



***PRESS RELEASE***

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## **Scenario 2010: New Medium-Term Management Plan**

### **Engineering the Future -- JGC as a Standout Engineering Enterprise**

JGC Corporation has unveiled a new medium-term management plan for the five years running from fiscal 2006 through fiscal 2010. Called "Scenario 2010," the plan details the JGC Group's management strategies for the upcoming term.

#### **1. Overview of Scenario 2010**

In 2001 JGC implemented a medium-term management plan, the Scenario for Growth, as a five-year plan covering the period through fiscal 2005. We have vigorously pursued the plan, with its core strategy of expanding JGC's business domains. Other targets embraced by the Scenario for Growth included a further improved financial position, strengthening of domestic and overseas engineering subsidiaries, and enhancement of our competitive edge.

This year marks the final year of the Scenario for Growth. We have accomplished almost all of the management goals. Our projection is that we can achieve our target management figures: 400 billion yen in sales and 10 billion yen in net income (non-consolidated) by fiscal-year's end. Taking this into account, we have prepared Scenario 2010, a new medium-term management plan to guide the JGC Group over the next five years.

Scenario 2010 is designed to enable the JGC Group to enjoy further growth, even while it continues to work toward the goal of sustained growth as the aim of the current medium-term management plan.

Under Scenario 2010, the JGC Group will expand and strengthen our core activities: the E&C business which meets the needs of our Clients and Client countries. At the same time, by concentrating on non-E&C businesses such as investing in enterprises,

our aim is to be a standout engineering enterprise, combining business models and avoiding the shortcomings of simply working within conventional E&C business models.

## 2. Target management figures (fiscal 2010, consolidated)

	FY 2005 (ending March 31, 2006) < Projected >	FY 2010 (ending March 31, 2011) < Targeted >
Net Sales	490 billion yen	600 billion yen
Net Income	12 billion yen	30 billion yen
Dividend Payout Ratio (non-consolidated)	25%	25%
ROE	7.7%	11.0% or more

## 3. Background to Scenario 2010

Buoyed by the large number of projects reflecting strong investment by resource-rich countries mainly in the Middle Eastern region, the current market for engineering contractors is favorable with brisk demand anticipated. However, in the mid-term outlook, considering possible environmental changes affecting the market, the present strong demand could turn around causing the volume of orders to drop.

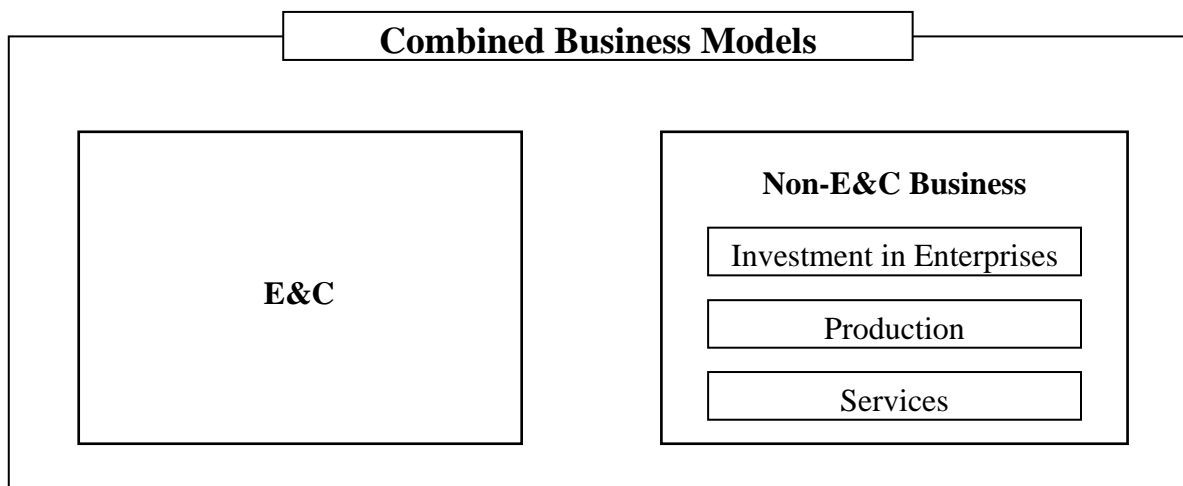
Client countries as well as Japan are increasingly experiencing various needs which cannot be fully satisfied by E&C business operating in the hydrocarbon sector. The needs in these countries stem from growing demands for water and electricity, along with environmental issues, high unemployment rates, and the need to foster talent. On the other hand, Japan needs to secure its own energy, and introduce environmentally-friendly energy.

JGC knows that the current business environment surrounding engineering contractors has come to a juncture. The industry is at the dawn of a new era.

#### 4. Scenario 2010—fundamental policies

JGC has achieved almost all of the targets set out under the business domain expansion strategies of the Scenario for Growth management plan. In addition to expanding our existing core E&C business including petroleum refining, LNG, petrochemicals, and the life sciences businesses, we have made inroads into new domains such as resource development, IGCC, FPSO, petroleum desulphurization, and non-ferrous metal smelting. Meanwhile, as an example of a non-E&C business, we have already entered into the power generation business.

In order to achieve the target management figures of Scenario 2010, JGC will establish combined business models comprising our core E&C business and non-E&C businesses, mainly enterprise investments.



#### Fundamental Policies

1) **Expanding core E&C business while increasing investment in enterprises**

With innovations of existing technologies and the development of new technologies as the driving forces, JGC will expand its E&C business domains in sectors where demand is expected to increase, such as natural gas, new types of fuels, and environmental protection (CO<sub>2</sub> emissions reduction). Through these efforts, we intend to establish an unshakable position in the world E&C business sector.

On the basis of a solid financial foundation, we intend to expand our non-E&C businesses, especially enterprise investment, positioning this activity as JGC's second pillar of business next to E&C.

2) **Maximizing the synergetic effects of our Group companies**

It is critical that JGC Group companies possess a high level of expertise in catalysts, synthetic products, environmental protection, and the IT sectors, as part of JGC's business divisions. We will endeavor to maximize the synergistic effect of our Group companies, striving to create and expand non-E&C business, particularly production and services.

3) **As a standout engineering enterprise**

Oil and gas producing countries as well as Japan are increasingly confronting a variety of needs which cannot be satisfied by conventional E&C business. JGC, under the motto "Engineering the Future," will transform our group to combine business models and offer a wider range of up-to-date solutions meeting evolving needs.

**5. Scenario 2010's business strategies**

**1) E&C business—strategies**

**(i) Expanding core business as an "all-around player"**

JGC has an impressive track record of achievements in our existing businesses such as petroleum refining, LNG, petrochemicals, and life sciences. As we continue our efforts to expand these business domains, we will simultaneously focus additional efforts on business domains we have successfully entered, including resource development, IGCC, and FPSO.

New technology businesses such as GTL, promoted by major oil companies, are showing considerable potential. It is in these businesses that we are working to establish ourselves as a world-leading contractor by focusing on both advancing existing technologies and developing new technologies. For new fuels that make use of biomass as a raw material, we aim to expand our business

by developing new technologies.

**(ii) Increasing manpower resources**

We plan to increase manpower resources of the JGC Group worldwide by 20% or more, from 7000 employees to 8500, in order to respond to business expansion and increasing sales.

**(iii) Driving global strategies for LNG and GTL businesses**

In order to strengthen our E&C global business capabilities, we will reinforce our Gas Alliance with KBR of the U.S., while at the same time furthering the capabilities of M.W. Kellogg Ltd., a JGC-KBR subsidiary, in the U.K. By doing so, we will better positioned to execute LNG and GTL projects anywhere in the world. We will bolster our relations with major oil companies and other clients and provide solutions for their varied needs.

**(iv) Strategies by target**

Through the following individual strategies, we will strengthen our E&C business:

- By client

We will focus on our existing clients such as the major oil companies, state-owned oil companies, and domestic Clients, while continuing to approach the major chemical companies and large pharmaceutical firms. We will also attempt to develop new customers among independent oil companies.

- By business domain

We aim to further expand and maximize our core businesses in the hydrocarbon sector, while at the same time growing other businesses including new types of fuel, non-ferrous metal smelting, life sciences, and environmental protection.

- By region

We position the Middle Eastern region as our critical strategic region. Meanwhile, we will explore opportunities in Africa while redoubling our efforts in the Southeast Asian markets. We see Russia, central Asia, and South America, as having good potential and we will therefore actively explore these regions.

## **2) Strategies for non-E&C businesses**

### **(i) Investing in enterprises**

JGC possesses a wide array of technologies and know-how, as well as vast experience accumulated through our E&C business. We have earned the trust of major oil companies and Client nations throughout the world. In those areas where we can make use of our 'assets,' we will be actively investing in enterprises.

Targets include not only the hydrocarbons area, but also infrastructure and environmental protection. Specifically, we will increase our investment in the resource development businesses area. As an example, we have already invested in a gas field development business in Mexico. From now, we plan to invest in oil-related businesses and in new types of fuel.

We expect to continue investing in water and power generation businesses, as we have in Abu Dhabi. We are targeting the global-warming gas-emission credits business, which is considered to have huge growth potential.

### **(ii) Production**

JGC's focus is on producing high efficiency catalysts for the petroleum refining, petrochemicals, and environmental protection areas, as well as the development of new and highly functional materials. Our goal is to become, domestically, the most competitive and largest group in the industrial catalysts sector, while growing our business activities overseas.

### **(iii) Services**

JGC offers plant operation and maintenance services, as well as IT services, for the hydrocarbon sector. Further, we provide consulting services in the area of environmental protection.

## 6. Scenario 2010 investment plans

JGC's shareholders' equity totaled over 150 billion yen (consolidated) as of the end of March 2005. With this strong financial foundation, we will implement the following new investment plans in both our E&C and non-E&C business areas.

- 1) E&C Business: In order to expand the scope and scale of our E&C business, we will actively look at M&As, targeting overseas engineering contractors.
- 2) Non-E&C Business (investment in enterprises): The years from 2010 onward are the recovery years for our investments. During the Scenario 2010 period, we will actively invest a total of 40 billion yen, with the goal of achieving more than 12% IRR (Internal Rate of Return).

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