

Management Policies Strategic Overview

- Interim Report FY2006 -

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President and CEO

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Business Vision

**Aiming to Be:
A “Reliability No.1” Project Company and
An Excellent Company able to “Sustain Earnings Growth”**



DSP 2008’s business plan is ahead of schedule and exceeding expectations. Measures for the following four strategies are now being implemented.

Business Strategy

Current Progress

S1

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

(Clients)

- Further upgrade Reliability Program
- Engineering criticality study, Uninterrupted start-up

S2

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

(Execution)

- Upgrade risk management skills (Cold Eye Review)
- Upgrade advanced IT skills (especially construction IT, procurement IT)
- Strengthen Group operations structure (workforce of 6,000)
- Utilize “Lessons Learned” / Promote knowledge management

S3

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

(Finance)

- Enrich capital stock
- Enhance profitability of license sales and selectively invest in new technologies

S4

Create an energetic organization and refine employee skills.

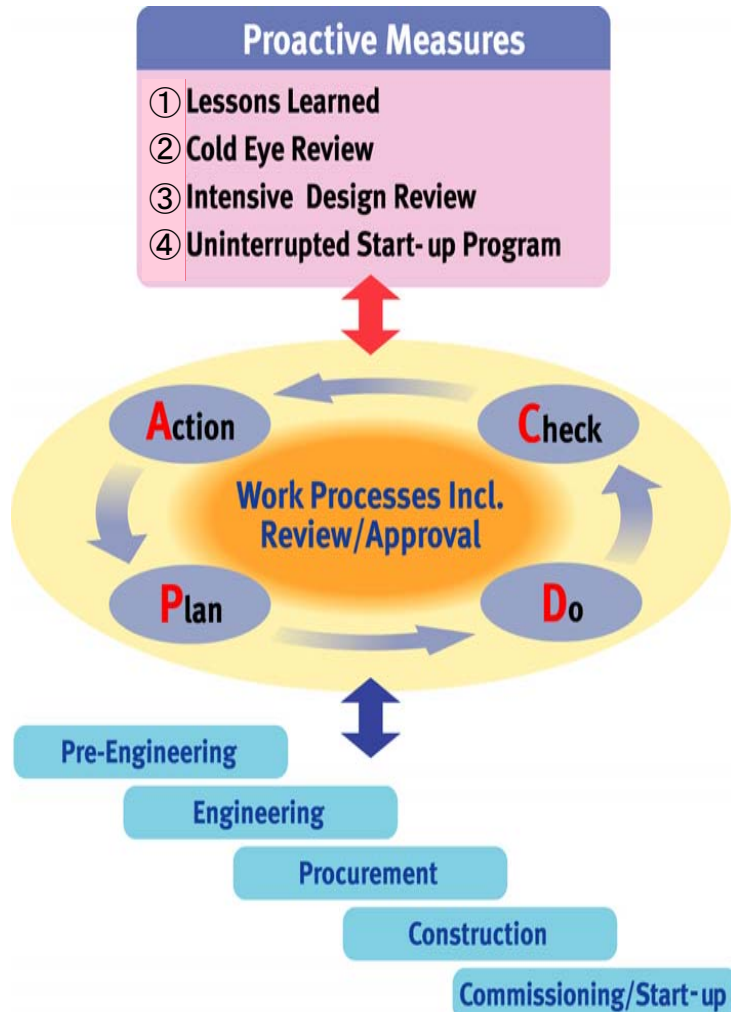
(HR)

- BSC Integrated Management
- Hire/retain professional personnel
- Re-hire our retired employees and pass on their technological knowledge and expertise to the next generation (Chiyoda U-Tech Co., Ltd.)

BSC: Balanced Score Card (A strategic management system)

Further Upgrade Reliability Program: Improving Chiyoda's Reliability

Aiming for “Reliability No. 1,” we will steadily implement concrete measures to further enhance our competitiveness



1. Lessons Learned

The Lessons Learned Committee will use a company-wide database to extract examples of problems and success for each project and disseminate them to related departments so they can follow examples of success and proactively prevent problems.

2. Cold Eye Review

Independent review of design details, project planning and execution status allows us to identify potential problems and take corrective or supplemental action.

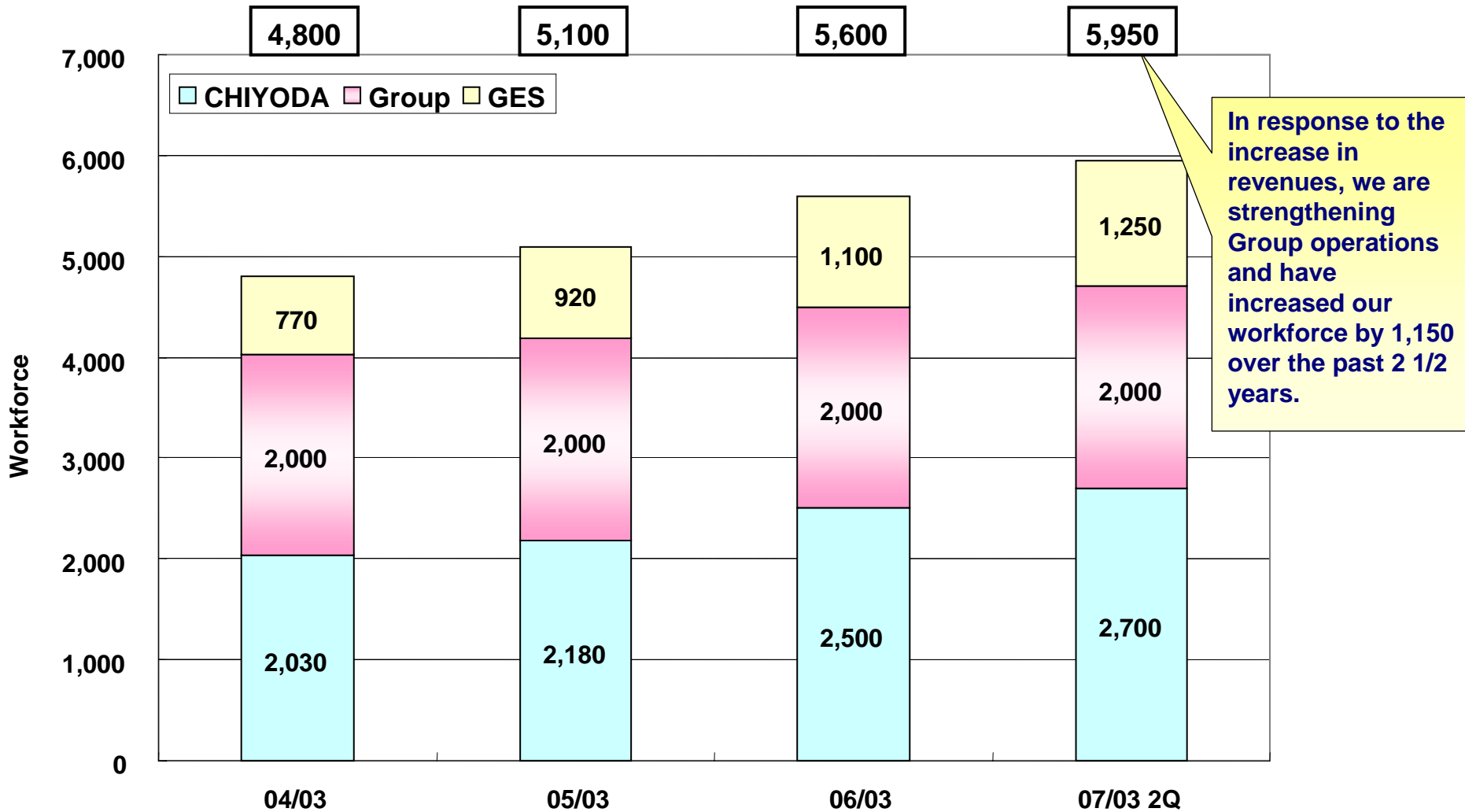
3. Intensive Design Review / Engineering Criticality Study

An independent task group of specialists examines advanced technology issues and problems affecting each specialized department. Simulations, materials and analysis technology by our affiliated company Chiyoda Advanced Solutions Corporation (ChAS) are utilized in this review.

4. Uninterrupted Start-up Program

From the standpoint of trouble-free start-up, we use our own system to detect foreseeable problems from Lessons Learned and risk analysis. We then work to prevent the detected problems by identifying actions that should be taken in each phase of EPC, and taking notification and preventive measures.

Strengthen Group Operations Structure



*GES=Global Engineering Satellites in the Philippines and India

Key Factors in Our Operating Environment

The market remains strong, but uncertainty is growing
→ Reinforce risk management

MARKET

Plant market expanding strongly
(Subcontractors fully booked with projects, shortage of skilled labor)

Expansion of gas development market
(LNG, gas chemicals, etc.)

Plants: Larger and more complicated

Development of communications industry
(IT, information appliances, etc.)

Economic growth in China
(Response to rising equipment & material prices, etc.)

SOCIAL ENVIRONMENT

Global environment / CO₂ reduction
(Kyoto Protocol)

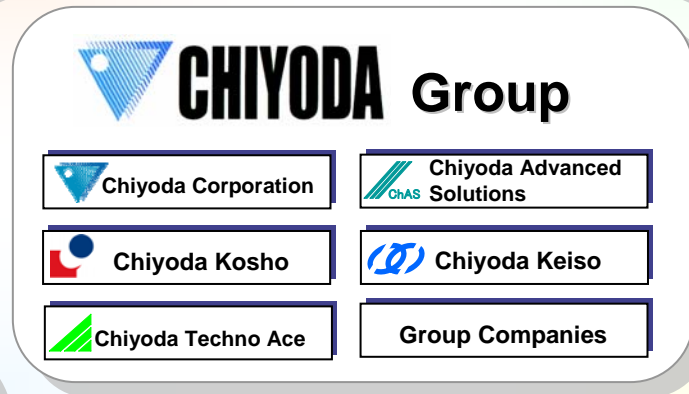
Heightened interest in Corporate Social Responsibility

Energy conservation / New energy
(GTL, etc.)

High crude oil prices
(Expansion of heavy/light price differential)

ECONOMY

ENERGY



In the second year of DSP 2008, we are ahead of schedule. We are responding steadily to recent risk factors, and **cautiously accelerating** DSP 2008 programs.



1. Execute projects to win recognition as a “Reliability No. 1” Company

Success of three large LNG projects in Qatar / large domestic petroleum projects

- Cost of skilled labor up, subcontractors fully booked with projects**
→ Strengthen relationships with partners, enhance construction IT, etc.
- Increase in uncertainty** → Reinforce risk management

2. Initiate programs to achieve goals defined in DSP 2008

- Early achievement of concrete goals**
(Shareholders’ equity of ¥70 billion, its ratio of 30%)

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Forward-looking Statements

The forecasts and plans in this presentation are based on information available to management on November 13, 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.