder returns.

Realization of Increased Corporate Value through the Implementation of "Beyond the Horizon"

The JGC Group's management philosophy, as our mission, is to create a more prosperous future for our clients, for people and for society through integrating our core capabilities and technical expertise to generate innovative solutions. In recognition of this principle, Beyond the Horizon positions "creating a more prosperous future for our clients, for people and for society through integrating our core capabilities and technical expertise to generate innovative solutions" as the mission to be fulfilled by the Group. I believe that, by steadily implementing the business strategy of "Beyond the Horizon" to further raise corporate value, we can contribute to sustainable global development over an even broader range of fields than previously.

Constructive Responses to Corporate Governance

On the other hand, we are aware of the importance of strengthening our involvement in Environment, Society, Governance (ESG) issues, and repeatedly engaging with a wide range of stakeholders to explain and gain their understanding of JGC Group's initiatives to enhance corporate value. In Japan, stakeholder interest in corporate governance has increased dramatically since the corporate governance code was enacted in 2015 to enhance corporate value by encouraging more efficient and transparent management. While implementing each of these rules, the JGC Group has increased outside directors to two persons from fiscal 2016 onward and strengthened functions related to supervision of management in order to guarantee the efficiency and soundness of the executive team. In addition, the entire JGC Group is working as one to further reinforce its existing compliance initiatives, which include anti-bribery efforts.

Further Progress in the Promotion of Employee Diversity

Human resources form a crucial asset of the JGC Group, and we are also taking the initiative in matters of employee diversity. Currently, one person in six employed at the Yokohama headquarters is non-Japanese, and at plant construction sites overseas we appoint a diverse range of individuals according to their ability and without discrimination with regard to culture, language, or religion. We are also making efforts to nurture the human resources that will support the Company's global expansion from a long-term perspective, to which end we have established and are implementing a system whereby new employees are dispatched to construction sites in order to give them exposure to a diverse range of values. Going forward, the JGC Group will pursue maximum corporate value in accordance with our corporate philosophy, aiming to gain the support of a wide range of stakeholders through continual development.

New Medium-term Management Plan

How "Beyond the Horizon" Was Drawn Up

Overcoming Difficult Market Environment to Seek out Further Growth

After peaking in the summer of 2014, oil prices plunged in fiscal 2015 and remained depressed, causing international oil companies (IOC) and national oil companies (NOC) to rein in capital expenditure (CAPEX), leading in turn to an extremely difficult environment in the overall plant market. However, the plant market is forecast to recover gradually from fiscal 2016 onward and we believe that fiscal 2015 represented the bottom of the market. The Company will work with all its strength to achieve the goals of the new "Beyond the Horizon" medium-term management plan, announced in May 2016 and running from fiscal 2016 to fiscal 2020.

President and Representative Director

Career Summary Joined the Company in 1982. After holding successive posts as head of the Abu Dhabi and London offices and others, he led the effort to launch the business investment field. Appointed Director in July 2009. Appointed Managing Director, Senior General Manager of the Global Marketing Division in July 2009 before becoming Executive Vice President and Director in July 2010. Since July 2011 has held the position of President and Representative Director.

Q1. Please give us an overview of the March 2016 fiscal year.

High levels of net sales and net income, but orders struggled due to plant market contraction.

With regard to sales, progress in large-scale projects already underway, such as those related to LNG, was steady and we were able to maintain a high level of sales at 879.9 billion yen. As for net income, gross margins dipped slightly compared to expectations and there was an increase in losses on exchange due to the stronger yen, but the 42.8 billion yen posted was comparable to the level of the past several years. For orders, the stagnation in oil prices has continued, leading the major oil producers and oil and gas-producing countries to review part of their capital investment plans. The decline in tendered projects resulted in a continuation of the difficult conditions in the plant market as a whole. In this environment, the Company bid for a limited number of small to medium-scale deals, winning orders for oil and gas-related projects in Southeast Asia and the Middle East, but consolidated new contracts only reached 320.6 billion yen.

Q2. Please share your thoughts on the outlook for the operating environment in the March 2017 fiscal year.

Recognizing the need to achieve financial and order forecasts in the first year of the new plan

Fiscal 2016 is the first year of "Beyond the Horizon," our new medium-term management plan, and as such will play an important part in enabling us to reach the targets of net sales of 1 trillion yen or more and net income of 60 billion yen set out by the plan. Since touching $26 on February 2016, after a decline that began in the second half of 2014, oil prices have followed a gentle rising curve and projects the Company intends to bid for in fiscal 2016 are predicted to increase in both number and scale compared to fiscal 2015. By region, there are plans in the Middle East, Africa, Southeast Asia, Central Asia, and North America for projects related to gas processing, oil refinery, F-LNG and LNG receiving terminals, petrochemicals, and power generation. In Japan, large-scale investments are planned in such fields as chemicals, power generation, photovoltaic (PV) plant, and pharmaceutical products. I want to achieve our new contracts target by winning as many orders as possible for superior projects that allow us to secure profits. The outlook for major large-scale LNG projects in North America and Africa remains uncertain so we have not included these in our new contract forecasts, but LNG CAPEX plans of the major oil company and the state-owned national oil company are forecast to pick up in earnest around 2017 or 2018 in order to relieve the tightness in LNG supply predicted for the first half of the next decade. I expect some of the faster-moving projects to emerge in fiscal 2016.

Q3. What are the goals of the new "Beyond the Horizon" medium-term management plan?

Achieving further growth for the Group by expanding the business area.

Our new "Beyond the Horizon" medium-term management plan makes a clear statement about the direction and the business area of the Group 10 in years, that is, in 2025, while providing a growth strategy for the first five years of that period to enable us to increase management indicators, such as net sales and net income, and to implement further change. Our numerical targets are net sales of 1 trillion yen or more, net income of 60 billion yen, and ROE of 10% or more in fiscal 2020. Our thinking is that in fiscal 2025 on an adjusted operating income base*, oil and gas fields will account for 60% of the total, infrastructure for 20%, and business investments and manufacturing for 20%.

*Adjusted operating income base: operating income to which has been added the equity in earnings of affiliates in each business area, dividends received, and interest received

The following have been prescribed as basic policies.

Basic Policies

1 **Growing the EPC Operations**
Growing the oil and gas fields while expanding the field of infrastructure

2 **Non-EPC Business Increasing profits in Business investment, Manufacturing**

3 **Promoting Financial Strategy**

It will be difficult to achieve the numerical targets in "Beyond the Horizon" if our business area remains restricted to the oil and gas downstream plant, as it is currently. Accordingly, I have taken the course of expanding our business area into the infrastructure field while keeping the oil and gas fields at the core. Specifically, while planning to grow the core EPC business in the oil and gas fields, we aim to generate stable profits by expanding in the infrastructure field of the EPC operations, as well as in non-EPC operations such as business investments.

Basic Policy 1 is rooted in our perception that within the core EPC business of the JGC Group, the expansion in the oil and gas fields (oil refining, gas processing, LNG, petrochemicals, among others) is the area on which we should focus most of our attention. This is because the profits from these fields account for the majority of total profit. This is indispensable also in the sense of surmounting the current market environment and preparing for the improved market environment that should emerge, and we are also planning to enter the O&M service business. In addition, while planning to expand the infrastructure field of the EPC operations, we will favor engineering contractors that are able to cover both oil and gas and infrastructure.

Basic Policy 2 mainly concerns the strengthening of business investment, which was started in 2005 with the aim of offsetting the fluctuations in earnings in the EPC operations. Until now we have been able to generate results in terms of establishing our position as a player in power and water business (IWPP), improving business potential by demonstrating our EPC contractor know-how, developing specialist human resources, and acquiring knowledge in each business field, but profits have not matched our expectations and we recognize that there are issues that must be addressed going forward. Based on the lessons of the past 10 years, we will establish clearer standards for investment and steadily realize profits through a process of selection and concentration.

As part of Basic Policy 3 we are aware of the need for greater capital efficiency, and will distribute funds in hand according to quantitative standards, but with priority given to investments for the growth strategy, risk buffer for the EPC operations, and shareholder returns. Further, we have established targets of 50% or more for the shareholders' equity ratio and ROE of 10% or more. Our target for the dividend payout ratio has been raised from 25% up to the March 2016 fiscal year to 30% of consolidated net income.

With regard to our policy on shareholder returns, as a rule we implement this through dividends, but we will also consider share buybacks if necessary, depending on such factors as funds in hand and recent movements in the share price.

Q4. What are your thoughts on the role that the JGC Group should play in future?

Our goal is to realize a sustainable society as well as to change ourselves.

The JGC Group's mission is to create a more prosperous future for our clients, for people and for society through integrating our core capabilities and technical expertise to generate innovative solutions. In order to fulfill this mission, the Group must expand and grow. Today the world is facing many serious issues, such as environmental problems related to growth in demand for energy and population growth. Going forward, while realizing sustainable growth as a Group we will tackle these problems by bringing to bear the engineering technology and project management cultivated by us over a wide range of fields. With the objective of realizing a sustainable society, we will continue to take on new challenges, change ourselves, and strive to meet the expectations of all our stakeholders.

SPECIAL FEATURE 1

THE NEW MEDIUM-TERM BUSINESS PLAN

Beyond the Horizon

The JGC Group announced its new “Beyond the Horizon” medium-term management plan for fiscal years 2016 - 2020. Our new plan clarifies the direction and business area of the Group 10 years from now in 2025. While pursuing achievement of a new role as “Program Management Contractor & Investment Partner,” the plan also provides a growth strategy for the first five years of that period to enable us to increase management indicators, such as net sales and net income, and to implement further change.

Previous Medium-term Business Plan

New Horizon 2015

2010-2015

The JGC Group’s Core Competencies

● World-leading results and performance ● Exceptional human resources ● Knowledge and expertise as a company operating business enterprises ● Solid financial foundations and abundant financial resources

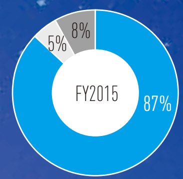
FY 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024

Ratios by Business Area*1

● Oil & Gas ● Infrastructure (non-HC*2 energy, industry/social) ● Investment Including catalysts and fine chemicals

*1 Breakdown by business area (%): Adjusted operating income base.Operating income to which has been added the equity in earnings of affiliates in each business area, dividends received and interest received

*2 HC: hydrocarbon



Overview of Previous Medium-term Business Plan

In its previous medium-term Business plan “NEW HORIZON 2015,” the JGC Group set itself the target of becoming a new corporate entity (“Program Management Contractor & Investment Partner”) that transcends the traditional EPC contractor frame. In terms of numerical targets, the JGC Group put the sum of its strength into achieving the goal of consolidated net income of 50 billion yen in fiscal 2015 (the March 2016 fiscal period) with ROE of 10% or more. Overcoming the changes in the operating environment caused by a hydrocarbon market that proved far more volatile than expected, the Group increased orders received and net sales, and as a result net income exceeded 45 billion yen in fiscal 2012 and 2013. Meanwhile, between fiscal 2011 and fiscal 2015, the 5-year average of ROE came in at 11.6%, surpassing the target.

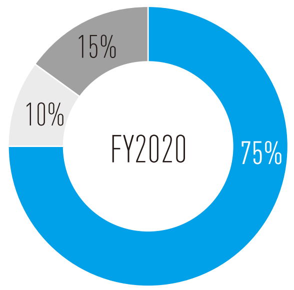
THE NEW MEDIUM-TERM BUSINESS PLAN

Beyond the Horizon

2016-2020

Five-year growth strategy as the 1st Stage of a 10-year plan toward realization of the corporate vision. Define direction and business areas in the 10 years from now.

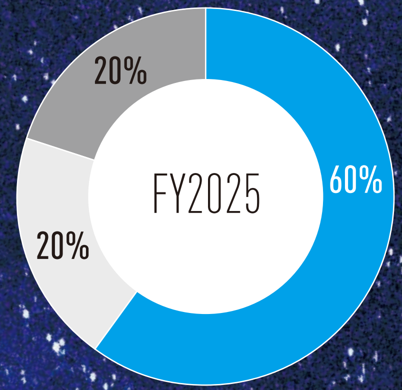
Mainly Oil & Gas, Broaden to Infrastructure



Sales at least(¥)	Net Profit(¥)	ROE at least
1,000 billion	60 billion	10 %

2021~

Metamorphosis to Program Management Contractor & Investment Partner



EPC Business Mainly Oil & Gas, Broaden to Infrastructure

Oil & Gas

- **Upstream** Crude oil/Gas gathering, Gas-Oil separation, Offshore
- **Downstream** LNG and Gas Processing, Oil Refining, Petrochemicals, LNG terminals

Infrastructure

- **Energy Infrastructure** Power Generation (Fossil fuels, Nuclear power,Renewable energy)
- **Social Infrastructure** Pharmaceutical, Medical, Airports
- **Industrial Infrastructure** Non-ferrous

Services Domestic plant maintenance service, Overseas plant O&M

Investments Integrated water and power (IWPP), Environmental and new energy, Medical, Airports, etc.

Manufacturing Catalysts, Fine chemicals, Fine ceramics

SPECIAL FEATURE 2

Toward the Realization of Sustainable Development

JGC works on projects throughout the world, and no two are alike. Our clients and society as a whole expect us to fulfill numerous requirements, and each case calls for new responses on our part. Despite the fact that the requirements to be fulfilled differ for each of our projects, we continue to work to overcome the associated problems, cooperating with our stakeholders and striving towards the realization of sustainable societies through the implementation of our projects.

This special feature looks at two projects completed by JGC in 2015, the Donggi Senoro LNG Project in Indonesia and a carbon dioxide capture and storage (CCS) project conducted in Hokkaido, from social and environmental perspectives.

PROJECT 01

Initiatives to Benefit the Regional Community and the Environment within the Project

Project Overview

The Donggi Senoro LNG Project entailed the construction of a plant able to process two million tons of liquefied natural gas (LNG) per year, and represented Indonesia's fourth LNG production facility. The project differed from conventional LNG projects led by oil majors or state-owned oil companies in being the first LNG project led by Japanese companies, and has the potential to provide a model case for future stable LNG supply for Japan. The project began in April 2011, and was completed, and produced and shipped its first cargoes, in October 2015. Realizing accord with local residents was one of the factors in the success of this project. As Sulawesi's first large-scale energy plant construction project, the Donggi Senoro LNG Project attracted a great deal of attention from the local community. Our goal for the project was not merely to secure profits for JGC, but also to help realize sustainable development in the project region, and we brought the project to a successful conclusion while also consistently implementing a variety of measures that prioritized harmony with the local community, including employing local people and ordering equipment from local businesses, repairing village roads to support the health and safety of local residents, instructing local high school students in safe motorcycle riding, offering traffic safety instruction on public roads close to the project site, and arranging for instruction by physicians regarding anti-malaria measures. On the next page, we introduce some of our local initiatives in Sulawesi.

DS LNG Project

SPECIAL FEATURE 2

Initiatives for the Regional Community —

Employment of Local Residents

Sulawesi is located 1,800 kilometers distant from Indonesia's capital Jakarta, and the Donggi Senoro LNG Project was the island's first large-scale energy plant construction project. Almost all of the local residents were engaged in fishing or farming. In collaboration with our clients and representatives of the Indonesian government, we decided to directly recruit only Indonesian citizens for the project, and more than half of these were residents of the region close to the construction site. In employing local people, we shared the recruitment process with local construction companies, and took the population of each of the local villages into consideration in order to ensure fair recruitment.

Workers hired from Sulawesi

Education Programs for Local Residents

Training for Local Residents working on the Project

Based on our conviction that providing training for the local residents employed on the project would contribute both to the success of the project and the sustainable development of the region. By ensuring that the local employees had acquired skills in construction techniques at the completion of the project and would be able to use those skills in other projects in the future, we have contributed to the realization of a sustainable society in the local region.

Welding technique course for villagers

Site Tours for Local Students

As part of our initiatives to ensure that the local community understood the social significance of the project, we conducted 13 site tours, guiding a total of 637 students around the site. The program was designed to inspire an interest in energy plants in the students, and to offer them an image of what it would be like to be employed in a related industry in the future, by giving them the same safety training as employees receive, providing an overview of the project, and offering education in construction techniques, concluding with a tour around the site.

Visit to site by students from nearby high school

Seeking to Realize Zero Traffic Accidents on Sulawesi

Awareness of traffic safety was poor in the area surrounding the construction site. For example, many children who had not yet reached the age at which they could apply for a license were riding motorbikes. Taking into consideration the increase in the volume of traffic with vehicles related to site work, and the effect that this would have on the local area, we worked in cooperation with local police, and company employees offered traffic safety courses for the students of local schools. Using knowhow cultivated by safety activities on other construction sites, they communicated the importance of traffic safety to more than 1,000 students, and worked to inspire safety awareness. In addition, we also conducted initiatives to upgrade local traffic infrastructure, for example by conducting repair work on village roads and spraying down dirt and gravel roads.

Safety lectures for high school students

PROJECT 01

The Donggi Senoro LNG Project

Initiatives for the Environment —

Toward Zero Leaks

The area around the construction site was home to a rich natural environment, supporting diverse ecosystems. We instituted comprehensive environmental management measures in order to protect this environment. We have maintained a record of zero leaks of hazardous substances and other contaminants from our domestic sites since fiscal 2011, and on the Donggi Senoro LNG Project, we shared an absolute awareness of the necessity for preventing any contamination from within the site with our clients and all employees of participating companies, and we put this awareness into practice. Two of our major initiatives involved conducting oil recovery drills using an oil fence and collecting samples from the river close to the site for the purpose of environmental monitoring.

Taking samples from a river near a site for environmental monitoring purposes

Oil recovery drill using oil fence

Message From Subcontractor

PT. SEKAWAN President Director.

Halim Liawan

Together with JGC, PT. Sekawan Kontrindo (SK) contributed significantly to the success of the Donggi Senoro LNG Project from both social and environmental perspectives. In conducting the project, the goal of the two companies was not merely to seek profits; one of its important goals was to assist members of the local community in becoming more autonomous by providing employment opportunities for local people. Local residents comprised 68% of the more than 2,000 construction workers employed by SK, and they were not employed just to perform simple tasks, but were provided with training in procedures such as welding and pipe installation. Since the use of the technical skills learned by these employees would not be limited to the Donggi Senoro Project, but would provide them with opportunities for employment in other projects being planned in Indonesia and elsewhere, their training was thorough, and the trainees applied themselves seriously to acquiring skills. In addition, based on the guidelines for environmental protection established for the project, we advanced initiatives to increase awareness of safety and the environment, providing local residents with education concerning health and safety and the regional environment. In all of these ways, the local community became involved with the project both directly and indirectly, contributing to their increased autonomy as well as to the project's success.

PROJECT 02

Aiming to Reconcile Engineering and the Environment

Initiatives to Conserve the Global Environment

The IPCC's* Fifth Assessment Report, published in 2014, notes that "There is no room to doubt the global warming of climate systems" and "The probability that human activities have been the dominant cause of global warming from the second half of the twentieth century is extremely high." At the G7 summit held in Germany in 2015, a new long-term target was agreed whereby global greenhouse gas emissions would be cut by 2050 to the upper end of a range comprising 40-70% of the 2010 level. In the 2015 Paris Agreement, a long-term goal was set of reducing global greenhouse gas emissions to an extent that can be absorbed by the ecosystem, while an objective to reduce greenhouse gas emissions arising from human activities to effectively zero was decided.

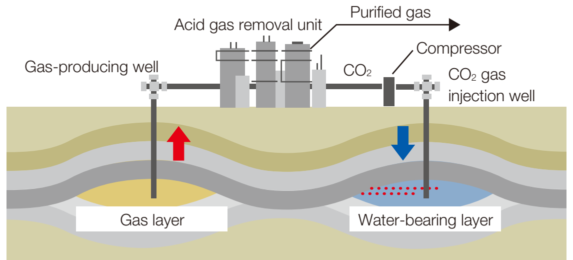
In this way, the global tide of environmental attitudes continues to change, and companies are being asked to enhance the sustainability of their activities through improving infrastructure and industries by using resources more effectively and by expanding the deployment of technology and industrial processes that take into account the environment and clean technology. The Company is developing carbon capture and storage (CCS) technology to help reduce greenhouse gases and is promoting a variety of initiatives both in Japan and overseas.

*IPCC: Intergovernmental Panel on Climate Change

What is CCS?

CCS is an abbreviation for Carbon dioxide Capture and Storage. In order to build richer lives, humankind has for many years dug deep into the earth to extract and use oil, coal and other fossil fuels. When fossil fuels are used, they emit CO_2, which results in rising concentrations of CO_2 in the atmosphere. This is said to be one of the main causes of global warming. CCS is a technology that seeks to capture the CO_2 generated by factories and electric power stations before it is released into the atmosphere, transporting it and injecting it via boreholes into geological strata, spread deep beneath the surface, that are suitable for stable long-term storage. It is the trump card of global warming countermeasures, with promising ability to reduce CO_2. Locations for storing CO_2 lie more than 1,000 meters under the surface and consist of storage strata of highly porous rocks such as sandstone. To prevent the CO_2 from leaking out, it is necessary to have a thick layer of mudstone, called a confining layer, above the storage strata to prevent the passage of CO_2.

Schematic Diagram of CCS



The Company's Thoughts on CCS

The Company's core business in the oil and gas industries is intimately related to the emission of greenhouse gases, and we believe that we can leverage our technological expertise to make a significant contribution to the reduction of greenhouse gases. In particular, there is an extremely close affinity between the CO_2 capture technology used in the LNG and natural gas plants that are the Company's specialty, and CCS. Moreover, it was thought that this technology could make a compelling contribution to Japan, which requires that greenhouse gas reductions be conducted within the Clean Development Mechanism (CDM) framework. Based on such thinking, the Company leveraged the know-how amassed from CCS plants in Algeria and Australia, and in the first large-scale demonstration experiments in Japan, which started in 2004, won orders for the EPC and trial operation of aboveground equipment to separate, capture and inject CO_2 included in the supplied gases, and handed it off to the customer in February 2016.

The Company's Track Record

Project Name	Construction Location	Capacity	Year of Completion
In Salah Natural Gas Development Project	In Salah / Algeria	Annual production: 1 million tons	2004
Tomakomai Aboveground CCS Facilities Construction Work	Hokkaido / Japan	Annual production: 200,000 tons	2016
Gorgon LNG Project	Barrow Island / Australia	Annual production: 3 million tons	On-going

Future Deployment of CCS Technology

The Company will use its HiPACT high-pressure technology, which absorbs and separates CO_2 from natural and synthetic gases, using high pressure to capture the CO_2 (see column below) to implement CCS plant projects. In addition, the Company will apply this CO_2 capture technology and use CO_2 capture facilities for Integrated Gasification and Combined Cycle (IGCC) that use coal and heavy oil as raw materials (expansion into CO_2-free power generation) and Enhanced Oil Recovery (EOR) to raise the efficiency of oil fields where productivity has decreased.

The Company will develop technology to deal with global warming, which is expected to rise going forward, thus contributing to the achievement of sustainable societies around the world.

Column

High-pressure Regenerative CO_2 Capture (HiPACT®) Process

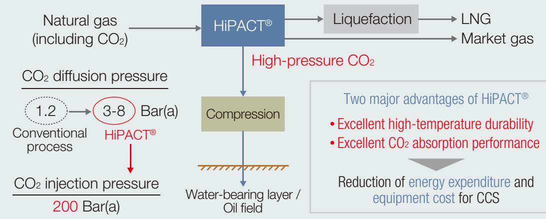
HiPACT® is a technology for absorbing and separating CO_2 in natural and synthetic gases and capturing them at high pressure.

By using this technology, CO_2 can be stored underground at low cost (CCS: Carbon dioxide Capture and Storage), while dramatically reducing additional energy required for CCS and thus contributing to the prevention of global warming.

This process has been jointly developed with BASF. In 2010, the Company completed demonstration tests suitable for Inpex Corporation's natural gas plant, enabling commercialization.

Examples of use

- CO_2 capture facilities for Natural gas plants and LNG (Liquefied Natural Gas)plants
- capture facilities for plants that manufacture ammonia, urea, hydrogen,acetic acid, methanol and substitute natural gas (SNG) via synthetic gases
- capture facilities for Integrated Gasification and Combined Cycle (IGCC)that use coal and heavy oil as raw materials (expansion into CO_2-free power generation).



Review of Operations by Segment

Total engineering business
— Review of operations

In fiscal 2015 the economic slowdown in developing countries and the excess supply of oil resulted in continued stagnation in oil prices. In such conditions, gas and oil-producing countries as well as the major oil producers etc. reviewed some of their capital investment plans, leading to continued poor visibility for the environment in which the JGC Group operates. On the other hand, against the background of population growth and economic expansion in developing countries, global demand for energy is expected to continue rising and in some regions and countries planning for projects directed toward internal demand, primarily oil and gas-related, is progressing steadily.

Faced with this environment the Company worked to win orders in Japan, the Middle East, Africa, Southeast Asia, the North American region, and Russia/CIS etc., and won oil and gas-related projects in Southeast Asia and in the Middle East etc. as well as mega-solar projects and so on in Japan, but consolidated orders came to only 320.6 billion yen.

As for oil prices, conditions still do not allow for optimism, but from the tail-end of fiscal 2015 they have been on a recovery trend and in fiscal 2016 we have seen some favorable signs, such as an increase in business inquiries. Going forward, the Company will use its entire strength to work on sales activities and win superior projects.

Executive Officer,
Senior General Manager,
Global Marketing Division

Masahiro Aika

Fiscal 2015 Major Project Orders Received

Project Name	Date Order Received	Customer	Contracting Entity	Contract Value	Service Ordered
Petrochemical Complex Project	September 2015	PTTGC America LLC	Joint venture between group company JGC America, US-based Bechtel Corporation, and Samsung Engineering, headquartered in South Korea	Not disclosed	Front End Engineering and Design
Refinely Upgrade Project	November 2015	PT Pertamina	Consortium between JGC and group company JGC Indonesia	Approx. 30 billion yen	EPC (Engineering, Procurement, Construction)
Gas Processing Plant Project	January 2016	Bahrain National Gas Expansion Company	JGC alone	Approx. 40 billion yen	EPCC (Engineering, Procurement, Construction, and Commissioning)
Gas Processing Plant Project	March 2016	PT MEDCO E&P MALAKA	Joint venture between group company JGC Indonesia and local contractor PT. ENCONA INTI INDUSTRI	Approx. 27 billion yen	EPC (Engineering, Procurement, Construction)
Mega-solar power plant construction project	March 2016	Karumai Nishi Solar, LLC	JGC alone	Not disclosed	EPC (Engineering, Procurement, Construction)

Status of major Projects
— Oil & Gas

Projects in our oil and gas business segments in fiscal 2015 included large-scale LNG projects in Australia and Russia; an LNG project in Indonesia; oil refinery projects in Vietnam, Kuwait, and Saudi Arabia; a gas-processing project in Qatar; and an ethylene project in the US. All projects currently underway, including our large-scale LNG projects in Australia and Russia, are proceeding smoothly.

However, the completion of work on the ethylene complex project in the US has been delayed six months by poor weather conditions, and unfortunately we recorded a loss for the second quarter of the fiscal year ending March 2017.

Individual Projects

Construction work on our large-scale LNG projects in Australia and Russia, employing modular construction – a new approach for us – is approaching its peak phase. Modular construction involves the assembly of functional units in different parts of Asia and then transporting them by large container ships to the construction site, where the plant is completed. We successfully completed the Indonesia LNG project by the end of 2015. While our gas processing plant project in Qatar recorded a loss in the fiscal year ended March 2016 due to factors including increased construction costs resulting from extension of the completion date, the project was completed with no further loss in profits. Profit margins have worsened in our oil refinery projects in Vietnam and Saudi Arabia due to increases in construction-related costs, but strict cost and schedule management measures continue being put into effect, and we expect to complete the project in Vietnam within the fiscal year ending March 2018.

Executive Vice President,
Senior General Manager
General Manager,
Oil & Gas Project Division

Satoshi Sato

Status of major Projects
— Infrastructure Business Segment

At present, liberalization of the electricity market in Japan is promoting the entry of companies other than traditional power companies – for example oil companies – to the electricity industry. Investment in renewable energy is also continuing, spurred by a system for the fixed-price purchase of power that has been established to promote the use of renewables.

In our infrastructure business segment in fiscal 2015, we were commissioned for a variety of domestic projects, including a range of generation facilities including solar facilities, a pharmaceutical plant construction project in which there has been continuous investment, and a hospital construction project. Within Japan, we conducted projects in the area of power generation, including the construction of an integrated coal gasification combined-cycle facility, and in the area of life sciences, including the construction of a pharmaceutical manufacturing plant and a hospital.

JGC's medium-term business plan, Beyond the Horizon, which commences from fiscal 2016, seeks to expand our business domain into the area of infrastructure, including power generation and the life sciences.

In fiscal 2016, we are actively working to expand our business into the area of power generation, and have already secured a variety of projects, including a coal-fired thermal power plant in the Philippines, and a biomass generation facility and a solar facility in Japan.

Senior Executive Officer
General Manager,
Infrastructure Division

Hitoshi Kitagawa

PROJECT 01

Ichthys LNG Project

In a first for a Japanese company in a large-scale LNG project, INPEX Corporation is acting as operator and driving the development work, while JGC is the leader of the joint venture entrusted with executing the EPC work.

For this project a modular construction approach is being applied wherever possible, in which the related functional units (modules) are divided up and manufactured in a module yard at a different location than the construction site, then after transportation by large ship are finally assembled on the construction site. When applying modular construction methods, sophisticated handling of multiple module yards, logistics, and works supervision at the construction site etc. are required and it is JGC, with its high-level design and project management capabilities as a major LNG contractor, that is leading this project.

Currently the manufacturing of the modules, which has been taking place at eight separate locations in parallel around the world, is almost complete and we are approaching the crucial state of transporting each module by large ship to the construction site for installation. While maintaining thorough safety management processes at the plant construction site, we will work with all our strength to bring the project to a successful conclusion.

Services	EPC (Engineering, Procurement, Construction)
Customer	Ichthys LNG Project (With equity investment from INPEX Corporation and France's Total S.A.)
Project Execution Structure	Joint venture comprising the Company, JGC, KBR, and Chiyoda Corporation (JKC)
Project Overview	The JKC joint venture will carry out EPC (engineering, procurement, construction) services related to the onshore LNG plant for the Ichthys LNG project led by INPEX Corporation. Two LNG facilities with processing capacity of 4.2 million tons, related utility facilities, LNG tanks, shipping facilities, etc.
Construction Location	Darwin, Australia
EPC Contract Signed	January 2012

PROJECT 02

Yamal LNG Project

In the local language the name of this project means "the farthest point" and it is thought that it contains more than 20% of the world's natural gas reserves. This project is advancing at Sabetta in the Yamalo-Nenets autonomous region of the Russian Federation, on the Yamal peninsula within the Arctic Circle. It is the second project for the country and is currently also the largest planned LNG project in the country.

In order to achieve prompt delivery of construction work in this extreme location, where temperatures in winter can fall to -50°C, the project uses a full modular construction approach. With design for extreme cold, management of fabrication yards responsible for manufacturing a total module weight of 560,000 tons, transportation along arctic sea routes created by icebreakers (some modules were successfully transported along the arctic sea routes during the summer season), followed by on-site work at "the farthest point" of Sabetta, this project presented a series of challenges unprecedented in their difficulty, but the Company has brought together everything it knows about project execution and continues to lead the project to a successful completion.

Services	EPSCC (Engineering, Procurement, Construction, and Commissioning)
Customer	JSC Yamal LNG (Financed by Novatek (Russia) and Total (France))
Project Execution Structure	Joint venture between JGC, Chiyoda Corporation, and Technip (France)
Project Overview	Construction of three LNG facilities with processing capacity of 5.5 million tons, and related facilities
Construction Location	Yamal, Russia
EPC Contract Signed	April 2013

Catalyst and Fine Products Business — Review of operations

In the catalysts and fine products business, shipments of hydrotreating catalysts rose due to strong demand for contract manufacturing and export projects, but due to stagnant demand in Japan, chemical catalyst shipments declined. In the fine products business, functional coating materials and optical communication components posted higher shipments, but abrasives for use with smartphone materials and ceramic-metal composites for liquid crystal exposure equipment recorded lower sales volumes. As a result, the catalysts and fine products business posted a small increase in net sales over the previous term, but profits declined.

Investment and Service Business — Review of operations

Since fiscal 2005, the Company has aimed to expand the business investment and services operations to offset the fluctuations in profitability in the EPC business. Until now, the Company has promoted the investment and services operations with an approach of investing over a relatively wide range of areas, but while a certain level of success has been achieved in some areas such as the power generation operations, the situation in other areas such as resources development is that profits generated have not met initial expectations. As part of the new "Beyond the Horizon" medium-term management plan, each field in the investment and services operations will be categorized into one of "expand," "maintain," and "future," and the experience and issues of the past decade will be used to promote a policy of nuanced selection of investment projects.

Status of Major Projects (Fiscal 2015 Results)

Order received · In progress · Operational (Investment Business)

Asia / Oceania

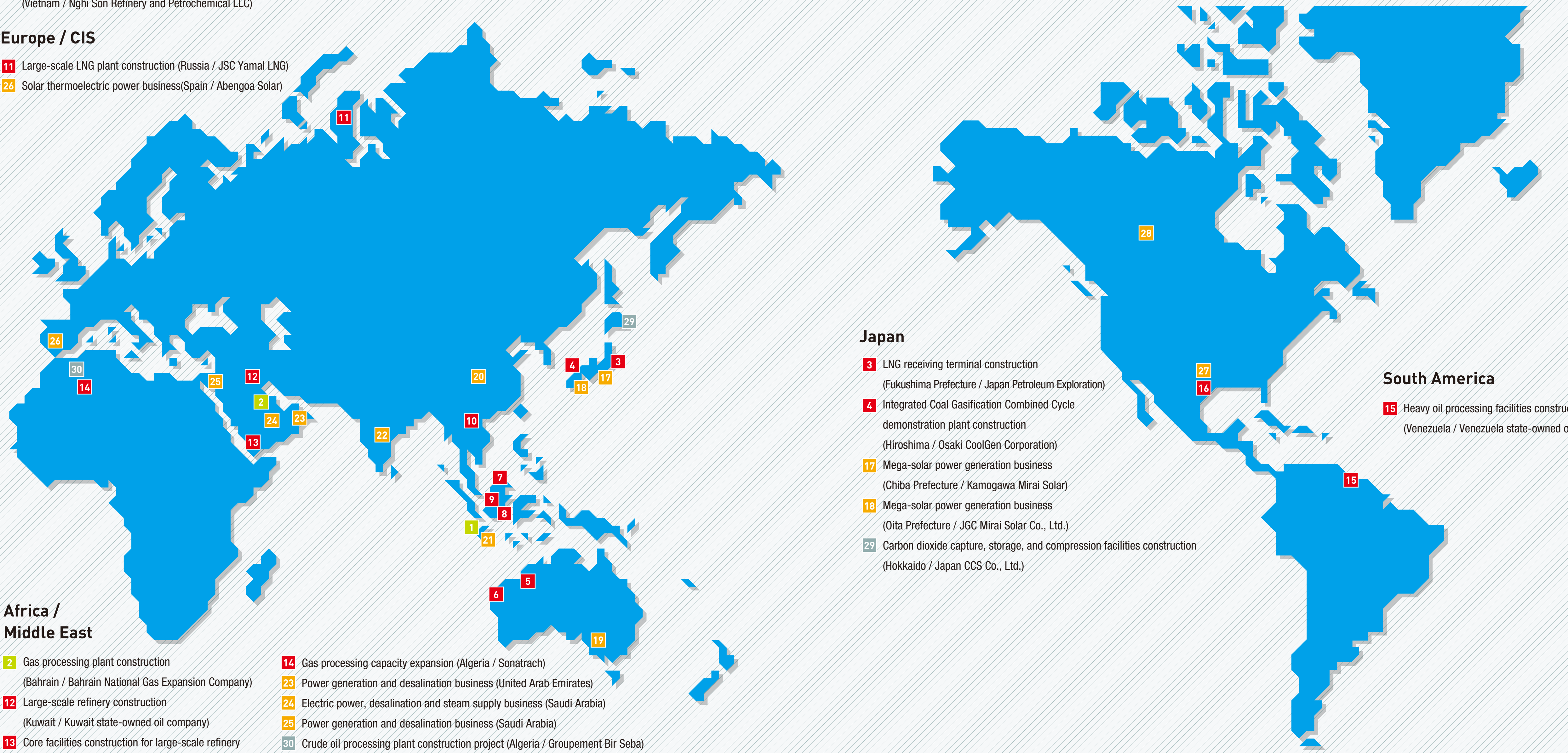
- 1 Refining capacity increase (Indonesia / Indonesia state-owned oil company)
- 5 LNG plant construction (Australia / Ichthys LNG)
- 6 LNG plant construction (Australia / Gorgon Joint Venture)
- 7 Floating LNG plant construction (Malaysia / Malaysia state-owned oil company)
- 8 LNG plant capacity extension (Malaysia / Malaysia state-owned oil company)
- 9 LNG complex expansion (Malaysia / Malaysia state-owned oil company)
- 10 Refinery / Petrochemical complex construction (Vietnam / Nghi Son Refinery and Petrochemical LLC)
- 19 Water supply and sewerage (Australia / United Utilities Australia)
- 20 Drawing up plans for business park, attracting companies, acting as intermediary for investment (China)
- 21 Plant for manufacture and demonstration of power generation using the new JCF slurry fuel derived from low-grade coals (Indonesia)
- 22 Integrated city development (India)

Europe / CIS

- 11 Large-scale LNG plant construction (Russia / JSC Yamal LNG)
- 26 Solar thermoelectric power business(Spain / Abengoa Solar)

North America

- 16 Large-scale ethylene manufacturing plant construction project (USA / Chevron Phillips Chemical)
- 27 Shale oil production and development business (USA)
- 28 Shale gas production and development business (Canada)



Japan

- 3 LNG receiving terminal construction (Fukushima Prefecture / Japan Petroleum Exploration)
- 4 Integrated Coal Gasification Combined Cycle demonstration plant construction (Hiroshima / Osaki CoolGen Corporation)
- 17 Mega-solar power generation business (Chiba Prefecture / Kamogawa Mirai Solar)
- 18 Mega-solar power generation business (Oita Prefecture / JGC Mirai Solar Co., Ltd.)
- 29 Carbon dioxide capture, storage, and compression facilities construction (Hokkaido / Japan CCS Co., Ltd.)

South America

- 15 Heavy oil processing facilities construction (Venezuela / Venezuela state-owned oil company)

Africa / Middle East

- 2 Gas processing plant construction (Bahrain / Bahrain National Gas Expansion Company)
- 12 Large-scale refinery construction (Kuwait / Kuwait state-owned oil company)
- 13 Core facilities construction for large-scale refinery (Saudi Arabia / Saudi Arabia state-owned oil company)
- 14 Gas processing capacity expansion (Algeria / Sonatrach)
- 23 Power generation and desalination business (United Arab Emirates)
- 24 Electric power, desalination and steam supply business (Saudi Arabia)
- 25 Power generation and desalination business (Saudi Arabia)
- 30 Crude oil processing plant construction project (Algeria / Groupement Bir Seba)

ESG Management

In 2006, the United Nations published the Principles for Responsible Investment (PRI), which urged institutional investors to incorporate consideration of the environment, society and governance (ESG) in their investment decision-making process. Numerous institutional investors, in particular in the US and Europe, became signatories to the PRI, and the principles became entrenched among financial institutions and other institutional investors. In Japan, the movement to prioritize responsible investment was accelerated by the signing of the PRI by the Government Pension Investment Fund (GPIF), which manages public pensions, and attention has been focused on corporate ESG initiatives.

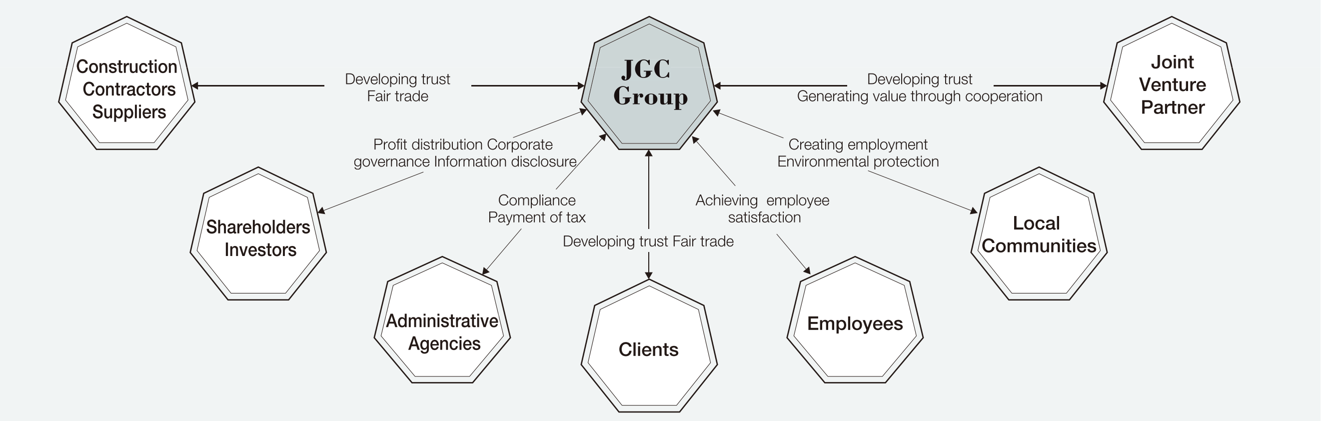
Basic Thinking regarding ESG

The JGC's corporate philosophy, the JGC Way (see p.8), provides us with fundamental orientations and guidelines for the conduct of our business activities, and urges us to hold high ethical principles, respond to the needs of the community and our clients, respect diverse human resources, and utilize broad-ranging technologies as we strive to continuously increase our corporate value and to realize increased environmental and social value.

Based on our recognition that striving to embody the JGC Way as we pursue our business activities and engaging as a company in ESG-related initiatives are two sides of the same coin, we will continue to work via our business activities to realize ongoing increase in our corporate value.

In making disclosures regarding ESG in this report, we have referred to the Global Reporting Initiative (GRI), the fourth generation (G4) of Sustainability Reporting Guidelines, and the Sustainable Development Goals (SDGs) in accordance with the central stipulations of ISO 26000.

Communication with stakeholders



Linkage with core themes of ISO26000

Consumer (Customer) Related Issues

- 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

Environment-Related Issues

- 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

Organizational governance and fair business practice-related issues

- Promote organizational governance
- Prevent corruption
- Pursue responsible political involvement
- Engage in fair competition
- Promote social responsibility across the value chain
- Respect property rights

Respect human rights and engage in proper labor practices

- 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

Participate in community events and contribute to the growth and development of local communities

- 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

Interview with the Chairman

Corporate governance for continuous growth

Chairman and
Representative Director

Please explain the positioning of corporate governance activities within the JGC Group.

In recent years, as typified by the drafting and application of Japanese versions of stewardship code and corporate governance codes, the environment surrounding corporate governance in Japan has changed dramatically, and I have experienced for myself the rise in required standards for fairer, more transparent, and more expeditious decision-making. Since the Company began applying the corporate governance code in June 2015, we have observed every item of the regulations, such as by checking each point, electing multiple independent outside directors, and establishing an external point of contact for whistle-blowers, but we will continue to work to understand the spirit of the code and to effect further improvements. Ensuring the fairness, transparency and efficiency, among others, of management, putting in place a framework that has the trust of society, and realizing sustained improvements in business value are some of the most important issues in management. Faced by the changes in the environment surrounding corporate governance and the rise in required standards, rather than reacting passively we should seize the opportunity to enhance corporate value by maintaining a constructive response.

Please summarize for us the governance framework of the JGC Group and the thinking behind it.

JGC is a company with a board of directors and an audit & supervisory board . It has also introduced an executive officer system in order to clarify the authority and responsibilities involved in the execution of business, as well as encouraging more prompt and more efficient decision-making and execution of business by management. The board of directors comprises 10 directors including two outside audit & supervisory board members, with five audit & supervisory board members including three outside members also attending. With the primary aim of securing more expeditious execution of business, from July 2016 onward meetings of the board of directors will be held once a month instead of twice a month. While the number of meetings has fallen, by revising the rules to adopt a policy of fuller reporting of items by the management team, the supervisory function of the board of directors has, if anything, been strengthened. In addition, with regard to the items deliberated by the board of directors, by rearranging these with the separation of the supervision and execution of duties in mind, we have achieved a structure that allows the board to focus more on the medium to long-term strategy it should be concentrating on, alongside the supervision of management. Because the management of the Company is required to have sophisticated knowledge and understanding of engineering as well as deep familiarity with international business markets, I consider the current governance structure to be reasonable, but we will also continuously discuss the approach we should take at future meetings of the board of directors.

What function do the two outside directors fulfill?

Since the 117th shareholders' meeting in 2013, Shigeru Endo has played an important role as outside director, drawing extensively on his service background as ambassador extraordinary and plenipotentiary to Saudi Arabia and Tunisia and his abundant experience and knowledge of the Middle East, which constitutes the primary business market for the Company, to offer appropriate advice and to discharge in full his supervisory function. Starting this year, Masayuki Matsushima takes on the role of second outside director, being a former executive director of the Bank of Japan and possessing plentiful experience and knowledge of international finance and corporate management. We anticipate that he will leverage his unique perspective to provide supervision and advice on such issues as financial arrangements for overseas projects and management of overseas subsidiaries.

What importance is assigned to dialog with shareholders and investors?

There is a school of thought arguing that feedback from direct meetings between management and shareholders and investors opens the way to sustained growth and medium to long-term corporate value. I endorse this way of thinking and perceive it to be a key to the success of the Japanese style stewardship code and corporate governance codes. I, myself, at shareholders' meetings of course but also in other situations, create as many opportunities as I can to speak directly to both domestic and overseas shareholders and investors and make efforts to actively share the valuable insights gained from this dialog with directors and employees at board meetings and other gatherings. The important opinions gleaned from these dialogs are reflected in the drafting of the new "Beyond the Horizon" medium-term management plan and in the shift towards multiple independent outside directors. Going forward, we will continue to facilitate constructive dialogs and link these to further innovation in management.

Finally, what message would you like to convey to stakeholders from the perspective of governance?

The Company recognizes the role that it should play as a corporate group that is committed to creating a more prosperous future for its clients, for people and for society through integrating its core capabilities and technical expertise to generate innovative solutions. A healthy corporate governance structure is the foundation the rest is built upon, and in the future we will promote further strengthening of corporate governance while striving with all our strength to meet the expectations of all our stakeholders.

Message from the Outside Director

Human Resources are JGC's Lifeblood

Shigeru Endo
Outside Director

The world is changing dramatically, but even amid the upheaval of today's international situation, the importance of human resources to corporate organizations remains unchanged.

Human resources are the life of the company.

What makes JGC's human resources so excellent? It is their extremely high level of awareness of the necessity for social contribution. As much as 80 to 90% of JGC's business is conducted overseas, and the ethos of not sparing any effort for the good of the countries in which it operates is strong in the company's organization.

However, human resources also deteriorate. Unless you keep pedaling a bicycle, it will fall over straightaway. Human resources are similar to this. Those higher up in the company must never slack off in providing training and education to the employees under them. JGC is able to develop human resources to become more than they thought themselves capable of. And in doing so, their superiors also grow themselves. It is my hope that human resources developed in this way will act as the driving force and energy behind JGC's new medium-term management plan, "Beyond the Horizon."

In the past year, JGC has conformed to the stipulations of the Corporate Governance Code, and worked to improve its governance. Going forward, these efforts will continue. I myself will continue to work with the Audit & Supervisory Board in overseeing the company's management.

The discussions of the Board of Directors have become more dynamic. In addition to actively taking part in these discussions, I also offer advice based on my overseas experience and my personal network. In doing so, I hope to stimulate more focused efforts to gain an understanding of regional information that can assist in supporting JGC's overseas business and to develop personal networks. I also participate in study groups and other activities for younger employees, and I learn a great deal from them in terms of awareness of the trends of the times. We should be sensitive to the ideas and orientations of young people. I am paying attention to their potential to provide new perspectives on JGC's strategy.

It is a difficult struggle for a company to survive over the long term. This is not related to the size of the company. We cannot say that a company is safe just because it is large. JGC is continuing in its efforts to shed its former identity and become a global company, and, in a certain sense, the critical moment is right now. Results are essential. Many issues must be faced in order to realize them. The period during which a company moves into new business areas is a particularly fraught time. However, difficulties in themselves make JGC stronger. This summer, JGC took decisive action in relation to organizational reforms. When the new medium-term business plan is completed, I expect to take pleasure in discussing the successful outcomes with you all.

My Responsibilities as an Outside Director

Masayuki Matsushima
Outside Director

The world is at a major historical turning point, and reading the future would be an extremely difficult task even if one possessed second sight. However, being paralyzed by uncertainty does not lead to corporate growth. It is important to make careful determinations, but it is also necessary for JGC to actively challenge itself in unknown areas, and to take the risks involved. This is all the more reason for the company to increase the transparency of its management and clarify its responsibilities towards the future.

Outside directors, naturally enough, are not omnipotent, and in fact are absolute amateurs when it comes to the company's operations. What, then, can be expected from outside directors?

I believe that what can be expected are frank opinions regarding things that people inside the company don't notice, or, if they do notice, may hesitate to talk about because of established practice or the boundaries between departments. In such cases, rather than simply relying on an outsider's perspective, outside directors make use of the experience and knowledge gleaned from their previous positions, and in addition to invigorating the discussions held by the Board of Directors, make the decision-making process fairer and more robust.

A fusion of global strategy and groundbreaking technologies will be essential for 21st century management. What will be demanded of JGC will be the dynamic reconfiguration of the human resources and the management system that will realize this fusion, in response to changes in the business environment.

It is my hope that I will be able to make a constructive contribution, even in a small way, to the implementation of "Beyond the Horizon" as a trusted advisor to the company.

Shareholders & Investors

Basic Thinking regarding Shareholders & Investors

The JGC Group recognizes that dialogue (engagement) with shareholders and investors is indispensable to increasing corporate value. With this as our fundamental premise, we are working to ensure timely disclosure of information, and to offer detailed information, for example by having top management explain the overall status of our business activities. By closely monitoring the opinions of our shareholders and investors regarding our business management and ensuring that these opinions are reflected in that management, we are striving to realize increased corporate value, and to create an environment that encourages our shareholders to retain their shares over the long term.

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.

Moreover, the Company has a policy of disclosing information as proactively as possible in response to investors' demands, even including details of the announcements at results meetings that are not necessarily covered by timely disclosure rules.

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 earnings forecasts submitted to the Tokyo Stock Exchange, the Company may also provide guidance on those forecasts for the reference of investors and securities analysts.

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.

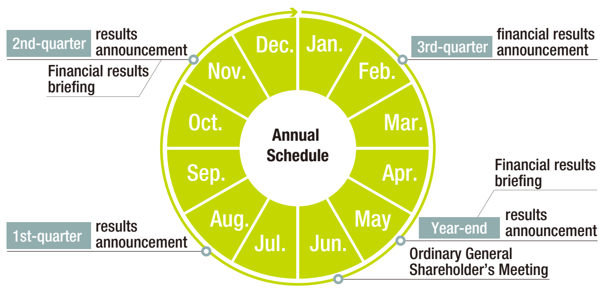
4. Regarding the Period of Silence

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 twoway 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.

Annual IR Activity Schedule



Scene from the financial results briefing held in March 2016

Governance

Basic Thinking regarding Governance

JGC views the realization of ongoing increase in corporate value as its most important management goal, and recognizes that the creation of a corporate governance system that ensures the fairness, transparency, and efficiency of management and wins the trust of the community is essential to its achievement. It is a characteristic of engineering enterprises that they necessitate management centered on internal directors possessing high-level knowledge and expertise. For this reason, JGC structures itself as a company with a board of directors and an audit & supervisory board, and has also appointed outside directors and outside audit & supervisory board members in order to enhance the supervision of management and increase its transparency.

In addition, we are working to strengthen compliance in accordance with the values of the JGC Group, which stress upholding high ethical principles and acting with honesty. Through ongoing engagement with our shareholders and investors, we will continue working to strengthen corporate governance to realize continuous increase in corporate value, evaluating the effectiveness of our board of directors, examining the appropriateness of executive remuneration, and further improving compliance.

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 our corporate governance system are discussed below.

Board of Directors

The Board of Directors comprises 10 board members, including two outside board members. Five audit & supervisory board members, including three outside audit & supervisory board members, also attend board meetings. In principle, the Board of Directors meets once 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.

Operations Steering Committee

The Operations Steering Committee in principle meets twice a month to deliberate on items relating to the execution of operations by JGC and the JGC Group. This committee includes audit & supervisory board members and other individuals nominated by the president.

Nominating Committee and Assessment Committee

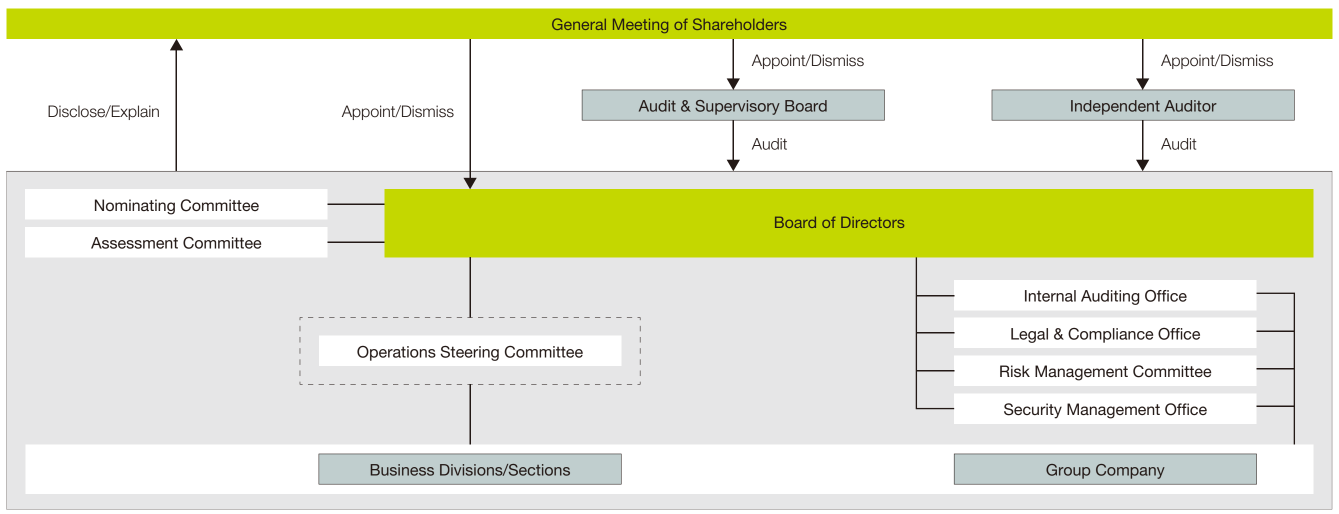
The Nominating Committee and the Assessment Committee each meet in principle once a year for the purpose of enhancing fairness and transparency in the selection of executive personnel and in the determination of compensation. Their membership includes outside directors.

Independent Auditor

The certified public accountants who audit JGC's accounts are Michitaka Shishido and Yoshinori Saito of KPMG AZSA LLC. Five other CPAs and seven other individuals assist in carrying out these audits.

Corporate Governance System

* — denotes "Direct" and "Report"



Reasons for adopting a Corporate Governance System

We believe that it is essential to boost the effectiveness of our auditing and supervisory functions through the appointment of audit & supervisory board members who are independent of our Board of Directors and possess a diverse range of specialized knowledge, at the same time realizing management that responds to the actual situation around us, centering on internal directors with advanced knowledge and expertise in the field of engineering and broad familiarity with business markets. For this reason, we have adopted a system in which we make use of an Audit & Supervisory Board.

Status of the Elements of Our Internal Control System

JGC's Board of Directors decides on the basic principles of our internal control system, and revises them as necessary.

We have established an Internal Auditing Office, which checks, evaluates, and improves the effectiveness of the internal control systems of JGC and the JGC Group, and conducts individual audits as necessary. We have also formulated rules for the assignment of management authority, which regulate the duties and authority of our executives and employees, and make clear the system of responsibility for corporate management and the execution of operations. In addition to this, we have also formulated and implemented management rules for Group companies.

Executive Remuneration

In order to increase our global competitiveness as an engineering enterprise, we make it a basic principle to ensure that we possess the management human resources essential to the realization of ongoing increases in our corporate value. The remuneration received by our executives is decided within the limits of the scope established at the 113th Ordinary General Meeting of Shareholders held on June 26, 2009.

Remuneration for directors comprises fixed remuneration and performance-based remuneration. Fixed remuneration is determined by the position and duties of the director. Performance-based remuneration is set at a total figure of no more than 1% of net income for the fiscal year, and is offered as an incentive for the realization of improvements in business results. Based on our awareness of the fact that it takes several years from the receipt of an order to the completion of a project in our main business area, EPC services, we evaluate the operations supervised by each of our directors and the degree of contribution they make to results for each fiscal year with consideration of whether or not they contribute to increased corporate value from the medium- to long-term perspective. In order to ensure the objectivity of these evaluations of the degree of contribution of our directors to business results, they are reviewed by an Evaluation Committee that includes outside directors as members, and this Evaluation Committee makes the final decision. To help ensure that they are able to oversee management from a standpoint that is independent from the execution of operations, outside directors receive only fixed remuneration.

In consideration of the character of the Audit & Supervisory Board as an independent institution that oversees the execution of operations by directors in order to ensure the appropriate implementation of the corporate governance system, audit & supervisory board members also receive only fixed remuneration.

Initiatives in relation to the Corporate Governance Code

Japan's Corporate Governance Code ensures transparency and fairness in decision-making (including fulfillment of the responsibility of explanations to stakeholders), and encourages rapid and decisive decision-making in order to realize "aggressive governance." We are in full agreement with the goals of the Corporate Governance Code, and have applied all of the Code's principles. Into the future, in accordance with the goals of the Code, we will continue to work to maintain a dialogue with our stakeholders, disclose accurate information in a timely fashion, and boost the effectiveness of our Board of Directors, seeking to realize sustainable growth and increase our corporate value over the medium- and long-term.

Total value of remuneration, etc. for each executive category, and total value of remuneration, etc. by type of remuneration and number of executives eligible for remuneration

Category	Total value of remuneration, etc.	Breakdown of remuneration, etc.			
		Fixed remuneration		Performance-based remuneration	
		Number of eligible executives	Total amount provided	Number of eligible executives	Total amount provided
Nine directors (Outside directors not eligible)	361.27 million yen	Nine	283.80 million yen	Eight	77.47 million yen
Two audit & supervisory board members (Outside audit & supervisory board members not eligible)	33.60 million yen	Two	33.60 million yen	-	-
Four outside executives (One outside director and three outside audit & supervisory board members)	40.08 million yen	Four	40.08 million yen	-	-

(Note 1) The figure for fixed remuneration above includes remuneration for one director who stepped down at the conclusion of the 119th Ordinary General Meeting of Shareholders held on June 26, 2015.
(Note 2) As of the end of fiscal 2015, the Board of Directors comprised nine directors, including one outside director, and the Audit & Supervisory Board comprised five audit & supervisory board members, including three outside audit & supervisory board members.
(Note 3) The figure for performance-based remuneration above is the figure scheduled to be provided for performance-based remuneration for fiscal 2015.

Compliance

Basic Thinking regarding Compliance

As a member of the international community, the JGC Group believes that the compliance of all employees with the laws of Japan and of all the countries in which we do business and the conduct of fair and honest business in accordance with corporate ethics are essential to the pursuit of sustainable business development, and we are therefore working to prevent corruption and any form of inappropriate practice.

The Values of the JGC Group

In order to pursue lasting and sustainable business development, it is essential that the executives and employees of the JGC Group possess a shared system of values and conduct themselves in their daily activities in accordance with these values. By basing its activities on the following values, the JGC Group believes that it can maintain stable management over the long term, and manifest its corporate philosophy.

Values

We are driven by our shared values and commitments.
These elements express our strengths and represent the basis for how we work and deliver solutions to our clients and stakeholders:

[Shared Values]

Challenge We venture into new business fields, overcome technical hurdles and establish innovative methodologies.

Create We remain dedicated to developing results-focused, thoughtful solutions that fully meet the needs of our clients and benefit society as a whole.

Integrate We bring together a wide range of technologies, innovative tools and a diverse team dedicated to increasing value to all stakeholders.

Deliver We commit to overcoming obstacles through diligence and our "nevergive-up" philosophy, and to delivering quality products and services to our clients and society.

[Professional Commitments]

Respect We undertake to foster mutual respect and support among all those involved in our activities and to emphasize the importance of safety for all.

Integrity We pledge to maintain the highest ethical standards in everything we do.

Results and Initiatives

Group Compliance System

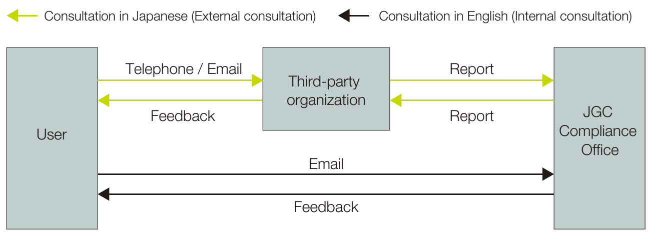
The JGC Group has established a Group compliance system that ensures that business activities conforming to the highest ethical principles are implemented throughout the entire Group. Appropriate response to issues has been ensured by the appointment of compliance officers by each Group company and the integration of compliance liaison functions. Each compliance officer evaluates the specific compliance risks of their company, and proposes and implements compliance measures suited to that company. Compliance officers from throughout the Group regularly come together in order to share information, and work to build and put into effect systems for the realization of greater awareness of compliance within the entire the Group, cooperating as necessary. In fiscal 2015, compliance officers from domestic and overseas Group companies gathered at our Yokohama Head Office and in Jakarta (at JGC Indonesia) to attend Group Compliance Conferences. The conferences were marked by vigorous discussions of the specific issues and risks faced by each company, and effective measures for the solution of issues and the avoidance of risks.

Attendees at a Group Compliance Conference (Overseas)

Internal Whistleblowing System

Seeking to promote early identification and amelioration or avoidance of compliance risks, JGC has established the JGC Compliance Hotline as a method of enabling employees to consult about and report compliance violations and activities that they suspect may result in compliance violations. When an employee reports or consults regarding a violation, an appropriate and timely response is put into effect following adequate investigation of the matter. The system ensures that the whistleblower will not suffer any negative effects. To make the system easy for employees to use, the JGC Compliance Hotline offers both internal and external consultations, the former with the company's Compliance Department, and the latter with a third-party organization specializing in taking whistleblower reports. Consultations can be conducted by telephone or email, and employees using the system are able to remain anonymous. English-language assistance has also been provided to make it possible for non-Japanese employees to use the system.

Flow of response



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

1. Collect, analyze and communicate risk information: issue situation-specific reminders and warnings
2. Update standard documentation such as crisis response manuals and safety standards
3. 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
4. Monitor each of the aforementioned items and provide guidance to ensure continuous improvement
5. Provide education and training on crisis management
6. 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.

Management Structure (As of July 1, 2016)

Chairman and Representative Director
Masayuki Sato

President and Representative Director
Koichi Kawana

Directors	Yutaka Yamazaki Tsutomu Akabane Satoshi Sato Hiroyuki Miyoshi Masanori Suzuki Kiyotaka Terajima Shigeru Endo*1 Masayuki Matsushima*1
Audit & Supervisory Board Members	Toyohiko Shimada Yukihiro Makino
Audit & Supervisory Board Members (Outside Auditor)	Masao Mori*2 Koichi Ohno*2 Norio Takamatsu*2
Senior Executive Vice Presidents	Yutaka Yamazaki*3 Tsutomu Akabane*3
Senior Managing Executive Officer	Satoshi Sato*3
Senior Executive Officers	Hideaki Miura Hiroyasu Fukuyama Hitoshi Kitagawa Takehito Hidaka Hiroyuki Miyoshi*3 Kazuyoshi Muto Takashi Yasuda Tadao Takahashi Kenichi Yamazaki Masanori Suzuki*3
Executive Officers	Shigeru Abe Hiroshi Bunazawa Tokutaro Nomura Hisakazu Nishiguchi Yasutoshi Okazaki Nobuhiro Kobayashi Yasuhiro Okuda Akio Yoshida Toru Amemiya Masayasu Endo Kiyotaka Terajima*3 Yuji Tanaka Takaya Matsuoka Masurao Fujii Terumitsu Hayashi Masahiro Aika Makoto Miyamoto Aya Miyazaki Yasuharu Yamaguchi Takuya Hanada Takeshi Kawasaki Tetsuya Muramoto

*1 Outside director *2 Outside audit & supervisory board member *3 Also a director

Environment

Basic Thinking regarding the Environment

Today, against the background of the economic development of the emerging nations and global population increase, there is growing focus on the preservation of the global environment and the protection of biodiversity in our quest to realize sustainable societies. Based on our belief that engineering is intrinsically able to contribute to the preservation of the environment, the JGC Group recognizes the protection of nature and the realization of harmony with the environment in our business activities as essential management goals, and works actively to protect the global environment based on our Environment Policy.

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.

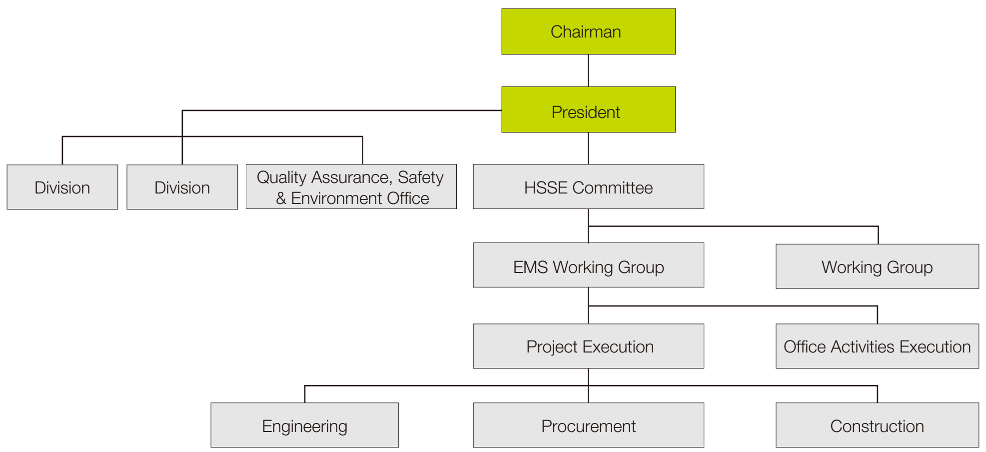
1. We shall endeavor to preserve the natural environment through the prevention of pollution and the conservation of energy and natural resources.
2. We shall provide our clients with technical solutions that conserve energy and natural resources, and reduce pollution and other adverse environmental 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
July 31, 2015

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



Environment

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 part of our measures to fulfill our corporate social responsibility, the JGC Group has conducted initiatives to realize environmental improvements by seeking to reduce the harmful by-products of our business activities to zero. We are currently advancing our Zero Emissions Initiative, which is producing results in improving the environment.

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

Zero Emissions Initiative 2015 poster

JGC Group Offices

We are promoting environmental improvements in our offices by adopting an average annual rate of improvement of 1% or more in energy consumption (with fiscal 2013 as the base year) as an environmental target.

JGC Domestic Construction Sites

Environmental improvement targets were quantified in three areas: final disposal rate, number of leaks, and CO_2 emission units.

With a final disposal rate of 3.7% for fiscal 2015, while we did not achieve our target of 2%, we did realize a significant improvement over our figure of 5.9% for fiscal 2014.

The JGC Group will continue to make every effort to achieve the target in fiscal 2016. On a positive note, outcomes were favorable with regard to Group targets for the number of leaks and CO_2 emissions units, with both targets being reached.

Zero Emissions Initiative 2015 Environmental Performance

(JGC construction sites in Japan)

Environmental indicators		Units	Fiscal 2012	Fiscal 2013	Fiscal 2014	**Fiscal 2015**
Final disposal rate of industrial waste	Result (Target)	%	4.2 [3]	5.8 [3]	5.9 [3]	**3.7 [2]**
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	0.36 [1]	0.58 [0.9]	0.63 [0.9]	**0.64 [0.9]**

Recycling of Construction Waste

JGC aims at minimizing final waste through the rigorous implementation of the "Zero Emissions Initiative 2015." In fiscal 2015, the final disposal rate of construction work in Japan was 3.7%.

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.

Topics Toward Zero Leaks

The JGC Group executes projects on a global scale in the areas of resource development, oil, natural gas, and the petrochemical industry, in addition to a broad range of other areas including the environment, chemicals, pharmaceuticals, water resources, and new energy. We strive to constantly consider the environment across the entirety of these projects. While the management of our overseas construction sites entails greater difficulties than that of our domestic sites, all employees share a thorough awareness of the necessity for management to ensure that contaminating materials do not escape outside the site, and put this awareness into practice. We do not just educate our own staff in this management awareness. As a prime contractor, we are involved with construction companies and other business partners, and conduct training for several thousand people for a single project. By this means, we are working to instill environmental awareness in every individual involved in our projects.


Training to increase awareness for the prevention of oil spills

Results for Fiscal 2015 and Fiscal 2016 Initiatives

Activity objective	Results for fiscal 2015	Assessment	Fiscal 2016 initiatives	Improvement
Implementation of Zero Emissions Initiative 2015	•Reduction of CO_2 emissions to Kyoto Protocol Level •Realization of zero environmental contamination due to leaks •Reduction of volume of final disposal of waste (The final disposal rate was also improved, but the target was not achieved) •Promotion of environmental investment	G	Continued implementation of Zero Emissions Initiative	→
Environmental target	Setting of environmental targets is directly linked to fundamental business activities; we are promoting linkage with quality management systems	G	Continuing promotion of environmental improvements directly linked to fundamental business activities	→
Enhancement of internal auditing	Implementation at all overseas sites (29 times in total) Score: 87.2 points (Target: 86 points)	E	Implementation multiple times at all overseas sites (A total of 21 times is planned) Target: 86 points	→
Enhancement of biodiversity-related initiatives	Biodiversity-related initiatives directly linked to fundamental business activities (To be deployed also at overseas sites and in Group companies)	G	Integration into environmental improvement initiatives directly linked to fundamental business activities	

Assessment
E: Completely implemented **G:** Extensively implemented **NG:** Not yet implemented

Improvement:
↑ Substantial modification of environmental improvement measures
→ Continuation of environmental improvement measures

Human Resources

Basic Thinking regarding Human Resources
Engineering companies do not possess assets like production facilities. For an engineering company, human resources are the company's sole, and therefore most important asset. Fair personnel management that gives adequate consideration to human rights is fundamental to the JGC Group. The Group engages in no illicit employment practices such as the exploitation of child labor, and we are enhancing the diversity of our workforce through equitable employment measures encompassing non-Japanese personnel, seniors, the disabled, and female employees. We have established a range of measures related to the working environment, employee education, etc., and provide abundant opportunities to ensure that every employee is highly motivated and is able to display their ability and energy to the greatest possible extent.

Basic Thinking regarding Human Resources

Because the growth of each individual employee is essential to the growth of the company, we recognize the importance of striving to create an environment in which outcomes are continuously improved, and of realizing the simultaneous growth of the company and the individual. Via our various human resources-related systems, we seek to encourage our team members not to close themselves off within their respective specialized areas, but rather to take a step forward and engage in free and open discussions, creating relationships in which they are able to engage in friendly competition. Friendly competition pursued with a sense of pride and responsibility as professionals enables the creation of relationships of trust and a sense of camaraderie in which every individual recognizes every other as a professional. As a company, we are working to implement human resources-related initiatives that will foster a corporate culture in which every employee possesses this sense of pride and responsibility.

Diversity of Personnel

① Development of Global Recruitment
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.

At present, around 100 foreign employees from more than 20 different countries are employed at our Yokohama Head Office. With the continuing diversification of our workforce, we are dedicated to creating an environment in which diverse cultures are respected and everyone is able to work comfortably, for example by providing a prayer room for Muslim employees at our Yokohama Head Office.

② Giving Senior Staff Members a New Lease of Life
Based on the Revised Act for Stabilization of Employment of Older Persons, we have established a re-employment system for employees aged 60 and over, under which, in principle, every eligible employee wishing to make use of the system is re-employed.

From October 2015, we raised the mandatory retirement age to 65 in order to enable older employees who desire to do so to make use of their rich experience and specialized knowledge, and to create workplaces in which older employees can continue to work with peace of mind.

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.

④ Employment of Women
As part of our efforts in the area of diversity management (for example, employing non-Japanese and senior staff), we have been working to create a working environment that is friendly to women through measures including the establishment of a family care system. Via activities as part of the Kanagawa Women's Career Support Group and informal discussions with female employees, we are working to further promote the use of the system in the future, boosting career awareness in our female employees, and supporting them in displaying their abilities and advancing to leadership positions. We are also pushing ahead with initiatives to increase awareness of our industry as one in which women can be involved, for example by holding company briefing sessions for new graduates aimed specifically at female students.

Work-life Balance

We have introduced a variety of measures to enable employees to care for their families and raise children, including systems that offer leave of absence, time off, and reduced working hours.

Since 2007, JGC has consistently been awarded the "Kurumin Mark" in recognition of its active support of child raising by its employees.

JGC Family Day (A Day when Our Employees' Children visit their Parents' Workplace)

JGC Family Day, a day on which our employees' children visit their parents' workplaces and see them at work, has been held once a year since 2009.

In addition to developing their social awareness and sense of work and occupation, the aim of JGC Family Day is to help children gain an understanding of the jobs that their family members perform. The event is held for employees' children in grades 4 to 6 of elementary school. In fiscal 2015, 23 children participated and experienced work, meetings, and other aspects of their parents' working day.

Employees and their children participating in JGC Family Day

JGC Summer Time

JGC is implementing a campaign that encourages employees to start work an hour earlier in the morning and go home earlier in the afternoon during the summer months, when it is brighter for longer during the day. By making employees think about the time they leave work, this campaign seeks to create opportunities for each individual to change their thinking about their work style.

Together with other initiatives such as "No Overtime Day," JGC Summer Time is proving to be of benefit in promoting work-life balance.

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.

JGC Techno College

As a further supplement to the personnel development programs JGC offers as a company, we established the JGC Techno College in 2001 as a place where motivated personnel could voluntarily participate in continuing education courses. Senior staff members volunteer to act as instructors, organizing and running the sessions, which allows them to pass on their skills and experience to younger employees. The College also holds lecture meetings, inviting prominent experts from Japan and overseas to give lectures. In fiscal 2015, the College held around 100 lectures, attended by a total of approximately 2,500 employees.

Worksite Training System

Since fiscal 2013, we have dispatched all new employees to construction sites both inside Japan and overseas for six months during their first year of employment. By actually seeing and experiencing the plants that represent JGC's finished products and being involved in the construction stage at an early period in their careers, our new employees gain an understanding of how the engineering blueprints that they will be engaged in creating at our Yokohama Head Office are used in the plant construction process. They also experience the weight of the responsibility of ensuring quality and delivering plants to customers on schedule. At overseas construction sites, there are times when people from several tens of different countries come together to work. Among those present on the worksite, there will be customers, vendors supplying materials and equipment, and subcontractors involved in plant construction work, and each will have their own way of thinking and their own value systems. Amid this environment, despite the fact that the employees on dispatch are new, we require them to display the leadership and teamwork skills necessary to bringing everyone together to work towards the goal of completing the plant. Employees who have participated in this training process have indicated that while initially bewildered by the new environment, they felt a sense of responsibility towards the fulfillment of their duties, a sense of unity as a team built through daily face-to-face communication, and a sense of accomplishment in constructing a massive plant. JGC will continue to implement this training program for new employees.

Occupational Health and Safety

Basic Thinking regarding Occupational Health and Safety

For an engineering contractor, safety is one of the very highest priorities. In accordance with our Health and Safety Policy, JGC works under the leadership of top management to prevent accidents at worksites and traffic accidents involving our own employees and those of partner companies. The implementation of "Incident- and Injury-Free" (IIF) initiatives at all of our construction sites over the past several years has had a remarkable effect on increasing awareness of occupational health and safety and traffic safety in domestic and overseas construction projects. We will continue in our efforts to entrench comprehensive work safety and traffic safety measures throughout the entire Group.

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
January 1, 2016

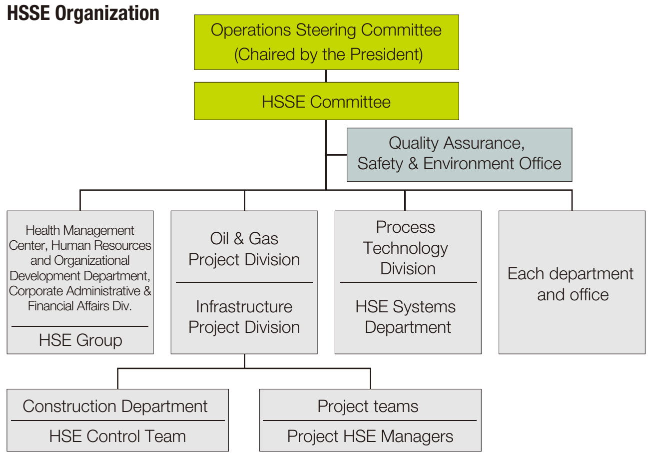
HSSE Organization

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."

HSSE Organization

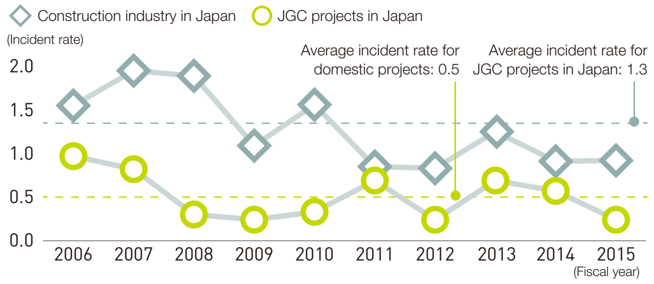


Safety Performance

As a result of continuous implementation of Group-wide measures to improve health and safety, our incident rate*1 (ILO method) has remained at an average of around 0.5 for the past ten years, a lower level than the average incident rate of 1.3 for the construction industry as a whole. In addition, internal targets have been set for the annual Total Recordable Injury Rate*2 (TRIR; an indicator of workplace safety that includes accidents that do not entail lost work time) for domestic and overseas projects. The monthly status of achievement of these targets is announced within the company to boost safety awareness. In fiscal 2015, JGC's TRIR was 0.34 for domestic projects, against a target of 0.60 or below, and 0.16 for overseas projects, against a target of 0.15 or below.

*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) [2006 - 2015]



Formulation of JGC Group Basic HSSE Guidelines

We formulated new JGC Group Basic HSSE Guidelines, and announced them to the Group in August 2015. The new guidelines were formulated to replace our HSE Vision 2015, which had been established to provide an image of the HSE initiatives that we sought to realize in 2015.

Our goal in this was to move beyond our traditional HSSE policy of setting time frames and projecting a vision of JGC's HSSE initiatives in several years' time. By establishing basic guidelines for universal HSSE, the new guidelines raise the level of HSSE initiatives throughout the Group.

Our Basic HSSE Guidelines comprise a HSSE slogan, an HSSE Code of Conduct, and an HSSE logo. They were announced by the president at the HSSE Conference he hosted on July 28, 2015.

Basic HSSE Guidelines
Everyone works safely and in good health, and returns home to their families without incident

HSSE slogan
Respect & Care

HSSE Code of Conduct
- Obey rules willingly
- Be aware of each other, look out for each other, appreciate each other
- Every individual employee displays leadership

HSSE
Respect & Care

Topics — HSSE Conference Hosted by the President

As part of our measures to enhance HSSE initiatives, the president has hosted an HSSE Conference every July since 2007. Approximately 240 executives, 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

Safety Day Campaign

From June to July every year, JGC conducts a Group-wide campaign that focuses on traffic and construction site safety. In addition to JGC's Head Office, this campaign covers all of the Group's construction sites, offices, and affiliates in Japan and overseas. In fiscal 2015, initiatives included calling for the design of safety posters, requesting employees to carry Commitment Cards and record details of their HSSE efforts on them, and holding team-based safety committee meetings. This campaign is an ongoing effort to increase health and safety awareness among all Group employees.

Fiscal 2015 safety poster award winner

Commitment Card 2015

Introducing "HSSE Moments"

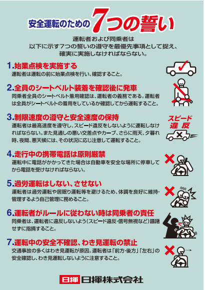
Since September 2010, JGC has introduced "HSSE Moments," five-minute lectures given by a participant officer at the opening of meetings of the Operations Steering Committee, which are attended by officers and executives. The purpose is for management to take the lead in addressing HSSE matters, in consideration of JGC's aim to be a No. 1 HSSE contractor.

There are no restrictions on the topics of the lectures, and with presentations ranging from personal topics to items closely related to work procedures and topics of intellectual interest, the HSSE Moments are a splendid opportunity to boost awareness of HSSE throughout the company via a wide range of subjects of discussion.

HSSE Moments

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

Broadening the Scope of IIF and realizing an Unshakeable JGC Culture of Safety

JGC first became aware of the IIF program in 2008, while engaged in a large-scale gas project in Qatar. This experience demonstrated to us that the program enhanced management leadership and fostered a culture of safety, and as a consequence boosted results for safety. Reflecting this awareness, our HSSE Committee has made it mandatory to apply the IIF program to all major overseas projects. The IIF concept has also been carried over to our domestic projects under the name "Ii Fureai Undo," and, together with overseas HSSE initiatives, is contributing to fostering and further developing the culture of safety throughout JGC.

However, the path to reach this point has not been smooth, and we have faced numerous challenges. First, because it is no easy matter to grasp the essence of the IIF program through theoretical learning, we began a plan in which we have the managers of newly-commenced projects visit a site that provides a model example of IIF initiatives, in order to deepen their understanding of IIF through practical experience, enabling them to apply the concepts to their own project. In the area of employee education, we have also begun an IIF education program for all new employees that is conducted before and after their dispatch for onsite training programs. In this way, they engage in onsite training with an understanding of IIF, gaining experience of both theory and practice. The trainees participate in workshops to receive feedback when their onsite training is completed, giving them a grasp of the theoretical principles of leadership included in the IIF program, which they will later apply in their work duties. These plans are contributing to the entrenchment of an HSSE culture at JGC and to the broadening of IIF and Ii Fureai Undo initiatives.

In addition to these plans, in fiscal 2015 we began to focus efforts on IIF Health Checks. IIF Health Checks are clearly delineated from regular safety audits, and involve the review and evaluation of the status of IIF initiatives at each of JGC's project sites by IIF experts. If problems are identified, the staff members conducting the review discuss concrete proposals for improvement with the relevant project staff members and put measures into effect, making the IIF Health Checks a plan that further enhances JGC's culture of safety.

In 2011, 2013, and again in 2016, JGC received the highest evaluation in the HSE category of the Transmar Report, which evaluates the world's leading EPC contractors in the oil and gas industry (around 20 companies) from a comprehensive perspective. This achievement is a result of the implementation of the IIF program and Ii Fureai Undo initiatives and daily company-wide efforts to foster and develop an HSSE culture at our overseas and domestic sites under the leadership of top management since 2010, seeking to realize our slogan "To be the Top in HSE."

As the measures discussed above demonstrate, we continue to advance IIF initiatives on a daily basis. We are also projecting the following as future challenges:

- Effective introduction of IIF initiatives to projects in which JV partners are taking the lead in site management
- Deployment of IIF initiatives in small-scale projects, in addition to large-scale projects

The HSSE Committee will continue to work tirelessly to expand the scope of projects subject to IIF initiatives, and to further strengthen JGC's HSSE culture.

Kenichi Yamazaki

Senior Executive Officer and Chairperson, HSSE Committee

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.

Social Contribution Activities

Basic Thinking regarding Regional Communities
Based on our management philosophy, creating a more prosperous future for our clients, for people and for society through integrating our core capabilities and technical expertise to generate innovative solutions, we are aware of our responsibility not merely to expand our own business, but also to contribute to the development of societies in the regions in which we operate. Seeking always to coexist harmoniously with society, we are actively working to fulfill our social responsibilities. The JGC Group conducts a diverse range of initiatives to benefit regional communities, including offering employment opportunities, conducting education and training programs, and raising awareness.

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 also continue to put efforts into environmental activities, such as using forestry activities as part of the training for new graduates.

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.

Science and Technology

Scientific experiment seminars are held for elementary school students every year at the Kitakyushu office of group company JGC C&C in Fukuoka Prefecture, in order to contribute to and strengthen relations with the local community. These seminars are so popular that the number of attendees exceeds the quota every year. In 2015, around 20 elementary school pupils carried out three experiments: "Using alginic acid and calcium chloride to create artificial salmon roe"; "Experiencing the world of -196°C using liquid nitrogen"; and "Electric jelly fish that floats using static electricity."

As a chemicals manufacturer, JGC C&C provides an opportunity for children to deepen their interest in chemistry and find meaning in having an interest for things. Going forward, the company will continue these positive relationships with the local community and its social contribution initiatives.

Social Contribution

Since fiscal 2011, the Company has lent its support to the Yokohama City Board of Education for its "Fureai Concert - Fostering the Heart" event. This concert has been held since the 1998 fiscal year for all elementary and compulsory education schools (one class from year 4 to year 6) and the elementary sections of special needs schools, with the goal of sharpening the senses through appreciation of music and fostering the temperament and abilities necessary for a spiritually rich life. During this time about 3,100 children daily come to appreciate the music, a total of about 31,000 children. Every year there are performances from the Kanagawa Philharmonic Orchestra and organ recitals. The conductor and master of ceremonies give lighthearted and easy-to-understand explanations, so that children, parents, and members of the public can all enjoy the selections played while cultivating their knowledge of music.

Suppliers

Basic Thinking regarding Suppliers
We believe that it is essential for all companies cooperating in a project to have established cultures of quality and of safety, and, as a result, to be able to do it "First Time Right." Companies that supply equipment for a project being conducted by JGC are not simply suppliers delivering equipment; they are important partners who meet the quality standards and deadline requirements of the project and, through price competitiveness, contribute to the project's success. JGC works to establish relationships with all of its business partners while taking leadership as an engineering company.

Procurement Policy

We do not take the superficial route of pursuing lower prices for equipment and materials, but instead consider how best to reduce the total cost of the project from the construction of the plant to the final hand-off 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.

Topics — Supporting Suppliers is the JGC Way

Manufacturers in emerging countries are eager to take on the challenge of producing equipment that is more difficult than they have previously tackled. At such times, engineers from the Company's Vendor Technical Support Group (VTSG) join the manufacturer in question to get a feel for the manufacturing facilities and the capabilities of the designers, offering appropriate guidance and helping them achieve their new goals.

If a supplier causes quality problems, rather than terminating the relationship, it is in JGC's corporate DNA to instead pursue the cause of the problem together with the supplier and to support their quality improvement activities.

Our mission is to expand our "Absolute Safety Transportation" activities that aim at "Zero freight accidents," "Zero accidents resulting in injury or death," and "Minimizing the environmental burden of transportation," in order to establish a "culture" of safety, and to foment a "culture" of quality by creating an environment in which quality is naturally generated rather than simply managing the quality of equipment and materials. For these reasons, we will continue to demonstrate strong leadership going forward.


engineers from VTSG

Quality Management System

Basic Thinking regarding Quality Management System
In plant engineering, quality assurance is an essential element in realizing safe operation and stable production. Centering on a Quality Assurance Committee, JGC's quality management system seeks to realize continuous improvement in quality. Headquarters and each of our divisions set quality targets, and we work proactively to resolve any quality problems, striving to make improvements and identifying fundamental causes in order to eradicate problems as quickly as possible.

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.

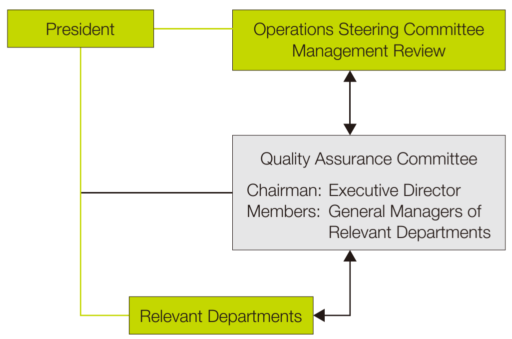
Quality Assurance Committee

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

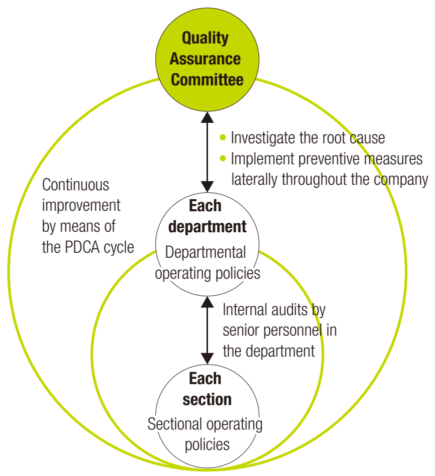
At JGC, we use the "Plan, Do, Check, Act" PDCA cycle to ensure continuous improvement, ensuring integration of our QMS with the actual functions performed, with the aim of improving substantive performance of our organizations and operations.

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 1st JGC Quality Forum: "Quality is Our Value - KIZUKI"

The first JGC Quality Forum was held on January 19, 2016, with the participation of almost 20 domestic and overseas companies and approximately 50 invited guests.

Quality is not simply a matter of management, but also of the natural creation of an environment. JGC's initiatives to cultivate a culture of quality (educational activities at lecture meetings, workshops with business partners, etc.) have prompted our business partners to formulate and implement their own concrete action plans, and by this means to foster cultures of quality tailored to their own company environments. We support these initiatives by periodically monitoring the details of activities and offering advice as necessary.

The JGC Quality Forum provides an opportunity for each company involved to present the details and outcomes of their quality-related activities. Participants share experiences of success, in addition to engaging in comprehensive discussion of areas in which expectations did not result in outcomes. With the participation of JGC engineers and executive staff, the total number of participants exceeded 200, and frank discussions ensued.

A South Korean welding joint manufacturer was selected to receive the prize for best presentation. The company had previously inflicted severe penalties on employees who contributed to quality problems, but then implemented activities to foster a culture of quality, eventually bringing in a "no-punishment" policy. The company now promotes the sharing of awareness of quality problems that might have been hidden, and efforts conducted by all employees to prevent quality problems from reoccurring.

All the participants in the Forum made a commitment to achieve further improvements in quality, and came back from the event with increased awareness. We will continue to support this fostering of new initiatives for the realization of increased quality into the future.

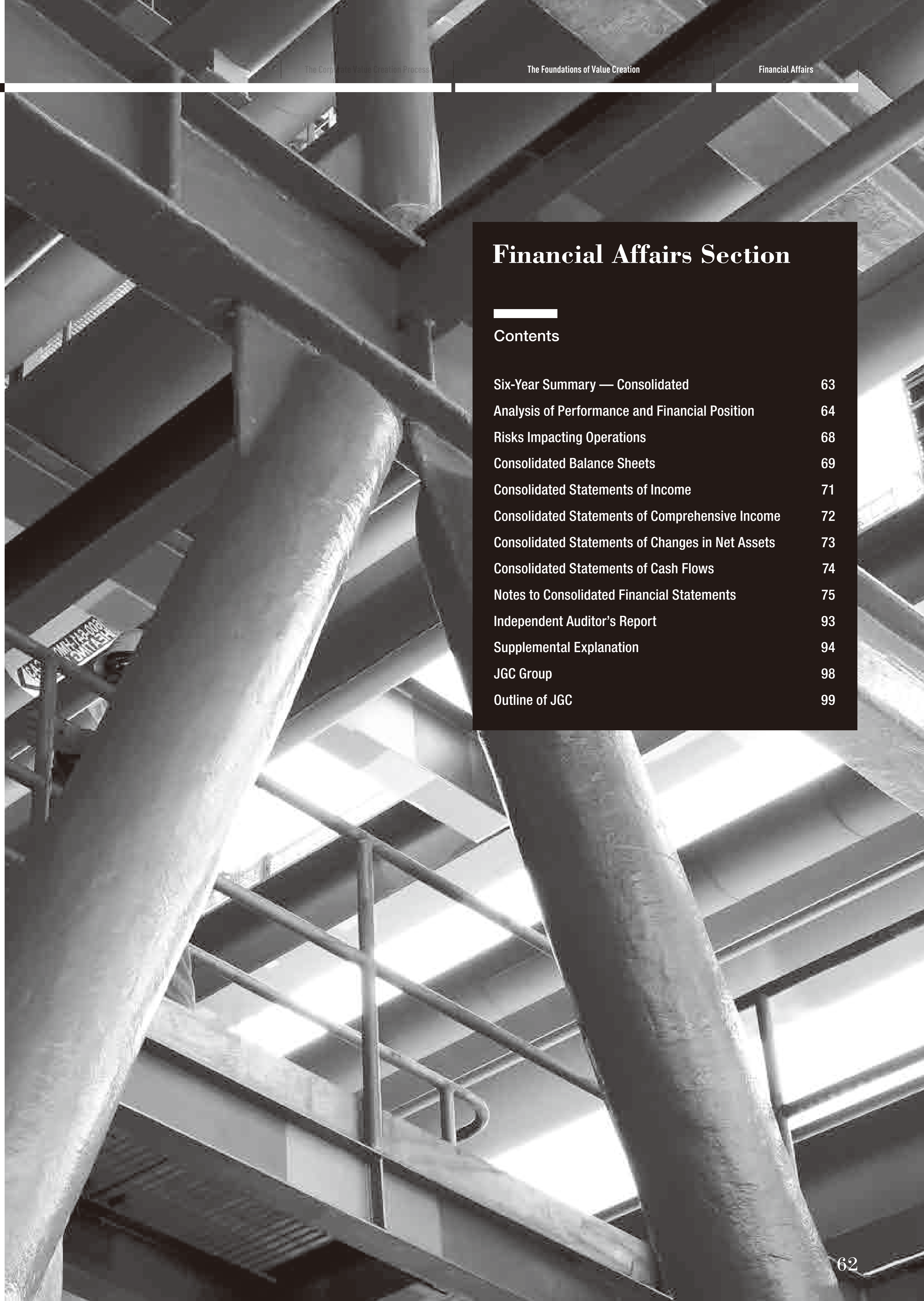
The participants in the Forum

ESG Highlights

This table introduces our initiatives related to the environment, society, and governance (ESG) and our key performance indicators (KPI).

JGC's main KPI		Units	Results for fiscal 2011	Results for fiscal 2012	Results for fiscal 2013	Results for fiscal 2014	Results for fiscal 2015
Report on Environmental Initiatives (E)							
Environment-related Initiatives · Contribution to the realization of low-carbon societies · Promotion of 3R activities · Environmental Improvement Activities in Line with Our Business · Promotion of the Zero Emissions Initiative	Rate of final disposal of industrial waste (Domestic construction sites)	%	3.3	4.2	5.8	5.9	3.7
	Number of incidents of leaks of hazardous substances, etc. (Domestic and overseas construction sites)	Incidents	0	0	0	0	0
	Energy-related CO_2 emissions (Domestic construction sites)	$kgCO_2$/hr	0.46	0.36	0.58	0.63	0.64
	Rate of diffusion of electronic manifests	%	-	-	-	-	79.4
	Energy consumption (Yokohama Head Office)(*1)	Crude oil equivalent (kl)	2,961	3,069	2,908	2,770	2,579
	Ratio of copy paper compliant with Act on Promoting Green Purchasing (Yokohama Head Office)	%	100	100	100	100	100
	Yokohama Head Office power consumption	1,000 kWh	7,826	7,934	7,530	7,308	6,720
	Consumption of chilled water and steam by Yokohama Head Office (Chilled water)	1,000 MJ	18,283	19,403	19,058	17,112	16,195
	Consumption of chilled water and steam by Yokohama Head Office (Steam)	1,000 MJ	8,729	9,911	8,617	8,252	8,021
	Volume of waste disposal by Yokohama Head Office	1,000 kg	300	309	309	258	186
	Rate of recycling of waste by Yokohama Head Office	%	67.5	65.3	65.4	63.2	66.9
Report on Social Initiatives (S)							
Initiatives related to human rights and labor practices · Promotion of diversity · Support for realization of work-life balance · Support for employee career formation	Number of women in management positions	Persons	3	5	10	11	15
	Rate of employment of people with disabilities	%	1.65	1.75	1.7	1.91	1.75
	Number of re-employed employees(*2)	Persons	187	184	191	209	208
	Number of non-Japanese employees(*2)	Persons	44	56	71	85	97
	Number of employees taking childcare leave (Male)	Persons	1	1	0	2	1
	Rate of reinstatement of female employees taking childcare leave (Number of female employees taking childcare leave)	(Persons) %	(14)100	(14)100	(12)94.7	(20)100	(29)100
	Number of employees taking spousal childbirth leave	Persons	240	191	189	190	189
	Number of employees taking sick or injured childcare leave	Persons	104	124	119	113	125
	Number of employees taking nursing care leave	Persons	2	2	3	2	4
	Number of employees taking temporary retirement for nursing care	Persons	0	0	1	1	2
	Number of employees working reduced hours for childcare	Persons	31	29	37	33	37
	Number of employees working reduced hours for nursing care	Persons	1	1	0	0	1
	Rate of utilization of annual leave	%	50	49	48	50	53
	Number of employees dispatched for onsite training / onsite instruction	Persons	61	88	112	125	98
	Number of employees dispatched to overseas companies, etc.	Persons	5	5	3	3	2
Initiatives related to health and safety · Fostering of culture of health and safety · HSSE leadership by top management · Enhancement of HSSE management system for investment projects · Ongoing implementation of traffic safety measures · Further development of in-house health and safety education · Enhancement of Head Office construction HSSE functions	Total project working hours	Hr	98,551,750	104,893,023	140,308,859	206,831,129	185,433,499
	Number of fatal accidents	Accidents	0	0	0	0	0
	Number of accidents accompanied by lost work time	Accidents	7	5	3	12	14
	Number of restrictions on work	Restrictions	11	20	47	60	37
	Number of conditions requiring specialized treatment	Conditions	38	53	77	123	99
	Rate of frequency of accidents accompanied by lost work time (*3)		0.014	0.010	0.004	0.012	0.015
	Rate of frequency of recordable accidents (*4)		0.11	0.15	0.18	0.19	0.16
Report on Governance (G)							
Initiatives related to fair business practices · Realization of increased compliance awareness	Number of employees receiving compliance training / number of times compliance training implemented	Times(People)	23(1,122)	27(996)	8(212)	8(312)	19(600)
Initiatives related to the promotion of information security · Information management awareness verification surveys and voluntary inspections · Drills against targeted threats Reinforcement of governance system	Number of serious information security-related incidents	Incidents	0	0	0	0	0
Reinforcement of governance system	Number of outside directors	Persons	0	1	1	1	1

(*1) Energy consumption (Yokohama Head Office): Targets for fiscal 2015 and fiscal 2016 have been set as an average annual reduction of 1%, with 2013 as the base year.
(*2) Number of re-employed employees and number of non-Japanese employees = (Number of employees in April + Number of employees in March) ÷ 2
(*3) Rate of frequency of accidents accompanied by lost work time = Number of accidents accompanied by lost work time × 200,000 ÷ Total project working hours
(*4) Rate of frequency of recordable accidents = (Number of fatal accidents + Number of accidents accompanied by lost work time + Number of restrictions on work + Number of conditions requiring specialized treatment) × 200,000 ÷ Total project working hours



Financial Affairs Section

Contents

Six-Year Summary — Consolidated

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

	2011	2012	2013	2014	2015	**2016**
Net Sales	¥ 447,222	¥ 556,966	¥ 624,637	¥ 675,821	¥ 799,076	**¥ 879,954**
Operating Income	63,559	67,053	64,123	68,253	29,740	**49,661**
Net Income	25,477	39,111	46,179	47,178	20,628	**42,793**
Total Current Assets	319,464	376,172	460,231	575,886	533,538	**522,747**
Total Current Liabilities	174,293	205,771	262,439	333,353	286,533	**225,203**
Working Capital	145,171	170,401	197,792	242,533	247,005	**297,544**
Current Ratio	183.3	182.8	175.4	172.8	186.2	**232.1**
Net Property and Equipment	64,633	64,887	71,708	70,290	78,560	**76,255**
Total Assets	468,502	526,169	628,757	746,102	719,754	**689,782**
Long-Term Debt, Less Current Maturities	6,623	7,591	9,363	13,001	22,715	**20,991**
Total Net Assets	264,483	291,042	336,083	379,882	388,496	**419,673**
New Contracts	618,203	793,278	594,091	818,161	769,680	**320,626**
Outstanding Contracts	1,163,256	1,506,146	1,549,813	1,767,814	1,772,036	**1,250,336**
Net Income per Share (in yen)	100.83	154.9	182.91	186.9	81.73	**169.6**
Cash Dividends per Share (in yen)	30	38.5	45.5	46.5	21	**42.5**
Number of Employees	5,826	6,524	6,721	7,005	7,332	**7,489**

Analysis of Performance and Financial Position

Our View of the Operating Environment

During the consolidated fiscal year under review, the economic slowdown in developing countries and the excess supply of oil resulted in continued stagnation in oil prices. In these conditions, gas and oil-producing countries as well as the major oil producers etc. reviewed some of their capital investment plans, leading to continued poor visibility for the environment in which the Group operates. On the other hand, against the background of population growth and economic expansion in developing countries, global demand for energy is expected to continue rising and in some regions and countries planning for projects directed toward internal demand, primarily oil and gas-related, is progressing steadily.

Results of Operations

In the consolidated fiscal year under review, the JGC Group posted net sales of ¥879,954 million (up 10.1% year on year), operating income of ¥49,661 million (up 67.0%), ordinary income of ¥52,047 million (up 16.0%), and net income attributable to owners of parent of ¥42,793 million (up 107.4% year on year).

●Net Sales

Net sales were pushed up by the progress in projects accounted for on a percentage of completion basis, growing by ¥80,878 over the previous consolidated fiscal year to reach ¥879,954 million.

●Cost of Sales and Selling, Generaland Administrative Expenses

Along with the rise in net sales, the cost of sales increased by ¥60,754 million over the previous consolidated fiscal year, to ¥806,995 million. Selling, general and administrative expenses rose by ¥203 million over the previous consolidated fiscal year, hitting ¥23,297 million.

●Operating Income

Due to the increase etc. in total income for completed projects, operating income rose by ¥19,920 million over the previous year to ¥49,661 million.

●Other Income (Expenses)

Other income (expenses) declined as a result of exchange losses etc. and dropped from ¥15,126 million (net) the previous consolidated fiscal year to ¥2,386 million (net), a decrease of ¥12,740 million.

●Income before income taxes

Extraordinary income came to ¥7,609 million (net). A loss on valuation of investment securities etc. was posted, but the main factor was the reversal of the allowance for doubtful debts etc. As a result, income before income taxes for the consolidated fiscal year under review rose by ¥29,597 million to ¥59,657 million.

●Taxes on Income

Income tax and other taxes declined by ¥6,668 million compared to the previous consolidated fiscal year, to ¥9,078 million. In addition, deferred taxes on income came to ¥7,610 million, leading to tax expenses (net) of ¥16,688 million.

●Net income attributable to non-controlling interests

Net income attributable to non-controlling interests fell by ¥44 million compared to the previous year, to ¥174 million.

●Net income attributable to owners of parent

The outcome was that net income attributable to owners of parent rose by ¥22,164 million over that of the previous consolidated fiscal year to hit ¥42,793 million.

Segment Information

●Total Engineering Business

In the EPC (Engineering, Procurement, Construction) business, the Company worked to win orders in Japan, the Middle East, Africa, Southeast Asia, the North American region, and Russia/CIS etc. In November 2015, group companies such as PT. JGC Indonesia won orders for a refinery capacity expansion project in Indonesia, while in January 2016 the Group won orders for a gas processing plant construction project in Bahrain. Moreover, in March, PT. JGC Indonesia also won orders for a gas processing construction project. We remain focused on the steady execution of projects for which orders have already been won. For large-scale LNG projects in Australia and Russia, we split the plant into functional units and construct them in various regions of Asia before transporting them by large ship to their final construction destination, where they are assembled into a single unit. Construction of these plants using this new technique (modular construction) is nearing its peak.

In the investment business, we continue to develop various types of operation across multiple regions, and in planning and management services we are pushing forward with urban and infrastructure development projects in Asian regions.

●Catalyst and Fine Products Business

In the catalysts and fine products business, shipments of hydrotreating catalysts rose due to strong demand for contract manufacturing and export projects, but due to stagnant demand in Japan etc., chemical catalyst shipments declined. In the fine products business, functional coating materials and optical communication components posted higher shipments, but abrasives for use with smartphone materials and ceramic-metal composites for liquid crystal exposure equipment recorded lower sales volumes. As a result, the catalysts and fine products business posted a small increase in net sales over the previous term, but profits declined.

●Other Business

In Other business, we continue to roll out the large-scale solar power generation (mega-solar) operations etc. in Japan. On March 31, 2016, the Company transferred 100% of shares of JGC Information Systems Co., Ltd owned by the Company to Fujitsu Limited.

Financial Position

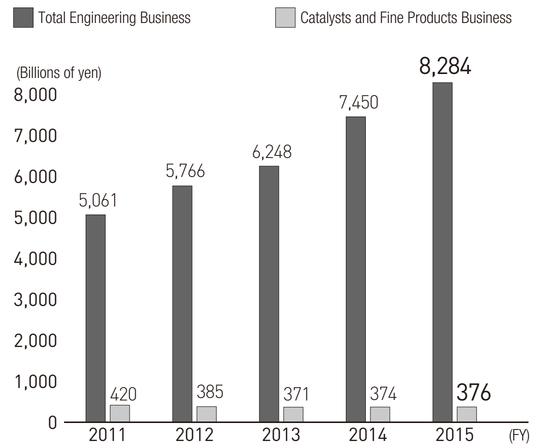
The financial position for the consolidated fiscal year under review was total assets of ¥689,782 million, representing a decrease of ¥29,972 million over the previous consolidated fiscal year. Net assets came to ¥419,673 million, an increase over the previous year of ¥31,176 million.

Balance sheet indicators for the Group were as follows:

	March 31, 2014	March 31, 2015	**March 31, 2016**
Current ratio (%)	173%	186%	**232%**
Fixed asset ratio (%)	45%	48%	**40%**

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.

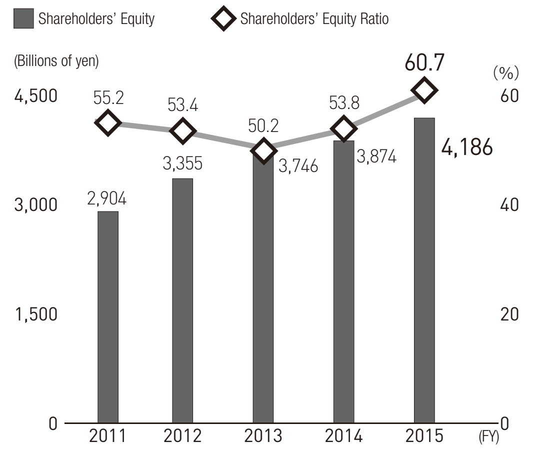
Net Sales by Reporting Segment



Cash Flow

On a consolidated basis, cash and cash equivalents for the consolidated fiscal year under review (hereinafter referred to as "net cash"), excluding the increase arising from new entities consolidated since the end of the previous consolidated fiscal, was ¥51,175 million lower, at ¥247,947 million. With regard to net cash used in operating activities, income before taxes on income was ¥59,657 million, but due to a fall in customer advances for projects in hand etc., the final result was a decline of ¥49,764 million. Net cash used in investing activities rose by ¥8,696 million, primarily due to sales of investment securities and the like. Net cash provided by financing activities fell by ¥4,374 million as a result of dividend payments etc.

Shareholders' Equity and Shareholders' Equity Ratio

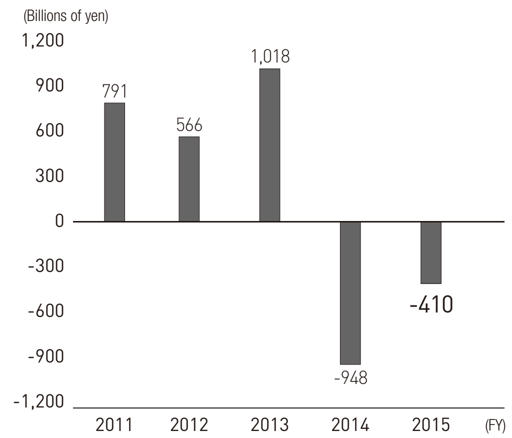


Cash flow indicators for the Group are as follows:

	March 31, 2014	March 31, 2015	**March 31, 2016**
Shareholders' equity ratio (%)	50.2	53.8	**60.7**
Shareholders' equity ratio (market basis, %)	121.5	83.7	**61.6**
Interest-bearing liabilities to cash flow ratio (yearly)	0.1	-	**-**
Interest coverage ratio (times)	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
Interest-bearing liabilities to cash flow ratio: interest-bearing liabilities / cash flow
Interest coverage ratio: Net operating cash flow / Interest expense
* All indicators are calculated using consolidated financial figures.
* "Interest-bearing liabilities" includes all liabilities on the consolidated balance sheet on which interest is being paid. "Cash flow" is the figure for net cash used in operating activities from the consolidated statements of cash flow. Interest paid uses the interest paid figure from the consolidated statements of cash flow.
*In fiscal years where cash flow is negative, the interest-bearing liabilities to cash flow ratio and interest coverage ratio are denoted by a "-".

Free Cash Flows



Analysis of New Contracts

In the fiscal year under review, orders received were ¥320,626 million.

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

New Contracts by Business Sector (Billions of yen)

	March 31, 2015	March 31, 2016	March 31, 2016 Percentage of New Contracts
Oil and gas development projects	478	1,311	40.9%
Petroleum refining projects	2,436	339	10.6%
LNG projects	5,806	415	13.0%
Chemical projects	3,865	550	17.2%
Other projects	782	586	18.3%

New Contracts Region (Billions of yen)

	March 31, 2015	March 31, 2016	March 31, 2016 Percentage of New Contracts
Japan	1,320	860	26.8%
Asia	725	636	19.8%
Africa	47	409	12.7%
Middle East	521	734	22.9%
Oceania and Others	5,082	565	17.8%

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.

In this environment, and based on the new "Beyond the Horizon" medium-term management plan, while planning to grow the core EPC business in the oil and gas fields, we aim to generate stable profits by expanding in the infrastructure field of the EPC operations, as well as in non-EPC operations such as business investments, in order to achieve further growth for the JGC Group.

●Catalyst and Fine Products Business

Amid a difficult operating environment for the catalysts and fine products business caused by the stagnation in demand etc. resulting from the contraction and restructuring of domestic refineries, and by the integration of refining and petrochemicals, we will strive to recapture domestic share in the market for FCC catalysts and grow sales overseas; promote contract manufacturing of hydrotreating catalysts; conduct research and development into catalysts we can be competitive in, and win orders for new projects and expand sales for chemical catalysts.

In the fine products business, we will actively push ahead with responses to the growth in demand for optical communication components, work to win orders for energy-related substrates and for abrasives, and expand sales etc. of cosmetics materials and optical materials in overseas markets.

Risks Impacting Operations

Risks associated with the businesses of the JGC Group with the potential to have a material impact on the decisions of investors are as follows. Furthermore, forward-looking statements in the text are based on information available as of March 31, 2016 and take into account the JGC Group as a whole.

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-plusfee 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 conducts investments in such areas as the oil and gas development business, the new fuel business, the power generation and desalination business, and the urban and infrastructure development business.

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, 2016 and 2015

ASSETS	March 31, 2016 (Millions of yen)	March 31, 2015 (Millions of yen)	March 31, 2016 (Thousands of U.S. dollars) (Note 1)
CURRENT ASSETS:			
Cash and deposits (Notes 3, 13 & 17)	¥ 239,948	¥ 282,708	$ 2,129,464
Marketable securities (Notes 9, 13 & 17)	8,000	15,000	70,998
Notes and accounts receivable (Notes 2 & 17)	175,876	134,823	1,560,845
Inventories (Note 4)	50,553	41,730	448,641
Deferred tax assets (Note 12)	11,980	17,729	106,319
Other current assets (Notes 2, 10 & 17)	36,789	41,679	326,491
Allowance for doubtful accounts	(398)	(131)	(3,532)
TOTAL CURRENT ASSETS	522,748	533,538	4,639,226
PROPERTY AND EQUIPMENT (Note 3):			
Land (Notes 14 & 16)	25,380	25,996	225,239
Buildings and structures (Note 16)	65,520	67,386	581,470
Machinery and equipment	71,751	68,639	636,768
Construction in progress	217	680	1,926
Other	5,357	5,181	47,542
	168,225	167,882	1,492,945
Less accumulated depreciation	(91,970)	(89,322)	(816,205)
NET PROPERTY AND EQUIPMENT	76,255	78,560	676,740
OTHER ASSETS:			
Investments in unconsolidated subsidiaries and affiliates (Notes 9 & 17)	17,807	23,264	158,032
Investment securities (Notes 3, 9 & 17)	41,516	51,029	368,442
Long-term loans receivable (Notes 2 & 17)	4,846	5,941	43,007
Deferred tax assets (Note 12)	5,998	5,823	53,230
Net defined benefit asset (Note 6)	194	682	1,722
Other	20,418	20,918	181,202
TOTAL OTHER ASSETS	90,779	107,657	805,635
TOTAL ASSETS	¥ 689,782	¥ 719,755	$ 6,121,601

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS	March 31, 2016 (Millions of yen)	March 31, 2015 (Millions of yen)	March 31, 2016 (Thousands of U.S. dollars) (Note 1)
CURRENT LIABILITIES:			
Short-term loans and current maturities of long-term debt (Notes 2 & 3)	¥ 15,338	¥ 13,205	$ 136,120
Notes and accounts payable (Notes 2 & 17)	108,390	106,598	961,928
Advances received on uncompleted contracts	37,961	84,649	336,892
Reserve for job warranty costs	2,884	2,226	25,595
Reserve for losses on contracts	20,680	35,624	183,528
Income taxes payable	3,742	3,289	33,209
Provision for loss on guarantees	1,301	6,324	11,546
Other current liabilities (Notes 2, 3, 10 & 17)	34,907	34,618	309,789
TOTAL CURRENT LIABILITIES	225,203	286,533	1,998,607
Long-term debt, less current maturities (Notes 3 & 17)	20,991	22,715	186,289
Net defined benefit liability (Note 6)	15,612	13,820	138,552
Deferred tax liabilities for land revaluation(Notes 12 & 14)	3,133	3,307	27,804
Other non-current liabilities (Notes 2, 3 & 12)	5,169	4,883	45,873
TOTAL LIABILITIES	270,108	331,258	2,397,125
CONTINGENCIES (Notes 7 & 15)			
NET ASSETS (Note 8):			
SHAREHOLDERS' EQUITY			
Common stock			
Authorized — 600,000,000 shares,			
Issued — 259,052,929 shares in 2016 and 2015	23,511	23,511	208,653
Capital surplus	25,609	25,608	227,272
Retained earnings	374,625	336,324	3,324,680
Treasury stock, at cost	(6,736)	(6,659)	(59,780)
TOTAL SHAREHOLDERS' EQUITY	417,009	378,784	3,700,825
ACCUMULATED OTHER COMPREHENSIVE INCOME			
Net unrealized holding gains on securities (Notes 9 & 17)	7,065	10,273	62,700
Deferred losses on hedges (Note 10)	(503)	(488)	(4,464)
Revaluation reserve for land (Note 14)	(6,115)	(6,289)	(54,269)
Foreign currency translation adjustments	4,072	6,594	36,138
Remeasurements of defined benefit plans (Note 6)	(2,832)	(1,393)	(25,133)
TOTAL ACCUMULATED OTHER COMPREHENSIVE INCOME	1,687	8,697	14,972
NON-CONTROLLING INTERESTS	978	1,016	8,679
TOTAL NET ASSETS	419,674	388,497	3,724,476
TOTAL LIABILITIES AND NET ASSETS	¥ 689,782	¥ 719,755	$ 6,121,601

Consolidated Statements of Income

JGC CORPORATION
Years ended March 31, 2016 and 2015

		(Millions of yen)	(Thousands of U.S. dollars) (Note 1)
	2016	2015	2016
NET SALES (Note 11)	¥ 879,955	¥ 799,076	$ 7,809,327
COST OF SALES	806,996	746,241	7,161,839
Gross profit	72,959	52,835	647,488
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	23,298	23,094	206,762
Operating income	49,661	29,741	440,726
OTHER INCOME (EXPENSES):			
Interest and dividend income	4,636	5,740	41,143
Interest expense	(719)	(453)	(6,381)
Gain on sales of investment securities	1,085	6	9,629
Gain on sales of affiliates securities	4,227	820	37,513
Loss on impairment of fixed assets (Notes 11 & 18)	(1,661)	(4,852)	(14,741)
Exchange (loss) gain, net	(2,938)	8,673	(26,074)
Equity in earnings of affiliates	716	723	6,354
Reversal of allowance for investment loss	—	589	—
Reversal of provision for guarantees	5,294	—	46,983
Loss on provision for guarantees	(1,235)	(6,258)	(10,960)
Loss on valuation of investment securities (Note 9)	(10,371)	(5,001)	(92,039)
Reversal of allowance for doubtful accounts	10,231	—	90,797
Gain on negative goodwill	—	334	—
Other, net (Note 16)	731	(2)	6,487
	9,996	319	88,711
Income before taxes on income and non-controlling interests in earnings of consolidated subsidiaries	59,657	30,060	529,437
TAXES ON INCOME (Note 12):			
Current	9,079	15,748	80,573
Deferred	7,610	(6,536)	67,536
NET INCOME	¥ 42,968	¥ 20,848	$ 381,328
NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(175)	(219)	(1,553)
NET INCOME ATTRIBUTABLE TO OWNERS OF JGC CORPORATION	¥ 42,793	¥ 20,629	$ 379,775

		Yen	U.S. dollars (Note 1)
AMOUNTS PER SHARE OF COMMON STOCK :			
Net income	¥ 169.60	¥ 81.73	$ 1.51
Cash dividends applicable to the year	¥ 42.50	¥ 21.00	$ 0.38

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, 2016	Year ended March 31, 2015	Year ended March 31, 2016
NET INCOME	¥ 42,968	¥ 20,848	$ 381,328
OTHER COMPREHENSIVE INCOME (Note 19)			
Net unrealized holding gains on securities (Notes 9 & 17)	(3,208)	3,404	(28,470)
Deferred losses on hedges (Note 10)	(46)	(363)	(408)
Land revaluation (Note 14)	174	338	1,544
Translation adjustments	(2,612)	2,210	(23,181)
Remeasurements of defined benefit plans (Note 6)	(1,340)	(959)	(11,892)
Share of other comprehensive income of affiliates accounted for using equity method	3	(13)	26
TOTAL OTHER COMPREHENSIVE INCOME	¥ (7,029)	¥ 4,617	$ (62,381)
TOTAL COMPREHENSIVE INCOME	¥ 35,939	¥ 25,465	$ 318,947
Comprehensive income attributable to owners of JGC Corporation	¥ 35,795	¥ 25,273	$ 317,669
Comprehensive income attributable to non-controlling interests	¥ 144	¥ 192	$ 1,278

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

JGC CORPORATION
Years ended March 31, 2016 and 2015

	(Thousands of shares)										(Millions of yen)
	Common stock										
	Shares	Amount	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gains on securities (Notes 9 & 17)	Deferred losses on hedges (Note 10)	Revaluation reserve for land (Note 14)	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Non-Controlling Interests
Balance at 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)							
Net income attributable to owners of JGC Corporation				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 and April 1, 2015	259,053	¥ 23,511	¥ 25,608	¥ 336,324	¥ (6,659)	¥ 10,273	¥ (488)	¥ (6,289)	¥ 6,594	¥ (1,393)	¥ 1,016
Net income attributable to owners of JGC Corporation				**42,793**							
Effect of change in scope of consolidation				**807**							
Cash dividends				**(5,299)**							
Gain on disposal of treasury stock			**1**		**0**						
Net unrealized holding gains on securities						**(3,208)**					
Net deferred losses on hedges							**(15)**				
Foreign currency translation adjustments									**(2,522)**		
Increase of treasury stock					**(77)**						
Remeasurements of defined benefit plans										**(1,439)**	
Net changes during the year								**174**			**(38)**
Balance at March 31, 2016	**259,053**	**¥ 23,511**	**¥ 25,609**	**¥ 374,625**	**¥ (6,736)**	**¥ 7,065**	**¥ (503)**	**¥ (6,115)**	**¥ 4,072**	**¥ (2,832)**	**¥ 978**

									(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 losses on hedges (Note 10)	Revaluation reserve for land (Note 14)	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Non-Controlling Interests
Balance at April 1, 2015	$ 208,653	$ 227,263	$ 2,984,770	$ (59,097)	$ 91,170	$ (4,331)	$ (55,813)	$ 58,520	$ (12,362)	$ 9,016
Net income attributable to owners of JGC Corporation			**379,775**							
Effect of change in scope of consolidation			**7,162**							
Cash dividends			**(47,027)**							
Gain on disposal of treasury stock		**9**		**0**						
Net unrealized holding gains on securities					**(28,470)**					
Net deferred losses on hedges						**(133)**				
Foreign currency translation adjustments								**(22,382)**		
Increase of treasury stock				**(683)**						
Remeasurements of defined benefit plans									**(12,771)**	
Net changes during the year							**1,544**			**(337)**
Balance at March 31, 2016	**$ 208,653**	**$ 227,272**	**$ 3,324,680**	**$ (59,780)**	**$ 62,700**	**$ (4,464)**	**$ (54,269)**	**$ 36,138**	**$ (25,133)**	**$ 8,679**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

JGC CORPORATION
Years ended March 31, 2016 and 2015

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	2016	2015	2016
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before taxes on income and Non-Controlling Interests in earnings of consolidated subsidiaries	**¥ 59,657**	¥ 30,060	**$ 529,437**
Adjustments to reconcile income before taxes on income and Non-Controlling interests in earnings of consolidated subsidiaries to net cash used in operating activities:			
Depreciation and amortization	**9,424**	10,293	**83,635**
(Decrease) Increase in allowance for doubtful accounts	**(10,209)**	3,507	**(90,602)**
(Decrease) Increase in reserve for losses on contracts	**(14,944)**	14,512	**(132,623)**
Increase in net defined benefit plans	**2,379**	1,995	**21,113**
Interest and dividend income	**(4,636)**	(5,740)	**(41,143)**
Interest expense	**719**	453	**6,381**
Exchange loss (gain)	**4,270**	(7,968)	**37,895**
Equity in earnings of affiliates	**(716)**	(723)	**(6,354)**
Gain on sales of investment securities	**(5,312)**	(824)	**(47,142)**
(Gain) Loss on sales of property and equipment	**(201)**	45	**(1,784)**
Loss on sales and disposal of property and equipment	**89**	92	**790**
Loss on impairment of fixed assets	**1,661**	4,852	**14,741**
Increase in notes and accounts receivable	**(42,315)**	(30,333)	**(375,532)**
(Increase) Decrease in inventories	**(9,456)**	7,557	**(83,919)**
Decrease (Increase) in other assets	**4,067**	(14,655)	**36,093**
Increase (Decrease)in notes and accounts payable	**3,355**	(1,825)	**29,775**
Decrease in advances received on uncompleted contracts	**(47,461)**	(78,463)	**(421,202)**
Other	**4,264**	18,823	**37,842**
Subtotal	**(45,365)**	(48,342)	**(402,599)**
Interest and dividends received	**5,110**	6,456	**45,350**
Interest paid	**(746)**	(441)	**(6,621)**
Income taxes paid	**(8,764)**	(29,090)	**(77,778)**
NET CASH USED IN OPERATING ACTIVITIES	**(49,765)**	(71,417)	**(441,648)**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for purchases of property and equipment	**(3,538)**	(12,475)	**(31,399)**
Proceeds from sales of property and equipment	**1,424**	856	**12,638**
Payments for purchase of investment securities	**(6,397)**	(2,763)	**(56,771)**
Proceeds from sales of investment securities	**17,901**	1,840	**158,866**
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	**1,872**	—	**16,613**
Other	**(2,566)**	(10,869)	**(22,773)**
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	**8,696**	(23,411)	**77,174**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase in short-term loans	**3,077**	10,580	**27,307**
Proceeds from long-term loans	**4**	6,374	**35**
Repayments of long-term loans	**(1,731)**	(823)	**(15,362)**
Payments for purchase of treasury stock	**(76)**	(370)	**(674)**
Cash dividends paid	**(5,302)**	(11,741)	**(47,054)**
Cash dividends paid to non-controlling interests	**(188)**	(14)	**(1,668)**
Other	**(159)**	(169)	**(1,411)**
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**(4,375)**	3,837	**(38,827)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(5,732)**	3,306	**(50,870)**
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(51,176)**	(87,685)	**(454,171)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**297,708**	385,253	**2,642,066**
INCREASE IN CASH AND CASH EQUIVALENTS FROM NEWLY CONSOLIDATED SUBSIDIARIES	**1,416**	140	**12,567**
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 13)	**¥ 247,948**	¥ 297,708	**$ 2,200,462**

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 four 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, 2015 to the 2016 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, 2016, which was ¥112.68 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, 2016 and 2015, was as follows:

	2016	2015
Consolidated subsidiaries	**19**	19
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, 2016, JGC Information systems Co., Ltd.was excluded from the scope of consolidation because all of the shares were sold and PT. JGC INDONESIA was included in the scope of consolidation because its effect on the consolidated financial statement became significant.

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.

(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 four 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

(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, investment securities and other.

(g) MARKETABLE SECURITIES, INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES, 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 for the years ended March 31, 2016 and 2015.

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 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.

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, 2016 and 2015, 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 using the straight-line method 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.

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.

(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 Costs of Sales and Selling, General and Administrative expenses, was ¥5,483million ($48,660 thousand) and ¥4,697 million, respectively, in 2016 and 2015.

(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 ACCOUNTING POLICY

The Company and its domestic subsidiaries adopted "Revised Accounting Standard for Business Combinations" (ASBJ Statement No.21, September 13, 2013 (hereinafter, "Statement No.21")), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, September 13, 2013 (hereinafter, "Statement No.22")) and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7, September 13, 2013 (hereinafter, "Statement No.7")) (together, the "Business Combination Accounting Standards"), from the current fiscal year. As a result, the Company changed its accounting policies to recognize in capital surplus the differences arising from the changes in the Company's ownership interest of subsidiaries over which the Company continues to maintain control and to record acquisition related costs as expenses in the fiscal year in which the costs are incurred. In addition, the Company changed its accounting policy for the reallocation of acquisition costs due to the completion following provisional accounting to reflect such reallocation in the consolidated financial statements for the fiscal year in which the business combination took place. The Company also changed the presentation of net income and the term "non-controlling interests" is used instead of "minority interests". Certain amounts in the prior year comparative information were reclassified to conform to such changes in the current year presentation.

With regard to the application of the Business Combination Accounting Standards, the Company followed the provisional treatments in article 58-2 (4) of Statement No.21, article 44-5 (4) of Statement No.22 and article 57-4 (4) of Statement No.7 with application from the beginning of the current fiscal year prospectively.

(y) CHANGES IN PRESENTATION

(Consolidated statements of income)

"Provision of allowance for doubtful accounts", 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, 2016 due to its decreased materiality. As a result, ¥ 155 million presented as "Provision of allowance for doubtful accounts" under "Other Income (Expenses)" on the consolidated statement of income for the previous fiscal year has been reclassified as "Other, net."

"Gain on sales 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, 2016 due to its increased materiality. As a result, ¥ 6 million included in "Other, net" under "Other Income (Expenses)" on the consolidated statement of income for the previous fiscal year has been reclassified as "Gain on sales of investment securities".

(z) ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

"Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016 (hereinafter, "Guidance No.26")

(1) Overview

Following the framework in Auditing Committee Report No. 66 "Audit Treatment regarding the Judgment of Recoverability of Deferred Tax Assets", which prescribes estimation of deferred tax assets according to the classification of the entity by one of five types, the following treatments were changed as necessary:

(i) Treatment for an entity that does not meet any of the criteria in types 1 to 5;
(ii) Criteria for types 2 and 3;
(iii) Treatment for deductible temporary differences which an entity classified as type 2 is unable to schedule;
(iv) Treatment for the period which an entity classified as type 3 is able to reasonably estimate with respect to future taxable income before consideration of taxable or deductible temporary differences that exist at the end of the current fiscal year; and
(v) Treatment when an entity classified as type 4 also meets the criteria for types 2 or 3.

(2) Effective date

Effective from the beginning of the fiscal year ending March 31, 2017

(3) Effects of application of the Guidance

The impact of adopting these accounting standards is currency being evaluated.

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

Significant receivables from and payables to unconsolidated subsidiaries and affiliates at March 31, 2016 and 2015, were as follows:

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
March 31	2016	2015	2016
Notes and accounts receivable	¥ 123	¥ 146	$ 1,092
Other current assets	793	2,325	7,038
Long-term loans receivable	4,858	6,079	43,113
Short-term loans	76	—	674
Notes and accounts payable	543	567	4,819
Other current liabilities	139	148	1,234
Other non-current liabilities	10	10	89

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 1.03% and 1.55% at March 31, 2016 and 2015, respectively. Such loans are generally renewable at maturity.

Long-term debt consisted of the following:

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
March 31,	2016	2015	2016
Secured Loans			
1.00% -1.60% loans from banks due serially through 2033	¥ 12,005	¥ 13,222	$ 106,541
Unsecured Debt			
0.70% – 2.14% loans from banks and insurance companies due serially through 2023	10,299	10,812	91,400
	22,304	24,034	197,941
Less current maturities	(1,313)	(1,319)	(11,652)
Long-term debt due after one year	¥ 20,991	¥ 22,715	$ 186,289

Assets pledged as collateral for short-term loans, long-term debt, other current liabilities and other non-current liabilities at March 31, 2016 and 2015, were as follows:

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
March 31,	2016	2015	2016
Land	¥ 4,280	¥ 4,280	$ 37,983
Buildings and structures, at net book value	2,904	3,022	25,772
Machinery and equipment, at net book value	11,940	12,604	105,964
Cash and deposits	2,114	1,842	18,761
Investments securities	1,638	—	14,537
Total	¥ 22,876	¥ 21,748	$ 203,017

No borrowing was outstanding for the following assets pledged as collateral as of March 31, 2016 and 2015.

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
March 31,	2016	2015	2016
Land	¥ —	¥ 791	$ —
Buildings and structures, at net book value	—	933	—
Machinery and equipment, at net book value	—	1,855	—
Total	¥ —	¥ 3,579	$ —

The annual maturities of long-term debt outstanding at March 31, 2016 were as follows:

	Amount	
Year ending March 31	(Millions of yen)	(Thousands of U.S. dollars) (Note 1)
2017	¥ 1,384	$ 12,283
2018	2,995	26,580
2019	1,634	14,501
2020	1,687	14,972
2021 and thereafter	13,291	117,953
Total	¥ 20,991	$ 186,289

Note 4 — INVENTORIES

Inventories at March 31, 2016 and 2015 were summarized as follows:

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
March 31,	2016	2015	2016
Inventories:			
Contract works in progress	¥ 42,339	¥ 32,728	$ 375,745
Finished goods and merchandise	3,731	3,703	33,111
Works in process	2,089	2,471	18,539
Raw materials and others	2,394	2,828	21,246
Total	¥ 50,553	¥ 41,730	$ 448,641

Note 5 — LEASE TRANSACTIONS

A. LESSEE LEASES

(a) FINANCE LEASE TRANSACTIONS WITHOUT OWNERSHIP TRANSFER TO LESSEE

This information is not disclosed, as this is immaterial for the years ended March 31, 2016 and 2015.

(b) OPERATING LEASE TRANSACTIONS

Lease commitments under non-cancelable operating leases:

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
March 31,	2016	2015	2016
Due within one year	¥ 368	¥ 392	$ 3,266
Due after one year	283	504	2,511
Total	¥ 651	¥ 896	$ 5,777

B. LESSOR LEASES

(a) FINANCE LEASE TRANSACTIONS WITHOUT OWNERSHIP TRANSFER TO LESSEE

(1) Details of investment in leased assets

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
March 31,	2016	2015	2016
Lease payment receivable	¥ 97	¥ 94	$ 861
Estimated residual value	0	0	0
Interest income	—	—	—
Investment in leased assets	¥ 97	¥ 94	$ 861

(2) The investment in leased assets due in each of the next five years at March 31, 2016 was as follows:

	Amount	
Year ending March 31	(Millions of yen)	(Thousands of U.S. dollars) (Note 1)
2017	¥ 39	$ 346
2018	31	275
2019	15	133
2020	9	80
2021	3	27
Total	¥ 97	$ 861

Note 6 — RETIREMENT BENEFIT PLAN

The significant components of the pension plans as of and for the years ended March 31, 2016 and 2015 were summarized as follows:

(a) DEFINED BENEFIT PLAN

(1) Movement in retirement benefit obligations

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
March 31,	2016	2015	2016
Balance at beginning of year	¥ 48,954	¥ 45,122	$ 434,452
Cumulative effects of changes in accounting policies	—	432	—
Restated balance at beginning of year	48,954	45,554	434,452
Service cost	2,033	1,877	18,042
Interest cost	469	655	4,162
Actuarial loss	4,564	3,350	40,504
Benefits paid	(2,285)	(2,737)	(20,279)
Past service costs	(2,515)	—	(22,320)
Increase in a newly consolidated subsidiary	373	—	3,310
Decrease in excluding a consolidated subsidiary	(883)	—	(7,836)
Other	(68)	255	(603)
Balance at end of year	¥ 50,642	¥ 48,954	$ 449,432

Effective from September 30, 2015, the Company has amended its pension plans. As the result, the retirement benefit obligations decreased by ¥2,515million ($22,320 thousand), which are included in other comprehensive income as past service costs. The past service costs would be recognized as expenses in the statement of income using the straight-line method over 12 years in accordance with the accounting policy.

(2) Movement in plan assets

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
March 31,	2016	2015	2016
Balance at beginning of year	¥ 36,092	¥ 33,686	$ 320,305
Expected return on plan assets	528	505	4,686
Actuarial gain	(396)	2,253	(3,514)
Contributions paid by the employer	1,062	1,494	9,425
Benefits paid	(1,758)	(1,962)	(15,602)
Other	(63)	116	(559)
Balance at end of year	¥ 35,465	¥ 36,092	$ 314,741

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

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
March 31,	2016	2015	2016
Funded retirement benefit obligations	¥ 38,590	¥ 37,580	$ 342,474
Plan assets	(35,465)	(36,092)	(314,741)
	3,125	1,488	27,733
Unfunded retirement benefit obligations	12,052	11,374	106,958
Allowance for officers' lump-sum severance benefits	241	276	2,139
Total net defined benefit liability	¥ 15,418	¥ 13,138	$ 136,830
Net defined benefit liability	15,612	13,820	138,552
Net defined benefit asset	(194)	(682)	(1,722)
Total net defined benefit liability	¥ 15,418	¥ 13,138	$ 136,830

(4) Retirement benefit expenses

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
March 31,	2016	2015	2016
Service cost	¥ 2,033	¥ 1,877	$ 18,042
Interest cost	469	655	4,162
Expected return on plan assets	(528)	(505)	(4,686)
Net actuarial gain and loss amortization	929	(57)	8,245
Past service cost amortization	(336)	(231)	(2,982)
Total retirement benefit expenses	¥ 2,567	¥ 1,739	$ 22,781

(5) Remeasurements of defined benefit plans

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
March 31,	2016	2015	2016
Actuarial losses	¥ (4,031)	¥ (1,154)	$ (35,774)
Past service costs	2,179	(231)	19,338
Others	(31)	(6)	(275)
Total balance	¥ (1,883)	¥ (1,391)	$ (16,711)

(6) Cumulative effect of remeasurements of defined benefit plans

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
March 31,	2016	2015	2016
Actuarial losses that are yet to be recognized	¥ (6,595)	¥ (2,411)	$ (58,529)
Past service costs that are yet to be recognized	2,525	346	22,409
Total balance	¥ (4,070)	¥ (2,065)	$ (36,120)

(7) Plan assets

Components of plan assets

	March 31, 2016	March 31, 2015
Bonds	73%	70%
Equity securities	16	19
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, 2016 and 2015 were as follows:

	March 31, 2016	March 31, 2015
Discount rate	Principally 0. 25%	Principally 0.8%
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 PENTION PLAN

The Company's contributions were ¥228 million ($2,023 thousand) and ¥185 million for the years ended March 31, 2016 and 2015, 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 ¥13,854 million ($122,950 thousand) and ¥27,608 million at March 31, 2016 and 2015, respectively.

(2) The Company has guaranteed employees' housing loans and others from banks in the amount of ¥12 million ($106 thousand) and ¥ 10million at March 31, 2016 and 2015, 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 29, 2016, the shareholders approved cash dividends amounting to ¥10,723 million ($95,163 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2016. 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, 2016 and 2015.

AVAILABLE-FOR-SALE SECURITIES WITH AVAILABLE FAIR VALUES:

(1) Securities with book values exceeding acquisition costs:

(Millions of yen)			
March 31, 2016	Acquisition cost	Book value	Difference
Equity securities	¥ 9,151	¥ 18,744	¥ 9,593

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

(Thousands of U.S. dollars) (Note 1)			
March 31, 2016	Acquisition cost	Book value	Difference
Equity securities	$ 81,212	$ 166,347	$ 85,135

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

(Millions of yen)			
March 31, 2016	Acquisition cost	Book value	Difference
Equity securities	¥ 3,170	¥ 2,416	¥ (754)

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

(Thousands of U.S. dollars) (Note 1)			
March 31, 2016	Acquisition cost	Book value	Difference
Equity securities	$ 28,133	$ 21,441	$ (6,692)

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, 2016 and 2015.

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

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
March 31,	2016	2015	2016
Non-listed equity securities	¥ 20,317	¥ 24,604	$ 180,307
Subscription certificate	39	38	347
Other investment securities	—	22,715	—
Allowance for doubtful accounts*	—	(22,715)	—
Total	¥ 20,356	¥ 24,642	$ 180,654

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

(b) UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES:

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
March 31,	2016	2015	2016
Securities of unconsolidated subsidiaries	¥ 3,013	¥ 3,650	$ 26,740
Securities of affiliates	14,794	19,614	131,292
Total	¥ 17,807	¥ 23,264	$ 158,032

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

(Millions of yen)

March 31, 2016	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Negotiable certificate of deposit	¥ 8,000	¥ —	¥ —	¥ —	¥ 8,000

(Millions of yen)

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

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

March 31, 2016	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Negotiable certificate of deposit	$ 70,998	$ —	$ —	$ —	$ 70,998

(d) LOSS ON VALUATION OF INVESTMENT SECURITIES :

The Company recognized loss on valuation for investment securities in the amount of ¥ 10,371 million ($ 92,039 thousand) and ¥ 5,001million for the years ended March 31, 2016 and 2015, respectively.

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 devaluate if those securities are considered to be non-recoverable.

(e) SALES OF SECURITIES CLASSIFIED AS OTHER SECURITIES

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
March 31	2016	2015	2016
Equity securities:			
Sales proceeds	¥ 1,688	¥ 8	$ 14,980
Aggregate gain	1,085	6	9,629
Aggregate loss	—	2	—
Bond securities:			
Sales proceeds	¥ 10,196	—	$ 90,486
Aggregate gain	—	—	—
Aggregate loss	—	—	—

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, 2016 and 2015, is summarized as follows:

(Millions of yen)

	Contract amount				
March 31, 2016	Due within one year	Due after one year	Total	Fair value	Profit or loss evaluation
Forward exchange contracts					
Sell U.S. dollars	¥ 31,647	¥ —	¥ 31,647	¥ 254	¥ 254
Sell Euro	¥ 1,023	¥ —	¥ 1,023	¥ (6)	¥ (6)
Sell British pound	¥ 1,633	¥ —	¥ 1,633	¥ 9	¥ 9
Buy Yen	¥ 224	¥ —	¥ 224	¥ (2)	¥ (2)
Buy Euro	¥ 1,151	¥ —	¥ 1,151	¥ (84)	¥ (84)
Buy Saudi riyal	¥ 372	¥ —	¥ 372	¥ 0	¥ 0
Buy Qatar riyal	¥ 16	¥ —	¥ 16	¥ 0	¥ 0

(Millions of yen)

	Contract amount				
March 31, 2015	Due within one year	Due after one year	Total	Fair value	Profit or loss evaluation
Forward exchange contracts					
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)

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

	Contract amount				
March 31, 2016	Due within one year	Due after one year	Total	Fair value	Profit or loss evaluation
Forward exchange contracts					
Sell U.S. dollars	$ 280,857	$ —	$ 280,857	$ 2,254	$ 2,254
Sell Euro	$ 9,079	$ —	$ 9,079	$ (53)	$ (53)
Sell British pound	$ 14,492	$ —	$ 14,492	$ 80	$ 80
Buy Yen	$ 1,988	$ —	$ 1,988	$ (18)	$ (18)
Buy Euro	$ 10,215	$ —	$ 10,215	$ (745)	$ (745)
Buy Saudi riyal	$ 3,301	$ —	$ 3,301	$ 0	$ 0
Buy Qatar riyal	$ 142	$ —	$ 142	$ 0	$ 0

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, 2016 and 2015 is summarized as follows:

(Millions of yen)

March 31, 2016			Contract amount		
Accounting method	Hedging instruments	Hedged item	Contract amount	Portion over one year	Fair Fair value
Allocation method (Note 1(v))	Forward exchange contracts				
	Buy Euro	Accounts payable	¥ 1,397	¥ —	¥ (4)
Principal method (Note 1(v))	Interest rate swap contracts				
	Receive variable rate and Pay fixed rate swap	Long-term debt	¥ 11,362	¥ 9,054	¥ (837)

(Millions of yen)

March 31, 2015			Contract amount		
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	¥ 759	¥ —	¥ 153
	Buy Euro	Accounts payable	¥ 7,901	¥ —	¥ (239)
	Buy British pound	Accounts payable	¥ 1,166	¥ —	¥ 2
	Sell U.S. dollars	Accounts receivable	¥ 1,369	¥ —	¥ (3)
Principal method (Note 1(v))	Interest rate swap contracts				
	Receive variable rate and Pay fixed rate swap	Long-term debt	¥ 11,515	¥ 11,515	¥ (567)

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

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

March 31, 2016			Contract amount		
Accounting method	Hedging instruments	Hedged item	Contract amount	Portion over one year	Fair value
Allocation method (Note 1(w))	Forward exchange contracts				
	Buy Euro	Accounts payable	$ 12,398	$ —	$ (35)
Principal method (Note 1(w))	Interest rate swap contracts				
	Receive floating and Pay fixed swap	Long-term debt	$ 100,834	$ 80,351	$ (7,428)

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, 2016 and 2015:

(Millions of yen)

	Reported Segment						
Year ended March 31, 2016	Total engineering	Catalysts and fine products	Sub-Total	Other	Total	Adjustment	Consolidated
Net sales:							
External customers	**¥ 828,414**	**¥ 37,629**	**¥ 866,043**	**¥ 13,912**	**¥ 879,955**	**¥ —**	**¥ 879,955**
Inter-segment	**163**	**0**	**163**	**4,486**	**4,649**	**(4,649)**	**—**
Total	**¥ 828,577**	**¥ 37,629**	**¥ 866,206**	**¥ 18,398**	**¥ 884,604**	**¥ (4,649)**	**¥ 879,955**
Segment profit	**¥ 44,064**	**¥ 3,570**	**¥ 47,634**	**¥ 1,731**	**¥ 49,365**	**¥ 296**	**¥ 49,661**
Segment assets	**¥ 601,945**	**¥ 43,136**	**¥ 645,081**	**¥ 54,034**	**¥ 699,115**	**¥ (9,333)**	**¥ 689,782**
Impairment	**—**	**—**	**—**	**¥ 1,661**	**¥ 1,661**	**—**	**¥ 1,661**
Depreciation and amortization	**¥ 4,482**	**¥ 2,082**	**¥ 6,564**	**¥ 3,024**	**¥ 9,588**	**¥ (164)**	**¥ 9,424**
Capital expenditures	**¥ 2,873**	**¥ 4,196**	**¥ 7,069**	**¥ 2,196**	**¥ 9,265**	**¥ 19**	**¥ 9,284**

*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.

(Millions of yen)

	Reported Segment						
Year ended March 31, 2015	Total engineering	Catalysts and fine products	Sub-Total	Other	Total	Adjustment	Consolidated
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.

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

	Reported Segment						
Year ended March 31, 2016	Total engineering	Catalysts and fine products	Sub-Total	Other	Total	Adjustment	Consolidated
Net sales:							
External customers	$ 7,351,917	$ 333,946	$ 7,685,863	$ 123,464	$ 7,809,327	$ —	$ 7,809,327
Inter-segment	1,446	0	1,446	39,812	41,258	(41,258)	—
Total	$ 7,353,363	$ 333,946	$ 7,687,309	$ 163,276	$ 7,850,585	$ (41,258)	$ 7,809,327
Segment profit	$ 391,054	$ 31,683	$ 422,737	$ 15,362	$ 438,099	$ 2,627	$ 440,726
Segment assets	$ 5,342,075	$ 382,818	$ 5,724,893	$ 479,535	$ 6,204,428	$ (82,827)	$ 6,121,601
Impairment	—	—	—	$ 14,741	$ 14,741	—	$ 14,741
Depreciation and amortization	$ 39,776	$ 18,477	$ 58,253	$ 26,837	$ 85,090	$ (1,455)	$ 83,635
Capital expenditures	$ 25,497	$ 37,238	$ 62,735	$ 19,489	$ 82,224	$ 169	$ 82,393

(b) RELATED INFORMATION

I. INFORMATION BY GEOGRAPHY

(1) Net Sales

Year ended March 31, 2016

Japan	East and Southeast Asia	Middle East	North America	Oceania	Other	Total
¥ 127,672	**¥ 209,417**	**¥ 113,644**	**¥ 81,247**	**¥ 202,175**	**¥ 145,800**	**¥ 879,955**

*1. Net sales are classified by the place of customers' address.
*2. East and Southeast Asia includes Malaysia ¥ 95,165 million ($ 844,560 thousand).
*3. Oceania includes Australia ¥ 202,175 million ($ 1,794,240 thousand).
*4. Other includes Russia ¥ 121,697 million ($ 1,080,023 thousand).

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.
*3. Oceania includes Australia ¥ 225,733 million.

Year ended March 31, 2016

Japan	East and Southeast Asia	Middle East	North America	Oceania	Other	Total
$ 1,133,049	**$ 1,858,511**	**$ 1,008,555**	**$ 721,042**	**$ 1,794,240**	**$ 1,293,930**	**$ 7,809,327**

(2) Property and equipment

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	Years ended March 31, 2016	Years ended March 31, 2015	**March 31, 2016**
Japan	**¥ 67,297**	¥ 65,593	**$ 597,240**
Other	**8,958**	12,967	**79,500**
Total	**¥ 76,255**	¥ 78,560	**$ 676,740**

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, 2016 and 2015:

Year ended March 31, 2016	(Millions of yen)	(Thousands of U.S. dollars) (Note 1)	Related segments
Ichthys LNG Pty Ltd	**¥ 178,667**	**$ 1,585,614**	**Total engineering**
Yamal LNG Pty Ltd	**¥ 121,632**	**$ 1,079,446**	**Total engineering**

Year ended March 31, 2015	(Millions of yen)	Related segments
Ichthys LNG Pty Ltd	¥ 195,966	Total engineering

III. INFORMATION ON IMPAIRMENT LOSS

This information is not disclosed, as this information is disclosed in Note 11 (a) for the years ended March 31, 2016 and 2015.

IV. INFORMATION ON AMORTIZATION OF GOODWILL AND AMORTIZED BALANCE

This information is not disclosed, as this is immaterial for the years ended March 31, 2016 and 2015.

V. INFORMATION ON GAIN ON NEGATIVE GOODWILL

This information is not disclosed, as this is immaterial for the years ended March 31, 2016 and 2015.

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 33.1% and 35.6% for the years ended March 31, 2016 and 2015, 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, 2016 and 2015:

	2016	2015
Statutory tax rate	**33.1%**	35.6%
Non-deductible expenses	**0.5**	1.1
Non-taxable dividend income	**(0.9)**	(2.8)
Tax credit utilized	**(0.9)**	(2.2)
Other	**(3.9)**	(1.1)
Effective tax rate	**27.9%**	30.6%

(2) Significant components of the Company's and its consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2016 and 2015, were as follows:

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
March 31,	**2016**	2015	**2016**
Current deferred taxes			
Deferred tax assets:			
Accrued employees' bonuses	**¥ 2,182**	¥ 2,446	**$ 19,364**
Reserve for job warranty costs	**767**	707	**6,807**
Reserve for losses on contracts	**6,354**	11,670	**56,390**
Other	**2,704**	2,964	**23,997**
Total current deferred tax assets	**12,007**	17,787	**106,558**
Deferred tax liabilities:			
Foreign currency hedge	**—**	(50)	**—**
Other	**(27)**	(8)	**(239)**
Total current deferred tax liabilities	**(27)**	(58)	**(239)**
Net current deferred tax assets	**¥ 11,980**	¥ 17,729	**$ 106,319**

March 31,	2016 (Millions of yen)	2015 (Millions of yen)	2016 (Thousands of U.S. dollars) (Note 1)
Non-current deferred taxes			
Deferred tax assets:			
Net defined benefit liability	¥ 4,600	¥ 4,093	$ 40,823
Depreciation	371	393	3,293
Other	4,482	6,444	39,776
Total non-current deferred tax assets	9,453	10,930	83,892
Deferred tax liabilities:			
Net unrealized holding gains on securities	(3,115)	(4,904)	(27,645)
Other	(340)	(203)	(3,017)
Total non-current deferred tax liabilities	(3,455)	(5,107)	(30,662)
Net non-current deferred tax assets	¥ 5,998	¥ 5,823	$ 53,230
Deferred tax liabilities for land revaluation	¥ 3,133	¥ 3,307	$ 27,804
Valuation of assets and liabilities of acquired consolidated subsidiaries at fair market value	¥ —	¥ 43	$ —
Others	429	539	3,807
Non-current deferred tax liabilities	¥ 429	¥ 582	$ 3,807

For the years ended March 31, 2016 and 2015, the valuation allowances of ¥ 13,053 million ($ 115,839 thousand) and ¥ 10,918 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 29, 2016, new tax reform laws were announced in Japan, which changed the normal statutory tax rate from approximately 32.3% to 30.9% for the years beginning on or after April 1, 2016, and to 30.6% for the years beginning on or after April 1, 2018.

Due to this change in the statutory tax rate, net deferred tax assets, deferred income tax, and net unrealized holding gains on securities decreased by ¥ 778 million ($ 6,905 thousand), ¥ 879 million ($ 7,801 thousand), and ¥ 172 million ($ 1,526 thousand), respectively, and deferred losses on hedges and remeasurements of defined benefit plans decreased by ¥ 7 million ($ 62 thousand) and ¥ 64 million ($ 568 thousand), respectively.

Net deferred tax liabilities for land revaluation also decreased by ¥ 174 million ($ 1,544 thousand), and revaluation reserve for land increased by ¥ 174 million ($ 1,544 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,	2016 (Millions of yen)	2015 (Millions of yen)	2016 (Thousands of U.S. dollars) (Note 1)
Cash and deposits	¥ 239,948	¥ 282,708	$ 2,129,464
Marketable securities	8,000	15,000	70,998
Cash and cash equivalents	¥ 247,948	¥ 297,708	$ 2,200,462

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, 2016 and 2015. When such land is sold, land revaluation is reversed and debited to retained earnings.

Fair value of the revalued land as of March 31, 2016 was ¥3,183million ($28,248thousand) less than the book value as of March 31, 2016, which amounts include ¥1,033 million ($9,167 thousand) relevant to rental property.

Note 15 — RELATED PARTY TRANSACTIONS

Significant transactions with related parties for the years ended March 31, 2016 and 2015 were as follows:

March 31,	2016 (Millions of yen)	2015 (Millions of yen)	2016 (Thousands of U.S. dollars) (Note 1)
Rabigh Arabian Water and Electricity Company (affiliated company)			
Guarantee obligation	¥ 8,008	¥ 8,659	$ 71,069

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, 2016 and 2015, were as follows:

	Book value (net of depreciation)			Fair value
	March 31, 2014	Decrease	March 31, 2014	March 31, 2014
Millions of yen	¥ 7,645	¥ (99)	¥ 7,546	¥ 6,180

	March 31, 2015	Decrease	March 31, 2016	March 31, 2016
Millions of yen	¥ 7,546	¥ (87)	¥ 7,459	¥ 6,410
Thousands of U.S dollars (Note1)	$ 66,968	$ (772)	$ 66,196	$ 56,887

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 ¥438million ($3,887 thousand) and ¥404 million for the years ended March 31, 2016 and 2015, 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, 2016 and 2015, 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).

(Millions of yen)

	March 31, 2016			March 31, 2015		
	Carrying amount	Estimated fair value	Difference	Carrying amount	Estimated fair value	Difference
Cash and deposits	¥ 239,948	¥ 239,948	—	¥ 282,708	¥ 282,708	—
Marketable securities	8,000	8,000	—	15,000	15,000	—
Notes and accounts receivable	175,876	175,876	—	134,823	134,823	—
Other receivables*1	24,950	24,950	—	28,956	28,956	—
Investment securities	21,160	21,160	—	26,387	26,387	—
Long-term loans receivable, net*2	4,846	4,849	¥ 3	5,941	5,964	¥ 23
Total Assets	¥ 474,780	¥ 474,783	¥ 3	¥ 493,815	¥ 493,838	¥ 23
Notes and accounts payable	¥ 108,390	¥ 108,390	—	¥ 106,598	¥ 106,598	—
Long-term debt	20,991	21,025	¥ 34	22,715	22,706	¥ (9)
Total Liabilities	¥ 129,381	¥ 129,415	¥ 34	¥ 129,313	¥ 129,304	¥ (9)
Derivative financial instruments, net	¥ (671)	¥ (671)	—	¥ (1,884)	¥ (1,884)	—

(Thousands of U.S. dollars)

	March 31, 2016		
	Carrying amount	Estimated fair value	Difference
Cash and deposits	$ 2,129,464	$ 2,129,464	—
Marketable securities	70,998	70,998	—
Notes and accounts receivable	1,560,845	1,560,845	—
Other receivables*1	221,423	221,423	—
Investment securities	187,788	187,788	—
Long-term loans receivable, net *2	43,007	43,034	$ 27
Total Assets	$ 4,213,525	$ 4,213,552	$ 27
Notes and accounts payable	$ 961,928	$ 961,928	—
Long-term debt	186,289	186,590	$ 301
Total Liabilities	$ 1,148,217	$ 1,148,518	$ 301
Derivative financial instruments, net	$ (5,955)	$ (5,955)	—

*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.

Investment securities

Fair value of 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, 2016 and 2015, were summarized as follows:

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
March 31,	2016	2015	2016
Unconsolidated subsidiaries and affiliates	¥ 17,807	¥ 23,264	$ 158,032
Non-listed equity securities	20,317	24,604	180,307
Subscription certificate	39	38	347
Other investment securities	—	22,715	—
Allowance for doubtful accounts*	—	(22,715)	—

* 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 Investment securities described in B (a).

(c) MATURITIES OF FINANCIAL INSTRUMENTS

The maturities of the financial instruments at March 31, 2016 were as follows:

(Millions of yen)

Year ending March 31	2017	2018 - 2022	2023 - 2027	2028 and thereafter
Cash and deposits	¥ 239,948	—	—	—
Marketable securities	8,000	—	—	—
Notes and accounts receivable	175,876	—	—	—
Other receivable	24,950	—	—	—
Long-term loans receivable, net	—	¥ 4,846	—	—
Assets Total	¥ 448,774	¥ 4,846	—	—

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

Year ending March 31	2017	2018 - 2022	2023 - 2027	2028 and thereafter
Cash and deposits	$ 2,129,464	—	—	—
Marketable securities	70,998	—	—	—
Notes and accounts receivable	1,560,845	—	—	—
Other receivable	221,423	—	—	—
Long-term loans receivable, net	—	$ 43,007	—	—
Assets Total	$ 3,982,730	$ 43,007	—	—

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

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.

The following is information on impairment loss for the year ended March 31, 2016.

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 significantly adversely changed. As a result, the Company recognized loss on impairment in the amount of ¥ 1,661 ($ 14,741 thousand) million. The Company used the value in use which was calculated by discounting future cash flows at the discount rates of 10%.

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 significantly adversely changed. As a result, the Company recognized loss on impairment in the amount of ¥ 4,852 million. 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, 2016 and 2015, were as follows:

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
March 31,	2016	2015	2016
Net unrealized holding gains on securities			
Unrealized holding gains arising during the year	¥ (3,879)	¥ 4,509	$ (34,428)
Reclassification adjustment for gains (losses) realized in net income	(1,115)	—	(9,892)
Sub-total	(4,994)	4,509	(44,320)
Deferred losses on hedges			
Deferred losses on hedges arising during the year	(174)	(563)	(1,544)
Reclassification adjustment for deferred losses on hedges	37	127	328
Sub-total	(137)	(436)	(1,216)
Translation adjustments			
Translation adjustments arising during the year	(2,612)	2,210	(23,181)
Sub-total	(2,612)	2,210	(23,181)
Remeasurements of defined benefit plans			
Defined benefit plans during the year	(2,447)	(1,361)	(21,716)
Reclassification adjustment for defined benefit plans	564	(30)	5,005
Sub-total	(1,883)	(1,391)	(16,711)
Equity for equity method affiliates			
Share of other comprehensive income of affiliates accounted for using equity method arising during the year	3	(13)	26
Sub-total	3	(13)	26
Before-tax amount	(9,623)	4,879	(85,402)
Tax benefit (expense)	2,594	(262)	23,021
Total other comprehensive income	¥ (7,029)	¥ 4,617	$ (62,381)

Tax effects allocated to each component of other comprehensive income for the years ended March 31, 2016 and 2015, were as follows:

	(Millions of yen)		
Year ended March 31, 2016	Before-tax amount	Tax benefit (expense)	Net-of-tax amount
Net unrealized holding gains on securities	¥ (4,994)	¥ 1,786	¥ (3,208)
Deferred gains (losses) on hedges	(137)	91	(46)
Land revaluation	—	174	174
Translation adjustments	(2,612)	—	(2,612)
Remeasurements of defined benefit plans	(1,883)	543	(1,340)
Equity for equity method affiliates	3	—	3
Other comprehensive income	¥ (9,623)	¥ 2,594	¥ (7,029)

	(Millions of yen)		
Year ended March 31, 2015	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

	(Thousands of U.S. dollars) (Note 1)		
Year ended March 31, 2016	Before-tax amount	Tax benefit (expense)	Net-of-tax amount
Net unrealized holding gains on securities	$ (44,320)	$ 15,850	$ (28,470)
Deferred gains (losses) on hedges	(1,216)	808	(408)
Land revaluation	—	1,544	1,544
Translation adjustments	(23,181)	—	(23,181)
Remeasurements of defined benefit plans	(16,711)	4,819	(11,892)
Equity for equity method affiliates	26	—	26
Other comprehensive income	$ (85,402)	$ 23,021	$ (62,381)

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, 2016 and 2015, 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, 2016 and 2015, 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, 2016 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 29, 2016
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, 2016, 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, 2016, we concluded that our internal control system over financial reporting as of March 31, 2016 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, 2016 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, 2016, 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 29, 2016

To the Board of Directors of JGC Corporation

KPMG AZSA LLC

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, 2016, 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, 2015 to March 31, 2016, 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.

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, 2016 and their financial performance and cash flows for the year ended March 31, 2016, 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, 2016 ("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, 2016, 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.

JGC Group

As of March 31, 2016

Others → **Total Engineering** ← **Catalysts and Fine Products**

Others

Equipment Procurement
○ JGC Trading & Services Co., Ltd.

Specialized Consulting Services
■ JAPAN NUS CO., LTD.

Office Support Services
■ NIKKI BUSINESS SERVICES CO., LTD.

Water & Power Generation Business
■ JGC-ITC Rabigh Utility Co., Ltd.
■ JGC Mirai Solar Co., Ltd.
■ Kamogawa Mirai Solar Co., Ltd.

Oil & Gas Production and Sales Business
■ JGC Energy Development (USA) Inc.
■ JGC Exploration Eagle Ford LLC
■ JGC EXPLORATION CANADA LTD.

Total Engineering

JGC CORPORATION

■ JGC PLANT INNOVATION CO., LTD.
■ JGC PLANTECH AOMORI Co., Ltd.
● Nikki-Universal Co., Ltd.
● JMD Greenhouse-Gas Reduction Co., Ltd.
■ JGC SINGAPORE PTE LTD
■ JGC PHILIPPINES, INC.
■ PT. JGC INDONESIA
■ JGC Gulf International Co. Ltd.
■ JGC OCEANIA PTY LTD
■ JGC America, Inc.
■ JGC Gulf Engineering Co., Ltd.

Catalysts and Fine Products

■ JGC Catalysts and Chemicals Ltd.
■ JAPAN FINE CERAMICS CO., LTD.
● Nikki-Universal Co., Ltd.

■ Consolidated subsidiary
● Equity-method subsidiary or affi liate
○ Non-equity-method subsidiary or affi liate

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%	* JGC 70% * JGC PLANT INNOVATION 30%
	PT. JGC INDONESIA	Indonesia	US$1,600,000	100%	
	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
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, 2016

Established	October 25, 1928
Capital	¥23,511,189,612
Number of Employees	2,336 (Consolidated: 7,489)

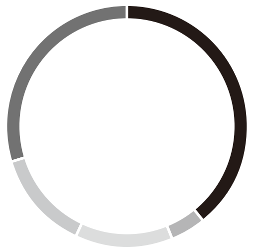
Major Shareholders

	Number of shares (Thousands)	Percentage of total (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	23,225	8.96
Japan Trustee Services Bank, Ltd. (Trust Account)	20,438	7.88
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	2.2
Japan Trustee Services Bank, Ltd. (Trust Account 9)	4,816	1.85
NORTHERN TRUST CO. (AVFC) SUB A/C AMERICAN CLIENTS	3,918	1.51
BNP Paribas Securities Limited	3,717	1.43
THE BANK OF NEW YORK MELLON SA/NV10	3,339	1.28

JGC's treasury stock holdings total 6,744 thousand shares, approximately 2.60% of total shares issued.

Authorized Shares	600,000,000
Issued and Outstanding Shares	259,052,929
Number of Shareholders	14,383
Administrator of the Shareholders' Register	Mitsubishi UFJ Trust and Banking Corp. 1-4-5, Marunouchi, Chiyoda-ku, Tokyo 100-8212, Japan

Distribution of Shareholders (%)



Financial institutions	39.28
Financial instruments firms	4.72
Other domestic corporations	13.10
Individuals and others	13.34
Foreign investors	29.56

Figures have been rounded to two decimal places.

Stock Price