

Management Policies Strategic Overview (Interim Report FY2005)

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Contents

1. Strategic Overview of Interim Financial Results
2. Principal Management Issues of the Current Term
3. Operating Environment and Market Situation
4. Conclusion

1

Strategic Overview of Interim Financial Results

- An important milestone in the New Reconstruction Plan—Eliminating Accumulated Loss—reached a year ahead of schedule
- Remarkable earnings growth compared with the first half of the previous fiscal year drove sales and profit beyond initial forecasts.
- Sweeping changes in risk management boost earnings, transforming Chiyoda from a low profitability company into a firm with sustained earnings
- The next step is to develop management policies that transform Chiyoda into a firm with the ability to generate earnings growth.

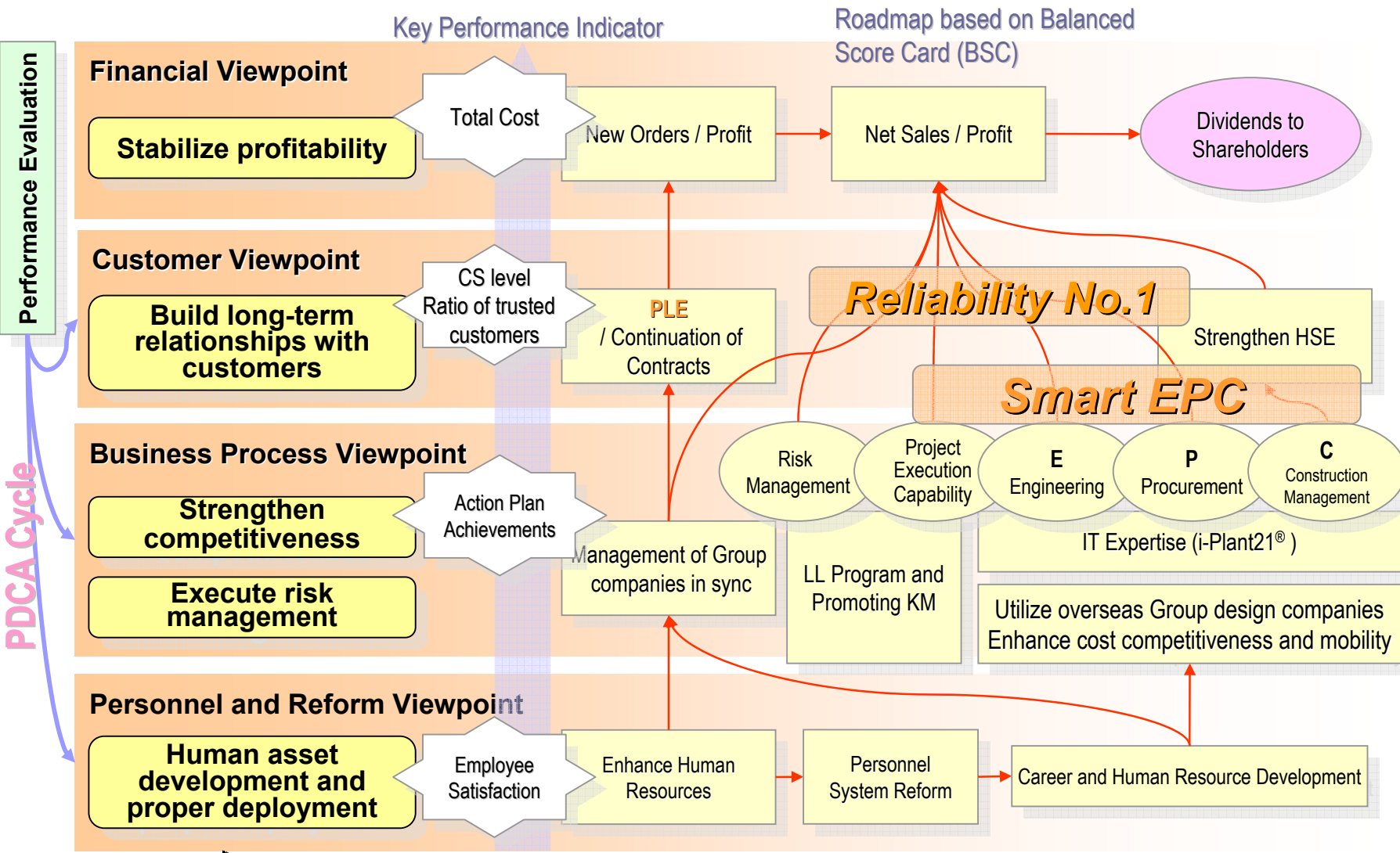
2

Principal Management Issues of the Current Term

- Build up management capabilities to achieve objectives and targets of management plan.
(See Management Strategy Map on next slide.)
- Minimize uncertainties in project execution and stabilize earnings by methodical risk management.
- Set sights on becoming Reliability No. 1 Excellent Project Company.

Reliability No.1 Excellent Project Company

Management Strategy Map

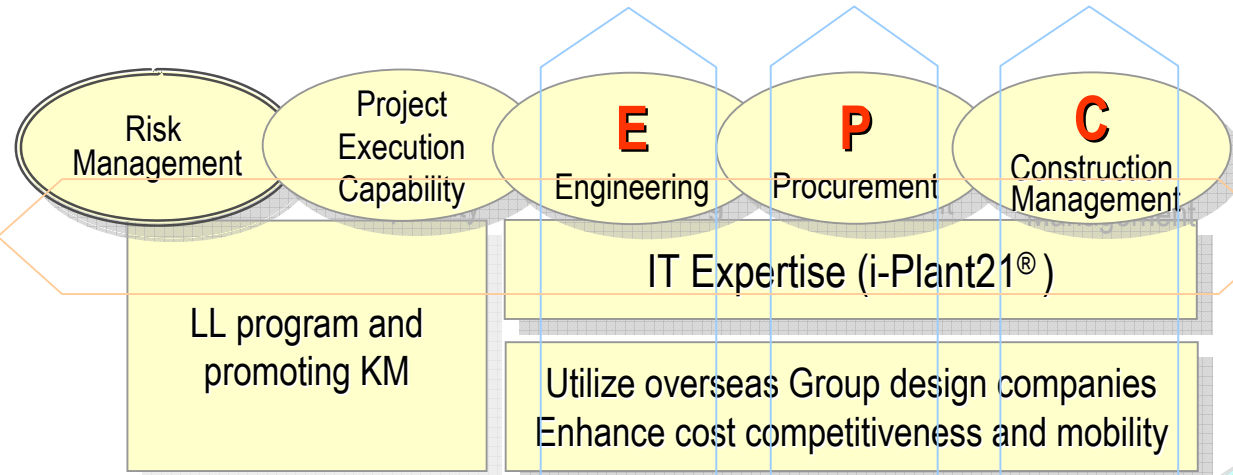


PLE: Plant Lifecycle Engineering PDCA: Plan, Do, Check, Act HSE: Health, Safety & Environment



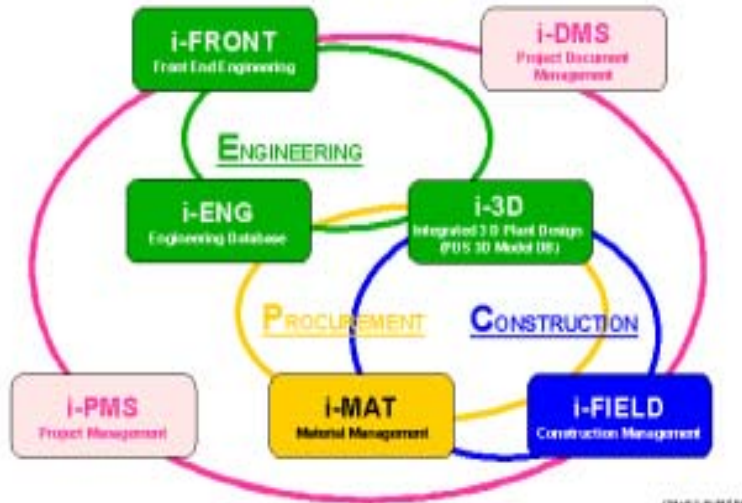
Improve Reliability of EPC

Smart EPC



Chiyoda's Integrated Project Engineering Systems

i-PLANT21® intelligent & integrated



LL: Lesson and Learnt KM: Knowledge Management

3 Operating Environment and Market Situation

Market

Enlargement of LNG Market

Increase in Gas Development
(Upstream, Gas Chemicals, etc.)

Larger Plant Size

Development of Information Industry
(Intelligent home appliance, IT-related, etc.)

Economic Growth in China
(Responding to a rise in the price of materials, etc.)

Society/Environment

Protect Global Environment,
CO₂ Emissions
(Kyoto Protocol)

Increase in Concern of Corporate Social Responsibility

Energy Conservation,
New Energy
(GTL, DME)

Inflating Crude Oil Prices

Energy

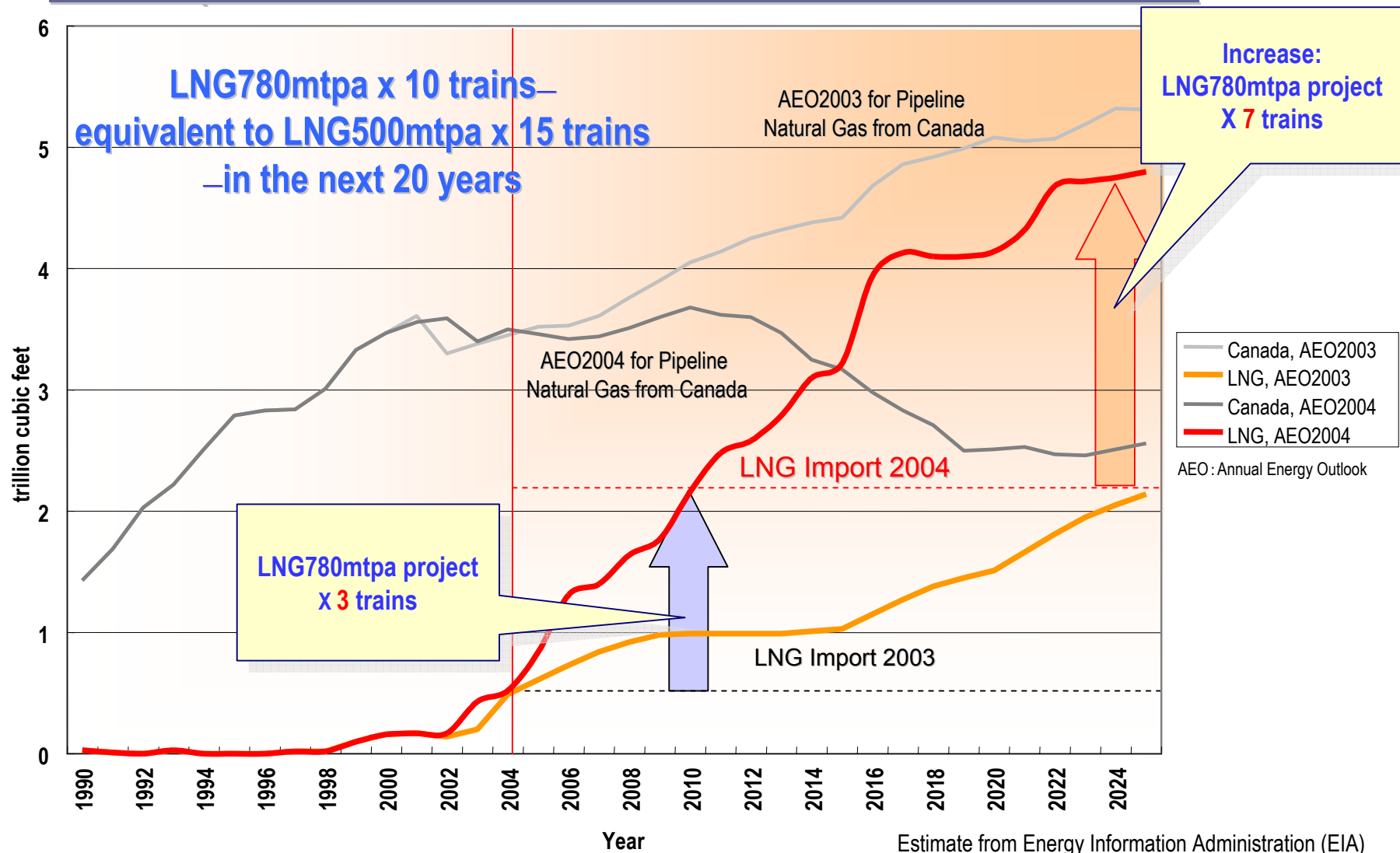


Economy

3 Market Environment

- Kyoto Protocol takes effect: Promoting energy conservation in Japan. Accelerating shift to natural gas to reduce carbon dioxide emissions.
- Escalating oil prices: Oil majors and Japan's oil refiners report strong earnings. Countries importing LNG raise their plans for LNG imports.
- US LNG imports: To jump sharply from the current 10.5 million tons (0.5Tcf/year) to 96 million tons (4.8Tcf/year) by 2025. [EIA forecast]
- China LNG imports: Plan to import 25 million tons by 2010 revised to 33.5 million tons.

Energy Source Shift in U.S.A.— from Pipeline Natural Gas Produced in Canada to LNG






Estimate from Energy Information Administration (EIA)

Increasing Large-Scale Investment in Qatar

★ Indicate orders received

QATARGAS








★ **Train 1** EPC (1997)
 ★ **Train 2** EPC (1997)
 ★ **Train 3** EPC (1998)
 ★ **Train1/2/3** Debottlenecking (2005)

LNG 9.2mtpa (in operation)





RasGas

★ **Train 1** FEED } 660 (in operation)
 ★ **Train 2** FEED }
 ★ **Train 3** EPC (2003) 470 (in operation)
 ★ **Train 4** EPC (2005) 470 (under construction)
 ★ **Train 5** EPC (2007) 480 (under construction)
Train 6/7 (2008) 780X2 (planned)

LNG 36.4mtpa

QATARGAS II

Train 1 (2007) FEED
Train 2 (2009)

LNG 15.6mtpa (Planned)

QATARGAS 3




Train 1 (2009)

LNG 7.8mtpa (Planned)

QATARGAS

LNG 5mtpa (F/S)

Qatar Petroleum




★ **Common Cooling Water Project** EP (2004)
Expansion of Common Cooling Water System

ExxonMobil

★ **Al-Khaleej Gas Development Project** EPC (2006)

- **GTL plants**
- **Independent Water and Power Plant**
- **Gas Chemical Plants (Ethylene, etc.)**
- **Export through pipelines**



Qatar announced LNG export plan: 77 million ton/year by 2010

4

Conclusion

- A New Medium-Term Management Plan is to be developed as the New Restructuring Plan targets come well within reach.
- The New Medium-Term Management Plan will continue to focus on strengthening Chiyoda's earnings power and launch additional initiatives to assure the company's ability to generate earnings growth.
- Transform Chiyoda into an excellent company capable of living up to its corporate social responsibilities by establishing and strengthening its position as the world's most reliable project company, and by developing systems and capabilities to implement projects at all times and in all business segments.



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Forward-looking Statements

The forecasts and plans in this presentation are based on information available to management on November 11, 2004, the date these materials were prepared. Actual results may differ significantly from these forecasts for a number of factors, including but not limited to changes in economic conditions and operating environment in Japan and overseas.