

SPECIAL FEATURE 2

INITIATIVES IN THE UPSTREAM DOMAIN

—JGC UNITES OIL AND GAS WELLS WITH DOWNSTREAM FACILITIES—

TREND IN GLOBAL ENERGY INVESTMENT

Global demand for crude oil has been on the decline in conjunction with the drastic global economic slowdown that began in the second half of 2008, and crude oil prices in 2009 have fallen to the level seen in the 2004–2005 period. Since September 2008, the International Energy Agency (IEA) has repeatedly lowered its forecast for 2009 petroleum demand, and there is a widening view that a full-fledged recovery in crude oil demand will not materialize until 2010.

However, despite this situation, international oil companies and large state-owned oil companies are all implementing the same policies of steadily increasing crude oil production volume in anticipation of an economic recovery and a consequent growth in consumption, rather than being swayed by short-term economic trends and fluctuations in crude oil prices. One reason that companies are not reducing their level of investment for the future is that most experts agree that demand for primary energy will undoubtedly rise over the long term. For example, the



Crude oil recovery plant, Algeria

IEA is forecasting that world primary energy demand in 2030 will be 1.45 times the current level. In addition, some of the oil fields currently producing oil have matured and output levels have begun to tail off. Consequently, oil companies are pushing through with plans to maintain or increase crude oil production volume, rather than being influenced by the short-term economic situation.

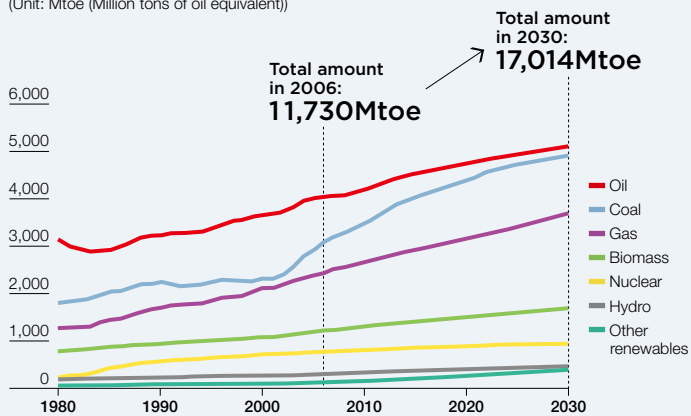
Furthermore, a breakdown of investment in future development by the international oil companies and leading state-owned oil companies indicates that over one-half of all investment money is being allocated to upstream businesses, based on a strategy of increasing reserves through aggressive investment in exploration and production.

BUSINESS FIELDS WHERE JGC CAN SUPPORT CLIENTS

JGC has traditionally been an engineering contractor, specializing in downstream areas such as oil refineries

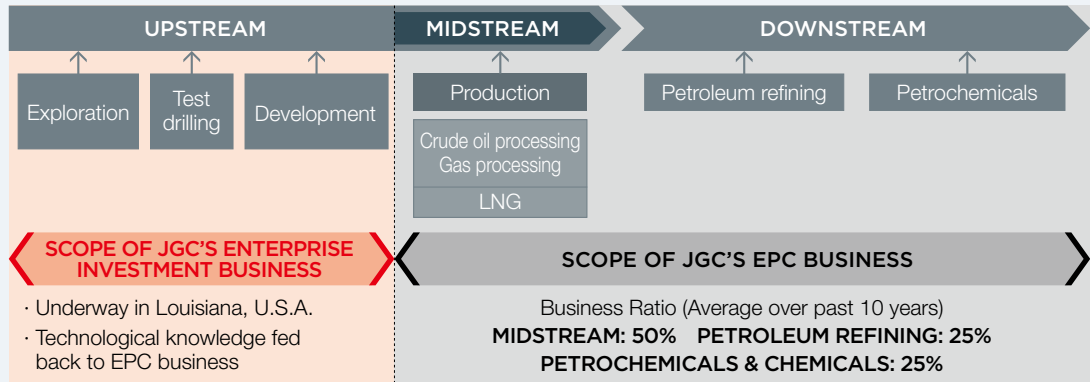
WORLD PRIMARY ENERGY DEMAND FORECAST

(Unit: Mtoe (Million tons of oil equivalent))



(Source: IEA World Energy Outlook 2008)

HYDROCARBONS BUSINESS SCOPE



*Among the upstream businesses, production is also referred to as a midstream business

and ethylene plants. However, over the past decade, within the hydrocarbon business, production-related plants classified in the upstream area (crude oil processing, gas processing, LNG, etc.) have accounted for roughly 50% of overall net sales. We are currently constructing a large crude oil processing plant in Saudi Arabia and a crude oil and gas processing plant in Algeria, and in fiscal 2009 we received an order to construct a large gas processing plant for Sonatrach, Algeria's state-owned oil and gas company, followed by receiving Award Notification from Abu Dhabi Gas Industries Ltd. (GASCO) in UAE to provide the EPC and commissioning services for a large-scale gas processing plant and other facilities. These are just a few examples that illustrate how our upstream-related business is poised for further growth going forward.

The primary reasons for the expansion of JGC's upstream business track record are:

- 1) Recently, crude oil and natural gas production plants are becoming even larger, which makes it necessary to use a contractor with advanced project management capabilities, and,
- 2) The recent increase in development of heavy crude oil fields and natural gas fields that highly contains acidic gas has made it necessary to use state of the art technologies to process those difficult materials. It is therefore important to use a contractor with advanced integrated technological capabilities.

In addition, based on the trust earned as the "best contractor in the downstream area," JGC is



Signing ceremony for project to construct a large gas processing plant for Sonatrach, Algeria

contracted by many clients to build plants in the upstream area.

In this way, the advanced technological and project management capabilities that JGC has cultivated over many years in the downstream area are also great assets in the upstream area, and have allowed JGC to gain the trust of clients for a wide range of projects.

Furthermore, as a part of expanding our business scope, JGC has been working on oil and gas development projects in the U.S. and Mexico. The technology, knowledge and know-how gained through these projects are effectively fed back to the E&C business, and help our clients through our efforts as a contractor possessing wide-ranging comprehensive capabilities in the upstream business in addition to our proven capabilities in the downstream business area.