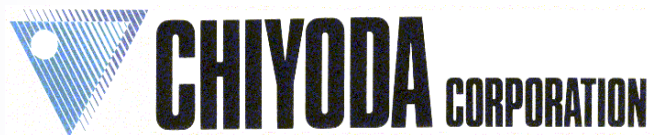


Fiscal Year 2006

# Management Policies Strategic Overview

Nobuo Seki  
President and CEO

May 15, 2006



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# 1

# Double Step-Up Plan (DSP) 2008 Progress Report

## Business vision

Aiming to be “Reliability No.1” Project Company and Excellent Company able to “Sustain Earnings Growth”



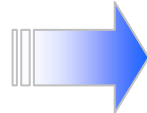
DSP 2008’s business plan is front loaded and increasing.  
Next four strategies measure in the midst of development

### < Business Strategy >

### <Present State: Proceeding Condition>

**S1**

Build long-term partnership with clients based on superior technologies by promoting Plant Lifecycle Engineering

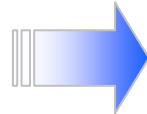


- Further upgrade Reliability Program  
Engineering Criticality Study,  
Technical Cold Eye Review

**Clients**

**S2**

Further strengthening of the project accomplishment power by promoting Smart EPC and utilizing group’s collective strengths

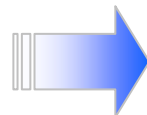


- Upgrade risk management skills
- Upgrade advanced IT skills (especially Construction IT, Procurement IT)
- Strengthen GES: The Philippines engineering design subsidiary became a wholly owned subsidiary
- Utilize “ Lessons Learnt” / Promote Knowledge Management

**Execution**

**S3**

Establish a chronically sound financial position able to support the creation of next-generation businesses.

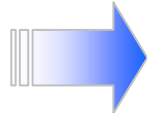


- Enrich capital stock
- Enhance profitability of license sales and selective investment in new technologies

**Finance**

**S4**

Create an energetic organization and refine employee skills.



- BSC Integrated Management
- Continuously hire of professional personnel (5,600 workforce system)
- Re-hire our retired employees and pass on their technological knowledge and expertise to the next generation.

**HR**

BSC: Balanced Score Card (A strategic management system)

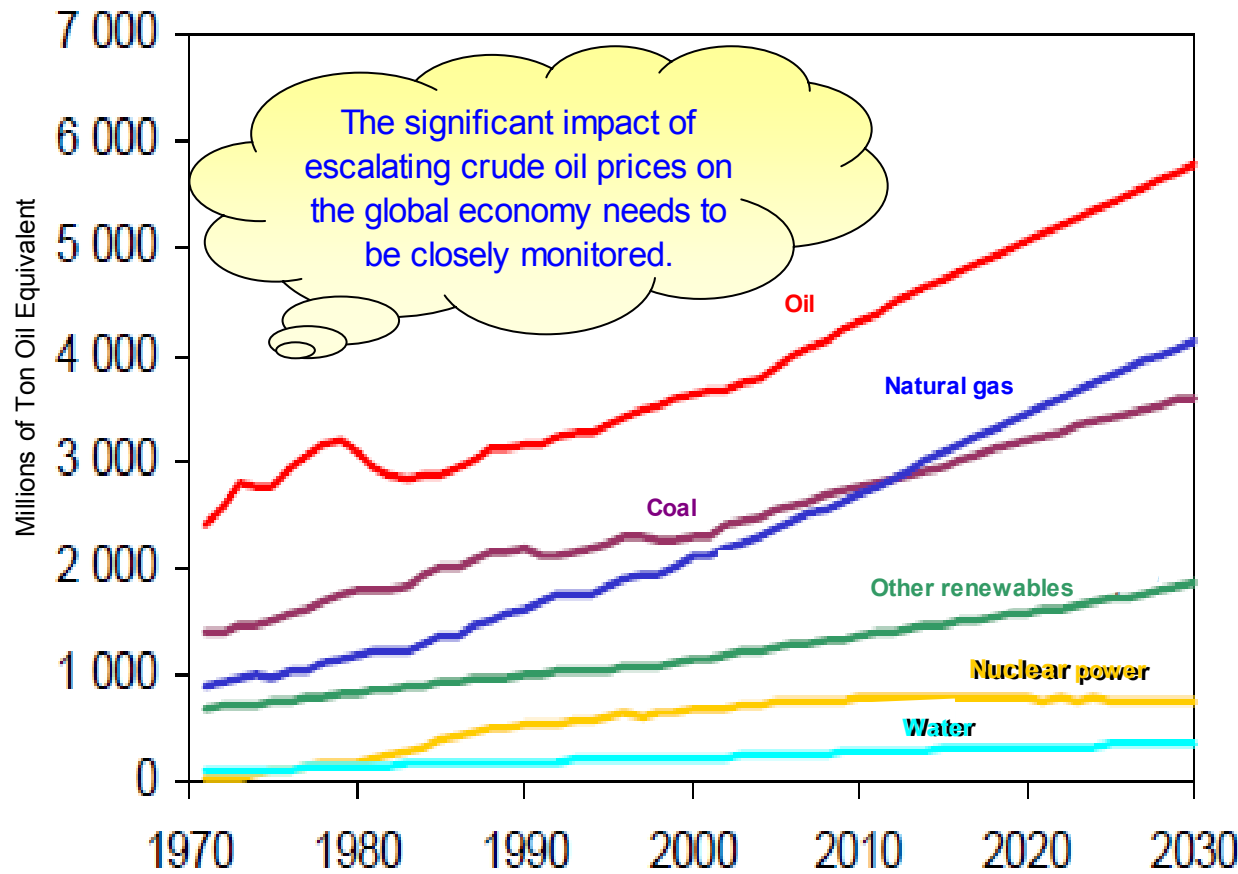
# 2

## Global Energy Supply-Demand Balance: An Age of Mega-competition for Securing Energy Supplies Continuous Booming of Plant Engineering Market

### Chiyoda's Market Outlook

#### World Primary Energy Demand

Source: IEA (International Energy Agency) / World Energy Outlook 2004



#### Oil: Deliverability Problem

Problem: Availability → Deliverability  
 More investments in refineries:  
 Ultra-large-scale refinery projects  
 Chemical Refinery Integration:  
 Expansion & new construction  
 Upgrading heavy oil to distillate products:  
 Processing of residue oil (RFCC, etc.)  
 Japanese oil majors

#### Natural Gas: Accelerated Gas Shift

Global LNG's dramatic growth  
 Large gas and chemical projects  
 using associated gas  
 New clean energy: Growing GTL  
 and other new energy markets

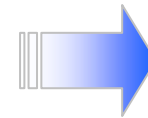
#### Coal: Important fuel for power generation

Rising demand for coal and tightening of  
 environmental regulations  
 Growing demand for flue gas  
 desulfurization  
 Business model reform  
 →CT-121 license sales  
 Clean coal technologies : coal gasification etc

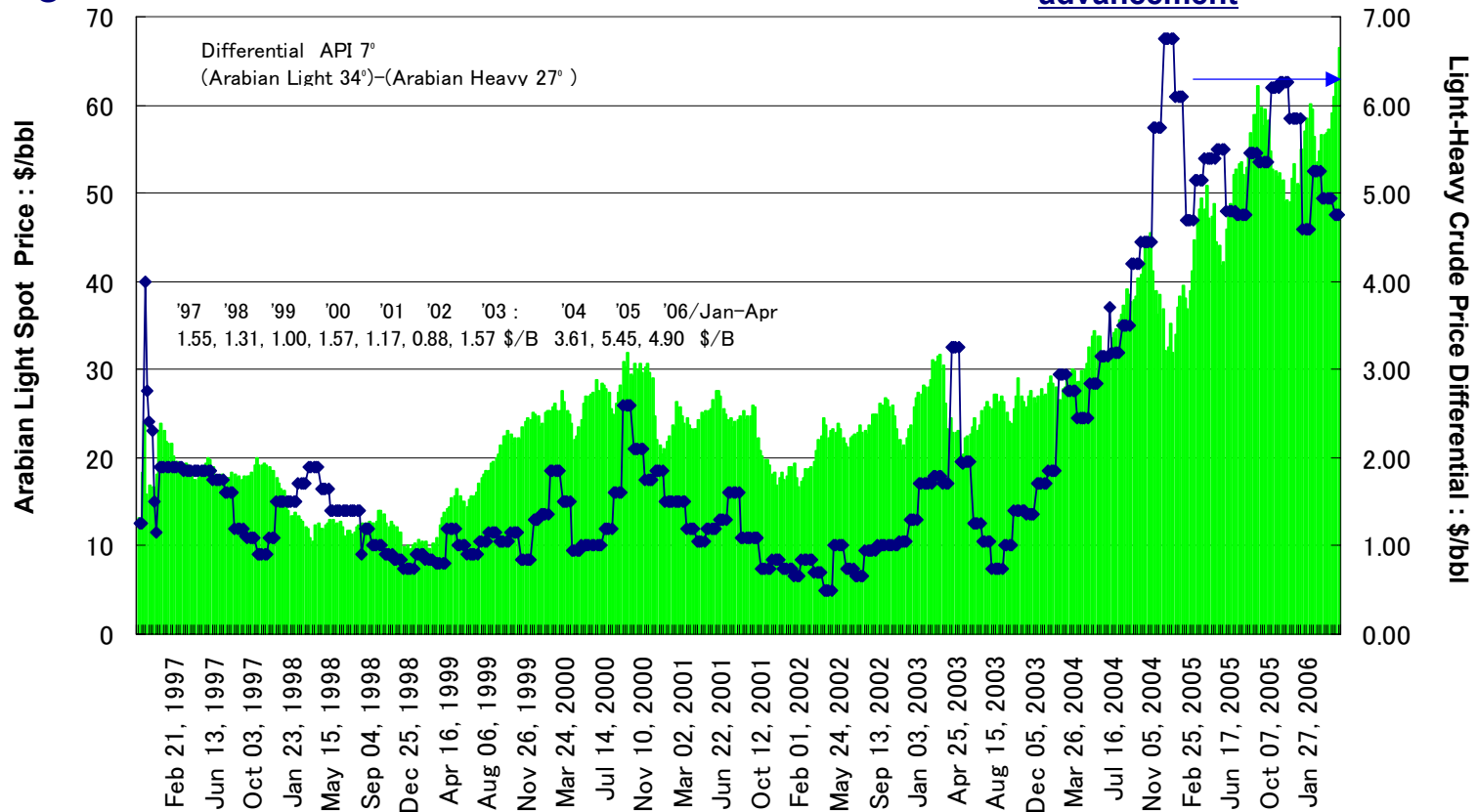
# 2

## Heavier Crude Oil. Higher Demand for Light Products.

- Crude oil price fluctuates in the stratosphere as a primary energy source.
- Light-heavy crude oil differentiate and crude oil price move together.



- Installing heavy oil cracking plant
- Improving efficiency of refinery with bottomless conversion and advancement



Widening disparity between heavy and light crude oil price : Arabian Light/Heavy

Legend: █ Arab Light ◆ Dollars per Barrel

Source: EIA Spot price FOB

2

# Clean Energy: Rapid Expansion of Natural Gas Shift

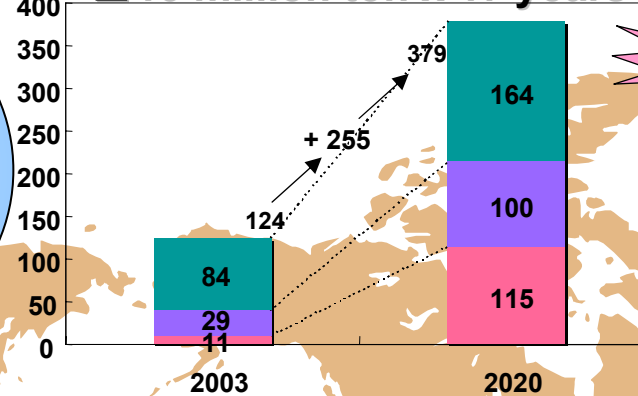
## Natural gas estimated recoverable reserves : LNG Plant demand :

BP Statistical Review of World Energy 2005

■ World total : 6,337 TCF

- 1. Russia 1,694 TCF (26.7%)
- 2. Iran 971 TCF (15.3%)
- 3. Qatar 910 TCF (14.4%)

(Million ton) ■ 15 million ton x 17 years

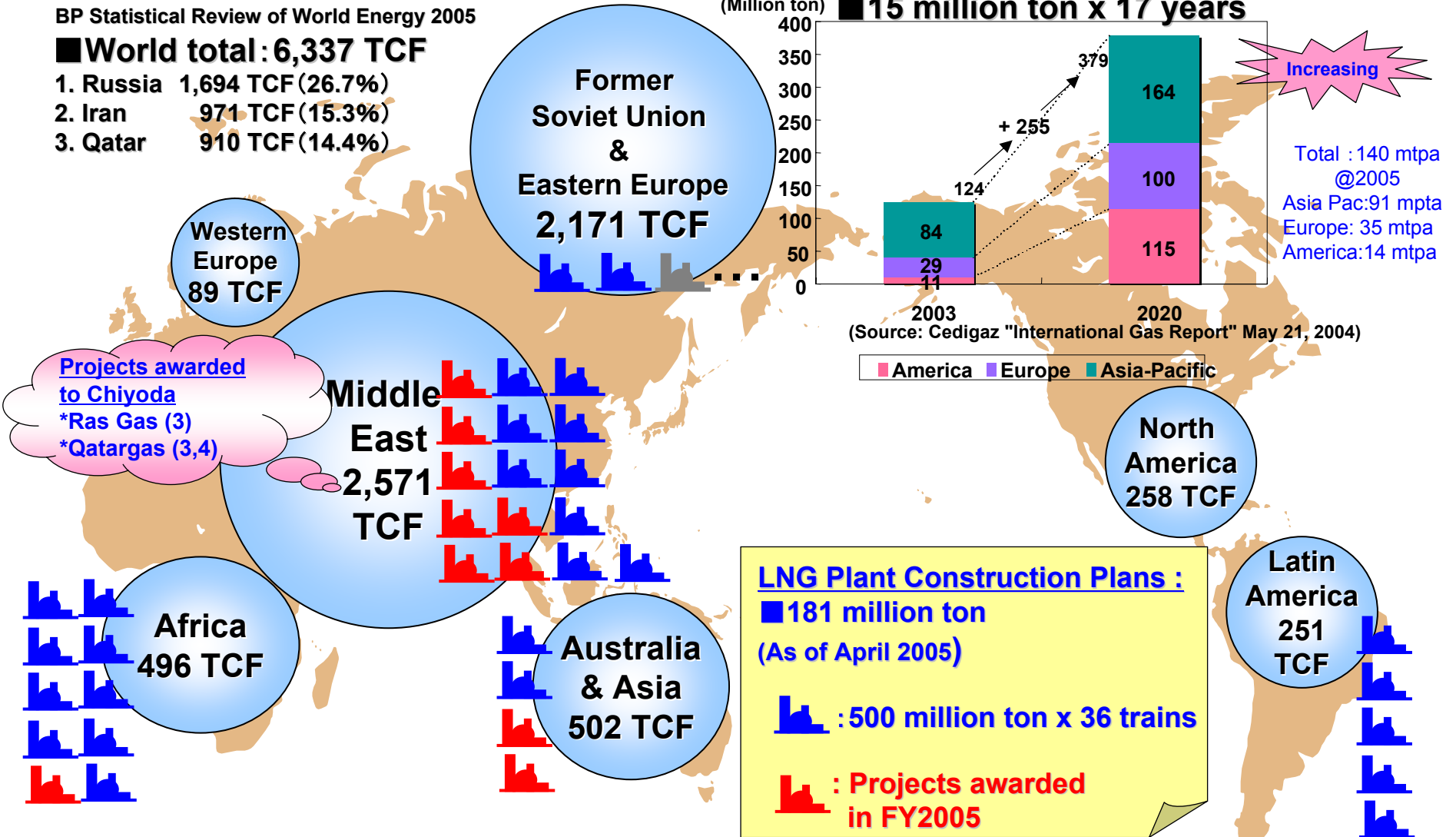


Increasing

Total : 140 mtpa @2005  
Asia Pac: 91 mtpa  
Europe: 35 mtpa  
America: 14 mtpa

(Source: Cedigaz "International Gas Report" May 21, 2004)

■ America ■ Europe ■ Asia-Pacific



Projects awarded to Chiyoda  
\*Ras Gas (3)  
\*Qatargas (3,4)

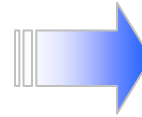
**LNG Plant Construction Plans :**  
■ 181 million ton (As of April 2005)

■ : 500 million ton x 36 trains

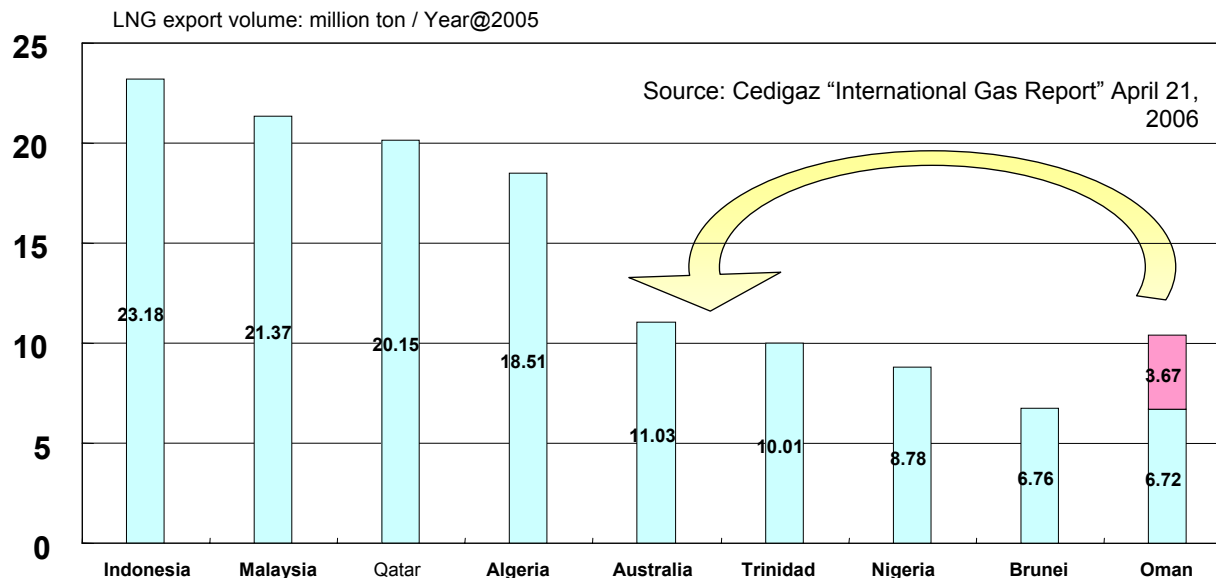
■ : Projects awarded in FY2005

- Sudden increases in prices of materials and other items (Higher prices of basic materials such as copper, nickel, and zinc push up the cost of cables, stainless steel and galvanizing)  
→ Early procurement arrangements and order placement, reflection of higher prices in contract terms and negotiations with customers.
- Guaranty of longer delivery lead times items (Cost rise of pressure vessels, heat exchanger and compressor, risk of longer delivery lead times and deterioration)  
→ Securing early, long-term commitment from vendors: Strengthen quality control and delivery date management (Enhance Procurement Management: South Korea and Italy)
- \* Quality Management utilizing the wide experience of Special “Fables” Team (Experienced Master Engineers)
- Increase in manpower cost (of experienced workers), capacity shortages at subcontractors  
→ Strengthen relationship with partners and promote Construction IT
- Increase of uncertainty → Further strengthening of risk management

- Quick project completion
- Flawless Start-up  
(started operation without troubles)
- Omanization  
(Ratio of local employees)
- Safety Record in Construction:  
38 Months without Lost Time Incident



First step toward  
building confidence  
as "Reliability No.1"



## Oman LNG

### LNG production capacity:

Total 10.39 mtpa

3.3 mtpa X 2 trains

( 6.72 mtpa, completed in February 2000),

**Start production: From Feb. 2000**

**Oman's LNG Export: 9th in the world / 2005**

### Qalhat LNG (train 3)

(3.67 mtpa, completed in Dec. 2005)

mtpa: million ton per year



# 4

## Initiatives for Continuing Reform of Internal Control Systems

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To aim at establishing a highly transparent management

- Coordinate risk management and Cold Eye Review
- Effectively complying with METI's "INTERNAL CONTROL IN THE NEW ERA OF RISKS" since FY2003
- Integrate Balance Score Card Management → Improve and reform business processes; Raise maturity level of organization
- In-house evaluation of internal control systems
- ◆ Compliance with the New Companies Act: Established the Internal Control Committee
- ◆ Strictly enforced and promoted Corporate Social Responsibility (CSR)

5

## Summary :Aiming to be “Reliability No. 1” and Company able to “Sustain Earnings Growth”

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### DSP2008 Medium-Term Management Plan

First year: Satisfactory progress achieved

Second year: **Prudently accelerate** DSP2008 programs and start bringing in benefits

1. Execute projects in manner that will win recognition as Reliability No. 1 Company

- 3 Large LNG projects in Qatar / Success of domestic petroleum large-sized projects
- Rigorously executing the Double-Check System
- Customer’s Success through Reliability No.1 (Raise awareness throughout the company )



2. Initiate programs to achieve goals defined in DSP2008 Medium-Term Management Plan

- Early achievement of concrete goals



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### **Forward-looking Statements**

The forecasts and plans in this presentation are based on information available to management on May 15, 2006, 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.