

# JGC's Innovative Business Strategy

*-Toward Substantial Growth-*

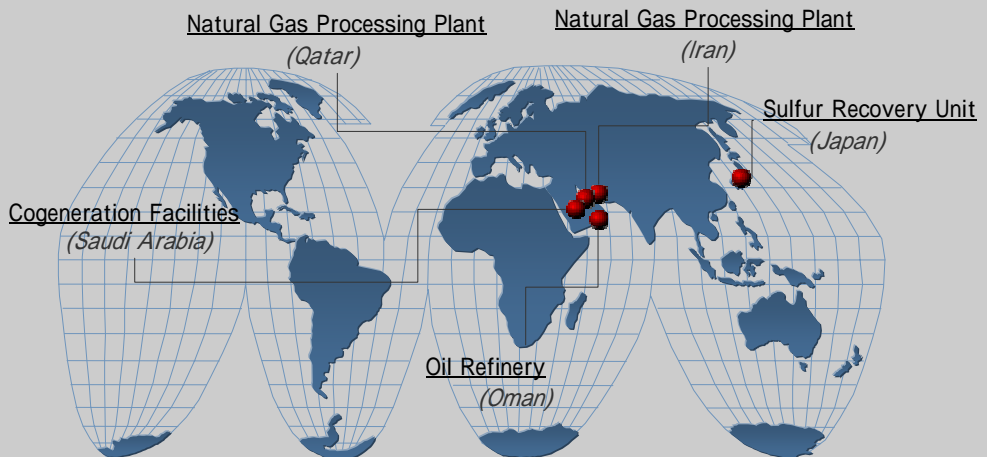
May 17, 2004

Yoshihiro Shigehisa  
Chairman of the Board of Directors  
Chief Executive Officer



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## 1. Major Contracts Awarded



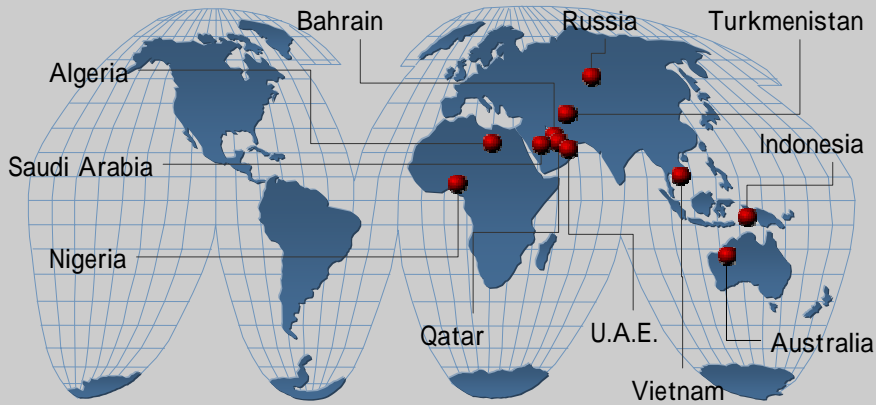
New Contracts: 477.9 Billion Yen

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## 2. Targets This Year

Global Market Size: 1.2 ~ 1.4 Trillion Yen



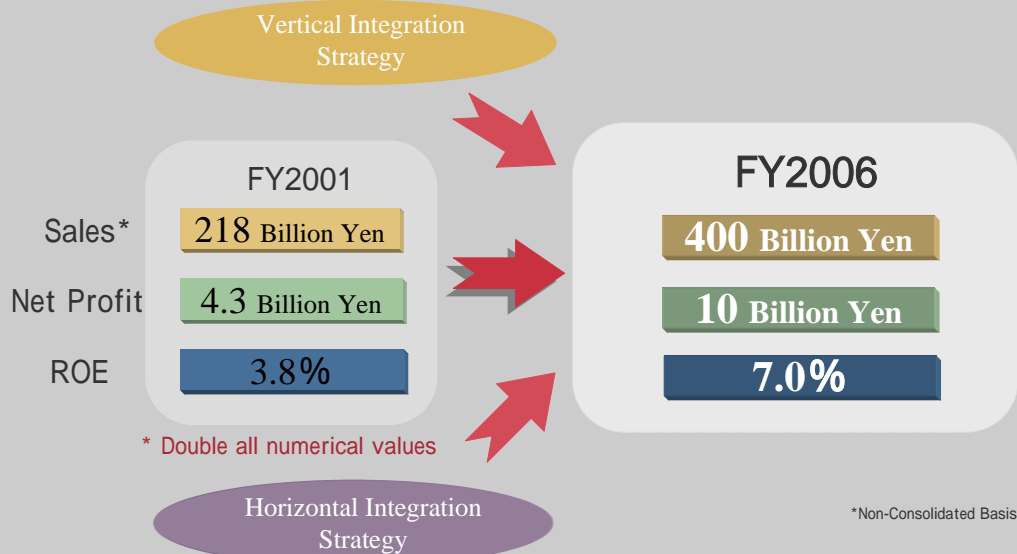
Target Amount: 370 Billion Yen (Overseas: 300 Japan: 70)

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## 3-1. Scenario for Growth

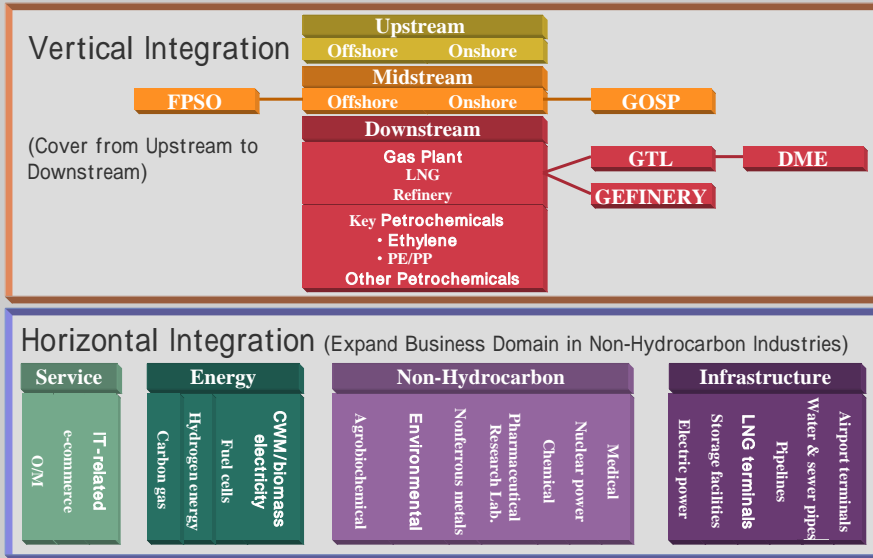


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## 3-2. Scenario for Growth



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## 4-1. Scenario for Growth -Result of Vertical Integration-

### (1) Oil & Gas Development Business

Invested in gas development business of Teikoku Oil (Gulf of Mexico) Co., Ltd.

### (2) Upstream Business

Win natural gas development projects (Algeria)

Win an FPSO project (Indonesia)

Win natural gas processing projects (Libya, Qatar)

Receive a FEED service contract (Russia)

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## 4-2. Scenario for Growth - Result of Horizontal Integration -

### (1) Established Gas Turbine Fuel Institute Co., Ltd.

- Business ● Development of new energy (BSF, GTL, DME)
- Power generation retailing

Capital Share: JGC 40%, Mitsui & Co. 40%, IHI 20%

### (2) Developing Biomass Slurry Fuel

### (3) Developing Biomass Ethanol Fuel

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## 5-1. Innovative Business Strategy - Toward Substantial Growth -



# Substantial Growth

- Expand EPC business domain
- Develop non-EPC business

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## 5-2. Innovative Business Strategy

- Toward Substantial Growth -

Participate in new EPC markets where JGC can provide technical solutions for Clients' needs

Provide services that really meet Clients' needs and that support their global market development

Expanding Our Business Domain  
(Higher Profit by Higher Sales)

- Secure worldwide engineering workforces
- Speed implementation of Business/Technological Development Strategies
- Strengthen global marketing power by involving our industry

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## 5-3. Innovative Business Strategy

- Toward Substantial Growth -

Participate in oil & gas investment markets

Create new business domain in which JGC can participate using its technological knowledge

Power generation

CDM

Non-EPC Business Development

- Business that concludes with capital participation
- Business that requires JGC's technological and project management knowledge

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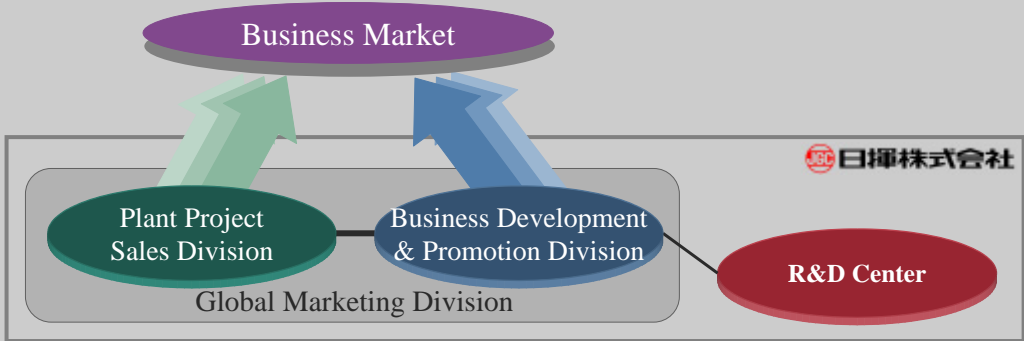
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## 5-4. Innovative Business Strategy - Toward Substantial Growth -

### Organizational reform and our workforce



Expand new business market  
Promote new EPC projects and non-EPC services



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## 5-5. Innovative Business Strategy - Toward Substantial Growth -

### Business Development & Promotion Division

Mission : Creation and development of "New Business"



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## 5 - 6 . Innovative Business Strategy - Next generation GTL Plant -



- *JGC was awarded GTL plant FEED service contract by SHELL*
- *Work volume: Approx. 500,000 MHs*
- *Total investment cost: More than 50 billion yen*
- *EPC contractor: To be selected in 2005*

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## 6 - 1 . Recent Business Developments - China 'Black Hole' -

### ● *Unusual Situation in Procurement Market*

(1) Increasing demand for industrial materials in China



*Import of iron and steel products*

*Rapid increase in demand for imported raw materials (iron, coal, nickel, copper, etc.)*

(2) Increasing demand for industrial materials due to global business recovery

(3) Price increases brought about by insufficient supplies or anxieties over future shortages

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## 6 - 2 . Recent Business Developments - China 'Black Hole' -

### ● *Effects on JGC*

- (1) Soaring equipment costs due to shortages of steel products and materials
- (2) Longer equipment and material delivery lead times



### *Decreasing profits*

### ● *Action taken by JGC*

- (1) Projects already awarded: negotiate with clients to revise equipment costs & schedules
- (2) Projects yet to be awarded: participate in bidding process but consider cost-up factors
- (3) Build win-win relationships with vendors
- (4) Switch to using readily available materials (e.g. from steel frame to concrete constructions)