

May 13, 2009

Chiyoda Corporation

The Medium-Term Management Plan **“Engineering Excellence, Value Creation”**

1. Basic Management Policies

Corporate Philosophy

Enhance our business in aiming for harmony between energy and the environment and contribute to the sustainable development of a society as an integrated engineering company through the use of our collective wisdom and painstakingly developed technology.

Every Chiyoda Group employee engages in our corporate activities with this philosophy in mind as we strive for corporate group management that earns the trust and empathy of all of our stakeholders, including shareholders, customers, business partners, employees and local communities.

Management Vision

Under the previous Medium-Term Management Plan “DSP 2008”, although establishment of chronically sound financial position has been accomplished to the target level of equity ratio, while this is regrettable, operating income has been declined not to reach the plan target. Having considered the results of DSP2008 and in order to achieve continuous growth into the future and growing the corporate value, we formulated a new medium-term management plan, “Engineering Excellence, Value Creation” (“the medium-term plan”) commencing in fiscal year 2009 (ending on 2010 March 31), and runs through fiscal year 2012 (ending on 2013 March 31).

Having considered on the progress of the DSP 2008, the medium-term plan aims the sustainable and stable earnings growth with Chiyoda Group's EPC core competence through further reinforcement of its business fundamentals by way of its steadily increased capital strength.

In our business field, i.e., Energy, Resource Development, and Environment, we are to exercise our top quality of services by way of following underling three concept aiming at such sustainable and stable growth whereby it contributes to customers and society

(1) Technology Challenge

The Chiyoda Group is constantly focused on the leading-edge technologies for in depth research and development and further its applications. We are always engaging on technological challenges such as renewable energy field, those required for strengthen our project execution capabilities to cope with tighter environmental restrictions under harsh conditions such as extremely cold weather, offshore locations, etc.

(2) Optimum Solutions

We will provide environmentally responsible, optimum solutions to meet the needs of customers and society. From feasibility studies (FS) to decommissioning of plants, we will provide these optimum solutions from various angles, ranging from EPC to technology consulting services.

(3) Global Diversification

In addition to diversifying our business regions purporting to manage various risks, we will strengthen and diversify our global network through business and/or capital alliances (M&As) and other measures. Furthermore, by enhancing global operational efficiency with the expansion of Global Engineering Satellites (GES) responsibilities, our cost competitiveness will be strengthen.

2. Medium-Term Management Strategies

The international financial turmoil that originated with the sub-prime loan problem in the United States is now affecting every country in the world. The real economy is seriously deteriorating, and the Chiyoda Group believes that we have entered a time of upheaval that only manifests once in a century. A significant paradigm shift will drive the process of recovery that follows it. We expect that global competition will be even more severe than it is now. Despite the rapid worsening of the project bidding environment in Japan and overseas, the Chiyoda Group's management is moving forward based on the fundamental recognition that the Chiyoda Group's core competence is its sophisticated project execution capabilities backed by leading-edge technologies. In the medium-term plan aimed at the next significant step forward, we must make necessary moves in areas such as strategic business alliances, mergers and acquisitions, and invest in technology research and development, enhancement of global network, human resources and information technology infrastructure. At the same time, we will establish a solid management foundation for future growth. Accordingly, we will promote the following management strategies.

Management Strategies

- (1) Further strengthen core businesses
- (2) Build a balanced portfolio for steady growth
- (3) Further strengthen unified group operations

(1) Further Strengthen Core Businesses

- While maintaining leading position in the LNG and gas plant business (the gas value chain), the Chiyoda Group will respond to the increasing number of projects to be executed under harsh environmental conditions. We will establish standardized designs and modular construction methods and also take steps to form business alliances to pursue floating LNG business, etc.

- Through business alliances, mergers and acquisitions with domestic and overseas companies, the Chiyoda Group will expand its business with the aim of securing manpower and accommodating various forms of contract configurations including cost-reimbursable contracts.
- Development of new markets in Asia, Oceania and in South America will be proceeded in close cooperation with Mitsubishi Corporation.
- The Chiyoda Group will further strengthen its focus on safety-and environment-first policy in plant design and construction.

(2) Build a Balanced Portfolio for Steady Growth

- The Chiyoda Group will strengthen efforts to target on refinery, petrochemical, synthesis gas and other projects in which it can differentiate itself on the basis of technology and execution scheme. In the refinery sector, we will focus on heavy oil cracking technology and large export oil refineries. In the synthesis gas sector, we participated in the Nippon GTL Technology Research Association to demonstrate a gas-to-liquids (GTL) process and continue working to commercialize it.
- For the environment business segment, while expanding into the renewable energy field such as projects for solar and battery power, we will cooperate closely with customers in EPC and non-EPC projects related to carbon management such as CCS (Carbon Capture and Storage) to promote a low-carbon society.
- In expanding the business domain into non-EPC businesses, the Chiyoda Group will provide a variety of services including conceptual design and FS for energy-saving and facility upgrading, as well as business development for technology consulting in the field of integration of utilities, water form the view

to energy conservation and coal and heavy oil gasification.

(3) Further Strengthen Unified Group Operation

- The Chiyoda Group will establish the locally centered business development and project execution focal point. We had already made progress by establishing a support organization within head office for subsidiaries in Singapore and Qatar together with reviewing expanding plan for Saudi Arabia operation. Those subsidiaries will undertake small and medium-scale EPC and expand their capabilities to provide post-completion services including asset management services such as plant diagnosis.
- The Chiyoda Group will promote global operational efficiency for cost competitiveness where GES and other Group companies' capabilities as support design divisions in head office is to expand to assume more active roles in global project execution. Such expanding business functions in the Group companies aim to improve our global project execution capabilities.
- Business development in new regions such as North America, Central America, South America, Africa and the Commonwealth of Independent States will be promoted. Recognizing the importance of stable operations, we will diversify our regional portfolio through means including collaboration with other companies, as well as capital and business alliances.
- With the distinct corporate responsibilities of each group companies, the Chiyoda Group will strive to more strongly promote unified group operations in order to expand business in areas such as operation and maintenance (O&M), plant lifecycle engineering (PLE), pharmaceuticals and inorganic chemistry.

3. Earnings Target

The earnings target on a consolidated basis for the final year of the medium-term plan, fiscal year 2012, is net income of ¥23 billion. To achieve this target, we assume revenues of ¥550 billion, operating income of ¥34 billion and ordinary income of ¥38 billion. Because of the current turmoil operating environment which makes forecasts difficult, we have only set for the earnings target on the final year of the plan while disclosing annual plans at the beginning of each fiscal year.

Reference: Performance Assumption

	(Billions of yen)	
<u>Consolidated</u>	<u>Fiscal 2009</u>	<u>Fiscal 2012</u>
Revenues	320.0	550
Operating income	7.5	34
Ordinary income	9.0	38
Net income	5.0	23

4. Dividend and Investment Policy

While working to continuously develop our businesses, we will strive to build up our financial strength. At the same time, we will try to distribute stable dividends linked with performance.

We forecast cash dividends of ¥6.00 per share for fiscal 2009 and our dividend policy is to maintain a consolidated payout ratio of 30%.

With respect to investment, we will (1) make strategic investments for growth, (2) invest in information technology, office and other infrastructure to strengthen our management foundation, and (3) invest in technology research and development. However, considering the current severe operating environment, we will prioritize

prudent cash management and smoothly and flexibly allocate capital in line with the status of progress of the medium-term plan and changes in the business environment.

We will also work to energize our human resources and organization. In working toward the targets of the medium-term plan, we will create a highly energetic corporate culture in which every member can work well and find satisfaction in doing so, while continuing to implement corporate social responsibility (CSR) measures including environmental protection, compliance and risk management.

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