

New Medium-Term Business Plan

(FY2016-20)

“Beyond the Horizon”

- 1st Stage of Growth Strategy Toward Attaining the Corporate Vision -

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JGC Corporation

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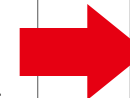
Transform into Program Management Contractor & Investment Partner that goes beyond conventional engineering contractor

1. Business strategy

- EPC plus actively pursue business investments
- Develop new EPC areas (F-LNG, non-ferrous, etc.)

Unexpected environment changes

- Economic growth by emerging countries
- High crude-oil price
- Advances by shale oil and gas developments



Take advantage of market changes to expand sales and profit

2. Numerical goals

FY2015 Net Profit: **¥ 50 billion**

ROE: At least **10%**

	Net Profit	ROE
FY2011	¥39.1 billion	14.1%
FY2012	¥46.1 billion	14.8%
FY2013	¥47.1 billion	13.3%
FY2014	¥20.6 billion	5.4%
FY2015	¥42.7 billion	10.6%

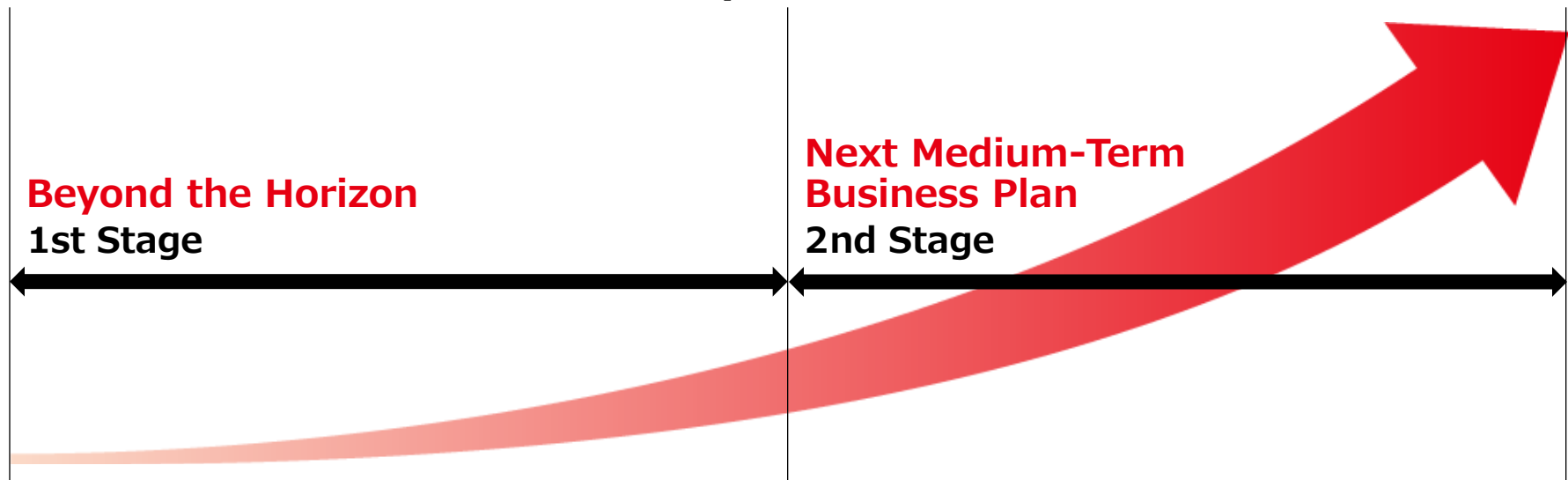
**Average
11.6 %**

" Beyond the Horizon "

Five-year growth strategy as the 1st Stage of a 10-year plan toward realization of the corporate vision

Program Management Contractor & Investment Partner

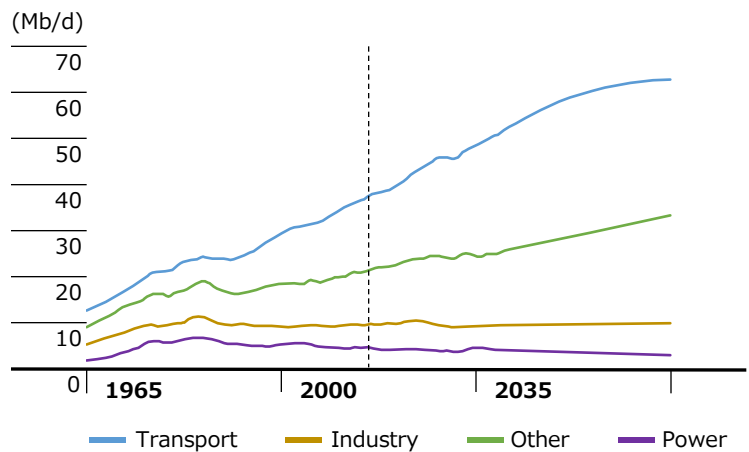
Define direction and business areas
in the 10 years from now



1. Market outlook

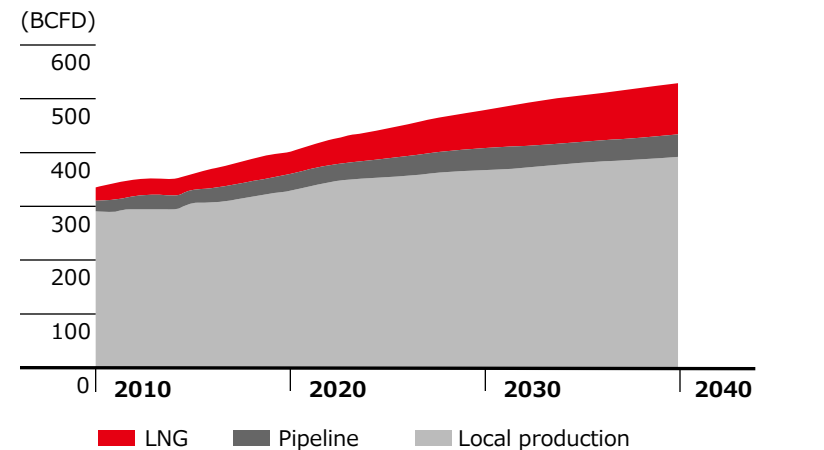
Medium-to-long-term outlook: Restoration of tight crude-oil and LNG market conditions leads to recovery of plant market

Liquids Demand by Sector



Source: BP Outlook 2016

Gas Supply by Source



Source: Exxon Mobil Outlook 2016

2. Multifaceted response to market changes

- (1) Importance of overcoming near-term market environment
- (2) Steady implementation of measures for transformation to corporate vision

➔ Requires rational view of current conditions and strong resolve to realize the plan

Standards for determining direction and business areas in the new medium-term business plan

JGC Group's core competence × **Changes in market environment**

Core competence

Preference for business areas with continuity and potential for maximum utilization of core

Market environment

Identify environment changes and pursue business areas as opportunities

JGC Group's core competence

1. Top global performance based on delivery capabilities for completing complex, advanced projects in difficult conditions as an EPC contractor in the hydrocarbon downstream field
2. Highly talented human-resource group with robust technology and management capabilities that can integrate people, goods, and information on a global scale as well as expand EPC business scope and pursue new business areas
3. Understanding and knowhow as a business operating firm accumulated through 10 years of business investment experience
4. Sturdy financial base and robust capital resources that enables further growth strategy investments

Updates to market environment outlook

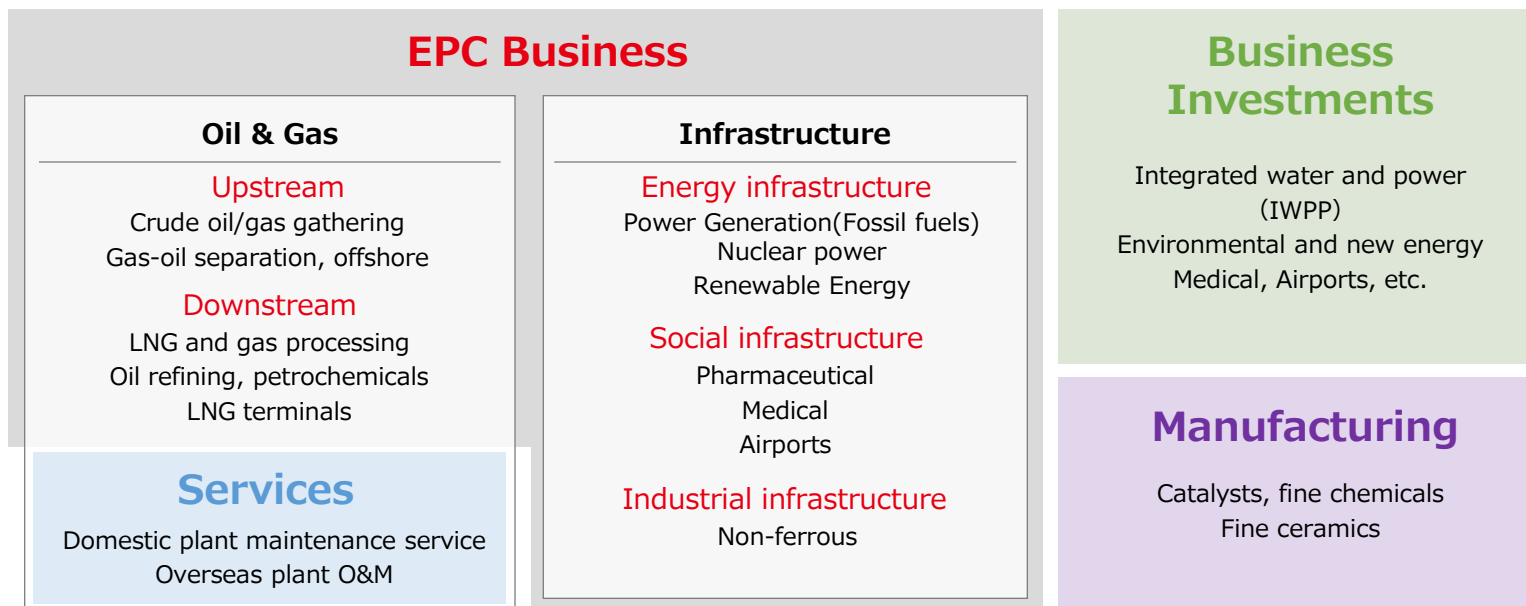
1. No change in the trend of growing demand for hydrocarbon energy mainly in emerging countries over the longer term
2. Realization of a new EPC market in light of political changes in Central Asia, Iran, and Iraq
3. Steady progress in utilization of renewable energy spurred by growing interest in global environment conservation
4. Accelerated urbanization worldwide and growing infrastructure (electricity, transportation) demand fueled by population increases and economic advances in emerging countries
5. Expansion of drug and medical needs in China and Southeast Asian countries
6. Increasingly sophisticated requirements in resource development plans for project implementation capabilities in 3D (Difficult, Deep, Distance) areas
7. Industry revolution advances using IT technologies, such as IoT that leverages Big Data

Direction targeted for 10 years from now to 2025

➔ **Mainly Oil & Gas, Broaden to Infrastructure**



Covered business areas



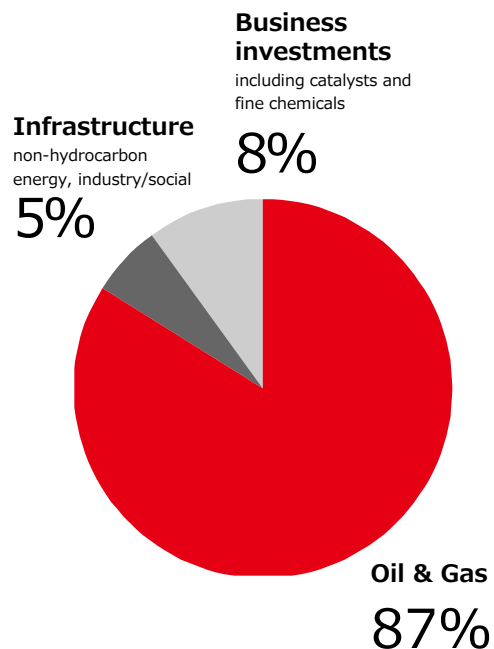
Ratios by Business Area (Based on Adjusted Operating Profit*)

Aiming for

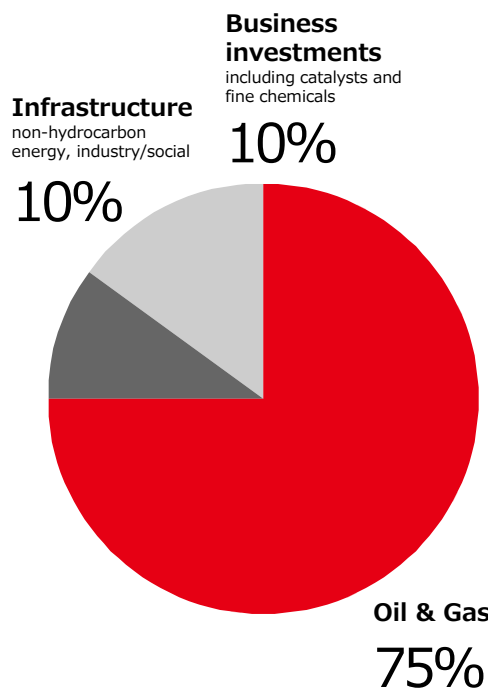
60% from oil & gas,
20% from infrastructure, and
20% from business investments

by FY2025

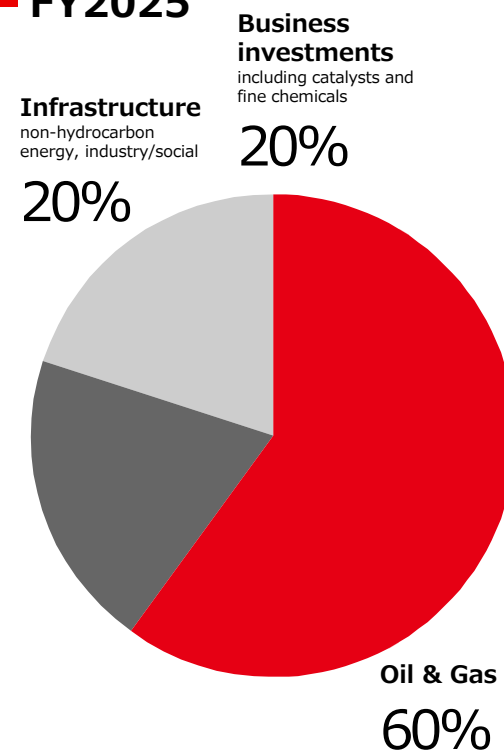
FY2015



FY2020



FY2025



* Adjusted Operation Profit : Operating profit plus interest income, dividend income and share of profit of entities accounted for using equity method earned in each business area.

FY3/16 results

Beyond the Horizon

Sales	¥879.9 billion	At least ¥1,000 billion
FY2015 Net Profit	¥42.7billion	¥60 billion
ROE	10.6%	At least 10%



Efficiently utilize shareholders' equity;
**Expand EPC business in oil & gas area,
broaden to infrastructure, and
achieve higher business investment profits**

Basic Policy 1 | Expand EPC business in oil & gas area and broaden to infrastructure

Strategy 1: Expand the market

Strategy 2: Strengthen project implementation capabilities

Strategy 3: Expand business areas

Strategy 4: Reinforce orders competitiveness
by pursuing technology advantages

Basic Policy 2 | Expand profit from non-EPC businesses (business investments, manufacturing)

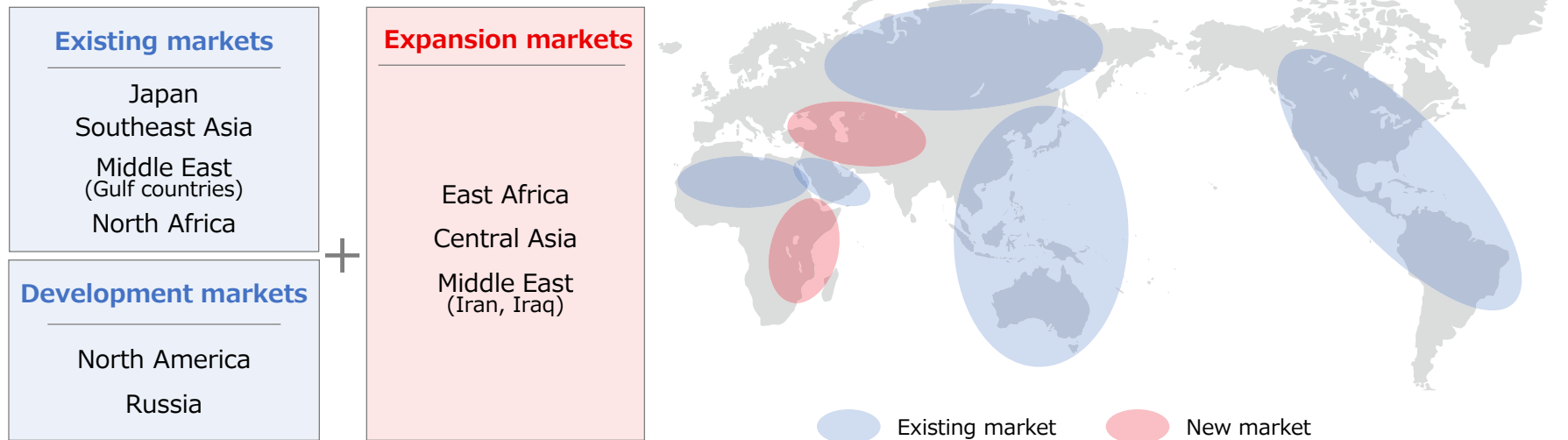
Basic Policy 3 | Promote financial strategy to realize basic policies 1 and 2

Basic Policy 1: Expand EPC business in oil & gas area and broaden to infrastructure

Oil & Gas EPC = JGC Group's core business
Needs further reinforcement and expansion

Strategy 1: Expand the market

Further reinforcement and expansion of EPC business likely to be difficult without market expansion



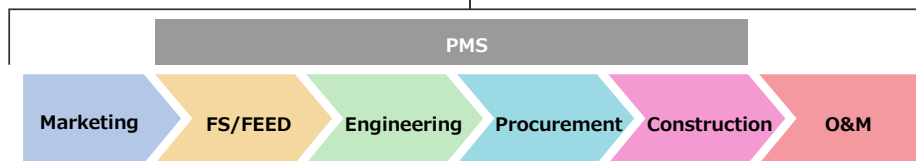
Basic Policy 1: Expand EPC business in oil & gas area and broaden to infrastructure

Strategy 2: Strengthen project implementation capabilities

Pursue qualitative capability enhancement at JGC / JGC Group companies and carry out resource expansion measures to strengthen project implementation capabilities

(1) Domestic/overseas EPC strategy at JGC/Group

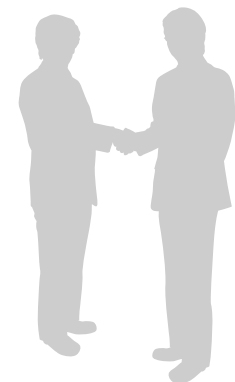
- Strengthen JGC headquarters control capabilities
- Bolster and expand functions at JGC Group companies
- Respond collaboratively to individual deals



JPI, J-Indonesia, J-Philippine, J-Singapore, J-Vietnam,
JCON, TCCI, J-Algeria, J-Gulf, J-America

(2) Promote joint efforts with broad range of JV partners

- Select optimal partner for individual projects
- Partners that offer benefits from standpoint of customers, countries, technologies, and costs
- Broad collaboration with European, Korean, Chinese, and Japanese contractors



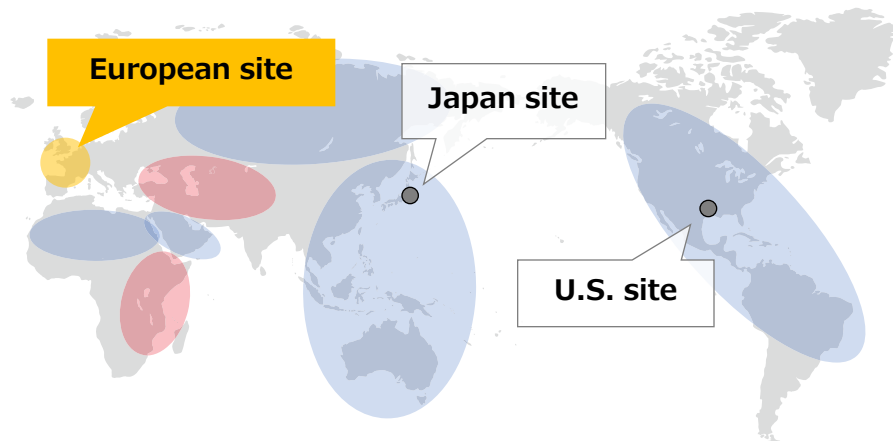
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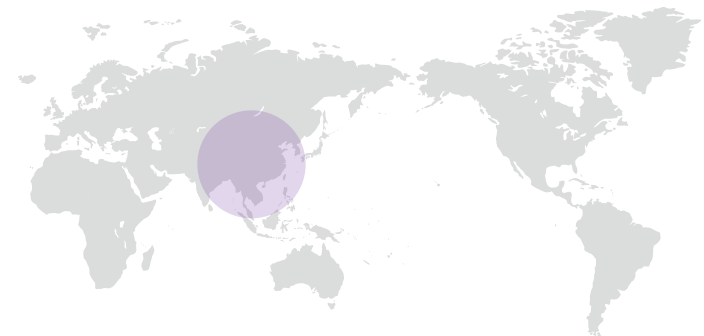
(3) Establish European site for global operations from three main centers

- Operations center to provide FEED/EPC services for projects in the Middle East, Africa, and Russia
- Global coverage from core sites in Japan, US, and Europe



(4) Establish Group companies to address emerging countries

Establish EPC and business investment implementation centers in countries and regions with large infrastructure (energy, industrial, society) demand potential



➔ **Envisioning China and Myanmar**

Basic Policy 1: Expand EPC business in oil & gas area and broaden to infrastructure**Strategy 3: Expand business areas**

- Focus on business areas that can leverage core competence with continuity
- Oil & Gas area: Enter upstream EPC and overseas plant O&M
- Expand to infrastructure areas (energy infrastructure, social infrastructure)

(1) Expand to upstream EPC**(Target 1)****Ground-based crude oil and gathering facilities**

- Alliance by JGC and overseas EPC-capable Group companies
- Target Southeast Asia, Middle East, North Africa, and other regions

(Target 2)**Offshore and near-shore area**

- Review entry via investments and M&A deals for engineering companies, ocean project specialists, and equipment manufacturers
- Target Southeast Asia, the Middle East, and North Africa
- F-LNG, near-shore FSRU, and power generation; also considering sea-based wind power

(2) Expand to power generation**Nuclear power generation**

- Focus on overseas projects of Japanese manufacturers
- Full-fledged entry leveraging overseas project
- Management capabilities and domestic experience in area of radioactive waste processing and disposal

Solar power generation

- Overseas initiatives based on domestic results



Solar power plant site (Chiba Prefecture)

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(3) Expand to social infrastructure**Transportation**

- Capitalize on accumulated experience from bidding process for Myanmar's airport business rights
- Full-fledged advance from overseas airport infrastructure to transportation infrastructure

Pharmaceutical and Medical

- Promote overseas business by leveraging existing results in Japan; expand sales and profits
- Target for overseas EPC and business investments (hospital management) in the medical field

(4) Oil & Gas services

➡ **Full-fledged entry into overseas plant O&M service business market**

1.

Analyze and utilize big data to forecast the future of plants



Enhance Plant's
— **Certainty**
— **Availability**
— **Quality**



Contribute to improved business value at customers

2.

In the existing plant maintenance area, converge overseas EPC-capable Group companies with sites and review investments and M&A opportunities

Basic Policy 1: Expand EPC business in oil & gas area and broaden to infrastructure**Strategy 4:** Reinforce orders competitiveness by pursuing technology advantages

Hone JGC's advanced, leading technologies and meet the customer's requirements

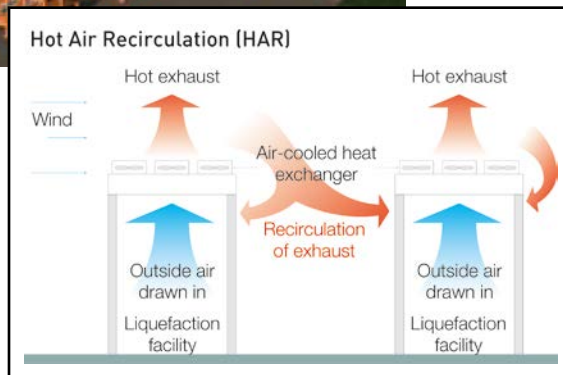
(1) Further improvement of LNG technology capabilities

Global No.1 technology and track record
+ response to diversifying customer needs



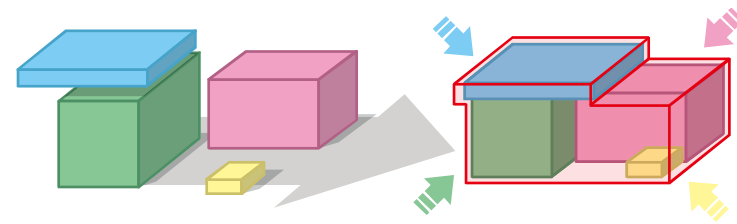
Compact
LNG concept

AIRLIZE
LNG

**(2) Further pursuit of advanced project implementation capabilities** (such as modular construction)

Establish a position well ahead of rivals
for the growing volume of projects in 3D areas

50% less → Field Work
25% less → Volume
10% less → Weight



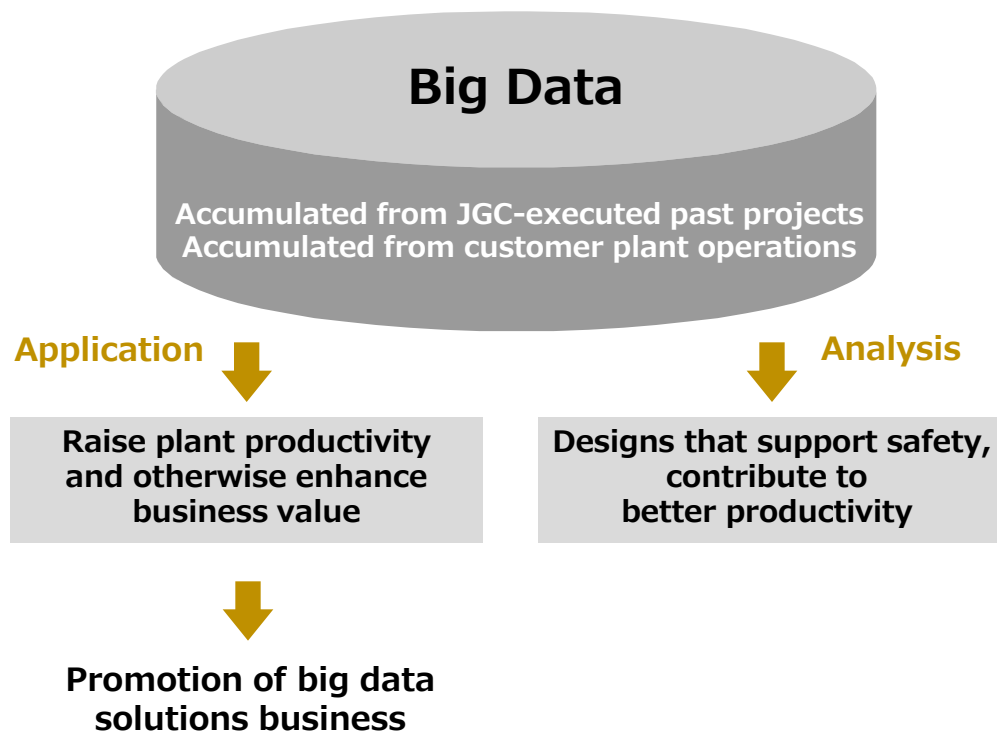
J•I•Module Concept

Basic Policy 1: Expand EPC business in oil & gas area and broaden to infrastructure

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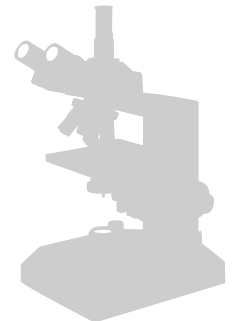
■ (3) Promote use of IoT to improve value of customer's plant



■ (4) Expand pharmaceutical business scale

Enhance technology capabilities for advanced medicine

Strengthen relations with mega-pharma companies, and with venture companies in the sector



Basic Policy 2: Expand profit from non-EPC businesses (business investments, manufacturing)

Business investments

1) Overview

1. Establish position as an integrated water and power plant business player
2. Enhance business potential using knowledge as EPC contractor
3. Train experts and obtain knowledge
4. However, did not achieve projected profits (approx. ¥6 billion in FY3/16)



Water and power plant site (UAE, Taweelah area)

2) Business investment policy in new medium-term business plan

■ (1) Investment policy

Numerical goals

Maintain the IRR target of **at least 12%**

Clear investment criteria

- Business selectivity and focus
- **Expansion**, **status quo**, and **future areas**
- Clarify policy by business area
- Majority shareholder preference
- Pursuit of multilayer profit with EPC

Basic Policy 2: Expand profit from non-EPC businesses (business investments, manufacturing)

2) Business investment policy in new medium-term business plan

(2) Strategies for business areas

Expansion areas

Continue aggressive initiatives

- **Integrated Water and Power (IWPP) business**
- **Environmental and new energy business**
- **Medical business**

Status quo areas

Sustain for time being and assess future potential in light of market conditions

- **Resources development business:** Respond according to market environment
- **Water/sewage business:** Focus on businesses currently being operated
- **Urban development business:** Same as above

Future areas

New areas to challenge in light of future potential

- **Airport operations business:** Aim for business rights in Myanmar
- **Agricultural business:** Respond according to progress with operations in Russia
- **Chinese businesses:** Review potential business opportunities in chemical, environmental, medical, and other areas from a broad perspective
- **Big data solutions business:** Utilize IoT and contribute to improved plant business value

Manufacturing

Catalysts and fine chemicals and fine ceramics

Growing global demand

- Promote technology developments for new material and product development
- Review M&A deals and alliance opportunities with domestic and overseas companies to acquire technology
- Further promotion of overseas initiatives

➔ **Achieve sales and profit gains**



Basic Policy 3: Promote financial strategy to realize basic policies 1 and 2

Promote financial strategy with awareness of capital efficiency and clear allocation of cash reserves in new medium-term business plan

1. Capital adequacy ratio _____

Maintain steadily at 50% or higher

2. Return on shareholders' equity (ROE) —

Maintain at least 10% as target

3. Allocation of cash reserves _____

Secure working capital for EPC business and make priority allocations to growth strategy, for further growth and expansion and shareholder return.

Area	Allocation target
Working capital for EPC business	30%
Growth strategy investments	30%
Shareholder return	20%
Business investments	10%
Capital investments (Maintain company buildings, group companies)	10%
Total	100%

Basic Policy 3: Promote financial strategy to realize basic policies 1 and 2

Aiming to allocate 30% of cash reserves to Growth Strategy Investments

(Implement as priority investments separately from other business investments)

Growth strategy investments

Strengthen project execution capabilities:

1. Establish European engineering center
2. Establish new overseas group companies to address emerging countries

Broaden business scope:

3. Enter upstream areas
4. Full-fledged entry into overseas plant O&M service business
5. Enter transportation infrastructure (airport) areas

Strengthen orders competitiveness by pursuing technology advantages:

6. Adopt various measures including promotion of big data solutions business



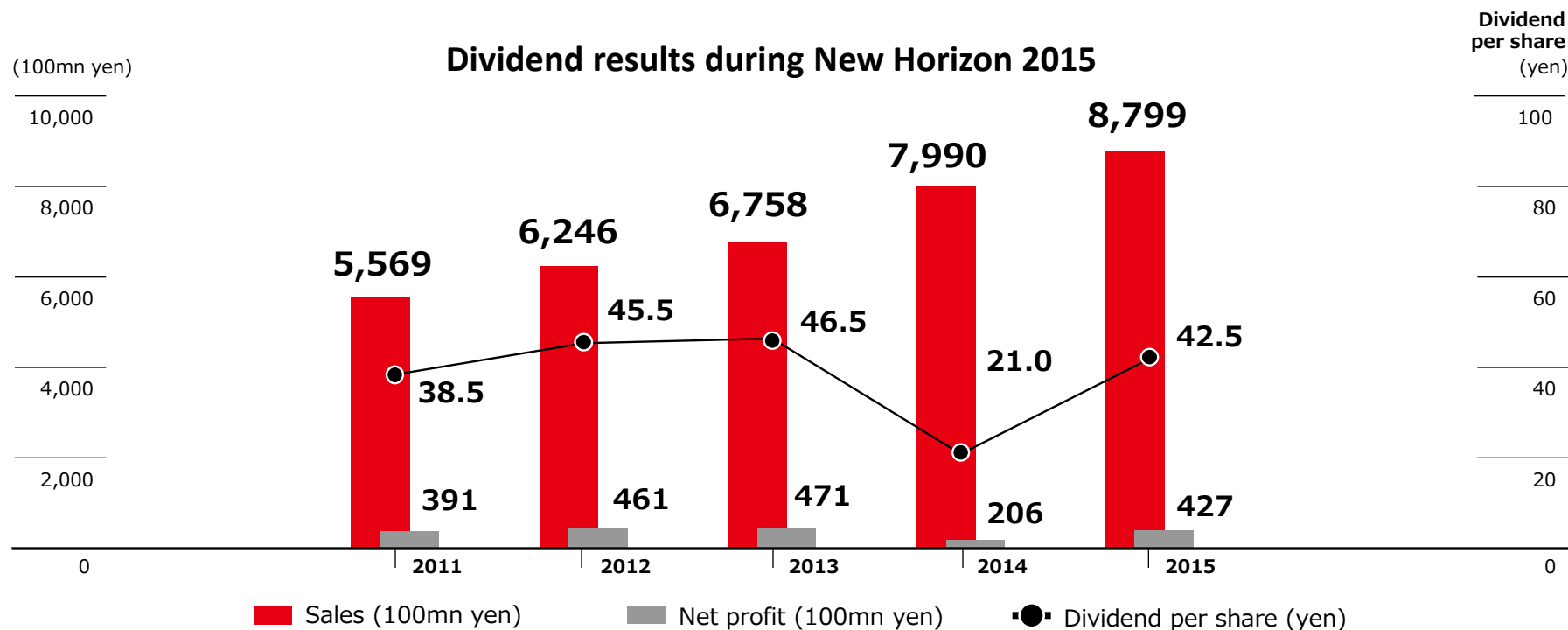
**Updated previous shareholder return policy
(targeting 25% dividend payout ratio versus current-period net profit)
and adopted following position for shareholder return**

1. Dividend policy

Target a **30%** dividend payout ratio

2. Share buybacks

Dividends are the primary source of shareholder return. Review share buybacks for implementation as necessary, in light of cash reserves holdings, share price trends, and other factors.



JGC’s Commitment

Realizing improved longer-term enterprise value, JGC aims to build healthy relationships with shareholders and investors, customers, business partners, local societies, and other stakeholders and enhance corporate governance by endeavoring to provide timely and appropriate information disclosure and maintaining and strengthening the Board of Directors, Auditor Board, and other functions.

Previous Medium-Term Business Plan

NEW HORIZON2015

Expanded the executive officer framework in June 2014

Aims to enhance corporate value through dynamic management decisions that address changes in the business environment and expansion and diversification of operations and reinforcement of business implementation functions.

New Medium-Term Business Plan

Beyond the Horizon

Plan to increase outside directors in June 2016

Increase outside directors from one to two with the aim of obtaining suitable advice on management and business implementation and realization of a supervisory function from an independent perspective.