CHIYODA CORPORATION

ANNUAL REPORT 2008

For the year ended March 31, 2008

Reliability No.1
Your Partner for Success

CHIYODA GROUP

To commemorate the 60th anniversary of Chiyoda Corporation, management solicited suggestions from employees of the Chiyoda Group for a new Group logo. The logo adopted is shown at the left.

The new logo design maintains the original significance of the current logo of Chiyoda Corporation by incorporating two inverted triangles signifying consensus, breakthrough and a unified hardware and software system, and a white circle representing "heart." The addition of the letter "G" surrounding the triangles expresses the Group's united efforts to expand globally. Blue stands for progress and technology, and green for internationalization and the environment.

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Forward-Looking Statements:
This annual report contains forward-looking statements about Chiyoda Corporation's outlooks, plans, forecasts, results and other items that may take place in the future. Such statements are based on data available as of June 24, 2008. Unknown risks and other uncertainties that happen in the future may cause our actual results to be different from the forward-looking statements contained in this report. The risks and uncertainties include business and economic conditions, competitive pressure, changes in laws and regulations, addition or elimination of products, and exchange rate fluctuation, among others.

PROFILE

Since its establishment in 1948, Chiyoda Corporation has engaged in engineering and construction work and services at numerous industrial plants both in Japan and overseas in the fields of oil, natural gas and other energy sources; petrochemicals and chemicals; pharmaceuticals; and general industrial machinery.

Thirty-six years ago in 1972, Chiyoda's founder was already emphasizing that sustainable social development should progress by harmonizing nature and industrial development in a booklet entitled "Legacy for the Twenty-first Century." We are one of the first companies to state our intention to contribute to sustainable social development through our engineering and technology by providing appropriate solutions to the various energy and environmental issues we currently face, and have been putting those words into action ever since. This booklet is available on our website.

With 60 years of technological experience, Chiyoda is working to build on its position as the "Reliability No. 1" project company with a high level of customer and investor trust, not only in terms of technology but also in terms of our people and management. At the same time, we will continue to improve our financial strength and raise our corporate value.

Corporate Philosophy

Enhance our business and contribute to the development of a sustainable society as an integrated engineering company through the use of our collective wisdom and painstakingly developed technology.

The Chiyoda Group's Strengths

Superior technologies, including project execution capabilities, and the people that support them

1. Technological Superiority

Chiyoda's core elemental technologies encompass environmentally responsible technologies, catalysts and energy-saving technologies, while execution technologies focus on managing the costs and schedules of projects in progress and ensuring reliable quality. Our execution technologies are supported by the most advanced information technology, which currently applies to our project execution at every stage from design and procurement to construction of ultra-large-scale liquefied natural gas (LNG)* plants and other facilities. This technology is embodied in our integrated project engineering software, "i-Plant 21," which Chiyoda developed and continues to enhance.

* LNG is manufactured by liquefying natural gas. Demand for this clean energy is increasing.

2. Chiyoda Group
Human Resources

Chiyoda is working to create an environment in which our people can make their dreams a reality through our engineering. We cultivate professionals through on-the-job training and career development programs according to individual competencies. This supports our ability to successfully execute projects.

FINANCIAL HIGHLIGHTS
(As of and for the years ended March 31, 2007 and 2008)

1. Consolidated Performance

	2008	2007	2008 / 2007	2008
	(millions of yen)		*(percentage change)*	*(thousands of U.S. dollars)*
(1) Consolidated financial results:				
Revenue	¥603,560	¥484,895	24.5%	$6,035,600
Gross profit	20,525	39,736	-48.3%	205,250
Operating income	8,840	28,700	-69.2%	88,400
Income before income taxes and minority interests	18,992	37,935	-49.9%	189,920
Net income	9,641	23,532	-59.0%	96,410
Net income, basic per share *(yen, U.S. dollars)*	¥50.15	¥122.41	-59.0%	$0.50
Net income, diluted per share *(yen, U.S. dollars)*	50.12	122.28	-59.0%	0.50
Return on equity (ROE)	12.2%	35.5%		
Return on assets (ROA)	4.7%	10.2%		
Operating income to revenues	1.5%	5.9%		
(2) Consolidated financial position:				
Total assets	¥378,820	¥442,953	-14.5%	$3,788,200
Total equity	81,638	77,415	5.5%	816,380
Shareholders' equity ratio	21.4%	17.4%		
Net assets per share *(yen, U.S. dollars)*	¥422.44	¥400.56	5.5%	$4.22
(3) Consolidated cash flows:				
Operating activities	¥14,274	¥35,532		$142,740
Investing activities	(3,917)	(3,458)		(39,170)
Financing activities	(17,220)	(2,191)		(172,200)
Cash and cash equivalents, end of year	70,089	77,052		700,890

2. Dividends

	Dividends per Share		Payment of Cash Dividends	Payout Ratio	Dividend on Equity Ratio
	Year-end	Annual	(Annual)	(Consolidated)	(Consolidated)
	(yen)		*(millions of yen)*	*(%)*	*(%)*
2007	¥15.00	¥15.00	¥2,884	12.3%	4.4%
2008	10.00	10.00	1,923	19.9%	2.4%
2009 (Forecast)	11.00	11.00	-	30.0%	-

3. Consolidated Results Forecast for Year Ending March 31, 2009

	2009	
	Interim	Full Year
	(millions of yen)	
Revenue	¥230,000	¥460,000
Operating income	5,000	12,500
Net income	4,000	9,500
Net income, basic per share *(yen)*	¥16.08	¥37.40

Notes:
1. U.S. dollar amounts are converted, for convenience only, at the rate of ¥100 = U.S.$1, the approximate exchange rate in March 31, 2008.
2. Yen amounts are rounded to the nearest million. U.S. dollar amounts and percentages are rounded to the nearest unit.
3. Return on equity (ROE) = Net income / Average shareholders' equity
4. Return on assets (ROA) = Ordinary income / Average total assets
5. Forecasts stated above disclosed on May 14, 2008 in the Consolidated Financial Results.

TO OUR SHAREHOLDERS AND INVESTORS

Takashi Kubota
President & CEO

Career Summary
1969: Joined Chiyoda Corporation
1995: Project General Manager, Second Overseas Project Division
1998: Director, General Manager, Asia & Australia Project Division
2001: Managing Director, International Project Operation
2004: Director, Deputy General Manager, Domestic Project Operation
2005: Managing Director, Technology & Engineering
2007: President & CEO

Reliability No. 1: Your Partner for Success
Aiming for Growth in Corporate Earnings

May this announcement find all of our shareholders in good health and prosperity.

I would like to express my sincere gratitude for your exceptional support.

Chiyoda Corporation celebrated the 60th anniversary since its establishment as a corporation on January 17, 2008. Looking back over our history since being founded, I truly feel that we have carried the torch of the ideals of "Human Resources," "Technology and Reliability," and "Contributing to International Society" that were adopted at the time of our inception.

I would now like to report on our corporate status for fiscal year 2007 (ended March 31, 2008) and our management policy for fiscal year 2008 (ending March 31, 2009).

- Fiscal Year 2007 Performance: Increased Revenue and Decreased Earnings

Demand for capital investments both domestic and overseas is as active as ever due to the increase in demand for energy at a global level. Although we have carried out thorough risk management and put all our energy into conclusively following through with existing orders, construction costs have increased due to special circumstances, including a shortage of skilled construction workers caused by an unparalleled construction boom in Qatar. Regretfully, as a result, earnings have declined due to an unavoidable decrease in operating income. Train 4 of the Qatargas liquefied natural gas (LNG) plant, which is claimed to be one of the biggest LNG trains in the world, will soon be completed as the first among the 6 trains under construction.

- Our Slogan for Fiscal Year 2008: "New Horizons, Infinite Experience"
—Inheriting the Accomplishments of Our Forefathers Clears Our Path to the Future—

In fiscal year 2008, we will adopt even more comprehensive measures in consideration of cost management and safety, while continuing to work hard at restoring earnings by effectively following through with existing orders both domestic and overseas. As we plan on passing our legacy on to the next generation by strengthening the foundation of our engineering business, we will continue with three important goals implemented as of fiscal year 2007: 1) Proof of Reliability No.1 through effective follow through, 2) Establishment of safety oriented operation as a part of corporate culture, and 3) Execution of business strategies for the next term.

- Capital/Business Alliance with Mitsubishi Corporation

On March 31, 2008, we concluded capital contribution and business alliance agreements with Mitsubishi Corporation. Through these agreements, we plan to achieve synergy with Mitsubishi Corporation, which shares our direction in terms of expansion of business in the field of plant engineering. Furthermore, in order to finance our goal of an increased business scale along with the increase in our business region, and to strengthen our relationship with Mitsubishi Corporation, we have issued stock through third-party allocation, with a payment of approximately ¥60.8 billion already completed.

- New Medium-Term Management Vision

With the recent conclusion of our capital/business alliance with Mitsubishi Corporation, we expect to secure new earnings streams within five years in addition to LNG and gas processing plants, which represent our main earnings streams at present. Aiming at becoming a comprehensive engineering firm with diverse business content in various regions and business fields, we will draw up a new medium-term management plan to be implemented from fiscal year 2009 (ending March 31, 2010) after the current medium-term management plan, Double Step-Up Plan 2008 (DSP 2008), comes to an end on March 31, 2009.

- Strengthening Integrated Group Operations

All employees in our group engage in business activities based on the Corporate Philosophy i.e. “Enhance our business and contribute to the development of a sustainable society as an integrated engineering company through the use of our collective wisdom and painstakingly developed technology.” We have come up with a Chiyoda Group logo to celebrate our 60th anniversary, endeavoring to unite all group companies being trusted by all stakeholders, including shareholders, customers, business partners, employees, and regional companies. Having reconfirmed the corporate management principle as a group, we continue to promote integrated group operations.

- To Our Shareholders

Although we have worked hard to strengthen our financial position by promoting the medium-term management plan, DSP 2008, settlements have fallen far below our plans at the start of fiscal year 2007, resulting in a distribution for this period of ¥10 per share. Aiming at a dividend payout of 30%, plans call for a distribution of ¥11 per share for fiscal year 2008. Since we are dedicated to working harder than ever to increase corporate value, I would humbly ask our shareholders for their continued cooperation and support.

July 2008

Takashi Kubota
President & CEO

MEDIUM-TERM MANAGEMENT PLAN

Medium-Term Management Plan, Double Step-Up Plan 2008 (DSP 2008)
Current Status and New Medium-Term Management Vision
- Aiming to be the “Reliability No. 1” Project Company
and a Company *par excellence* Able to Sustain Earnings Growth -

Aiming for the double step-up of “Reliability No. 1 Project Company” and “a Company *par excellence* Able to Sustain Earnings Growth,” the Chiyoda Group implemented the medium-term management plan “Double Step-Up Plan 2008 (DSP 2008)” with initiatives commencing in fiscal year 2005 which are to be completed at the end of fiscal year 2008.

In fiscal year 2007, the third year of the DSP, the aim was for early achievement of various measures which resulted generally in accelerated progress of the medium-term plan.

In fiscal year 2008, the final year of the DSP, the aim is to continue the reliable execution of ongoing projects and, in addition, advancing business plans by means of a further upgrade of the Reliability Program and a further upgrade of risk management skills.

1. Current Status of Management Objectives (Financial Objectives):
Increased Shareholders’ Equity and Equity Ratio

Shareholders’ equity has steadily increased over the last several years and at the end of March 2008 had grown to ¥81.2 billion, a ¥4.2 billion increase compared to the previous year. Further, the equity ratio had grown to 21.4%, a 4% increase compared to the previous year.

It is forecast that both shareholders’ equity and the equity ratio will have increased come the end of March 2009 as a result of progress on ongoing projects.

2. Current Status of Management Plan:
Decreased Profit on Increased Revenue

In consideration of the large backlog of ongoing projects, discrimination was exercised and new contracts were controlled to the amount of ¥258.7 billion to give a total value of backlog of contracts of ¥670.0 billion at the end of March 2008.

With the steady progress of overseas and domestic projects, optimization of indirect costs and execution of DSP 2008 measures, the revenue exceeded the DSP 2008 planned figure to reach ¥603.5 billion, a ¥118.6 billion increase compared to the previous year. However, construction costs have increased due to unique circumstances caused by a rising demand for skilled construction workers as a result of the construction rush in Qatar. While this is extremely regrettable, operating income was ¥8.8 billion, a reduction of ¥19.8 billion compared to the previous year and net income was also down by ¥13.8 billion for the period to reach ¥9.6 billion.

3. Financial Outlook for Fiscal Year 2008

In a firming market environment accompanying medium to long term growth in energy demand, new contracts in fiscal year 2008 is forecasted to reach ¥450.0 billion, an increase of 74% compared to the previous year.

Operating income reached ¥12.5 billion, an increase of 41% compared to the previous year, due to more thorough cost management. Further, net income for this period is forecast to reach ¥9.5 billion, a decrease of 1% compared to the previous year. This is a result of reduced interest income which is due to a decline in the jointly controlled asset of joint venture in parallel of progress on overseas projects.

4. New Medium-Term Management Vision

Since fiscal year 2005, the aim has been growth by means of the DSP 2008, but in order to achieve continuous growth into the future, a stronger financial structure and stable management base have become essential. Accordingly, along with conclusion of our capital/business alliance with Mitsubishi Corporation, a growth strategy will be implemented with the new medium-term management vision:

1) Become a world-class comprehensive engineering company providing an end-to-end range of upstream and downstream facilities in the fields of energy, resources and the environment.
2) Strengthen the Chiyoda Group's brand image as the "Reliability No. 1" Comprehensive Engineering Company that delivers outstanding technical capability with an established safety oriented operation.

The objective is to accomplish business in a diversity of regions and industries, aiming for target figures in the scope of ¥700-¥800 billion for consolidated annual revenue after 5 years and an ordinary income ratio of 7%.

5. Distribution of Profits

While planning to enrich capital stock by preparing to create business for the next generation by way of technology investment and the development of our business foundation, a management target has been hoisted to distribute profits amongst all shareholders, with the aim of payout ratio of 30%.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

1. Operations Outlook

Looking at the market environment surrounding the Chiyoda Group in the current consolidated fiscal year, the overseas plant market saw planning for plant construction in response to global level growth in energy demand and in Japan there was also vigorous capital investment by oil and petrochemical companies. However, the environment for executing construction work in Qatar is still difficult due the shortage of skilled construction workers caused by the continuing plant construction rush.

Under this kind of environment, the Chiyoda Group has strived with all its energy to continue more thorough risk management, starting with countermeasures for increasing costs, to ensure reliable execution of work for ongoing projects with an emphasis on ultra-large-scale LNG plant projects in Qatar. However, with the projects in Qatar, it was not possible to avoid a deterioration of earnings. This situation was caused by increased construction costs that accompanied the rise in labor costs and falling productivity due to a shortage of skilled construction workers, the scale of which exceeded initial forecasts.

The cause of the decline in earnings is a phenomenon unique to Qatar, where the scope for limiting the contractor risk management has been far and away eclipsed by the shortage of skilled workers and the steep price rise in raw materials. Other construction work overseas and in Japan, including the performance of group companies, is proceeding according to plan. Overseas, progress is generally favorable at Russia's first LNG plant Sakhalin II LNG Project, including completion of Train 1. Further, domestically as well, the Chiyoda Group secured many orders, mainly in the oil and energy sectors, and managed to accumulate a high level of revenues with the steady execution of contracted projects.

The result of orders for RFCC (residue fluid catalytic cracking) unit for Taiyo Oil Co., Ltd. and expansion of a thermal cracking unit for Fuji Oil Co., Ltd. saw new contracts in the current consolidated fiscal year reach ¥258,755 million (a 53.6% decrease compared to the previous consolidated fiscal year).

Consolidated revenues reached ¥603,560 million (a 24.5% increase on the previous year) due to the progress of major construction work on hand, which exceeded the forecast.

On the profit aspect, despite the increased revenues, the gross margin declined due to increased construction costs on Qatari projects. Income before income taxes and minority interests was ¥18,992 million (a 49.9% decrease on the previous year) and net income for the current period reached ¥9,641 million (a 59.0% decrease on the previous year).

Major Completed Construction (*) Completed portion

Domestic	- Aromatics complex for Kashima Aromatics Co., Ltd
	- Hikone Plant, No. 4 unit for Maruho Co., Ltd. (Chiyoda TechnoAce Co., Ltd.)
	- MXDA facility for Mitsubishi Gas Chemical Company, Inc.
	- CCR unit for Seibu Oil Co., Ltd. (*)
	- Utsunomiya No. 2 Plant for Hisamitsu Pharmaceutical Co., Inc.
	- 2007 shut-down maintenance (SDM) of Hokkaido refinery for Idemitsu Kosan Co., Ltd. (Chiyoda Kosho Co., Ltd.)
	- Expansion of No. 7 naphtha hydrosulfurization plant for Fuji Oil Co., Ltd.
Overseas	- LNG plant Trains 6 & 7 for Ras Laffan Liquefied Natural Gas Co., Ltd. (3) in Qatar (*)
	- LNG plant Trains 6 & 7 for Qatar Liquefied Gas Company Limited (3) & (4) in Qatar (*)
	- LNG plant Trains 4 & 5 for Qatar Liquefied Gas Company Limited (2) in Qatar (*)
	- LNG plant Trains 1 & 2 for Sakhalin Energy Investment Co., Ltd. in Russia (*)

2. Status of Orders Received and Completion

(1) Field of Natural Gas and Electric Power

Internationally, with the growth in global demand for natural gas, investment planning is being carried out in various locations for investment in the gas value chain. Gas producing nations and all major energy companies are developing gas fields, constructing LNG plants, arranging LNG carriers and constructing LNG receiving terminals. In such a situation, in order to acquire large scale contracts the Chiyoda Group continues to devote its energy in focusing on receiving orders for technical studies and basic design, along with reliably executing ongoing projects with an emphasis on Qatar.

In the domestic electric power and gas industry, there have been ambitious attempts to invest in new projects in order to cope with the shift in primary fuel to LNG and the trend to diversify outside the core business within the energy industry, such as the gas marketing business of oil and electric power companies, which accompanied the sudden jump in crude oil prices. Firm orders have been achieved including new and/or expansion planning for large-scale LNG-receiving terminals.

(2) Field of Petroleum, Petrochemicals and Gas Chemicals

In the field of petroleum and petrochemicals, starting with the completion of aromatic manufacturing facilities for Kashima Aromatics Co., Ltd, execution of construction work on hand is progressing smoothly. On the orders received front, there is also a firm trend with an emphasis on facilities for heavy oil upgrading. Further, a satisfactory acceptance of orders has been achieved, including group companies, due to continued high level initiatives including investment to support production facilities conforming to structural changes in the demand for petroleum products, environmental support and facility surveys and the optimization of maintenance.

(3) Field of General Chemicals and Industrial Machinery

In the field of general chemicals and industrial machinery, Chiyoda received an order for an acrylic sheet plant for Thai MMA Co., Ltd. This is the result of focusing on domestic and Asian expansion and is based on the continuing customer trend for intensive investment in strategic product fields such as high value added functional chemicals and electronic materials. Further, in the pharmaceuticals field, there is a heightened desire for capital investment, starting with new and/or expansion of plants and laboratories, in order to cope with changes in the industrial environment in recent years.

(4) Environment and Other Fields

In the environmental field, accompanying the trend of strengthening environmental regulations, it has been possible to acquire new contracts by continuing domestic and overseas business activities for the in-house developed Chiyoda Thoroughbred-121 (CT-121) flue gas desulfurization technology, as well as expanding business activities in other fields.

3. Business Risks and Other Risks

Primary issues that could affect investor decisions regarding investment risk, such as material issues related to the Chiyoda Group's financial position, performance and cash flow and the Chiyoda Group's response to such issues, include but are not limited to the issues outlined below. The Chiyoda Group recognizes the potential occurrence of these risks and works to avoid them to the maximum extent possible. The Chiyoda Group also moves to respond as quickly as possible to minimize the impact of issues that present risks when they occur.

As of June 24, 2008, Chiyoda Group management acknowledges the issues that may present risks in the future outlined below and has made them the focus of risk management.

(1) Changes in Exchange Rates

In overseas construction projects, construction payments are often in different currencies than payments for vendors and/or subcontractors. Foreign currency exchange rates may therefore affect the financial results of the projects. The Chiyoda Group works to avoid and minimize such foreign currency fluctuation risks by using forward foreign exchange contracts and matching planned outlays in multiple currencies with construction payments and receivables.

(2) Rising Equipment and Resource Prices and Material Shortages

Plant construction entails a time lag between estimates and bids and orders for equipment, resources, materials and subcontracted construction. Consequently, actual prices for equipment and materials may exceed those projected in estimates and bids. Moreover, restricted supplies of metals such as copper, nickel, aluminum and zinc may cause problems including delays in the delivery and mobilization of equipment and materials. Resulting delays in the progress of construction projects could affect the Chiyoda Group's results.

The Chiyoda Group works to avoid and minimize these risks to the best of its ability by diversifying procurement in ways such as using multiple suppliers in various regions worldwide, considering bundled purchases, ordering equipment and materials at an early stage, and structuring cooperative relationships with suppliers.

(3) Shortages of Construction Workers and Increased Subcontractor Expenses

Plant construction entails a time lag between estimates and bids and orders for subcontracting. Large-scale construction projects can magnify the impact of such time lag, which may result in labor costs that exceed those projected in estimates and bids. In particular, lack of qualified, skilled workers may require countermeasures that increase costs.

The Chiyoda Group works to minimize the impact of these issues by structuring cooperative relationships with qualified construction companies, deploying personnel skilled in various professions from various regions around the world, and improving the skills of construction workers at each job site.

(4) Terrorism, Conflicts in Neighboring Countries, Strikes, Anarchy and Natural Disasters

Terrorism or conflicts anywhere in the world may cause direct losses, delays in procuring or delivering materials and equipment, threats to the safety of workers on site, cessation of construction work, and other problems at construction sites in Japan and overseas. Such incidents could result in losses and expenses that the Chiyoda Group could not pass on to clients, which could affect the Chiyoda Group's performance.

The Chiyoda Group has structured a threat management system that includes cooperation with clients and other related parties to support rapid initial response should such issues occur.

(5) Plant Accidents

Serious accidents including explosions or fire may occur due to various causes at plants that the Chiyoda Group is constructing or has completed. The Chiyoda Group could be judged responsible for such accidents, which could impact the Chiyoda Group's performance.

The Chiyoda Group works to avoid or minimize this risk in ways such as taking all possible measures to preclude the occurrence of accidents, including quality control and safety management. Other countermeasures include maintaining appropriate insurance coverage and negotiating contracts that rationally allocate client responsibility for damages.

PRINCIPAL SHAREHOLDERS
(As of March 31, 2008)

Full Name or Title	Number of Shares Owned (thousands of shares)	Ratio of Number of Shares Owned to Aggregate Number of Shares Issued (%)
Mitsubishi Corporation	19,851*	10.27*
State Street Bank and Trust Company (Standing Proxy: Mizuho Corporate Bank, Ltd.)	12,107	6.26
JP Morgan Chase Bank 380055 (Standing Proxy: Mizuho Corporate Bank, Ltd.)	10,408	5.38
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	9,033	4.67
Mitsubishi UFJ Trust and Banking Corporation (Standing Proxy: The Master Trust Bank of Japan, Ltd.)	8,034	4.15
The Master Trust Bank of Japan, Ltd. (Trust Account)	7,415	3.83
Japan Trustee Services Bank, Ltd. (Trust Account)	6,368	3.29
The Bank of New York, Treaty JASDEC Account (Standing Proxy: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	5,386	2.78
Deutsche Securities Inc.	4,393	2.27
BNP PARIBAS Securities (Japan) Limited.	3,902	2.01
Total	86,899	44.98

* Increased to 86,931 thousand (33.4%) on April 30, 2008.

BOARD OF DIRECTORS, CORPORATE AUDITORS AND EXECUTIVE OFFICIERS
(As of July 1, 2008)

Board of Directors

Chairman of the Board
Nobuo Seki

President & CEO
Takashi Kubota*

Executive Vice President
Corporate Strategy & Planning
Yoichi Kanno*

Executive Vice President
Corporate Management & Finance and CFO
Hiroshi Shibata*

Executive Vice President
CSR, Operational Auditing Office
Nobuyasu Kamei

Senior Managing Director
International Project Operation
Madoka Koda*

Managing Director
Projects Logistics
Atsuo Minamoto

Managing Director
Technology & Engineering
Sumio Nakashima

Managing Director
Domestic Project Operation
Satoru Yokoi

Managing Director
International Project Operation
Hiroshi Ogawa

Director
Seiji Shiraki

Note: All members of the Board of Directors serve concurrently as Executive Officers

* Representative Directors/Members of Executive Committee

Corporate Auditors

Hiroshi Ida**

Wataru Shimono

Masanori Ito**

Yukihiro Imadegawa**

** Outside Corporate Auditor

Executive Officers

Senior Executive Officer
Corporate Strategy & Planning
Takaharu Saegusa

Senior Executive Officer
General Manager,
Russia Project Division,
Project Director
Hideo Kobayashi

Executive Officer
Executive Assistant to President
Fumio Nagata

Executive Officer
Executive Assistant to International Business Development Operation
Hidehiro Shinohara

Executive Officer
Technology & Engineering
Takeo Kawase

Executive Officer
General Manager,
Petroleum & Chemical Project Division
Tsuyoshi Kakizaki

Executive Officer
General Manager,
Qatar Project Division 2,
International Project Operation
Osamu Imahara

Executive Officer
General Manager,
Gas Value Chain Project Division,
International Project Operation
Hiroshi Shimada

Executive Officer
General Manager,
Domestic Business Development Operation,
Domestic Project Operation
Eisaku Yamashita

Executive Officer
General Manager,
Administration & Personnel Division,
Corporate Management & Finance
Toshiyuki Ohnuma

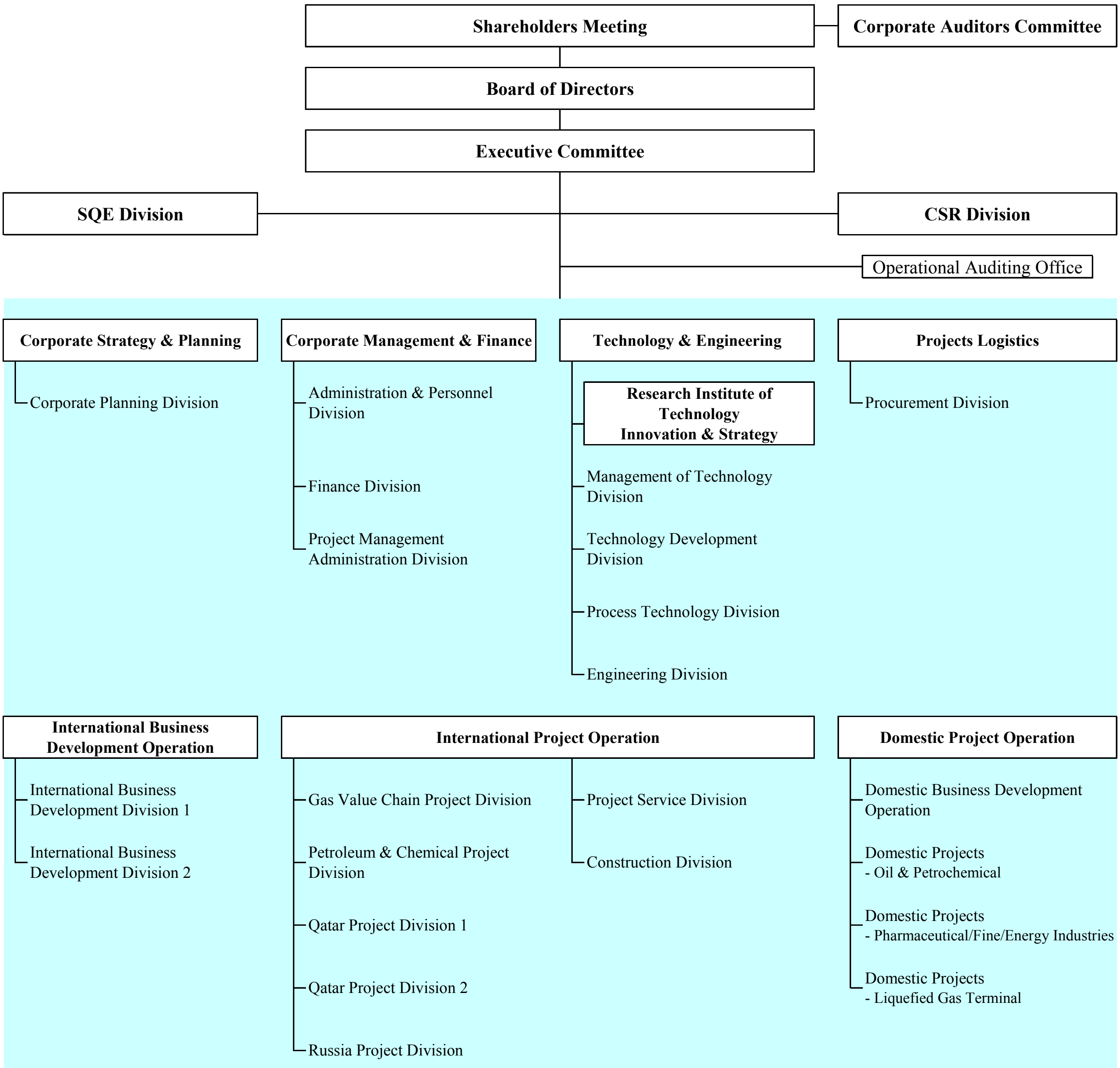
Executive Officer
Deputy General Manager,
Russia Project Division,
Deputy Project Director
Koichi Shirakawa

Executive Officer
International Business Development Operation
Takao Kamiji

Executive Officer
General Manager,
Finance Division
Katsutoshi Kimura

Executive Officer
Projects Logistics
Manabu Mitani

ORGANIZATION CHART
(As of July 1, 2008)



Chiyoda Corporation and Consolidated Subsidiaries

Consolidated Financial Statements for the Years Ended March 31, 2008 and 2007, and Independent Auditors' Report

Deloitte.

Deloitte Touche Tohmatsu
MS Shibaura Building
4-13-23, Shibaura
Minato-ku, Tokyo 108-8530
Japan

Tel: +81(3)3457 7321
Fax: +81(3)3457 1694
www.deloitte.com/jp

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
Chiyoda Corporation:

We have audited the accompanying consolidated balance sheets of Chiyoda Corporation (the "Company") and consolidated subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Chiyoda Corporation and consolidated subsidiaries as of March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 19.b to the consolidated financial statements, the Company has accepted as a result of allocating new ordinary shares to Mitsubishi Corporation on April 30, 2008.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 24, 2008

Member of
Deloitte Touche Tohmatsu

Chiyoda Corporation and Consolidated Subsidiaries

Consolidated Balance Sheets
March 31, 2008 and 2007

ASSETS	Millions of Yen 2008	Millions of Yen 2007	Thousands of U.S. Dollars (Note 1) 2008
CURRENT ASSETS:			
Cash and cash equivalents	¥ 70,089	¥ 77,052	$ 700,890
Short-term investments	895	125	8,950
Notes and accounts receivable—trade (Note 4)	27,230	23,816	272,300
Allowance for doubtful accounts	(5)	(41)	(50)
Costs and estimated earnings on long-term construction contracts (Note 5)	9,139	14,843	91,390
Costs of construction contracts in process	16,802	27,656	168,020
Accounts receivable—other (Note 4)	10,441	9,199	104,410
Jointly controlled assets of joint venture	192,684	256,061	1,926,840
Deferred tax assets (Note 13)	5,337	5,884	53,370
Prepaid expenses and other	5,596	3,442	55,960
Total current assets	338,208	418,037	3,382,080
PROPERTY, PLANT AND EQUIPMENT (Note 9):			
Land	11,936	1,835	119,360
Buildings and structures	14,894	6,616	148,940
Machinery and equipment	1,261	1,163	12,610
Tools, furniture and fixtures	5,467	5,544	54,670
Total	33,558	15,158	335,580
Accumulated depreciation	(10,485)	(7,693)	(104,850)
Net property, plant and equipment	23,073	7,465	230,730
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 6)	5,583	5,345	55,830
Investments in and advances to unconsolidated subsidiaries and associated companies (Note 8)	3,734	3,411	37,340
Software	3,566	3,286	35,660
Deferred tax assets (Note 13)	1,650	2,057	16,500
Other assets (Note 10)	3,496	3,892	34,960
Allowance for doubtful accounts	(490)	(540)	(4,900)
Total investments and other assets	17,539	17,451	175,390
TOTAL	¥ 378,820	¥ 442,953	$ 3,788,200

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2008	2007	Thousands of U.S. Dollars (Note 1) 2008
CURRENT LIABILITIES:			
Current portion of long-term debt (Note 9)	¥ 10,039	¥ 97	$ 100,390
Notes and accounts payable—trade (Note 4)	74,038	86,813	740,380
Advance receipts on construction contracts	185,023	231,818	1,850,230
Income taxes payable	1,408	13,071	14,080
Deposits received	4,970	4,783	49,700
Allowance for warranty costs for completed works	2,099	1,582	20,990
Allowance for losses on construction contracts	4,045	10	40,450
Accrued expenses and other (Note 4)	12,364	13,271	123,640
Total current liabilities	293,986	351,445	2,939,860
NON-CURRENT LIABILITIES:			
Long-term debt (Note 9)	22	10,067	220
Liability for retirement benefits (Note 10)	2,226	2,277	22,260
Other liabilities (Note 13)	948	1,749	9,480
Total non-current liabilities	3,196	14,093	31,960
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 4, 15, 16 and 17)			
EQUITY (Notes 11, 16 and 19):			
Common stock—authorized, 570,000 thousand shares; issued, 193,183 thousand shares in 2008 and 193,126 thousand shares in 2007	12,935	12,928	129,350
Preferred stock—authorized, 80,000 thousand shares			
Capital surplus	6,718	6,712	67,180
Retained earnings	65,155	58,398	651,550
Unrealized (loss) gain on available-for-sale securities	(847)	248	(8,470)
Deferred loss on derivatives under hedge accounting	(1,668)	(408)	(16,680)
Foreign currency translation adjustments	(6)	50	(60)
Treasury stock—at cost, 904 thousand shares in 2008 and 837 thousand shares in 2007	(1,059)	(905)	(10,590)
Total	81,228	77,023	812,280
Minority interests	410	392	4,100
Total equity	81,638	77,415	816,380
TOTAL	¥ 378,820	¥ 442,953	$ 3,788,200

Chiyoda Corporation and Consolidated Subsidiaries

Consolidated Statements of Income
Years Ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
REVENUE (Notes 4 and 5)	¥ 603,560	¥ 484,895	$ 6,035,600
COST OF REVENUE (Notes 4 and 5)	583,035	445,159	5,830,350
Gross profit	20,525	39,736	205,250
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 4 and 14)	11,685	11,036	116,850
Operating income	8,840	28,700	88,400
OTHER INCOME (EXPENSES):			
Interest and dividend income	10,901	8,511	109,010
Interest expense	(405)	(310)	(4,050)
Equity in earnings of associated companies	435	375	4,350
Foreign exchange loss	(979)	(629)	(9,790)
Loss on a partial termination of a defined benefit pension plan (Note 10)	(485)		(4,850)
Reversal of allowance for doubtful accounts	72	742	720
Reversal of allowance for investment loss		263	
Gain on sales of investment securities	644	17	6,440
Reversal of impairment loss (Note 7)	268		2,680
Loss on valuation of investment securities	(617)		(6,170)
Other—net	318	266	3,180
Other income—net	10,152	9,235	101,520
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	18,992	37,935	189,920
INCOME TAXES (Note 13):			
Current	7,355	16,209	73,550
Deferred	1,968	(1,866)	19,680
Total income taxes	9,323	14,343	93,230
MINORITY INTERESTS IN NET INCOME	28	60	280
NET INCOME	¥ 9,641	¥ 23,532	$ 96,410

See notes to consolidated financial statements.

	Yen		U.S. Dollars
	2008	2007	2008
PER SHARE OF COMMON STOCK (Notes 2.t and 18):			
Basic net income	¥ 50.15	¥ 122.41	$ 0.50
Diluted net income	50.12	122.28	0.50
Cash dividends applicable to the year	10.00	15.00	0.10

Chiyoda Corporation and Consolidated Subsidiaries

Consolidated Statements of Changes in Equity
Years Ended March 31, 2008 and 2007

	Thousands	Millions of Yen				
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized (Loss) Gain on Available-for-sale Securities	Deferred Loss on Derivatives under Hedge Accounting
BALANCE, APRIL 1, 2006	192,152	¥ 12,901	¥ 6,685	¥ 36,877	¥ 45	
Reclassified balance as of March 31, 2006 (Note 2.m)						
Net income				23,532		
Issuance of common stock by stock option plan (Notes 11 and 12)	232	27	27			
Cash dividends, ¥10.00 per share				(1,922)		
Repurchase of treasury stock	(95)					
Decrease in retained earnings due to exclusion from consolidation of consolidated subsidiaries				(89)		
Net change in the year					203	¥ (408)
BALANCE, MARCH 31, 2007	192,289	12,928	6,712	58,398	248	(408)
Net income				9,641		
Issuance of common stock by stock option plan (Notes 11 and 12)	57	7	6			
Cash dividends, ¥15.00 per share				(2,884)		
Repurchase of treasury stock	(67)					
Net change in the year					(1,095)	(1,260)
BALANCE, MARCH 31, 2008	192,279	¥ 12,935	¥ 6,718	¥ 65,155	¥ (847)	¥ (1,668)

	Thousands of U.S. Dollars (Note 1)				
	Common Stock	Capital Surplus	Retained Earnings	Unrealized (Loss) Gain on Available-for-sale Securities	Deferred Loss on Derivatives under Hedge Accounting
BALANCE, MARCH 31, 2007	$ 129,280	$ 67,120	$ 583,980	$ 2,480	$ (4,080)
Net income			96,410		
Issuance of common stock by stock option plan (Notes 11 and 12)	70	60			
Cash dividends, $0.15 per share			(28,840)		
Repurchase of treasury stock					
Net change in the year				(10,950)	(12,600)
BALANCE, MARCH 31, 2008	$ 129,350	$ 67,180	$ 651,550	$ (8,470)	$ (16,680)

See notes to consolidated financial statements.

Millions of Yen				
Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
¥ (323)	¥ (676)	¥ 55,509		¥ 55,509
			¥ 322	322
		23,532		23,532
		54		54
		(1,922)		(1,922)
	(229)	(229)		(229)
		(89)		(89)
373		168	70	238
50	(905)	77,023	392	77,415
		9,641		9,641
		13		13
		(2,884)		(2,884)
	(154)	(154)		(154)
(56)		(2,411)	18	(2,393)
¥ (6)	¥ (1,059)	¥ 81,228	¥ 410	¥ 81,638

Thousands of U.S. Dollars (Note 1)				
Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
$ 500	$ (9,050)	$ 770,230	$ 3,920	$ 774,150
		96,410		96,410
		130		130
		(28,840)		(28,840)
	(1,540)	(1,540)		(1,540)
(560)		(24,110)	180	(23,930)
$ (60)	$ (10,590)	$ 812,280	$ 4,100	$ 816,380

Chiyoda Corporation and Consolidated Subsidiaries

Consolidated Statements of Cash Flows
Years Ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 18,992	¥ 37,935	$ 189,920
Adjustments for:			
Income taxes paid	(20,913)	(6,492)	(209,130)
Payments of project settlement money		(469)	
Depreciation and amortization	1,594	1,507	15,940
Reversal of allowance for doubtful accounts—net	(77)	(1,057)	(770)
Provision for (reversal of) warranty costs for completed works	522	(305)	5,220
Provision for (reversal of) loss on construction contracts	4,035	(136)	40,350
Reversal of retirement benefits—net	(473)	(6,116)	(4,730)
Reversal of impairment loss	(268)		(2,680)
Gain on sales of investment securities—net	(644)	(17)	(6,440)
Loss on valuation of investment securities	617		6,170
Foreign exchange loss (gain)—net	81	(74)	810
Equity in earnings of associated companies	(435)	(375)	(4,350)
Loss on a partial termination of a defined benefit pension plan	485		4,850
Changes in operating assets and liabilities:			
Decrease in trade notes and accounts receivable, and costs and estimated earnings on long-term construction contracts	2,216	8,485	22,160
Decrease (increase) in costs of construction contracts in process	10,855	(9,729)	108,550
Decrease (increase) in jointly controlled asset of joint venture	63,377	(124,724)	633,770
Increase in interest and dividend receivable	(9,874)	(8,175)	(98,740)
(Decrease) increase in trade notes and accounts payable	(12,740)	947	(127,400)
(Decrease) increase in advance receipts on construction contracts	(46,788)	129,742	(467,880)
Increase in deposits received	183	3,919	1,830
(Decrease) increase in accrued liability of a defined contribution pension plan	(833)	2,445	(8,330)
Other—net	4,362	8,221	43,620
Total adjustments	(4,718)	(2,403)	(47,180)
Net cash provided by operating activities—(Forward)	¥ 14,274	¥ 35,532	$ 142,740

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
Net cash provided by operating activities—(Forward)	¥ 14,274	¥ 35,532	$ 142,740
INVESTING ACTIVITIES:			
Payments for time deposits	(827)		(8,270)
Proceeds from refunds of time deposits	68	31	680
Payments for purchases of investment securities	(2,306)	(2,419)	(23,060)
Proceeds from sales of investment securities	839	32	8,390
Purchases of property, plant and equipment	(360)	(460)	(3,600)
Purchases of intangible assets	(1,257)	(1,320)	(12,570)
Disbursements for originating long-term loans		(15)	
Proceeds from collections of long-term loans	35	610	350
Payments for acquisition of shares in subsidiary affecting scope of consolidation, net of cash acquired (Note 3)	(116)		(1,160)
Other—net	7	83	70
Net cash used in investing activities	(3,917)	(3,458)	(39,170)
FINANCING ACTIVITIES:			
Repayments of long-term debt	(14,186)	(47)	(141,860)
Proceeds from issuance of common stock	13	54	130
Payments of cash dividends	(2,880)	(1,915)	(28,800)
Payments of cash dividends to minority shareholders	(12)	(54)	(120)
Other—net	(155)	(229)	(1,550)
Net cash used in financing activities	(17,220)	(2,191)	(172,200)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(100)	357	(1,000)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(6,963)	30,240	(69,630)
CASH AND CASH EQUIVALENTS OF EXCLUSION OF CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR		(67)	
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	77,052	46,879	770,520
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 70,089	¥ 77,052	$ 700,890

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law (formerly, the Japanese Securities and Exchange Law) and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications and rearrangements have been made in the 2007 financial statements in order for them to conform to classifications and presentations used in 2008.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Chiyoda Corporation (the "Company") is incorporated and principally operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥100 to $1, the approximate rate of exchange at March 31, 2008. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Consolidation*****—**The consolidated financial statements for the year ended March 31, 2008 include the accounts of the Company and its 16 significant (17 in 2007) subsidiaries (together, the "Group").

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated and those companies over which the Group has a significant influence are accounted for by the equity method.

Investments in 5 associated companies are accounted for by the equity method. Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of the Company's investments in consolidated subsidiaries and associated companies accounted for by the equity method over its equity in the fair value of the net assets at the respective dates of acquisition, was charged to income at the time of acquisition as the amount involved was not material.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b. ***Business Combination*—**In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations," and on December 27, 2005, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." These new accounting pronouncements were effective for fiscal years beginning on or after April 1, 2006.

The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

On November 28, 2007, the Company acquired 85.1% of the shares of Sunrise Real Estate Co., Ltd. ("Sunrise"), which trades and leases land and buildings, and merged with Sunrise on January 1, 2008. The Company accounted for the acquisition by the purchase method of accounting. The negative goodwill arising in the transaction was charged to income.

c. ***Revenue*—**Revenues on construction contracts greater than ¥100 million and having a construction duration of exceeding one year are recognized on the percentage-of-completion method based on the ratio of costs incurred to total estimated costs. Under this method, related costs and estimated earnings in excess of progress billings are presented as a current asset.

Unbilled costs on the other contracts, which are accounted for by the completed-contract method, are stated as cost of construction contracts in process.

Payments received in excess of costs and estimated earnings on the contracts, which are accounted for by the percentage-of-completion method, and payments received on the other contracts are presented as current liabilities.

Costs of preparation work for unsuccessful proposals and other projects which are not realized are charged to income and are included in costs of revenue.

d. ***Cash Equivalents*—**Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits and certificates of deposit both of which mature or become due within three months of the date of acquisition.

e. ***Investment Securities*—**All marketable securities are classified as available-for-sale securities and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of securities sold is determined based on the moving-average method.

Non-marketable securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, non-marketable securities are reduced to net realizable value by a charge to income.

f. ***Allowance for Doubtful Accounts*****—**The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of estimated losses on the receivables outstanding.

g. ***Property, Plant and Equipment*****—**Property, plant and equipment are stated at cost. Depreciation is computed by the declining-balance method, except for buildings owned by the Company which are depreciated using the straight-line method, at rates based on the estimated useful lives of the assets. The range of useful lives is from 11 to 57 years for buildings and structures, from 4 to 13 years for machinery and equipment, and from 2 to 15 years for tools, furniture and fixtures.

h. ***Long-lived Assets*****—**The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

i. ***Other Assets*****—**Intangible assets are carried at cost less accumulated amortization, which is calculated by the straight-line method over their estimated useful lives. Software for internal use is amortized on a straight-line basis over its estimated useful life (5 years at the maximum).

j. ***Allowance for Warranty Costs for Completed Work*****—**The allowance for warranty costs for completed work is provided based on past rate experience.

k. ***Allowance for Losses on Construction Contracts*****—**The allowance for losses on construction contracts is provided for an estimated amount of probable losses to be incurred in future years in respect of construction projects in progress.

l. ***Retirement Benefits*****—**Employees of the Company are, under most circumstances, entitled to payments from the defined contribution pension plan and the qualified defined benefit pension plan. Employees of certain of the Company's consolidated subsidiaries are, under most circumstances, entitled to certain lump-sum severance payments and pension payments.

Effective April 1, 2000, the Company and its domestic consolidated subsidiaries adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

The transitional obligation of ¥5,696 million ($56,960 thousand) is being amortized and charged to income over 15 years using the straight-line amortization method and presented as an operating expense in the consolidated statements of income for the years ended March 31, 2008 and 2007.

Retirement benefits to directors, officers and corporate auditors are provided at the amount which would be required if all directors, officers and corporate auditors terminated at the end of each period.

m. ***Presentation of Equity*****—**On December 9, 2005, the ASBJ published a new accounting standard for the presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006. The balances of such items as of March 31, 2006 were reclassified as separate components of equity as of April 1, 2006 in the consolidated statement of changes in equity.

n. ***Research and Development Costs*****—**Research and development costs are charged to income when incurred.

o. ***Leases*****—**All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that are deemed to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's consolidated financial statements.

p. ***Income Taxes*****—**The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

The Group has filed a tax return under the consolidated corporate-tax system from the fiscal year ended March 31, 2003, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

q. ***Foreign Currency Transactions*****—**Both short-term and long-term receivables and payables denominated in foreign currencies are translated into Japanese yen at exchange rates in effect at the balance sheet date.

Any differences between the foreign exchange contract rates and historical rates resulting from the translation of receivables and payables are recognized as income or expense over the lives of the related contracts.

r. ***Foreign Currency Financial Statements*****—**The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation were shown as "Foreign currency translation adjustments" in a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of balance sheet date.

s. ***Derivative Financial Instruments*****—**The Company uses a variety of derivative financial instruments, including foreign currency forward exchange contracts as a means of hedging exposure to foreign currency risks. The Company does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (a) all derivatives are recognized as either assets or liabilities and measured at fair value, with gains or losses recognized in the income statement and (b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting, because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign currency forward exchange contracts are utilized to hedge foreign exchange risks. Certain assets and liabilities on construction contracts denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

t. ***Per Share Information*****—**Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

u. ***New Accounting Pronouncements***

Lease Accounting**—**On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the existing accounting standard for lease transactions issued on June 17, 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions shall be capitalized recognizing lease assets and lease obligations in the balance sheet.

***Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements*—**Under Japanese GAAP, a company currently can use the financial statements of foreign subsidiaries which are prepared in accordance with generally accepted accounting principles in their respective jurisdictions for its consolidation process unless they are clearly unreasonable. On May 17, 2006, the ASBJ issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." The new task force prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material;

(1) Amortization of goodwill
(2) Actuarial gains and losses of defined benefit plans recognized outside profit or loss
(3) Capitalization of intangible assets arising from development phases
(4) Fair value measurement of investment properties, and the revaluation model for property, plant and equipment, and intangible assets
(5) Retrospective application when accounting policies are changed
(6) Accounting for net income attributable to a minority interest

The new task force is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

***Construction Contracts*—**Under current Japanese GAAP, either the completed-contract method or the percentage-of-completion method is permitted to account for construction contracts. On December 27, 2007, the ASBJ published a new accounting standard for construction contracts. Under this accounting standard, the construction revenue and construction costs should be recognized by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method shall be applied. When it is probable that total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for loss on construction contracts. This standard is applicable to construction contracts and software development contracts and effective for fiscal years beginning on or after April 1, 2009 with early adoption permitted for fiscal years beginning on or before March 31, 2009 but after December 27, 2007.

3. BUSINESS COMBINATION

On November 28, 2007, the Company acquired 85.1% of the shares of Sunrise. As a result, Sunrise became a wholly owned subsidiary of the Company and the Company merged with Sunrise on January 1, 2008. The business of Sunrise was to trade and lease real estate and the Company was leasing real estate from Sunrise. This acquisition was made to own and manage the real estate which the Company was previously leasing from Sunrise. The results of operations of Sunrise are included in the Company's consolidated statements of income from November 28, 2007.

The Company accounted for this business combination by the purchase method of accounting. The acquisition cost, ¥284 million ($2,840 thousand), was determined based on the net assets of Sunrise.

The total cost of acquisition has been allocated to the assets acquired and the liabilities assumed based on their respective fair values. Negative goodwill recorded in connection with the acquisition totaled ¥297 million ($2,970 thousand). The negative goodwill was charged to income due to immateriality.

The estimated fair values of the assets acquired and the liabilities assumed at the acquisition date are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 287	$ 2,870
Investments and other assets	16,518	165,180
Total assets acquired	16,805	168,050
Current liabilities	(902)	(9,020)
Long-term liabilities	(15,306)	(153,060)
Total liabilities assumed	(16,208)	(162,080)
Net assets acquired	597	5,970
Negative goodwill	(297)	(2,970)
Pre-acquisition carrying amount of investment in Sunrise	(15)	(150)
Cash acquired	(169)	(1,690)
Net of cash acquired	¥ 116	$ 1,160

Pro forma results of operations for the above business combination have not been presented because the effects were not material to the consolidated financial statements.

4. TRANSACTIONS WITH UNCONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES

Significant transactions with and balances due from/(to) unconsolidated subsidiaries and associated companies are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
Transactions for the Year Ended March 31	2008	2007	2008
Revenue	¥ 31	¥ 8	$ 310
Cost of revenue	(7,158)	(4,919)	(71,580)
Selling, general and administrative expenses	(1,652)	(1,690)	(16,520)
Balances at March 31			
Notes and accounts receivable—trade	31		310
Accounts receivable—other	59	2	590
Notes and accounts payable—trade	(472)	(470)	(4,720)
Accrued expenses and other	(318)		(3,180)

The Company guaranteed the indebtedness of certain unconsolidated subsidiaries and associated companies in the amount of ¥370 million at March 31, 2007.

5. REVENUE

Costs and estimated earnings recognized with respect to revenue which is accounted for by the percentage-of-completion method at March 31, 2008 and 2007, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Costs and estimated earnings	¥ 1,115,404	¥ 727,700	$ 11,154,040
Amounts billed	(1,106,265)	(712,857)	(11,062,650)
Net	¥ 9,139	¥ 14,843	$ 91,390

6. INVESTMENT SECURITIES

Investment securities at March 31, 2008 and 2007, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Equity securities	¥ 5,583	¥ 5,345	$ 55,830

The carrying amounts and aggregate fair values of investment securities with readily determinable fair values at March 31, 2008 and 2007, were as follows:

	Millions of Yen			
March 31, 2008	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale—Equity securities	¥ 5,259	¥ 170	¥ 982	¥4,447
March 31, 2007				
Available-for-sale—Equity securities	3,557	778	361	3,974

	Thousands of U.S. Dollars			
March 31, 2008	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale—Equity securities	$ 52,590	$ 1,700	$ 9,820	$ 44,470

Available-for-sale securities whose fair value was not readily determinable at March 31, 2008 and 2007, were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Equity securities	¥ 1,136	¥ 1,371	$ 11,360

Proceeds from sales of available-for-sale securities for the year ended March 31, 2008, were ¥839 million ($8,390 thousand). Gross realized gains on these sales, computed on the moving average cost basis, were ¥644 million ($6,440 thousand) for the year ended March 31, 2008.

Proceeds from sales of available-for-sale securities for the year ended March 31, 2007, were ¥32 million and gross realized gains on these sales, computed on the moving average cost basis, were ¥17 million for the year ended March 31, 2007.

7. REVERSAL OF IMPAIRMENT LOSS

Reversal of impairment loss of ¥268 million ($2,680 thousand) represents that impairment loss recognized in prior periods for buildings and structures of a foreign subsidiary which was reversed under the generally accepted accounting principles applied to the foreign subsidiary.

8. INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES

Investments in and advances to unconsolidated subsidiaries and associated companies at March 31, 2008 and 2007, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Investments	¥ 3,720	¥ 3,395	$ 37,200
Long-term receivables	14	16	140
Total	¥ 3,734	¥ 3,411	$ 37,340

9. LONG-TERM DEBT

Long-term debt at March 31, 2008 and 2007, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Long-term loans from banks, maturing serially through 2011, with interest rates ranging from 3.4% to 5.8% at 2008 and 2007:			
Collateralized	¥ 61	¥ 164	$ 610
Uncollateralized	10,000	10,000	100,000
Total	10,061	10,164	100,610
Less current portion	(10,039)	(97)	(100,390)
Long-term debt, less current portion	¥ 22	¥ 10,067	$ 220

Subordinated loans in the amount of ¥10,000 million ($100,000 thousand) from The Bank of Tokyo-Mitsubishi UFJ, Ltd. were included in 'Uncollateralized' at March 31, 2008 and 2007.

Annual maturities of long-term debt at March 31, 2008, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2009	¥ 10,039	$ 100,390
2010	18	180
2011	4	40
Total	¥ 10,061	$ 100,610

Commitment-line contracts at March 31, 2008, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Commitment-line contracts	¥ 15,000	$ 150,000
Unused commitments	¥ 15,000	$ 150,000

The following assets were pledged as collateral for long-term debt at March 31, 2008:

	Millions of Yen	Thousands of U.S. Dollars
Land	¥ 381	$ 3,810
Buildings and structures—net of accumulated depreciation	496	4,960
Total	¥ 877	$ 8,770

10. RETIREMENT BENEFITS

Employees of the Company are, under most circumstances, entitled to payments from the defined contribution pension plan and the qualified defined benefit pension plan upon retirement or termination.

Employees of certain of the Company's domestic consolidated subsidiaries are, under most circumstances, entitled to certain lump-sum severance payments and pension payments upon retirement or termination.

Two of the Company's domestic consolidated subsidiaries, Chiyoda Keiso and Chiyoda Kosho, transferred their retirement benefit plan to a defined contribution pension plan and the reformed qualified defined pension plan as of April 1, 2008. As a result of this transfer, "loss on a partial termination of a defined benefit pension plan" of ¥485 million ($4,850 thousand) was recorded in other expenses for the year ended March 31, 2008.

Liability for retirement benefits includes retirement benefits to directors, officers and corporate auditors in the amount of ¥536 million ($5,360 thousand) and ¥487 million for the years ended March 31, 2008 and 2007, respectively. The retirement benefits to directors and corporate auditors are paid subject to the approval of the shareholders.

The liability for employees' retirement benefits at March 31, 2008 and 2007, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Projected benefit obligation	¥ 27,455	¥ 27,812	$ 274,550
Fair value of plan assets	(20,338)	(21,454)	(203,380)
Unrecognized transitional obligation	(4,307)	(4,922)	(43,070)
Unrecognized actuarial loss	(3,634)	(1,299)	(36,340)
Unrecognized prior service cost	1,381	1,557	13,810
Net accrued pension liabilities	557	1,694	5,570
Prepaid pension cost	648	96	6,480
Loss on a partial termination of defined benefit pension plan	485		4,850
Liability for employees' retirement benefits	¥ 1,690	¥ 1,790	$ 16,900

The components of net periodic benefit costs for the years ended March 31, 2008 and 2007, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Service cost	¥ 903	¥ 702	$ 9,030
Interest cost	371	375	3,710
Expected return on plan assets	(532)	(356)	(5,320)
Amortization of transitional obligation	615	615	6,150
Recognized actuarial loss	335	342	3,350
Amortization of prior service cost	(176)	(176)	(1,760)
Subtotal	1,516	1,502	15,160
Loss on a partial termination of defined benefit pension plan	485		4,850
Payment to defined contribution pension trust	176	168	1,760
Net periodic benefit costs	¥ 2,177	¥ 1,670	$ 21,770

Assumptions used for the years ended March 31, 2008 and 2007, are set forth as follows:

	2008	2007
Discount rate	1.5%	1.5%
Expected rate of return on plan assets	2.7%	2.2%
Recognition period of actuarial gain/loss	10 years	10 years
Amortization period of transitional obligation	15 years	15 years
Amortization period of prior service cost	10 years	10 years

11. EQUITY

Since May 1, 2006, Japanese companies have been subject to the Corporate Law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan. The significant provisions in the Corporate Law that affect financial and accounting matters are summarized below:

a. Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. *Treasury Stock and Treasury Stock Acquisition Rights*

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity. The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

12. STOCK OPTION

The stock option outstanding as of March 31, 2008 was as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2002 Stock Option	8 directors 8 officers 623 employees	7,896,000 shares	June 27, 2002	¥ 233 ($ 2.33)	From July 1, 2004 to June 30, 2009

The stock option activity was as follows:

	2002 Stock Option (Shares)
For the Year Ended March 31, 2007	
Vested:	
March 31, 2006—outstanding	355,000
Exercised	(232,000)
March 31, 2007—outstanding	123,000
For the Year Ended March 31, 2008	
Vested:	
March 31, 2007—outstanding	123,000
Exercised	(57,000)
March 31, 2008—outstanding	66,000

13. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 41% for the years ended March 31, 2008 and 2007.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2008 and 2007, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Deferred tax assets:			
Cost of revenue	¥ 4,182	¥ 4,261	$ 41,820
Retirement benefits		718	
Allowance for employees' bonus	1,610	1,995	16,100
Allowance for warranty costs for completed works	731		7,310
Allowance for losses on construction contracts	1,644		16,440
Allowance for doubtful accounts		192	
Loss on write-down of property, plant and equipment		578	
Deferred loss on derivatives under hedge accounting	1,368		13,680
Other	4,046	3,658	40,460
Less valuation allowance	(766)	(439)	(7,660)
Total	12,815	10,963	128,150
Deferred tax liabilities	5,828	3,035	58,280
Net deferred tax assets	¥ 6,987	¥ 7,928	$ 69,870

Net deferred tax assets as of March 31, 2008 and 2007 were recorded in the accompanying consolidated balance sheets as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Deferred tax assets—current assets	¥ 5,337	¥ 5,884	$ 53,370
Deferred tax assets—investments and other assets	1,650	2,057	16,500
Other liabilities (deferred tax liabilities—non-current liabilities)		(13)	

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2008 and 2007, is as follows:

	2008	2007
Normal effective statutory tax rate	41%	41%
Expenses not deductible for income tax purposes	1	1
Non-taxable dividend income	(1)	
Tax credit	(2)	
Decrease in valuation allowance for deferred tax assets		(1)
Lower income tax rates applicable to subsidiaries	(3)	
Lower tax basis of enterprise tax	1	(2)
Corporate income tax for previous years	1	
Earnings retained by tax haven company	10	
Other—net	1	(1)
Actual effective tax rate	49%	38%

14. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥1,659 million ($16,590 thousand) and ¥1,204 million for the years ended March 31, 2008 and 2007, respectively.

15. LEASES

The Company and a subsidiary lease certain machinery, computer equipment, office space and other assets. Total lease payments under finance leases were ¥128 million ($1,280 thousand) and ¥182 million for the years ended March 31, 2008 and 2007, respectively.

Pro forma information for leased property under finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2008 and 2007, was as follows:

Year Ended March 31, 2008

	Millions of Yen			
	Buildings and Structures	Tools, Furniture and Fixtures	Other	Total
Acquisition cost	¥ 68	¥ 450	¥ 76	¥ 594
Accumulated depreciation	6	219	34	259
Net leased property	¥ 62	¥ 231	¥ 42	¥ 335

	Thousands of U.S. Dollars			
	Buildings and Structures	Tools, Furniture and Fixtures	Other	Total
Acquisition cost	$ 680	$ 4,500	$ 760	$ 5,940
Accumulated depreciation	60	2,190	340	2,590
Net leased property	$ 620	$ 2,310	$ 420	$ 3,350

	Millions of Yen	Thousands of U.S. Dollars
	Obligations under Finance Lease	Obligations under Finance Lease
Due within one year	¥ 109	$ 1,090
Due after one year	226	2,260
Total	¥ 335	$ 3,350

Year Ended March 31, 2007

	Millions of Yen		
	Tools, Furniture and Fixtures	Other	Total
Acquisition cost	¥ 638	¥ 161	¥ 799
Accumulated depreciation	317	84	401
Net leased property	¥ 321	¥ 77	¥ 398

	Millions of Yen
	Obligations under Finance Lease
Due within one year	¥ 157
Due after one year	241
Total	¥ 398

Depreciation expense as lessee, which is not reflected in the accompanying consolidated statements of income, computed by the straight-line method was ¥128 million ($1,280 thousand) and ¥182 million for the years ended March 31, 2008 and 2007, respectively.

The amounts of obligations, acquisition cost and depreciation under finance leases include the imputed interest income portion and interest expense portion, respectively.

16. DERIVATIVES

The Company enters into foreign currency forward exchange contracts to hedge foreign exchange risk associated with certain assets and liabilities on construction contracts denominated in foreign currencies. It is the Company's policy to use derivatives only for the purpose of reducing foreign exchange risks associated with such assets or liabilities. The Company does not hold or issue derivatives for trading purposes.

Because the counterparties to these derivatives are limited to major international financial institutions, the Company does not anticipate any losses arising from credit risk.

The basic policies for the use of derivatives are approved by the executive committee and the execution and control of derivatives are controlled by the financing department. The hedging effectiveness in reducing foreign exchange risks is periodically assessed and reported to the accounting department and executive officers.

The Company had the following foreign currency forward exchange contracts outstanding at March 31, 2008 and 2007.

	Millions of Yen			Thousands of U.S. Dollars		
	2008			2008		
	Contract Amount	Fair Value	Unrealized Gain	Contract Amount	Fair Value	Unrealized Gain
Buying:						
U.S.$	¥ 9	¥ 9		$ 90	$ 90	
Euro	14	15	¥ 1	140	150	$ 10
Selling:						
U.S.$	20,621	20,522	99	206,210	205,220	990
Euro	2	2		20	20	

	Millions of Yen		
	2007		
	Contract Amount	Fair Value	Unrealized Gain
Buying:			
U.S.$	¥ 213	¥ 221	¥8
Euro	13	14	1
Selling U.S.$	12,315	12,313	2

Foreign currency forward exchange contracts which qualify for hedge accounting for the years ended March 31, 2008 and 2007, are excluded from the disclosure of market value information.

The contract or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Company's exposure to credit or market risk.

17. CONTINGENT LIABILITIES

At March 31, 2008, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Employees (housing loan)	¥ 567	$ 5,670

18. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2008 and 2007 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2008	Net Income	Weighted-average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥ 9,641	192,256	¥ 50.15	$ 0.50
Effect of dilutive securities—Stock option		95		
Diluted EPS—Net income for computation	¥ 9,641	192,351	¥ 50.12	$ 0.50
Year Ended March 31, 2007				
Basic EPS—Net income available to common shareholders	¥ 23,532	192,234	¥ 122.41	
Effect of dilutive securities—Stock option		202		
Diluted EPS—Net income for computation	¥ 23,532	192,436	¥ 122.28	

19. SUBSEQUENT EVENTS

a. Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2008, was approved at the Company's shareholders meeting held on June 24, 2008:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥10.00 ($0.10) per share	¥ 1,923	$ 19,230

b. Issuance of New Ordinary Shares to a Third Party

At the Company's Board of Directors meeting held on March 31, 2008, the Company resolved the issuance of new ordinary shares to an allocated third party and has accepted as a result of allocating new ordinary shares to Mitsubishi Corporation on April 30, 2008. Details are as follows:

(1) Number of shares issued:	Ordinary shares, 67,080 thousand shares
(2) Issue price:	¥907 per share
(3) Aggregate issue amount:	¥60,841 million ($608,410 thousand)
(4) Allocated third party:	Mitsubishi Corporation

20. SEGMENT INFORMATION

Information about geographical segments and sales to foreign customers of the Company and consolidated subsidiaries for the years ended March 31, 2008 and 2007, was as follows:

(1) Geographical Segments

	Millions of Yen						
Year Ended March 31, 2008	Japan	Asia	North America	Other	Subtotal	Eliminations (Corporate)	Consolidated
Revenue:							
Outside customers	¥588,606	¥ 14,954			¥603,560		¥ 603,560
Intersegment		1,638	¥ 37	¥ 26	1,701	¥ (1,701)	
Total	588,606	16,592	37	26	605,261	(1,701)	603,560
Operating expenses	581,030	15,323	34	43	596,430	(1,710)	594,720
Operating income (loss)	¥ 7,576	¥ 1,269	¥ 3	¥ (17)	¥ 8,831	¥ 9	¥ 8,840
Assets	¥369,452	¥ 9,620	¥ 693	¥ 122	¥379,887	¥ (1,067)	¥ 378,820

Year Ended March 31, 2008	Japan	Asia	North America	Other	Subtotal	Eliminations (Corporate)	Consolidated
	Thousands of U.S. Dollars						
Revenue:							
Outside customers	$ 5,886,060	$ 149,540			$ 6,035,600		$ 6,035,600
Intersegment		16,380	$ 370	$ 260	17,010	$ (17,010)	
Total	5,886,060	165,920	370	260	6,052,610	(17,010)	6,035,600
Operating expenses	5,810,300	153,230	340	430	5,964,300	(17,100)	5,947,200
Operating income (loss)	$ 75,760	$ 12,690	$ 30	$ (170)	$ 88,310	$ 90	$ 88,400
Assets	$ 3,694,520	$ 96,200	$ 6,930	$ 1,220	$ 3,798,870	$ (10,670)	$ 3,788,200

Year Ended March 31, 2007	Japan	Asia	North America	Other	Subtotal	Eliminations (Corporate)	Consolidated
	Millions of Yen						
Revenue:							
Outside customers	¥ 476,813	¥ 8,082			¥ 484,895		¥ 484,895
Intersegment		1,708	¥ 38	¥ 27	1,773	¥ (1,773)	
Total	476,813	9,790	38	27	486,668	(1,773)	484,895
Operating expenses	448,622	9,283	36	27	457,968	(1,773)	456,195
Operating income	¥ 28,191	¥ 507	¥ 2		¥ 28,700		¥ 28,700
Assets	¥ 436,171	¥ 7,095	¥ 689	¥ 148	¥ 444,103	¥ (1,150)	¥ 442,953

Notes: 1. The Company and consolidated subsidiaries operate within four geographic segments based on the countries where the companies are located.

The segments consisted of the following countries in 2008 and 2007:

Asia:	Indonesia, Singapore, Philippines, Myanmar, Malaysia and Thailand
North America:	United States of America
Other:	Nigeria

2. Corporate assets mainly consist of long-term loans and investment securities of the Company. Corporate assets as of March 31, 2008 and 2007 were ¥2,153 million ($21,530 thousand) and ¥2,130 million, respectively.

(2) Sales to Foreign Customers

Year Ended March 31, 2008	Millions of Yen				
	Asia	The Middle and Near East	Russia and Central Asia	Other	Total
Overseas sales (A)	¥ 17,093	¥ 425,970	¥ 49,408	¥ 1,015	¥ 493,486
Consolidated sales (B)					603,560
(A)/(B)	2.83%	70.58%	8.19%	0.16%	81.76%

Year Ended March 31, 2008	Thousands of U.S. Dollars				
	Asia	The Middle and Near East	Russia and Central Asia	Other	Total
Overseas sales (A)	$ 170,930	$ 4,259,700	$ 494,080	$ 10,150	$ 4,934,860
Consolidated sales (B)					6,035,600
(A)/(B)	2.83%	70.58%	8.19%	0.16%	81.76%

Year Ended March 31, 2007	Millions of Yen				
	Asia	The Middle and Near East	Russia and Central Asia	Other	Total
Overseas sales (A)	¥ 11,187	¥ 316,649	¥ 49,275	¥ 1,234	¥ 378,345
Consolidated sales (B)					484,895
(A)/(B)	2.31%	65.30%	10.16%	0.26%	78.03%

Note: The Company and consolidated subsidiaries are summarized into four segments by geographic area based on the countries where the companies are located.

The segments consisted of the following countries in 2008 and 2007:

Asia:	Singapore, Malaysia, Indonesia and others
The Middle and Near East:	Qatar, Iran and others
Russia and Central Asia:	Russia
Other:	Nigeria and others

The Company and its consolidated subsidiaries operate predominantly in the engineering business, while certain subsidiaries operate in leasing and software producing businesses which are minor in relation to the total business. Accordingly, the presentation of industry segment information is not required under Japanese accounting standards.

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Global Network
(As of July 1, 2008)

Head Office

Yokohama Head Office
12-1, Tsurumichuo 2-chome, Tsurumi-ku
Yokohama 230-8601, Japan
Tel: (81) 45-521-1231
Fax: (81) 45-503-0200

Koyasu Office & Research Park
13, Moriya-cho 3-chome, Kanagawa-ku
Yokohama 221-0022, Japan
Tel: (81) 45-441-1268
Fax: (81) 45-441-1297
Research & Development Center
Tel: (81) 45-441-9132
Fax: (81) 45-441-9728

Osaka Office
14-10, Nishinakajima 5-chome,
Yodogawa-ku Osaka 532-001, Japan
Tel: (81) 6-6390-3411
Fax: (81) 6-6889-5101

Overseas Offices

Abu Dhabi Office
Clock Tower Bldg. Al Najda Street,
P.O. Box 43928, Abu Dhabi, U.A.E.
Tel: (971) 2-671-7161
Fax: (971) 2-671-7162

Beijing Office
Room No. 1028, China World Tower 1,
Jianguomenwai Street, Chaoyang District,
Beijing, 100004, China
Tel: (86) 10-6505-2678
Fax: (86) 10-6505-1118

Jakarta Office
9th Floor, Mid-Plaza Bldg. Jalan Jenderal
Sudirman Kav. 10-11 Jakarta, 10220, Indonesia
Tel: (62) 21-570-7579
Fax: (62) 21-570-6276

Korea Representative Office
1358-8, Tal-dong Nam-ku, Ulsan, Korea
Tel: (82) 52-256-5721/5722
Fax: (82) 52-256-5723

Middle East Headquarters Doha Office
Al Mana Tower Airport Road,
P.O. Box 20243, Doha Qatar
Tel: (974) 4622-875/876
Fax: (974) 4622-716

Milan Representative Office
Viale Della Liberazione 18, 20124 Milan, Italy
Tel: (39) 02-303517-111
Fax: (39) 02-303517-35

Singapore Human Resources Office
10 Anson Road, #03-02, International Plaza,
Singapore 079903
Tel: (65) 6324-0080
Fax: (65) 6324-0090

The Hague Representative Office
Parkstraat 83, 2514 JG
The Hague, The Netherlands
Tel: (31) 70-385-9453
Fax: (31) 70-346-3779

Major Subsidiaries & Affiliated Companies

Overseas

Engineering Business

Chiyoda Almana Engineering LLC
Services: Design and construction of industrial facilities
Almana Tower, 5th floor, Airport RD,
P.O. Box 22961, Doha, Qatar
Tel: (974) 462-2926
Fax: (974) 462-6404

Chiyoda Corporation (Shanghai)
Services: Project consulting
29F-Room E, Pufa Tower, No. 588,
Pudong Rd. (S), Pudong New Area,
Shanghai 200120, China
Tel: (86) 21-5877-6266
Fax: (86) 21-5877-6366

Chiyoda International Corporation
Services: Business activities in the U.S.A.
1177 West Loop South, Suite 680
Houston, TX 77027, U.S.A.
Tel: (1) 713-965-9005
Fax: (1) 713-965-0075

Chiyoda Malaysia Sdn. Bhd.
Services: Design and construction of industrial facilities
15th Floor, Menara Maxisegar Jalan Pandan
Indah, 4/2 Pandan Indah, 55100
Kuala Lumpur, Malaysia
Tel: (60) 3-4297-0988
Fax: (60) 3-4297-0800
URL:http://www.chiyoda.com.my/

Chiyoda Oceania Pty Limited
Services: Design and construction of industrial facilities
Level 28, AMP Tower 140 St Georges Terrace,
Perth WA 6000, Australia
Tel: (61) 8-9278-2599
Fax: (61) 8-9278-2727

Chiyoda Petrostar Ltd.
Services: Design and construction of industrial facilities

Al-Khobar Office
P.O. Box 31707, Al-Khobar 31952
The Kingdom of Saudi Arabia
Tel: (966) 3-864-0839
Fax: (966) 3-864-0986

Jeddah Head Office
P.O. Box 6188, Jeddah 21442
The Kingdom of Saudi Arabia
Tel: (966) 2-647-0558
Fax: (966) 2-647-1908

Chiyoda Philippines Corporation
Services: Design
Chiyoda Bldg. Meralco Avenue Corner,
General Araneta Street, San Antonio,
Pasig City, Metro Manila, Philippines
Tel: (63) 2-636-1001～1008
Fax: (63) 2-636-1013/1023
URL: http://www.chiyodaphil.com.ph

Chiyoda & Public Works Co., Ltd.
Services: Design and construction of industrial facilities
SEDONA HOTEL Room 307 ~ 309 No. 1,
Kaba Aye Pagoda Road, Yankin Township,
Yangon, Myanmar
Tel: (95) 1-545605
Fax: (95) 1-545227

Chiyoda Singapore (Pte) Limited
Services: Design and construction of industrial facilities
14 International Business Park Jurong
East, Singapore 609922
Tel: (65) 6563-3488
Fax: (65) 6567-5231
URL: http://www.chiyoda.com.sg/

Chiyoda (Thailand) Limited
Services: Design and construction of industrial facilities
140/42 ITF Tower II, Suite H 20th Floor,
Silom Road, Kwaeng Suriyawong,
Khet Bangrak, Bangkok 10500, Thailand
Tel: (66) 2-231-6441/6442
Fax: (66) 2-231-6443

L&T-Chiyoda Limited
Services: Design
B.P. Estate, National Highway No. 8,
Chhani Baroda-391740, Gujarat State, India
Tel: (91) 265-2771003/2772855
Fax: (91) 265-2774985
URL: http://www.lntchiyoda.com/

PT. Chiyoda International Indonesia
Services: Design and construction of industrial facilities
MENARA HIJAU, 10th Floor Suite 1001 J1. Mt.
Haryono Kav. 33 Jakarta Selatan 12770, Indonesia
Tel: (62) 21-798-4680
Fax: (62) 21-798-6174

Project Companies

Oman, Qatar, Russia

Domestic

Major Subsidiaries & Affiliated Companies

Domestic

Engineering Business

Chiyoda Advanced Solutions Corporation
Services: Advanced engineering consulting
1-25, Shinurashima-cho 1-chome
Kanagawa-ku, Yokohama 221-0031, Japan
Tel: (81) 45-441-1260
Fax: (81) 45-441-1264
URL: http://www.chiyoda-as.co.jp/

Chiyoda Keiso Co., Ltd.
Services: Design, procurement and construction for electrical and instrumentation facilities
13, Moriya-cho 3-chome, Kanagawa-ku
Yokohama 221-0022, Japan
Tel: (81) 45-441-1433
Fax: (81) 45-441-1434
URL: http://www.ckc.chiyoda.co.jp/

Chiyoda Kosho Co., Ltd.
Services: Design, construction and maintenance for domestic projects
34-26, Tsurumichuo 4-chome, Tsurumi-ku
Yokohama 230-0051, Japan
Tel: (81) 45-506-7662
Fax: (81) 45-506-7667
URL: http://www.cks-ykh.co.jp/

Chiyoda TechnoAce Co., Ltd.
Services: Design and construction for pharmaceutical facilities
13, Moriya-cho 3-chome, Kanagawa-ku
Yokohama 221-0022, Japan
Tel: (81) 45-441-9600
Fax: (81) 45-450-5236
URL: http://www.cta.chiyoda.co.jp/

Chiyoda U-Tech Co., Ltd.
Services: Consulting and human resources placement
15-19, Tsurumichuo 2-chome, Tsurumi-ku
Yokohama 230-0051, Japan
Tel: (81) 45-502-7618
Fax: (81) 45-503-5399
URL: http://www.utc-yokohama.com/

Other Businesses

Arrow Business Consulting Corporation
Services: Consulting for finance and accounting
32-1, Tsurumichuo 4-chome, Tsurumi-ku
Yokohama 230-0051, Japan
Tel: (81) 45-502-5774
Fax: (81) 45-502-5753

Arrowhead International Corporation
Services: Travel services and supply of spare parts
7-8, Shibakoen 1-chome, Minato-ku
Tokyo 105-0011, Japan
Tel: (81) 3-5470-0880
Fax: (81) 3-5470-0890
URL: http://www.arrowhead.co.jp/

Arrow Mates Co., Ltd.
Services: Placement of technicians and office staff and reemployment support
43, Hon-cho 4-chome, Naka-ku
Yokohama 231-0005, Japan
Tel: (81) 45-662-1126
Fax: (81) 45-662-1173
URL: http://www.arrowmates.co.jp/

IT Engineering Limited
Services: IT consulting and solution provider
1-25, Shinurashima-cho 1-chome,
Kanagawa-ku, Yokohama 221-0031, Japan
Tel: (81) 45-441-9123
Fax: (81) 45-441-1466
URL: http://www.ite.co.jp/

CORPORATE HISTORY
(From January 1948 to April 2008)

Chiyoda Corporation was established on January 20, 1948 with one million yen of capital stock when the construction division of Mitsubishi Oil Co., Ltd. became independent and set up its head office in Minato-ku, Tokyo. The subsequent changes in the Chiyoda Corporate Group are shown below.

Month/Year	Major Events
January 1950	Registration as a Civil Engineering and Construction Contractor, Ministry of Construction Registration Number (*i*)1431
August 1954	Purchase of Tsurumi Plant in Tsurumi-ku, Yokohama and Commencement of Manufacturing Chemical Machinery
October 1956	Establishment of Chiyoda Keiso Co., Ltd.
October 1961	Listed on the First Section of the Tokyo, Osaka and Nagoya Stock Exchanges
September 1968	Head Office Address Transferred to Tsurumi-ku, Yokohama
February 1971	Establishment of Chiyoda Singapore (Pte) Limited
August 1973	Establishment of Chiyoda International Corporation
December 1973	Acquisition of Authorization for a Specialized Construction Business License, Ministry of Construction Authorization Number (Special-48) 2371.
April 1974	Establishment of Chiyoda Kosho Co., Ltd.
June 1974	Establishment of Chiyoda Malaysia Sdn. Bhd.
June 1975	Establishment of Chiyoda Petrostar Ltd. (Saudi Arabia)
January 1981	Establishment of Arrowhead International Corporation
June 1983	Establishment of Chiyoda Nigeria Limited
February 1986	Establishment of Arrow Human Resources Inc. (currently Arrow Mates Co., Ltd.)
October 1986	Establishment of Chiyoda TechnoAce Co., Ltd., U-Tech Consulting Company Limited (currently Chiyoda U-Tech Co., Ltd.), Chiyoda Information Service Company Limited (currently IT Engineering Limited.)
April 1989	Establishment of Arrow Business Consulting Limited.
March 1990	Establishment of Chiyoda (Thailand) Limited
May 1990	Establishment of PT Chiyoda International Indonesia
November 1994	Establishment of L&T Chiyoda Limited
February 1995	Establishment of C&E Corporation (currently Chiyoda Philippines Corporation)
September 1997	Establishment of Chiyoda & Public Works Co., Ltd. (Myanmar)
March 1999	Third-Party Allocation of Shares
November 2000	Formulation of New Restructuring Plan
February 2001	Reduction of Capital Without Compensation
March 2001	Third-Party Allocation of Shares
April 2002	Establishment of Chiyoda Advanced Solutions Corporation
March 2003	Abolition of Listing on the Osaka Securities Exchange
February 2005	Formulation of Medium-Term Management Plan
January 2008	Merger Acquisition of Sun Rise Real Estate Company Limited
March 2008	Contract Concluded with Mitsubishi Corporation in Relation to a Capital/Business Alliance
April 2008	Third-Party Allocation of Shares to Mitsubishi Corporation

INVESTOR INFORMATION
(As of March 31, 2008)

Item	Details
Trade Name:	Chiyoda Corporation
Head Office Address:	12-1, Tsurumi-Chuo 2-chome, Tsurumi-ku, 230-8601 Yokohama, Japan
Date of Incorporation:	January 20, 1948
Paid-in Capital:	12,935 million yen (43,389 million yen as of April 30, 2008)
Fiscal Year:	Ends March 31
Number of Employees:	3,067 people
Number of Consolidated Subsidiaries:	16 companies
Number of Affiliated Companies Accounted for Using the Equity Method:	5 companies
Accounting Auditor:	Deloitte Touche Tohmatsu
Listed Stock Exchange:	First Section of the Tokyo Stock Exchange
Stock Code:	6366
Total Number of Authorized Shares:	650,000,000 shares
Aggregate Number of Shares Issued:	193,182,529 shares (260,262,529 shares as of April 30, 2008)
Number of Shares Per Unit:	1,000 shares
Number of Shareholders:	9,250 people
Transfer Agent of Common Stock:	Mitsubishi UFJ Trust and Banking Corporation
Enquiries in Relation to IR:	
- Telephone:	045-506-7538
- Fax:	045-506-7085
- E-mail	CHYOD@ykh.chiyoda.co.jp
- URL :	http://www.chiyoda-corp.com/en/

Recognized by SRI (Socially Responsible Investment) Evaluation Bodies

- FTSE4Good Index Series

In March 2005, Chiyoda was first certified to be a member of the "FTSE4Good" Index Series of FTSE Group, UK.

This means that Chiyoda is acknowledged as a Japanese corporation fulfilling a series of internationally recognized CSR standards.

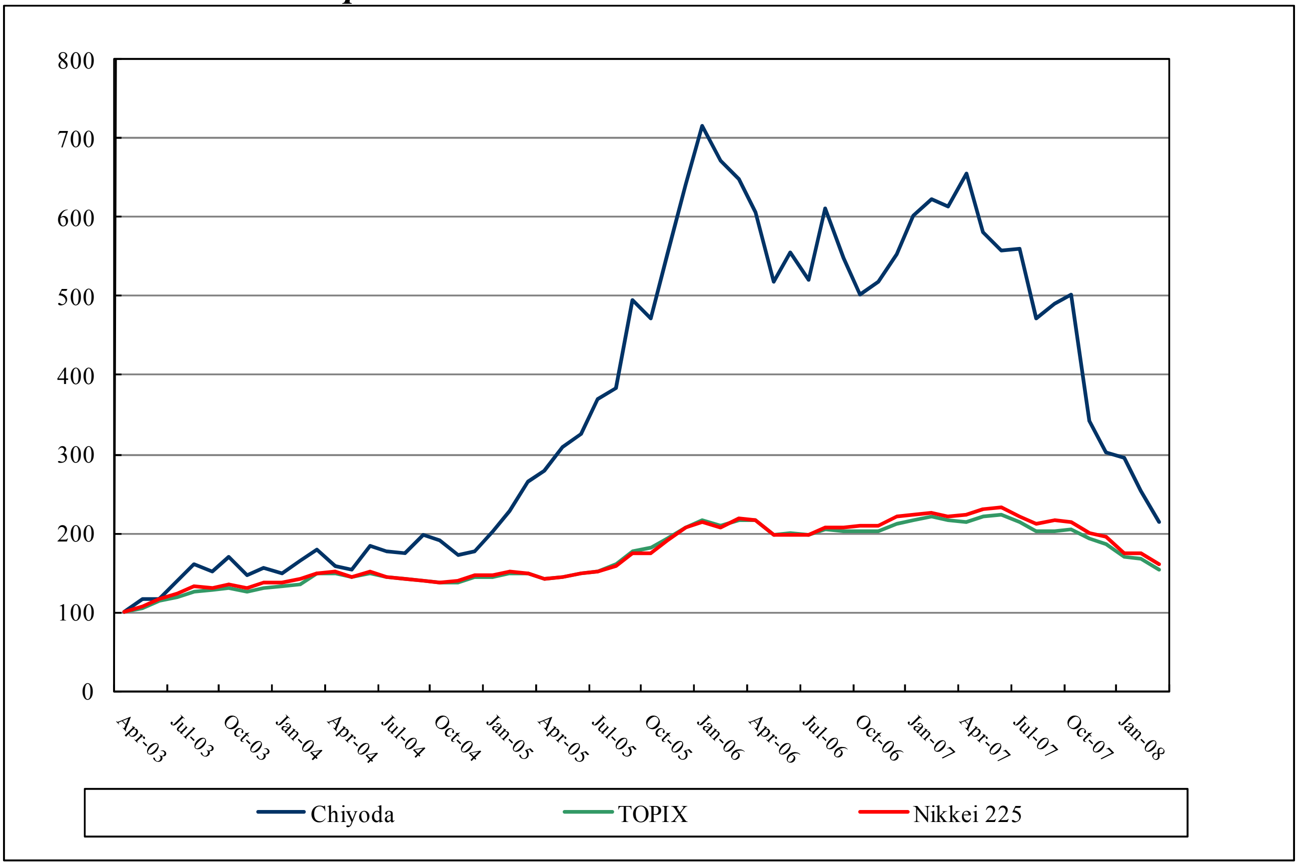
- Morningstar Socially Responsible Investment Index

MS-SRI モーニングスター社会的責任投資株価指数
Morningstar Socially Responsible Investment Index

In September 2007, Morningstar Japan K.K. selected Chiyoda for inclusion in the SRI Index that they compile and monitor. This was a first for a Japanese engineering company.

STOCK INFORMATION
(From April 1, 2003 to March 31, 2008)

Stock Price Index Compared with Main Indices



CHIYODA CORPORATION

12-1, Tsurumichuo 2-chome, Tsurumi-ku, Yokohama 230-8601, Japan
Tel: (81) 45-521-1231
Fax: (81) 45-503-0200
http://www.chiyoda-corp.com/en/