

# Management Policies Strategic Overview

- Interim Report FY2007-

**“New Horizons, Infinite Experience ”**

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President and CEO**

**November 9, 2007**

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## 1. Management Policies (April 2007)

### (1) Intellectual Property that Defines the Future:

Expand the Operating Base

### (2) Environmentally Friendly Technologies:

Strengthen Core Businesses

### (3) Humanity Conscious Management :

Strictly Enforce CSR-based Management

## 2. Key Factors in Our Operating Environment

## 3. New strategies that engender future growth:

Diversify of Core Competence

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# Management Policies (April 2007)

## “New Horizons, Infinite Experience ”

“Steady Execution” : Increase in Factors Causing Uncertainty →  
Reinforce Risk Management

“Safety-first Culture” : Horizontal Development of Sakhalin LNG Project  
Project of the Year 2006 and 2007, Shell CEO HSE Award

“Diversify of Core Competence”:  
New strategies that engender future growth

## Three Management Pillars

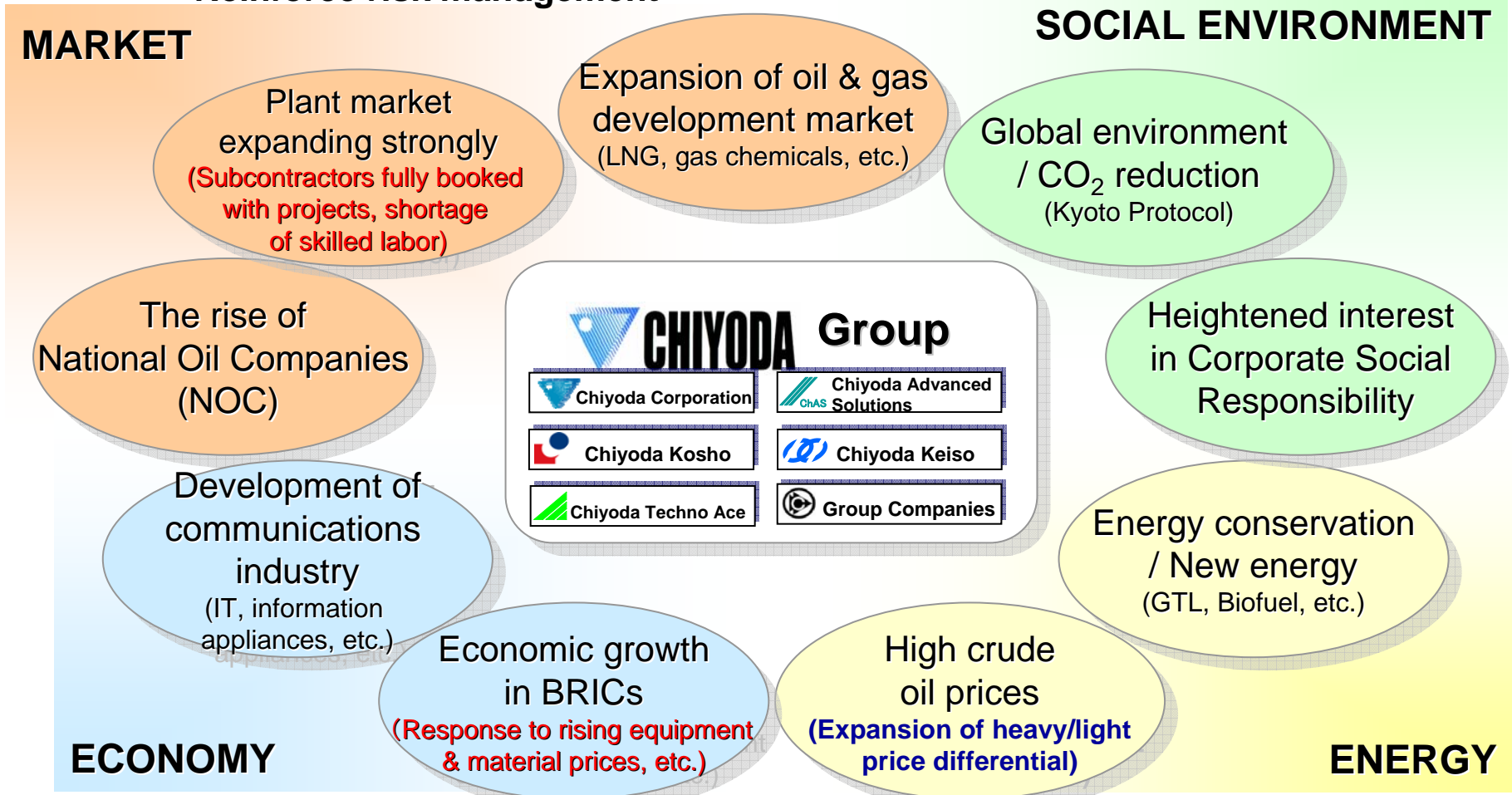
- (1) **Intellectual Property that Defines the Future:**  
Expand the Operating Base
- (2) **Environmentally Friendly Technologies:**  
Strengthen Core Businesses
- (3) **Humanity Conscious Management :**  
Strictly Enforce CSR-based Management

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# 2 Key Factors in Our Operating Environment

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



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# Current Targeted Areas & Segments

Middle East	Asia/Pacific	Russia/Africa, etc.	Japan
<ul style="list-style-type: none"> <li>▪ LNG</li> <li>▪ Gas Processing</li> <li>▪ Oil &amp; Gas Development</li> <li>▪ Refineries</li> <li>▪ Chemical Refinery Integration</li> <li>▪ Petrochemicals</li> <li>▪ Environmental Protection</li> </ul>	<ul style="list-style-type: none"> <li>▪ LNG</li> <li>▪ Gas Processing</li> <li>▪ Oil &amp; Gas Development</li> <li>▪ Refineries</li> <li>▪ Petrochemicals</li> <li>▪ Biofuels</li> <li>▪ Environmental Protection</li> </ul>	<ul style="list-style-type: none"> <li>▪ LNG</li> <li>▪ Refineries</li> <li>▪ Oil &amp; Gas Development</li> <li>▪ Environmental Protection</li> </ul>	<ul style="list-style-type: none"> <li>▪ Refinery Upgrading</li> <li>▪ Chemical Refinery Integration</li> <li>▪ LNG Receiving Terminals</li> <li>▪ Fine Chemicals</li> <li>▪ Environmental Protection</li> </ul>

Reinforcement of area business structure and overseas operating bases

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# Market Outlook

(Prospective projects)

## Asia & Pacific

- Browse LNG, Australia
- Ichthys LNG, Australia
- Darwin LNG T2, Australia
- Gorgon LNG, Australia
- Pluto LNG, Australia
- Greater Sunrise, Australia
- Pilbara LNG, Australia
- Fertilizer, Bangladesh
- BLNG, Brunei
- Gas Upstream, Indonesia
- Balikpapan RFCC, Indonesia
- Tuban Refinery, Indonesia
- Balongan RFCC, Indonesia
- CFB, Indonesia
- Cepu Oil Development, Indonesia
- Tangguh LNG T3, Indonesia
- Donggi LNG, Indonesia
- Oil & Gas Development, Indonesia
- Cilacap Refinery, Indonesia
- Petrochemical, Korea
- PSR-3, Malaysia
- Renewable Energy, Malaysia
- MLNG Tiga Debottlenecking, Malaysia
- Refinery, Malaysia
- Balochistan Refinery, Pakistan
- LNG, Papua New Guinea
- Refinery Upgrading, Singapore
- Petrochemical, Singapore
- Lube Base Oil, Taiwan
- Refinery, Taiwan
- Ethylene Plant, Taiwan
- Petrochemical, Thailand
- Thai Oil Refinery, Thailand
- NPC/PTT Refinery, Thailand
- Refinery Expansion, Thailand
- Refinery Upgrading, Thailand
- Aromatics, Thailand
- Second Refinery, Vietnam
- Petrochemical, Vietnam

# 2

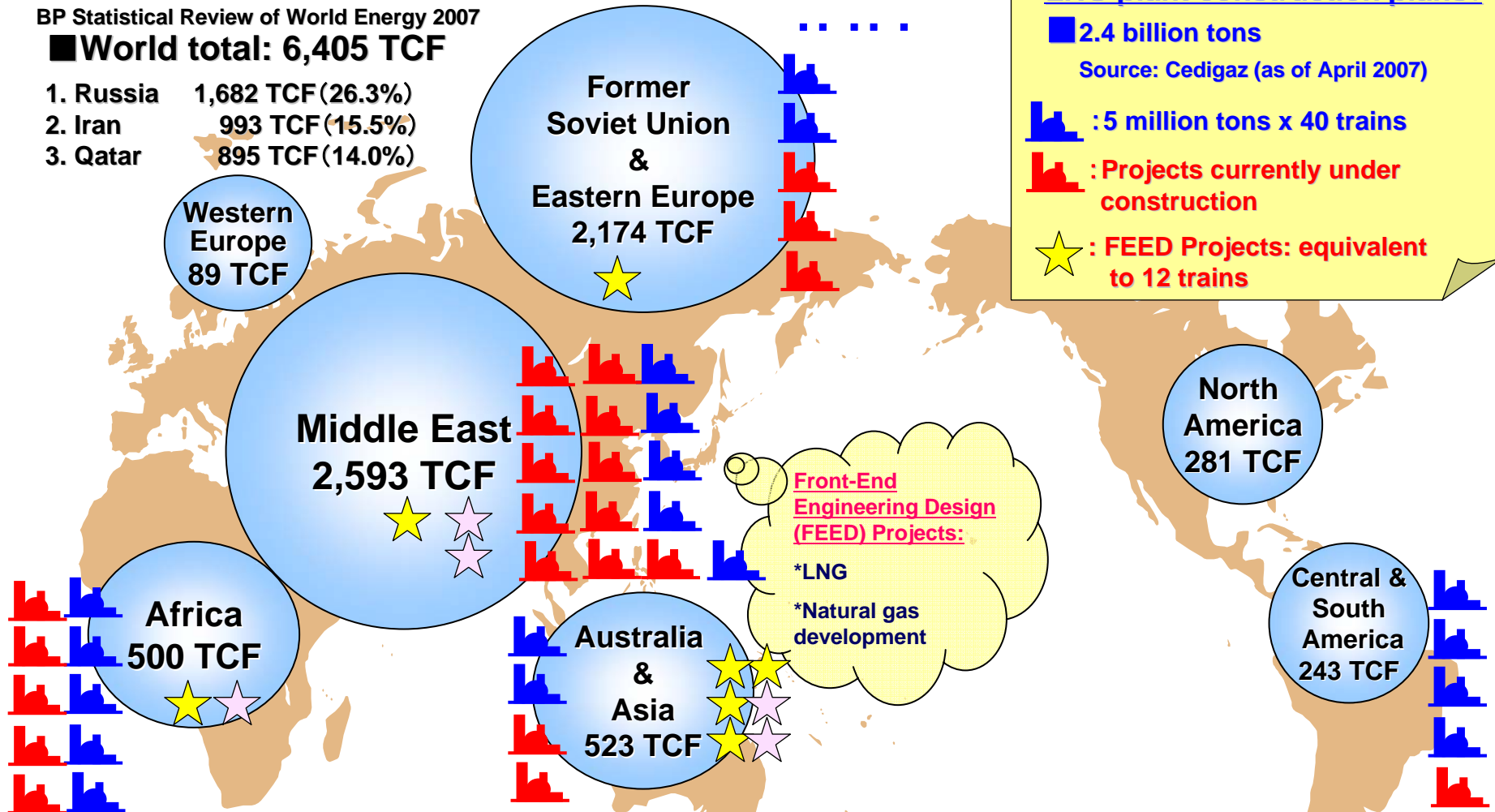
## Clean Energy: Rapid Expansion of Natural Gas Shift

### Proven Natural Gas Reserves:

BP Statistical Review of World Energy 2007

■ **World total: 6,405 TCF**

1. Russia 1,682 TCF (26.3%)
2. Iran 993 TCF (15.5%)
3. Qatar 895 TCF (14.0%)



### LNG plant construction plans:

■ 2.4 billion tons

Source: Cedigaz (as of April 2007)

■ : 5 million tons x 40 trains

■ : Projects currently under construction

★ : FEED Projects: equivalent to 12 trains

Front-End Engineering Design (FEED) Projects:

\*LNG

\*Natural gas development

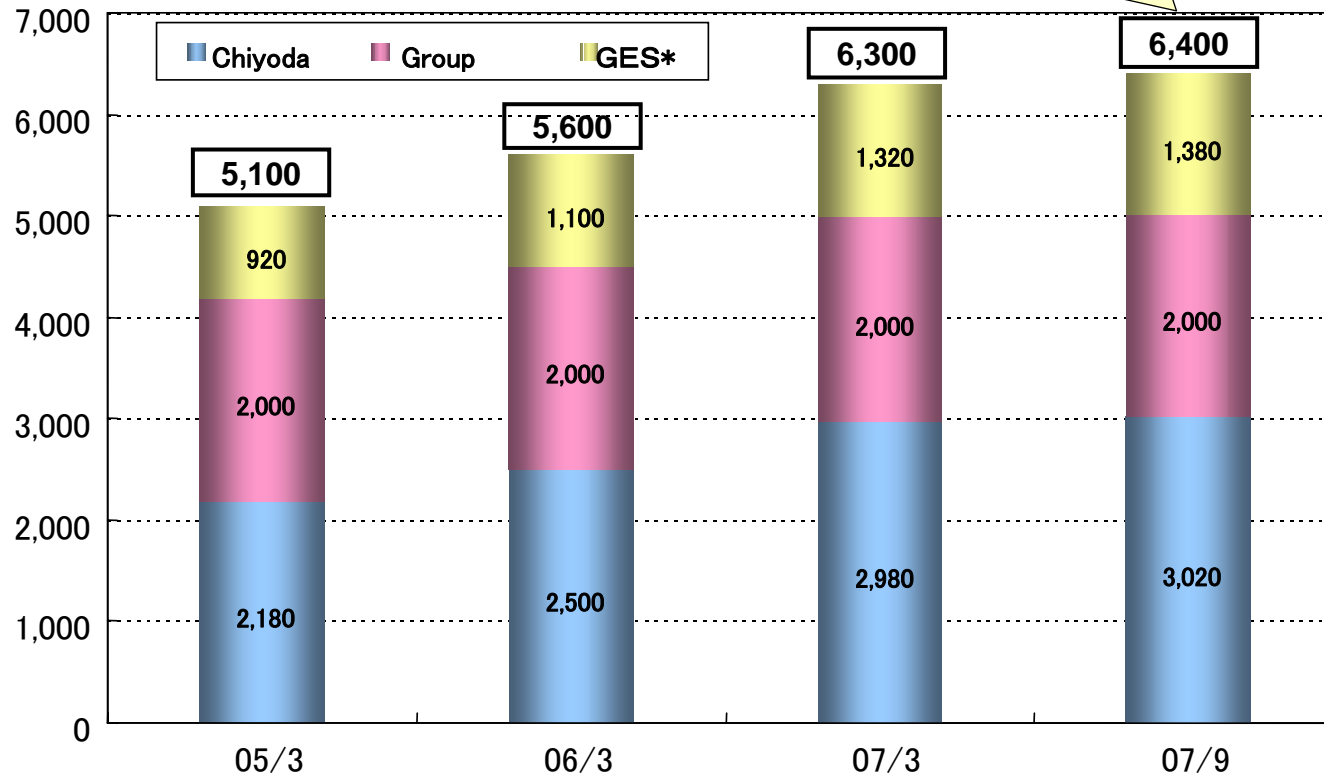
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# Group Operations

To deal with increasingly diverse challenges, we are strengthening Group operations and reinforcing overseas operating bases.

\* GES= Global Engineering Satellites in the Philippines and India



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## **New strategies that engender future growth: Diversify of Core Competence**

### **New Challenges**

- **Monetization of untapped gas at offshore locations**
- **Diversification of alternative feedstock for energy and chemicals**
- **Heavier sour crude and natural gas with more CO<sub>2</sub> and acid gas**
- **More stringent environmental regulations**

**To cope with  
above challenges,  
Chiyoda implements**

1. **Modularization initiatives for offshore gas processing/LNG Plants**
2. **Synthesis gas initiatives : GTL, Clean Coal Technology**
3. **Non-conventional oil initiatives :**  
**Desulfurization, Heavy Oil Cracking**
4. **Environmental protection initiatives**

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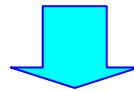


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## New strategies that engender future growth: Diversify of Core Competence

### 1. Modularization Initiatives for Offshore Gas Processing/LNG

–Increasing demand for offshore gas processing / LNG plants



–Carried out various offshore LNG plant studies  
(FPSO, GBS and TLP)\*

–Ready to respond to the requirement of offshore gas  
processing/LNG plants

–Actively pursue modularization execution formation

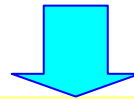
\***FPSO**: Floating Production Storage & Offloading, **GBS**: Gravity Based Structure,  
**TLP**: Tension-Leg Platform

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## New strategies that engender future growth: Diversify of Core Competence

### 2. Synthesis Gas Initiatives

- Increasing project opportunities related to synthesis gas due to
  1. The natural gas value chain
  2. Diversification of alternative feedstock (oil residues, coal)



- Involved in the JOGMEC\* GTL demonstration plant project in Japan, and responsible for the synthesis gas section by utilizing Chiyoda's patented CO<sub>2</sub> reforming technology\*\*

\*\*Prior to this project, Chiyoda applied this CO<sub>2</sub> reforming technology in the JOGMEC pilot plant which was successfully completed in 2005

- Exploring coal to chemicals business scheme
- Exploring hydrogen power business scheme

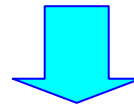
\*Japan Oil, Gas and Metals National Corporation

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## New strategies that engender future growth: Diversify of Core Competence

### 3. Non-Conventional Oil Initiatives

- Increasing demand for refinery products
- Increasing opportunities for upgrading refinery residues



- Application of commercially proven Eureka<sup>®\*</sup> process for heavy residues
- Solvent extraction process
- Process development is in progress for ultra-heavy oil cracking
- Actively pursue the elimination of residue portion with gasification

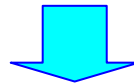
\*Co-licensed with Fuji Oil Co., Ltd.

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## New strategies that engender future growth: Diversify of Core Competence

### 4. Environmental Protection Initiatives

- Increasing project opportunities due to more stringent environmental regulations

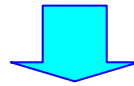


- Expand global market share for flue gas desulfurization  
【Chiyoda Thoroughbred 121 (CT-121) process and Chiyoda's CASOX process】
- Maintain leading position for LNG, low sulfur transportation fuels production facility construction
- Utilization of cold energy technology for acid gas/CO<sub>2</sub> capture and storage
- Successful completion of carbon dioxide capture using LNG cold energy
- Titania Catalyst for Ultra Deep Hydrodesulfurization of Diesel Oil :  
Licenses to a French company Axens

# Diversify of Core Competence

To promote diversify of core competence, we are executing strategic initiatives in project areas including LNG, gas processing, oil and gas development, LNG receiving terminals, refineries, CRI, petroleum and petrochemicals, pharmaceuticals, and environmental protection.

## - Energy Security & Environmental Protection



- LNG/Gas Processing and Oil and Gas Development: Middle East, Australia, Asia, Africa, Russia and elsewhere
- Refineries, CRI: Large projects in Saudi Arabia and elsewhere, and projects in Asia (including Japan)
- Petroleum and Petrochemicals: Middle East, Asia (including Japan)
- Fine Industries: Asia (including Japan)
- Environmental Protection Projects: North America, Europe, China and India

# 4

## Summary

- Strengthen Domestic Operating Bases: Reinforce and promote areas such as Plant Lifecycle Engineering
- Steady Execution of Overseas Contracts: Further strengthen risk management.
- Strengthen Integrated Group Management of Overseas Operations:
  - In addition to the Middle East, respond to economic expansion in Asia and Oceania
  - Reinforce overseas bases (engineering centers and sales offices)

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#### **Forward-looking Statements**

The forecasts and plans in this presentation are based on information available to management on November 9, 2007, 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.