CHIYODA

Engineering a Better Tomorrow

ANNUAL REPORT 2001

Fiscal Year Ended March 31, 2001

CHIYODA CORPORATION

CONTENTS

BUSINESS HIGHLIGHTS

RasGas Onshore Expansion Project

Chiyoda received an order from Ras Laffan Liquefied Natural Gas Co., Ltd. II (RasGas II) for the RasGas Onshore Expansion Project. The plant is to be built by a joint venture with Mitsui & Co., Ltd., of Japan, and Snamprogetti S.p.A of Italy. The contract was signed April 1, 2001, at Doha, Qatar.

PDVSA National Refinery Project

March 2001 saw an order from PDVSA, Venezuela's national oil company, for upgrading existing refinery facilities. In October, Chiyoda formed a four-company consortium to bid on the project, and signed the contract on March 12, 2001. The project is financed by an untied loan from the Japan Bank for International Cooperation and is the result of direct ties between Japan and Venezuela.

Ningbo Huadong LPG Cavern Storage Terminal Project

On April 9, 2001, one million construction man-hours safety ceremony was held for LPG cavern storage terminal project in Ningbo, China. The project, which is being built for BP Huadong LPG Co., Ltd. is bp's first large scale EPC project in China.

PROFILE

For more than 50 years, Chiyoda Corporation has constantly evolved to meet the fast-changing needs of its diverse customers around the world.

As an integrated engineering and construction company with a solid foundation in the hydrocarbon processing industry, Chiyoda has leveraged its extensive experience and far-reaching global network to give it an unrivalled advantage in today's challenging times.

The Company, committed to continued development and regeneration, recently brought its technological and engineering expertise to bear on such fields as nonferrous metal processing, environmental preservation systems, pharmaceutical manufacturing, fine chemicals, food processing, automated manufacturing systems, and aerospace development.

The trust Chiyoda has earned over the past five decades, combined with its vast global network of personal contacts and deep reservoir of know-how, make it the engineering company of choice for customers worldwide.

Tung Ting Gas LNG Terminal Project

Groundbreaking ceremonies marked the start of the Tung Ting Gas LNG Terminal Project for Tung Ting Gas Corporation in Taiwan. Chiyoda has signed an agreement with Taiwan's CTCI Corporation to jointly execute the project, which is scheduled for completion in 2005. The project is the first overseas LNG receiving terminal for Chiyoda.

TPS-4 Project for Teijin Polycarbonate Singapore

A ground-blessing ceremony held May 24, 2001, marked the start of construction of the TPS-4 Project for Teijin Polycarbonate Singapore Pte. Ltd., even though the preceding TPS-3 Project was not yet finished. Since winning the bid for the first TPS project in 1998, Chiyoda has earned a reputation for fast, high-quality work, which led to continuous orders for the on-going projects.

Konica TAC Film Factory

Groundbreaking ceremonies for Konica's L-2 factory were held January 24, 2001 in Kobe. The new factory will produce Tri Acetyl-Cellulose (TAC) film for liquid crystal displays. Chiyoda earned the trust of Konica with the on-time completion of the L-1 factory, which led to the current order.

A MESSAGE FROM THE MANAGEMENT

Nobuo Seki President and CEO

Dear valued stakeholders:

For five decades in the latter half of the 20th century, Chiyoda made substantial contributions to the development of the global economy through its engineering, which covered many sectors. Among them, the Company was especially active in the field of energy, such as petroleum and gas. The final several years of the 20th century imposed very tough business conditions on Chiyoda, but the Company also found there were opportunities for it to learn and to build a foundation from which to soar into the new century.

The key words that will characterize societies and economies in the 21st century are: Clean Energy, the Environment, Globalization, and IT (information technology). These key words have also been consistent keystones of our operations. Energy- and environment-related projects are our core business domains, and we have achieved technological advantages through our intense concentration in these two areas as well. Furthermore, we continued to pursue the optimization of systems throughout the Company, adopting advanced information technologies and employing a global viewpoint. This helped us execute our projects in a timely and professional manner despite the tough business environment, and resulted in complete customer satisfaction.

In fact, we feel certain the Chiyoda tradition of professionalism that has supported our efforts thus far will be even more valued in the coming years.

Summary of Business Activities in FY2001

FY2001 was the first year of our New Restructuring Plan. It was also the year in which we carried out financial restructuring and launched the new business strategies that put us on track for the future. In other words, it was a year in which we released all the energy we had stored up over the years to execute business reforms and build a strong springboard into the new century. It was a banner year in Chiyoda history.

The New Restructuring Plan announced in November 2000 comprises the following principal strategies:

1. Place special emphasis on fields wherein Chiyoda holds a leading position.
2. Offer high-quality services by stimulating Group companies and strengthening their synergism.
3. Foster alliances with excellent companies as a step toward creating a new business model.
4. Strengthen our financial base through financial restructuring and reduction of fixed expenses.

Concerning new orders for the year, the plant construction market — in the fields where Chiyoda has special competence, such as liquefied natural gas (LNG), petrochemicals, and pharmaceuticals — showed signs of recovery, reversing the past trends of stagnant capital investment seen in the first half of FY2000. As a result, consolidated new orders for the year ending March 31, 2001, were ¥81,112 million in the domestic market (a 14% increase) and ¥58,300 million from international markets (a 90% increase), bringing orders received to a total of ¥139,412 million.

Chiyoda also pursued strategic alliances during the year. With an eye toward entering the international environmental engineering market, we established the Environmental Engineering Corporation, a joint venture with Ebara Corporation, Toyo Engineering Corporation, and Mitsui & Co., Ltd. We also entered into an alliance with NKK Corporation in the energy-related engineering field. Other alliances included agreements with two overseas engineering and construction contractors. One was with Consolidated Contractors Company (CCC) of Greece, which is particularly strong in Middle East markets. The other was CTCI Corporation of Taiwan, whose strengths lie in Chinese and East Asian markets. These alliances have already produced solid results in the form of new joint orders.

Consummation of our financial restructuring was especially important. We wrote off our entire accumulated deficit and laid the foundation for a newborn Chiyoda. We declare unequivocally that we have now established a healthy, transparent financial base — even by international accounting standards — through third-party capital interest increases and special liability exemptions.

Our shareholders, the financial institutions with which we deal, and our esteemed clients have pledged indispensable support so we are determined to execute our New Restructuring Plan as scheduled. We are sure that these supporters trust in our history of achievement and in Chiyoda's future prospects as a global engineering constructor.

Prospects for FY2002 and the Future

The prospects for a continuing flow of new orders seem bright indeed. As the LNG market revived, the Company received a new order in April 2001 for an LNG plant from Ras Laffan Liquefied Natural Gas Co., Ltd. II (RasGas II) of Qatar. Last year, we received an order from this project for FEED (Front End Engineering and Design) and this year the order was for EPC (Engineering, Procurement, and Construction). The many FEED projects Chiyoda has received in recent years will certainly lead to more EPC orders in FY2002. Projects for petrochemical plants such as ethylene and its derivatives in both Asian and Middle Eastern markets are expected to become more active. We are confident that the Company's efforts in these markets will bear fruit in the near future.

In executing all our projects, Chiyoda takes the greatest possible care in terms of HSE (Health, Safety, and Environment), while still meeting requirements for high quality and tight schedules. Thus, as always, we make every effort to create total value for our clients.

We are also convinced that the tremendous shift to clean energy, a major trend of the 21st century, offers Chiyoda significant opportunities. As a leader in meeting the needs of the times, Chiyoda has always concentrated its efforts on developing and improving energy- and environmental-related technologies. From this firm foundation, in tandem with the abundant know-how the Company has accumulated in advanced processing technologies for gas and LNG fields, Chiyoda is well positioned to develop new businesses in the area of energy and environmental technology.

On the other hand, the market demands new kinds of services from Chiyoda. Although the Company believes that services under EPC lump-sum contracts continue to be an effective business strategy, in order to offer higher values to clients, Chiyoda must devise a completely new style of engineering that can be added to conventional EPC project methods. A step in that direction is what we call EPCm (EPC + management). In achieving EPCm business, we will work with the plant owners from the planning stage, providing management services that help optimize operations throughout the entire plant life-cycle. This will be achieved by making full use of our technological prowess, project management expertise, and advanced IT systems. Chiyoda will pour managerial resources into the realization of the EPCm business model in order to continue to offer our clients every higher value and this will result in our gaining a variety of EPC business opportunities.

The Company will pursue a fresh concept of what defines an engineering company in this new century. This will entail providing a wide range of services through marketing, project planning, and execution to support of plant operation and maintenance. Achievement will come from integrating business expertise not only from our Group companies but also from alliance partners, flexible responses to our clients' wants and needs, and maximum use of our global network.

June 28, 2001

Nobuo Seki
President and CEO

INTERNATIONAL MARKETS

Bird's-eye view of the Oman LNG complex, Qalhat, Oman

Overview of the International Markets

Overall, the world engineering market has not yet shown sufficient signs of activity. However, Southeast Asian countries saw an accelerating recovery from their economic crises, which began in 1997. International gas and oil prices have remained at relatively high levels, and gas- and oil-producing countries, Chiyoda's major clients, are enjoying the benefits. Consequently, an increasing number of projects is being planned in both Southeast Asia and oil-producing countries. The major oil companies seem vigorous, and their investment appears to be increasing. These encouraging indications have gradually caused positive reactions among regional and international investors, and Chiyoda sees signs of an increase in business opportunities worldwide. Although these signs have yet to show sufficient strength, Chiyoda achieved its target for new contracts during the fiscal year.

LNG (Liquefied Natural Gas) Sector

Chiyoda made a significant achievement in completing the Oman LNG Complex, which boasts the world's largest ever LNG production capacity of 3.3 million tons per year per train (MMTY). Completion of the first LNG train required just 38 months, and was finished within the contractual deadline in December 1999. The second LNG train took 42 months and was completed in April 2000, two weeks ahead of schedule. Thanks to our achievement with the Oman LNG Complex, Chiyoda's outstanding performance in total quality control of health, safety, and environmental (HSE) concerns as well as in project management is now well recognized throughout the LNG industry. In addition, Chiyoda's reputation was strengthened during fiscal 2001 by a series of new contracts for Front End Engineering Design (FEED) and Project Specification (PS) from various eminent LNG ventures.

The first FEED contract Chiyoda received in FY2001 came in April 2000 from Pertamina/bp for the grass-roots Tangguh LNG project located in Irian-Jaya, Indonesia. We were then awarded a PS contract for a Sakhalin LNG project in October 2000 by Shell Global Solutions International B.V. (Shell-GSI) on behalf of Sakhalin Energy Investment Company. The contract was for a challenging world-class LNG project on Sakhalin Island, Russia, where the client envisions application of the Shell Double MR process. This project is especially significant because it is the first PS contract Chiyoda has ever received from Shell-GSI, the leading technology provider in the LNG industry.

Another significant PS contract also came in October 2000. It was for the Oman LNG 3rd Train, an expansion of the well-known Oman LNG Project. Apparently Chiyoda's excellent performance on the original Oman LNG complex was a major reason why we were awarded the PS contract for the third train expansion from Shell-GSI.

Chiyoda's services in developing LNG projects are not only for major well-established clients, but also for new LNG ventures in emerging markets worldwide. For example, in November 2000, Union Fenosa Gas of Spain awarded Chiyoda a FEED contract for two trains in an LNG complex located in the port of Damietta in Egypt. Due to government deregulation in Spain, Union Fenosa Gas S.A., one of Spain's leading power generation companies, will be an LNG plant owner as well as an LNG buyer. Egypt, the site of the Union Fenosa project, is expected to be the next LNG export country due to the recent discovery of large gas reserves there. Experts say Egypt's current proven natural gas reserve is 40 trillion cubic feet and its anticipated reserves are estimated at more than 100 trillion cubic feet. Situated on the Mediterranean coast, Egypt is ideally located to export LNG to European markets.

We expect to receive contracts for the EPC phase of several LNG projects during this fiscal year. Chiyoda will maintain its leadership position among LNG contractors by meticulous examination of every phase of LNG project development and relentless improvement in our competitiveness through cost reduction and technological advances.

A view of CCR reforming units constructed in a Turkmenbashi refinery

Hydrocarbon & Chemicals Sector

Middle East

Chiyoda is engaged in several major projects in the Middle East, which remains a major area of operations for the Company. During the fiscal year, one large-scale petrochemical project was successfully completed, three months ahead of schedule. The project, an ethylene oxide/ethylene glycol (EO/EG) plant in Saudi Arabia, clearly demonstrated Chiyoda's superior capabilities in the execution of large-scale plant engineering and construction.

We are currently seeking more projects in the region, particularly in the fields of ethylene and its derivatives, fertilizers, and gas-oriented petrochemical projects, which are booming there.

Southeast Asia and China

In Southeast Asia, Thai Olefins Co., Ltd. awarded Chiyoda a contract for its olefins plant expansion project. Chiyoda is collaborating on the project with Kellogg Brown & Root, Inc. (KBR), which owns the ethylene technology.

Chiyoda also completed a world-class ethylene plant for ExxonMobil Asia Pacific Pte. Ltd. in Singapore. The project was a joint venture with KBR.

Southeast Asia is gradually recovering from its economic crises and signs are that petrochemical and refinery projects in the region have become more active recently.

In China, Chiyoda garnered four petrochemical project contracts between 1999 and 2001. We are currently engaged in five on-going projects in that country, including an underground LPG storage terminal for BP Ningbo Huadong LPG Co., Ltd.

Chiyoda successfully completed a 225,000 T/Y purified terephthalic acid (PTA) plant for SINOPEC in China. We were in charge of engineering, procurement, and construction supervision for the project.

Latin America

Chiyoda, in a joint venture with three other companies, signed a lump-sum turnkey contract with Petróleos de Venezuela S.A. (PDVSA) for a refinery modernization project at PDVSA's Puerto La Cruz refinery in Venezuela.

Several large projects are being planned in the petroleum, gas, and petrochemical sectors in Latin America, especially Mexico and Venezuela. Chiyoda will actively pursue these projects.

Central Asia and Africa

Chiyoda completed two major projects in Central Asia during the fiscal year. One was the 750,000 T/Y CCR reformer project for the Ministry of Oil and Gas Industries and Mineral Resources of Turkmenistan. The other was a utility modernization project for the ethylene plant of the state concern "Azerchimia" in Azerbaijan. These projects were the first EPC lump-sum turnkey projects financed by the Japan Bank for International Cooperation in those two countries.

Oil-rich Central Asia represents important markets to Chiyoda. To help secure our position there, Chiyoda did two feasibility studies in anti-pollution fields for Azerbaijan.

Africa also offers important future markets. Libya, for example, is an oil-rich nation, and Chiyoda recently completed a feasibility study entitled "Study on Effective Utilization of Natural Gas Resources in Libya."

Outlook and Strategies

Fiscal 2001 saw the completion of Chiyoda's financial and technical restructuring, and we also met our objectives in terms of new contracts. Based on these attainments, we are confident that Chiyoda will achieve our new contract targets in fiscal 2002 as well. Our confidence stems from our selection and concentration approach, wherein we concentrate on the projects in which Chiyoda can differentiate itself from other contractors. The Company will also continue to seek collaboration successes with partners such as KBR for olefin technology, CTCI in East Asia, CCC in the Middle East, and Larsen & Toubro Limited in India. We are committed to the exploration of prosperous markets, especially in Southeast Asia, the Middle East, and Latin America. In addition, we will widen our prospects by cultivating other potential markets.

A view of the process units area of the Singapore Olefins Project

DOMESTIC & GENERAL INDUSTRIES MARKETS

In August 2001, Chiyoda completed the expansion of vaporization facilities for the LNG receiving terminal at Futtsu Power Plant of Tokyo Electric Power Co., Inc., where Chiyoda has been engaged in engineering and construction since 1985 when we constructed its first grass-roots facilities.

Overview of the Domestic Markets

The domestic hydrocarbon sector showed basic recovery trends overall. The Company achieved substantial orders for equipment and facilities to help meet environmental regulations in the energy sector as well as for pharmaceutical facilities and chemical plants, among others.

Petroleum Refining

In the domestic petroleum industry, excessive production capacity has caused a continuing severe business environment. Nevertheless, rationalization and improvements meant to strengthen competitiveness; capital investment to boost energy efficiency; and new and revamped equipment to help meet environmental regulations led to new orders for Chiyoda. Noteworthy new orders included an ultra-deep desulfurization unit for gas oil for Taiyo Oil Co., Ltd., and a flue gas de-SOx process unit employing our Catalytic SOx-Oxidation (CASOX) process for Koa Oil Co., Ltd.

In October 2000, Chiyoda completed a research facility in Osaka for the Japan Health Science Foundation, a state-of-the-art storage bank for human and animal cells and genes.

Petrochemicals & Chemicals

In order to overcome increasing international competition, the domestic petrochemical industry conducted a complete restructuring and realignment, including integration and intensification of the Ethylene Center. In this environment, Chiyoda received new orders for a Bisphenol-A production plant from Mitsubishi Chemical Corporation and an expansion project for polycarbonate resin production plant (No.3) for Teijin Polycarbonate Singapore Pte. Ltd.

Gas & Power

LNG consumption has grown as a result of its superiority in terms of environmental programs, and as a result, the Company received new orders for receiving LNG-related facilities from major electric power and gas companies. Also, Chiyoda is participating in a joint venture that received an order for the No.1 and No.2 increments of the Fukushima Terminal from Japan LPG Storage Co., Ltd.

Pharmaceuticals & Medical

In the pharmaceuticals sector, Chiyoda was able to capitalized upon our reputation for reliable technology and upon our track record of successful projects to garner orders for new projects and expansion projects in the field of pharmaceutical facilities. The new orders included a bulk pharmaceutical multipurpose plant for Central Glass Co., Ltd. and a construction project for a microbiological laboratory building for Meiji Seika Kaisha, Ltd.

General Manufacturing

In the general manufacturing sector, both semiconductors and liquid crystal display (LCD) industries showed substantial growth during this fiscal year. Against this background, Chiyoda continued to obtain new IT-related orders, including a triacetyl-cellulose (TAC) film manufacturing plant (TAC films are a key material for polarizing filters used in LCD panels) and a factory for X-ray films used for medical purposes for Konica Corporation. In addition, we received an order for a chocolate factory from Fuji Oil Co., Ltd.

Automotive

In the North American market, which set records for production and sales in the first half, Chiyoda became the first Japanese company to receive an order for overall management consulting operations from a local North American company. The project is construction of an assembly plant for the Hummer II project, a joint venture between General Motors (GM) and AM General, which makes military Jeeps. We also completed the GMT-355 line plan for the tie-up project between Isuzu and the GM Truck Division. From the Chrysler Division of Daimler Chrysler, the Company received its first order for an innovative conceptual study of the 2004 project plan.

In March 2001, Chiyoda announced the establishment of an independent affiliated company.

It will be responsible for the joint venture with Project Advisors International, Inc. of the United States and is called Chiyoda & PAC Co., Ltd.

Space Development

Since 1996, Chiyoda has been involved in the development of the International Space Station (ISS) for the National Space Development Agency of Japan (NASDA). In fiscal 2000, Chiyoda executed two major contracts to develop experimental hardware for the Japan Experiment Module (JEM) for the ISS; both were in their final stages. In addition, Chiyoda received two new contracts from NASDA for development of ISS hardware. The JEM will be launched and put into operation in 2004. The module will then be operated and used for 10 to 15 years, supported by the continuing development of new hardware. Furthermore, NASDA plans to open the JEM up to commercial use. Therefore, the ISS-related market has begun on a firm basis, thanks to NASDA's initiative, and should grow significantly with commercial use and the involvement of the private sector.

Prospects and Strategies

In the chemical sector, we expect more investments in comparatively large overseas facilities by our Japanese customers. And in the fine chemical and pharmaceutical sectors, investments in domestic equipment and facilities seems to be improving. Therefore, we anticipate substantial new orders in these sectors.

In the domestic energy sector, the shift to cleaner energy caused by environmental concerns and the need for equipment and facilities to meet environmental regulations serve to stimulate investment in new facilities. Here, our track record and proven technical prowess are tools we can use in aggressive marketing activities aimed at procuring new orders.

In April 2001, Chiyoda completed Bayer's research complex in Kyoto. It performs a core function in Bayer's world research strategy.

TECHNOLOGY OUTLOOK

Advanced Engineering & Solutions Service

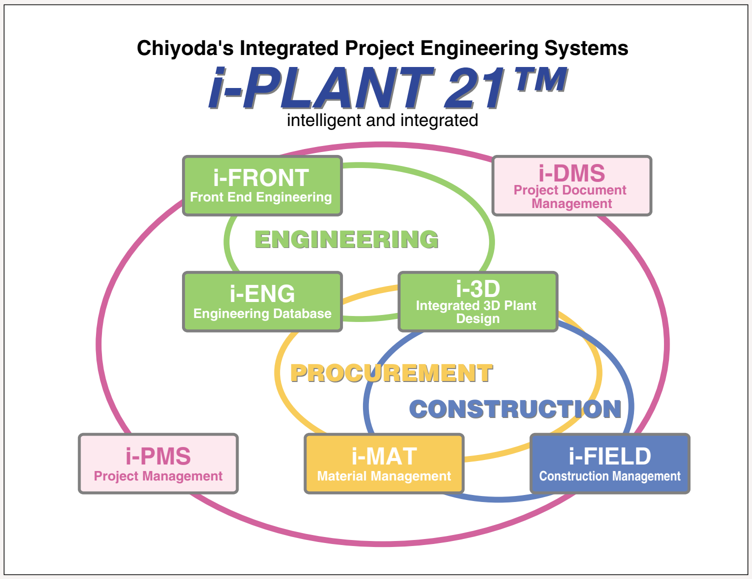
Chiyoda inaugurated the Advanced Engineering and Solutions Service (AES) Business Division in August 2000. The AES Business Division is charged with organically integrating engineering specialty technologies such as Applied Mechanics & Materials Engineering, Risk & Reliability Engineering, Advanced Control & Simulation Engineering, and Plant IT Solutions Engineering, and creating a unique Chiyoda service that provides advanced solutions for a plant's total life cycle. With AES, Chiyoda can more effectively meet our clients' needs as an engineering solutions provider.

Integrated Project Engineering Systems (i-Plant 21™)

The successful application of information technology (IT) is crucial for successful Project Engineering execution in today's highly competitive market. Chiyoda has established an IT platform named i-Plant 21™ for use in the increasingly competitive EPC business.

i-Plant 21™ is an integrated and intelligent project engineering system for use throughout a project's life cycle. It provides an uniform platform to realize high-quality, low-cost project engineering within a limited schedule.

The following figure shows the concept of i-Plant 21™, which consists of seven major sub-systems covering from front-end engineering to plant completion. It is electronically integrated and utilizes standardized data and work-flow.



Technology Alliances & Development

In fiscal 2001, Chiyoda made several major achievements in terms of its technology portfolio:

Polyolefins

Chiyoda was appointed one of bp's licensing agents to promote their renowned gas phase polyethylene and polypropylene technology (collectively called the Innovene Process) in the designated regions. We are the only Japanese engineering company to receive such a licensing appointment from bp. This appointment adds to our long-standing position as one of bp's core contractors for EPC work, and proves that our many successful projects with bp have led the firm to recognize Chiyoda's technological capabilities.

Caprolactam

DSM Fibre Intermediates B.V. of the Netherlands established a business alliance with Chiyoda for its caprolactam processes. In this alliance, Chiyoda will assist DSM in developing a new process by rendering the engineering services, as well as collaborating on the execution of projects based on the process. Our track record of successful projects during our long-standing relationship with DSM led to recognition of Chiyoda's technological capabilities and development of this collaborative effort.

Flue Gas Desulfurization

Chiyoda focuses on the field of environmental protection, which has now become of global importance. As a concerned corporate citizen, Chiyoda has a long history of developing technologies to improve environmental friendliness. In this field, we have commercialized a technology called CT-121 — a limestone-gypsum wet process that removes SOx from flue gases of boilers, incinerators, and other such furnaces.

CT-121 is appreciated by our clients for its superior performance, and has been installed in more than 30 projects worldwide.

Chiyoda is constructing a flue gas desulfurization plant utilizing its CT-121 technology for Kobe Steel, Ltd.'s Kobe power station, which will have 700MW×2 units. When completed in April 2004, the power station will be largest coal-fired power station in Japan.

Furthermore, with the mounting environmental concern in the United States, Chiyoda has granted an exclusive license to Black & Veatch Corporation to promote, engineer, and construct CT-121 facilities in Canada and the U.S.

In addition to CT-121, Chiyoda developed another effective flue gas desulfurization technology called Catalytic SOx-Oxidation (CASOX). It was developed in collaboration with Hokuriku Electric Power Company, and uses a catalytic reaction to remove SOx. The design is simple and the cost more than reasonable, giving CASOX definite competitive advantages. The first commercial application of this technology should go on line around the end of 2002.

Advanced High-Temperature Air Combustion Technology for Steam Reforming Process

Development of an advanced steam reformer incorporating high-temperature air combustion technology is one of the project targets in the national project (officially called HiCOT project) of Japan subsidized by the Ministry of Economy, Trade and Industry (METI), entrusted by New Energy and Industrial Technology Development Organization (NEDO), and re-entrusted by Energy Conservation Center, Japan (ECCJ). The project is being carried out jointly by Chiyoda and Nippon Furnace Kogyo Kaisha, Ltd. from fiscal year 1999 to 2003.

The research is expected to clarify the effect of high-temperature air combustion and heat transfer characteristics on a steam reformer. Burner location, tube pitch, and other aspects of geometric design will be the thrust of study. In addition, these data will be summarized in a database and the control factors of those characteristics will be evaluated.

Based on such data and evaluation, a practical design method for the steam reformer, including performance estimation and control technology, will be established through computer simulation.

Superior Engineering Prizes

The Engineering Advancement Association of Japan (ENAA) awarded the 20th Engineering Achievement Award, which went to our project team, for development of the Gresik copper smelter and refinery complex project in Indonesia. ENAA also awarded a prize to the engineering team, which included client and Chiyoda personnel, that developed the world's first commercial plant for ^{13}C methane production utilizing LNG cold potential.

MAIN PROJECTS

(April 2000 — March 2001)

International Markets

	Client	Project	Location
New Contracts	**Pertamina/bp**	LNG Plant (FEED)	Indonesia
	Shell Global Solutions International B.V. (Shell-GSI)	LNG Plant (Project Specification)	Russia
	Shell Global Solutions International B.V. (Shell-GSI)	LNG Plant (Project Specification)	Oman
	Union Fenosa Gas S.A.	LNG Plant (FEED)	Egypt
	Thai Olefins Co., Ltd.	Ethylene Plant	Thailand
	Petróleos de Venezuela S.A. (PDVSA)	Refinery Modernization	Venezuela
	China National Blue Star Chemical Cleaning Corp.	Bisphenol A Plant	China
	————	Petrochemical Plant	China
	————	Petrochemical Plant	China
	Saudi Fertilizer Company	Debottlenecking of Urea Plant (Basic Engineering)	Saudi Arabia
	New Energy & Industrial Technology Development Organization/Myanmar Petrochemical Enterprize	Fertilizer Plant (Revamp)	Myanmar
Backlog of Contracts	**P.T. Badak NGL**	LNG Plant (DCS Retrofit)	Indonesia
	Teijin Polycarbonate Singapore Pte. Ltd.	Polycarbonate Plant No. 3	Singapore
	BP Ninbo Huandong LPG Co., Ltd.	LPG Underground Storage Terminal	China
Projects Completed	**Oman LNG L.L.C.**	LNG Complex	Oman
	Ras Laffan Liquefied Natural Gas Co., Ltd.	LNG Plant (FEED)	Qatar
	Abu Dhabi Gas Liquefaction Co., Ltd.	LP & BOG Capture Maximization (FEED)	U.A.E.
	ExxonMobil Asia Pacific Pte. Ltd.	Ethylene Plant	Singapore
	Shell Eastern Petroleum Pte. Ltd. (SEPL)	Condensate Spliter Unit	Singapore
	SINOPEC International	PTA Plant	China
	State Concern "Azerchimia"	Utility Modernization Project for Ethylene Plant	Azerbaijan
	Ministry of Oil and Gas Industry and Mineral Resources of Turkmenistan	Hydrotreater and CCR Plant	Turkmenistan
	Eastern Petrochemical Company (SHARQ)	Ethylene Glycol Plant	Saudi Arabia
	Qatar Fuel Additives Co., Ltd. (QAFAC)	Methanol/MTBE Complex	Qatar
	Teijin Polycarbonate Singapore Pte. Ltd.	Polycarbonate Resin Plant No. 2	Singapore

Domestic & General Industries Markets

	Client	Project	Location
New Contracts	**Taiyo Oil Co., Ltd.**	Deep Hydrodesulfurization Plant	Ehime
	Koa Oil Co., Ltd.	Sulphur Recovery Unit (SRU), Hydrogen Production Unit (HPU), Catalyst Flue Gas Desulfurization Unit (Cat. FGD)	Osaka
	Japan LPG Storage Co., Ltd.	LPG Storage Terminal	Nagasaki
	Mitsubishi Chemical Corp.	Bisphenol A Plant	Fukuoka
	Fuji Oil Co., Ltd.	Chocolate Factory	Ibaragi
	Shin-Higashi Nihon Sugar Manufacturing Corp.	Sugar Factory Revamping	Chiba
	Central Glass Co., Ltd.	Bulk Pharmaceutical Plant	Yamaguchi
	Meiji Seika Kaisha, Ltd.	Laboratory	Kanagawa
	Konica Corp.	TAC Film Products Plant	Hyogo
	Konica Corp.	Medical Film Plant	Yamanashi
	Kosei Kigyo	Co-generation Plant with Heavy Duty Oil	Hokkaido
	Nippon Mitsubishi Oil Corp.	Installation of Discharger for Coal Storage Terminal	Yamaguchi
	Asahi Glass Company	Laboratory	Chiba and Kashima
	Teijin Limited	Health Care Products Factory (Expansion)	Yamaguchi
Backlog of Contracts	**The Okinawa Electric Power Co., Inc.**	Flue Gas Desulfurization Plant	Okinawa
	The Tokyo Electric Power Co., Inc.	LNG Process Piping work	Chiba
	The Tokyo Electric Power Co., Inc.	LNG Facilities Controll System for Disaster Prevention	Chiba
	The Tokyo Electric Power Co., Inc.	Expansion of LNG Facilities	Kanagawa
	Toho Gas Co., Ltd.	LNG Process Piping Work	Aichi
	Kobe Steel, Ltd.	Flue Gas Desulfurization Plant (No. 1)	Hyogo
	Kobe Steel, Ltd.	Flue Gas Desulfurization Plant (No. 2)	Hyogo
	The Kansai Electric Power Co., Inc.	Flue Gas Desulfurization Plant	Kyoto
	Japan Nuclear Fuel Limited	Vessels for Nuclear Fuel Reprocessing Plant	Aomori
	Japan Nuclear Fuel Limited	Utility Facilities	Aomori
	Kaihatsu Denki, Co., Ltd.	Ash Handling Facility	Kanagawa
	Mie Prefectural Government/Fuji Electric Co., Ltd.	RDF Fired Power Plant	Mie
	Fresenius Medical Care Japan K.K.	CAPD Bags Manufacturing Plant	Fukuoka
	Bayer Yakuhin, Ltd.	Laboratory	Kyoto
	Nippon Shinyaku Co., Ltd.	Solid Dosage Plant	Kanagawa
	Fujisawa Pharmaceutical Co., Ltd.	Finishing Facility	Toyama
	Oriental Land Co., Ltd.	5 Ride-attractions for Theme Park	Chiba
Projects Completed	**Kansai International Airport Co., Ltd.**	Expansion of Hydrant Facility	Osaka
	The Tokyo Electric Power Co., Inc.	Reconstruction for LNG Facilities	Chiba
	Hokuriku Electric Power Company	Water Treatment Facility	Fukui
	Tokyo Gas Co., Ltd.	LNG Process Piping Work	Kanagawa
	Konica Corp.	Enhancing of TAC Film Products Plant	Hyogo
	Department of Foreign Affairs and International Trade	Canadian Embassy Staff Quarters	Tokyo
	Japan Health Science Foundation	Laboratory	Osaka
	Jyogashima Suisan Co., Ltd.	Seafood Processing Factory	Kanagawa

CONSOLIDATED FIVE-YEAR FINANCIAL SUMMARY

Years ended March 31

	Millions of Yen				
	2001	2000	1999	1998	1997
For the Year:					
Construction contracts	**¥ 128,665**	¥ 168,963	¥ 312,234	¥ 303,476	¥ 445,350
Cost of Construction contracts	**131,240**	154,112	308,703	329,446	478,031
Income (loss) before income taxes and minority interests	**(3,357)**	1,553	(10,534)	(49,796)	(50,305)
Net income (loss)	**(4,607)**	698	(11,623)	(51,795)	(53,320)
At Year-End:					
Total assets	**¥ 114,652**	¥ 153,099	¥ 213,920	¥ 257,746	¥ 350,537
Total shareholders' equity	**15,023**	8,181	6,208	5,931	57,761
Working capital	**2,241**	(19,594)	(22,942)	(29,624)	20,945
Current ratio (%)	**102.6**	84.5	87.7	87.4	107.6
Long-term debt	**11,346**	12,545	13,518	7,569	8,401
Per Common Share (Yen)**:**					
Net income (loss)	**¥ (20)**	¥ 3	¥ (58)	¥ (265)	¥ (273)
Shareholders' equity	**81**	33	25	30	296
Other Statistics:					
Number of shares outstanding* (thousands)	**¥ 185,429**	248,357	248,357	195,224	195,224

* At year-end

CONSOLIDATED FINANCIAL REVIEW

Operating Results

In fiscal 2001, ended March 31, 2001, revenues from construction contracts on a consolidated basis totaled ¥128,665 million (US$1,038 million), a decrease of 23.9% from the previous year.

The cost of construction contracts decreased by 14.8%, to ¥131,240 million (US$1,058 million).

Selling, general and administrative expenses decreased by ¥3,745 million, to ¥11,259 million (US$908 million) through the reduction of fixed expenses.

Other income increased by ¥8,771 million, to ¥10,477 million (US$84 million) due primarily to gains on the discharge of liabilities.

As a result, the loss before taxes and minority interests was ¥3,357 million (US$27 million), down from an income of ¥1,553 million (US$12.5 million) in the previous year, and the net loss per common share amounted to ¥20 (US$0.16). In light of this performance, the Company decided to forgo the payment of dividends for fiscal 2001.

During the year, the Company was awarded a total of ¥139,412 million (US$1,124 million) in contracts. International contracts accounted for ¥58,300 million (US$470 million), or 41.8% of the total, with domestic contracts making up the remaining ¥81,112 million (US$654 million). The backlog of contracts as of March 31, 2001, stood at ¥164,250 million (US$1,325 million), with domestic contracts accounting for ¥108,580 million (US$876 million) of the total and international contracts for ¥55,669 million (US$449 million).

Financial Position

As of March 31, 2001, total assets amounted to ¥114,652 million (US$925 million), ¥38,447 million lower than those of the previous year. This decline was a ¥19,436 million fall in total current assets, ¥5,411 million fall in net property, plant and equipment, and ¥13,600 million fall in total investment and other assets. The fall in total current assets was due mainly to liquidation of marketable securities.

Total investments and other assets decreased by ¥13,600 million to ¥19,464 million (US$157 million), mainly from a decrease in long-term receivables and long-term loans.

On the other side of the balance sheet, total current liabilities decreased by ¥41,271 million, to ¥85,452 million (US$689 million), mainly because of reductions in short-term bank loans. As a result, the current ratio was up from the previous fiscal year-end, to 102.6%.

Total shareholders' equity rose by ¥6,842 million, to ¥15,023 million (US$121 million). The shareholder's equity ratio was 13.1%, up from a year earlier. The accumulated deficit as of March this year was entirely written off in June, according to a resolution at the shareholders' meeting, and offset with the additional paid-in capital, a part of the shareholders' equity.

Cash Flows

Net cash used in operating activities totaled ¥15,398 million (US$124 million), comprising ¥4,607 million (US$37 million) in net loss and ¥14,277 million (US$115 million) in outflows from non-cash adjustments, and ¥3,486 million (US$28 million) provided by net changes in operating assets and liabilities.

Net cash provided by investing activities amounted to ¥31,446 million (US$254 million), up ¥10,730 million, due primarily to proceeds from sales of investment securities of ¥22,635 million (US$183 million).

Net cash used in financing activities totaled ¥16,082 million (US$130 million), comprising cash outflows for the repayment of short-term bank loans and the repayment of long-term debt, which offset inflows from proceeds from long-term debt and the issuance of common stock.

As a result, cash and cash equivalents, end of year, increased by ¥627 million, to ¥33,913 million (US$273 million).

CONSOLIDATED BALANCE SHEETS

Chiyoda Corporation and Consolidated Subsidiaries
Years Ended March 31, 2001 and 2000

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2001	2000	**2001**
CURRENT ASSETS:			
Cash and cash equivalents	**¥ 33,913**	¥ 33,286	**$ 273,492**
Marketable securities (Note 5)		25,321	
Short-term investments	**1,731**	1,460	**13,960**
Notes and accounts receivable — trade (Notes 3 and 8)	**19,312**	22,867	**155,742**
Allowance for doubtful accounts	**(148)**	(182)	**(1,194)**
Costs and estimated earnings on long-term construction contracts (Note 4)	**12,920**	4,887	**104,194**
Costs of construction contracts in process (Note 4)	**10,506**	12,005	**84,726**
Prepaid expenses and other (Notes 3, 7 and 8)	**9,459**	7,485	**76,282**
Total current assets	**87,693**	107,129	**707,202**
PROPERTY, PLANT AND EQUIPMENT (Note 8)**:**			
Land	**2,703**	3,937	**21,798**
Buildings and structures	**6,609**	10,079	**53,298**
Machinery and equipment	**8,838**	15,267	**71,274**
Construction in progress	**1**	26	**8**
Total	**18,151**	29,309	**146,378**
Accumulated depreciation	**(10,656)**	(16,403)	**(85,935)**
Net property, plant and equipment	**7,495**	12,906	**60,443**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 5)	**2,504**	2,295	**20,194**
Investments in and advances to unconsolidated subsidiaries and associated companies (Notes 6 and 7)	**4,689**	4,164	**37,814**
Long-term loans	**26**	3,761	**210**
Long-term receivables (Note 7)	**13,526**	17,403	**109,080**
Other investments	**5,995**	6,843	**48,347**
Allowance for doubtful accounts	**(7,276)**	(2,319)	**(58,677)**
Foreign currency translation adjustments		917	
Total investments and other assets	**19,464**	33,064	**156,968**
TOTAL	**¥ 114,652**	¥ 153,099	**$ 924,613**

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2001	2000	**2001**
CURRENT LIABILITIES:			
Short-term bank loans (Notes 8 and 11)	**¥ 25,232**	¥ 68,927	**$ 203,484**
Current portion of long-term debt (Notes 8 and 11)	**720**	2,472	**5,806**
Notes and accounts payable — trade (Note 11)	**42,038**	36,596	**339,016**
Advance receipts on construction contracts	**8,269**	9,588	**66,685**
Liability for financial support to subsidiaries		1,000	
Accrued expenses and other	**9,193**	8,140	**74,138**
Total current liabilities	**85,452**	126,723	**689,129**
NON-CURRENT LIABILITIES:			
Long-term debt (Notes 8 and 11)	**11,346**	12,545	**91,500**
Liability for retirement benefits (Note 9)	**2,330**	5,168	**18,790**
Other liabilities	**63**	80	**509**
Total non-current liabilities	**13,739**	17,793	**110,799**
MINORITY INTERESTS	**438**	402	**3,532**
CONTINGENT LIABILITIES (Notes 3 and 14)			
SHAREHOLDERS' EQUITY (Note 10)**:**			
Common stock, ¥50 par value — authorized, 650,000 thousand shares in 2001 and 780,000 thousand shares in 2000; issued and outstanding, 185,429 thousand shares in 2001 and 248,357 thousand shares in 2000	**12,028**	20,385	**97,000**
Additional paid-in capital	**29,473**	23,654	**237,685**
Accumulated deficit	**(26,289)**	(35,858)	**(212,008)**
Foreign currency translation adjustments	**(178)**		**(1,435)**
Total	**15,034**	8,181	**121,242**
Treasury stock — at cost	**(11)**		**(89)**
Total shareholders' equity	**15,023**	8,181	**121,153**
TOTAL	**¥ 114,652**	¥ 153,099	**$ 924,613**

CONSOLIDATED STATEMENTS OF OPERATIONS

Chiyoda Corporation and Consolidated Subsidiaries
Years Ended March 31, 2001 and 2000

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2001	2000	**2001**
CONSTRUCTION CONTRACTS (Notes 3 and 4)	**¥ 128,665**	¥ 168,963	**$ 1,037,621**
COST OF CONSTRUCTION CONTRACTS (Note 4)	**131,240**	154,112	**1,058,387**
Gross profit (loss)	**(2,575)**	14,851	**(20,766)**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 13)	**11,259**	15,004	**90,799**
Operating loss	**(13,834)**	(153)	**(111,565)**
OTHER INCOME (EXPENSES):			
Interest and dividend income (Note 3)	**1,149**	1,236	**9,266**
Interest expense	**(1,561)**	(1,556)	**(12,589)**
Gain on discharge of liabilities (Note 11)	**19,778**		**159,500**
Gain (loss) on sales of marketable and investment securities	**(2,295)**	4,962	**(18,508)**
Loss on devaluation of marketable securities		(1,630)	
Equity in earnings of associated companies	**2,829**	791	**22,815**
Foreign exchange gain (loss)	**673**	(414)	**5,427**
Amortization of negative goodwill	**48**	186	**387**
Reversal of allowance for financial support to subsidiaries	**1,000**	1,474	**8,065**
Additional retirement benefits paid to employees	**(2,847)**	(2,639)	**(22,960)**
Provision for doubtful accounts	**(5,027)**	(1,043)	**(40,540)**
Gain on liquidation of subsidiaries		386	
Loss on devaluation of property, plant and equipment	**(2,019)**	(210)	**(16,282)**
Other — net	**(1,251)**	163	**(10,089)**
Other income — net	**10,477**	1,706	**84,492**
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS	**(3,357)**	1,553	**(27,073)**
INCOME TAXES (Note 12)**:**			
Current	**1,220**	756	**9,839**
Deferred	**(16)**	87	**(130)**
Total	**1,204**	843	**9,709**
MINORITY INTERESTS IN NET INCOME	**(46)**	(12)	**(371)**
NET INCOME (LOSS)	**¥ (4,607)**	¥ 698	**$ (37,153)**

	Yen		U.S. Dollars
NET INCOME (LOSS) PER COMMON SHARE (Note 2)	**¥ (20)**	¥ 3	**$ (0.16)**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Chiyoda Corporation and Consolidated Subsidiaries
Years Ended March 31, 2001 and 2000

	Thousands	Millions of Yen				
	Shares of Common Stock	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, APRIL 1, 1999	248,357	¥ 20,385	¥ 23,654	¥ (37,831)		
Adjustment of deficit for:						
Adoption of deferred tax accounting method				348		
Newly consolidated subsidiaries				(57)		
Liquidation of consolidated subsidiaries				150		
Application of equity method				840		
Net income				698		
Bonuses to directors				(6)		
BALANCE, MARCH 31, 2000	248,357	20,385	23,654	(35,858)		
Reverse stock split (Note 10)	**(124,178)**	**(14,176)**	**14,176**			
Transfer to deficit (Note 10)			**(14,176)**	**14,176**		
Issuance of common stock (Note 10)	**61,250**	**5,819**	**5,819**			
Net loss				**(4,607)**		
Increase in treasury stock						**¥ (11)**
Foreign currency translation adjustments					**¥ (178)**	
BALANCE, MARCH 31, 2001	**185,429**	**¥ 12,028**	**¥ 29,473**	**¥ (26,289)**	**¥ (178)**	**¥ (11)**

	Thousands of U.S. Dollars (Note 1)				
	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, MARCH 31, 2000	$ 164,396	$ 190,758	$(289,178)		
Reverse stock split (Note 10)	**(114,323)**	**114,323**			
Transfer to deficit (Note 10)		**(114,323)**	**114,323**		
Issuance of common stock (Note 10)	**46,927**	**46,927**			
Net loss			**(37,153)**		
Increase in treasury stock					**$ (89)**
Foreign currency translation adjustments				**$(1,435)**	
BALANCE, MARCH 31, 2001	**$ 97,000**	**$ 237,685**	**$(212,008)**	**$(1,435)**	**$ (89)**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Chiyoda Corporation and Consolidated Subsidiaries
Years Ended March 31, 2001 and 2000

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2001	2000	**2001**
OPERATING ACTIVITIES:			
Income (loss) before income taxes and minority interests	**¥ (3,357)**	¥ 1,553	**$ (27,073)**
Adjustment for:			
Income taxes paid	**(847)**	(604)	**(6,831)**
Depreciation and amortization	**1,751**	2,134	**14,121**
Provision for (reversal of) allowance for doubtful accounts—net	**4,923**	(4,788)	**39,702**
Reversal of retirement benefits—net	**(2,935)**	(1,784)	**(23,669)**
Reversal of allowance for financial support to subsidiaries	**(1,000)**	(1,681)	**(8,065)**
Loss (gain) on sales of marketable and investment securities—net	**2,295**	(4,962)	**18,508**
Loss on devaluation of marketable securities		1,630	
Loss on devaluation of property, plant and equipment	**2,019**	210	**16,282**
Gain on discharge of liabilities	**(19,778)**		**(159,500)**
Foreign exchange (gain) loss—net	**(245)**	379	**(1,976)**
Bonuses to directors		(6)	
Equity in earnings of associated companies	**(2,829)**	(791)	**(22,815)**
Changes in operating assets and liabilities:			
(Increase) decrease in notes and accounts receivable and costs and estimated earnings on long-term construction contracts	**(4,478)**	19,030	**(36,113)**
Decrease in costs of construction contracts in process	**1,499**	6,206	**12,089**
Decrease in interest and dividend receivable	**2,342**	432	**18,887**
Increase (decrease) in trade notes and accounts payable	**5,442**	(23,068)	**43,887**
Decrease in advance receipts on construction contracts	**(1,319)**	(18,628)	**(10,637)**
Other—net	**1,119**	8,214	**9,025**
Total adjustments	**(12,041)**	(18,077)	**(97,105)**
Net cash used in operating activities	**(15,398)**	(16,524)	**(124,178)**
INVESTING ACTIVITIES:			
Proceeds from sales of marketable securities		17,392	
Proceeds from sales of investment securities	**22,635**	734	**182,540**
Purchases of property, plant and equipment	**(213)**	(1,101)	**(1,718)**
Proceeds from sales of property, plant and equipment	**2,528**	1,300	**20,387**
Proceeds from collections of long-term receivables	**7,337**		**59,169**
Other—net	**(841)**	2,391	**(6,781)**
Net cash provided by investing activities	**31,446**	20,716	**253,597**
FINANCING ACTIVITIES:			
Net decrease in short-term bank loans	**(34,903)**	(15,199)	**(281,475)**
Proceeds from long-term debt	**10,050**	2,437	**81,048**
Repayments of long-term debt	**(2,864)**	(4,621)	**(23,097)**
Proceeds from issuance of common stock	**11,638**		**93,854**
Other—net	**(3)**	(85)	**(24)**
Net cash used in financing activities	**(16,082)**	(17,468)	**(129,694)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**661**	(967)	**5,331**
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR		1,026	
CASH AND CASH EQUIVALENTS OF EXCLUSION OF CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR		(853)	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**627**	(14,070)	**5,056**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**33,286**	47,356	**268,436**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥ 33,913**	¥ 33,286	**$ 273,492**

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Chiyoda Corporation and Consolidated Subsidiaries
Years Ended March 31, 2001 and 2000

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 Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

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. Also, certain reclassifications have been made to the 2000 financial statements in order for them to conform to the classifications used in 2001. In accordance with accounting procedures generally accepted in Japan, certain comparative disclosures are not required to be and have not been presented herein.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which 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 ¥124 to $1, the approximate rate of exchange at March 31, 2001. 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, 2001, include the accounts of the Company and its 32 (33 in 2000) significant subsidiaries (together, the "Group"). Under the control or influence concept, those companies in which the Parent, directly or indirectly, has a control over operations are fully consolidated.

Investments in four 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 net assets at the respective dates of acquisition, has been 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. Construction Contracts

Revenues on construction contracts greater than ¥5 billion and having a construction duration of more than 18 months is recognized on the percentage-of-completion method in 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 costs 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 costs incurred on the other contracts are presented as a current liability.

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

c. Cash and 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 short-term investments, all of which mature or become due within three months of the date of acquisition.

d. Marketable and Investment Securities

Prior to April 1, 2000, marketable securities and other investment securities are, in principle, stated at cost as determined by the moving-average method. However, where its market value declines to less than half of the carrying value and such decline is deemed to be other than temporary, the value of the securities is written down to market. Effective April 1, 2000, the Group adopted a new accounting standard for financial instruments, including marketable and investment securities.

Under this standard, all applicable securities are classified as available-for-sale securities and stated at cost as determined by the moving-average cost method. However, where its market value declines to less than half of the carrying value and such decline is deemed to be other than temporary, the value of the securities is written down to market.

The effect of adoption of the new accounting standard was to decrease marketable securities classified as current assets by ¥25,321 million ($204,202 thousand) and increase investment securities by the same amount as of April 1, 2000.

The new standard allows companies to delay the implementation of fair value reporting and continue to utilize the cost basis for up to one year after the effective date. Effective April 1, 2001, available-for-sale securities will be reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity. Had fair value reporting been adopted as of March 31, 2001, available-for-sale securities, unrealized gains, deferred tax liabilities and minority interests would have been increased (decreased) as follows:

	Millions of Yen	Thousands of U.S. Dollars
Available-for-sale securities	¥ 550	$ 4,436
Unrealized gains	40	323
Deferred tax liabilities	29	234
Minority interests	2	16

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.

e. 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 potential losses in the receivables outstanding.

f. Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is computed using the declining-balance method, except for the buildings owned by the Company and leased property owned by a certain leasing subsidiary which are computed using the straight-line method, based on the estimated useful lives of the assets. The range of useful lives is from 38 to 64 years for buildings and from 2 to 15 years for machinery and equipment.

g. 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).

h. Retirement Benefits

Under the employees' retirement plans for the Company and certain consolidated subsidiaries, prior to April 1, 2000, the liability for employees' retirement benefits was stated at the actuarial computed present value of severance payment costs for employees eligible for severance payments at each balance sheet date, less the amount funded in the pension plan.

Effective April 1, 2000, the Company and 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 ¥12,213 million ($98,492 thousand), determined as of the beginning of year, is being amortized and charged to income over 15 years and presented as operating expense in the statements of operations. As a result, net periodic benefit costs as compared with the prior method, decreased by ¥1,981 million ($15,976 thousand) and loss before income taxes and minority interests decreased by ¥1,429 million ($11,524 thousand).

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

i. Research and Development Costs

Research and development costs are charged to income when incurred.

j. Leases

All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem 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.

k. Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations. 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 based of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

l. Foreign Currency Transactions

Prior to April 1, 2000, short-term receivables and payables denominated in foreign currencies were translated into Japanese yen the current exchange rates prevailing at the respective balance sheet date, while long-term receivables and payables denominated in foreign currencies were translated at the transaction date rates.

Effective April 1, 2000, the Company and domestic consolidated subsidiaries adopted a revised accounting standard for foreign currency transactions. In accordance with the revised standard, all short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the statement of operations to the extent that they are not hedged by forward exchange contracts. As a result of adopting the revised accounting standard for foreign currency transactions, loss before income taxes and minority interests increased by ¥139 million ($1,121 thousand).

m. 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 shareholders' equity, which is translated at the historical rate. Prior to April 1, 2000, differences arising from such translation were shown as "Foreign currency translation adjustments" as either an asset or liability in the balance sheet. Effective April 1, 2000, such differences are shown as "Foreign currency translation adjustments" in a separate component of shareholders' equity in accordance with the revised accounting standard for foreign currency transactions. Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of balance sheet date.

n. Derivative Financial Instruments

The Company uses a variety of derivative financial instruments, including foreign currency forward contracts and currency options as a means of hedging exposure to foreign currency risks. The Company does not enter into derivatives for trading or speculative purposes.

Effective April 1, 2000, the Company adopted a new accounting standard for derivative financial instruments and a revised accounting standard for foreign currency transactions. These standards required that: (a) all derivatives be recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are 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 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.

Currency options are utilized to hedge foreign exchange risks. These options which qualify for hedge accounting are measured at market value at the balance sheet date and the unrealized gains or losses are deferred until maturity as other liability or asset.

The adoption of the new accounting standard for derivative financial instruments did not have a material effect on the Company's consolidated financial statements.

o. Per Share Information

The computation of net income (loss) per share is based on the weighted average number of shares of common stock outstanding during each year. The average number of common shares used in the computation was 185,429 thousand shares for 2001 and 248,357 thousand shares for 2000, respectively.

Fully diluted net income per share is not disclosed because of the Company's net loss position.

3. TRANSACTIONS WITH UNCONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES

Significant transactions with and balances due from unconsolidated subsidiaries and associated companies at March 31, 2001 and 2000, are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Transactions:			
Construction contract revenues	**¥ 12,679**	¥ 6,425	**$ 120,250**
Interest and dividend income	**75**	454	**605**
Due from:			
Notes and accounts receivable—trade	**33**	685	**266**
Short-term loans included in "Prepaid expenses and other"		130	

The Company has guaranteed the indebtedness of certain unconsolidated subsidiaries and associated companies in the amount of ¥4,017 million ($32,395 thousand) at March 31, 2001.

4. CONSTRUCTION CONTRACTS

Costs and estimated earnings recognized with respect to construction contracts which are accounted for by the percentage-of-completion method at March 31, 2001 and 2000, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Costs and estimated earnings	**¥317,053**	¥ 313,970	**$ 2,556,879**
Amounts billed	**(304,133)**	(309,083)	**(2,452,685)**
Net	**¥ 12,920**	¥ 4,887	**$ 104,194**

Costs of construction contracts in process which are accounted for by the completed-contract method at March 31, 2001 and 2000, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Costs incurred	**¥ 32,872**	¥ 29,740	**$ 265,097**
Amounts billed	**(22,366)**	(17,735)	**(180,371)**
Net	**¥ 10,506**	¥ 12,005	**$ 84,726**

5. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2001 and 2000, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Current:			
Equity securities		¥ 25,205	
Government and corporate bonds		3	
Trust fund investments		113	
Total		¥ 25,321	
Non-current:			
Equity securities	**¥ 2,502**	¥ 2,295	**$ 20,178**
Trust fund investments	**2**		**16**
Total	**¥ 2,504**	¥ 2,295	**$ 20,194**

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2001, were as follows:

	Carrying Amount	
	Millions of Yen	Thousands of U.S. Dollars
Equity securities	¥ 2,024	$16,323

Proceeds from sales of available-for-sale securities for the year ended March 31, 2001, were ¥22,542 million ($181,790 thousand). Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥2,308 million ($18,613 thousand) and ¥4,665 million ($37,621 thousand), respectively.
The carrying amounts of marketable and debt securities and the related aggregate market values at March 31, 2000, excluding those for certain securities for which market information was not available, were as follows:

	Millions of Yen		
	Carrying Amount	Aggregate Market Value	Unrealized Gain (Loss)
Current	¥ 24,097	¥ 20,553	¥ (3,544)
Non-current	13	14	1
Total	¥ 24,110	¥ 20,567	¥ (3,543)

The difference between the above carrying value and the amounts shown in the accompanying consolidated balance sheets principally consists of money management funds and non-marketable securities for which there is no readily-available market from which to obtain or calculate the market value thereof.

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

Investments in and advances to unconsolidated subsidiaries and associated companies at March 31, 2001 and 2000, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Investments	**¥ 3,209**	¥ 3,139	**$ 25,879**
Advances	**1,480**	1,025	**11,935**
Total	**¥ 4,689**	¥ 4,164	**$ 37,814**

7. LONG-TERM RECEIVABLES

Long-term receivables at March 31, 2001 and 2000, include receivables of ¥8,129 million ($65,556 thousand) and ¥15,440 million, respectively, from Nigerian National Petroleum Company ("NNPC") relating to services performed by the Company before then 1998. The Company has negotiated payment terms with NNPC and has collected ¥7,337 million ($59,169 thousand) during the year ended March 31, 2001, but the repayment schedule of the remaining balance is not determined due to the economical and political circumstances in Nigeria.
The Company also has receivables and other assets in the amount of ¥6,351 million ($51,218 thousand) and ¥6,261 million as of March 31, 2001 and 2000, respectively, from Karunaphuli Fertilizer Company Limited ("KAFCO"), a Bangladesh company, and its related parties as follows. In March 2001, KAFCO, its shareholders and banks reached basic agreement about financial restructuring under the supervision of the Bangladesh government and KAFCO has started making payments based on the schedule defined in the financial restructuring plan.

	Millions of Yen	Thousands of U.S. Dollars
Prepaid expenses and other	¥ 232	$ 1,871
Investments in and advances to unconsolidated subsidiaries and associated companies	2,082	16,790
Long-term receivables	4,037	32,557
Allowance for doubtful accounts	(647)	(5,218)
Total	¥ 5,704	$ 46,000

8. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans bear interest at rates ranging from 1.375% to 8.050% and from 1.500% to 2.625% at March 31, 2001 and 2000, respectively. Short-term bank loans at March 31, 2001 and 2000, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Collateralized	**¥ 3,655**	¥ 23,332	**$ 29,476**
Uncollateralized	**21,577**	45,595	**174,008**
Total	**¥ 25,232**	¥ 68,927	**$ 203,484**

Long-term debt at March 31, 2001 and 2000, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Long-term loans from banks and insurance companies, maturing serially through 2010, with interest rates ranging from 1.725% to 6.900% (2001) and from 0.710% to 7.700% (2000):			
Collateralized	**¥ 1,146**	¥ 1,476	**$ 9,242**
Uncollateralized	**10,920**	13,541	**88,064**
Total	**12,066**	15,017	**97,306**
Current portion	**(720)**	(2,472)	**(5,806)**
Total	**¥ 11,346**	¥ 12,545	**$ 91,500**

Subordinated loans in the amount of ¥10,000 million ($80,645 thousand) from The Bank of Tokyo-Mitsubishi, Ltd. was included in 'Uncollateralized' at March 31, 2001 and 2000.
Annual maturities of long-term debt at March 31, 2001, was as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2002	¥ 720	$ 5,806
2003	751	6,056
2004	238	1,919
2005	88	710
2006 and thereafter	10,269	82,815
Total	¥ 12,066	$ 97,306

The following assets were pledged as collateral for short-term debt at March 31, 2001:

	Millions of Yen	Thousands of U.S. Dollars
Prepaid expenses and other	¥ 1,000	$ 8,065
Land	1,323	10,670
Buildings and structures—net of accumulated depreciation	675	5,444
Total	¥ 2,998	$ 24,179

The following assets were pledged as collateral for long-term debt at March 31, 2001:

	Millions of Yen	Thousands of U.S. Dollars
Notes and accounts receivable—trade	¥ 591	$ 4,766
Land	519	4,186
Buildings and structures—net of accumulated depreciation	983	7,927
Total	¥ 2,093	$ 16,879

9. RETIREMENT BENEFITS

Employees who terminate their services with the Company are, under most circumstances, entitled to receive lump-sum retirement benefits based upon their rates of pay at the time of termination, years of service and certain other factors. However, an employee who terminates at 50 years of ages or older with service of at least 20 years is entitled to receive an annuity from the trustee under the pension plan which covers such employees. If the annuity does not reach the level of total retirement benefits due, the remainder would be paid by the Company.
Certain consolidated subsidiaries also have severance payment and pension plans similar to those of the Company.
Retirement benefits include retirement benefits to directors and corporate auditors in the amount of ¥534 million ($4,306 thousand) and ¥437 million for the years ended March 31, 2001 and 2000, respectively. The retirement benefits to directors and corporate auditors are paid subject to the approval of the shareholders.
Effective April 1, 2000, the Company and domestic consolidated subsidiaries adopted a new accounting standard for employees' retirement benefits.

The liability for employees' retirement benefits at March 31, 2001, consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
Projected benefit obligation	¥ 31,008	$ 250,065
Fair value of plan assets	(16,854)	(135,919)
Unrecognized transitional obligation	(11,372)	(91,710)
Unrecognized actuarial loss	(1,017)	(8,202)
Prepaid pension cost	31	250
Net liability	¥ 1,796	$ 14,484

The components of net periodic benefit costs are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Service cost	¥ 1,202	$ 9,694
Interest cost	982	7,919
Expected return on plan assets	(841)	(6,782)
Amortization of transitional obligation	841	6,782
Net periodic benefit costs	¥ 2,184	$ 17,613

Assumptions used for the year ended March 31, 2001, are set forth as follows:

	2000
Discount rate	3.0 %
Expected rate of return on plan assets	5.0 %
Recognition period of actuarial gain/loss	13 years
Amortization period of transitional obligation	15 years

Severance and pension expenses aggregated ¥1,719 million for the year ended March 31, 2000.

10. SHAREHOLDERS' EQUITY

The authorized number of shares was 570,000 thousand and 700,000 thousand shares of common stock with a par value of ¥50 per share as of March 31, 2001 and 2000, respectively, and 80,000 thousand shares of non-voting, non-cumulative preferred stock without par value as of March 31, 2001 and 2000.

Under the Commercial Code of Japan (the "Code"), at least 50% of the issue price of new shares, with a minimum of the par value thereof, is required to be designated as stated capital. The portion which is to be designated as stated capital is determined by resolution of the Board of Directors. Proceeds in excess of the amounts designated as stated capital are to be credited to additional paid-in capital.

Under the Code, amounts equal to at least 10% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each fiscal period must be set aside as a legal reserve until such reserve equals 25% of stated capital. This reserve amount, which is included in accumulated deficit, totals ¥2,975 million ($23,992 thousand) and ¥2,970 million as of March 31, 2001 and 2000, respectively, and is not available for dividends but may be used to reduce a deficit or may be transferred to stated capital.

The Company may also transfer, upon approval of the shareholders, a portion of unappropriated retained earnings available for dividends to the capital stock account.

At a special meeting of the shareholders held on January 17, 2001, the shareholders approved a reduction in the authorized number of shares of common stock by 130,000,000 shares to 650,000,000 shares. In addition, the shareholders approved a 2 to 1, reverse stock split whereby on February 20, 2001, a total of 124,178 shares were redeemed totaling ¥14,176 million ($114,323 thousand).

At a Board of Directors meeting held on March 28, 2001, the Directors approved a transfer of ¥14,176 million ($114,323 thousand) from additional paid-in capital as a reduction in accumulated deficit in order to improve the financial stability of the Company.

On March 30, 2001, the Company issued 61,250,000 shares to certain existing shareholders. The issue price was ¥190 per share for total proceeds of ¥11,638 million ($93,854 thousand), which were applied equally to common stock and additional paid-in capital.

11. GAIN ON DISCHARGE OF LIABILITIES

A new restructuring plan was introduced in 2000. It consists of the three major initiatives. They are; 1) financial restructuring to reinforce our financial position and structure, 2) business Plan focusing on the core business areas, and 3) streamlining the corporate operation by reducing fixed costs.
The Company requested and received approval from certain financial institutions and a company to waive repayment of outstanding liabilities to these entities which were classified as short-term bank loans, notes payable and long-term debt. The discharge of these liabilities of ¥19,778 million ($159,500 thousand) was recorded as a gain in the statement of operations for the year ended March 31, 2001.

12. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 42% for the years ended March 31, 2001 and 2000.
The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2001 and 2000, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Deferred tax assets:			
Tax loss carryforwards	**¥ 41,960**	¥ 44,388	**$ 338,387**
Cost of construction contracts	**5,725**	2,321	**46,169**
Retirement benefits	**630**	2,147	**5,081**
Loss on long-term construction contracts	**245**	734	**1,976**
Write-off of accounts receivable		701	
Allowance for doubtful accounts	**2,807**	671	**22,637**
Allowance for loss on investment		581	
Loss on devaluation of costs of construction contracts in process	**365**	425	**2,944**
Liability for financial support to subsidiaries		420	
Loss on devaluation of property, plant and equipment	**1,489**		**12,008**
Additional retirement benefits paid to employees	**657**		**5,298**
Other	**3,630**	2,245	**29,274**
Less valuation allowance	**(57,270)**	(54,379)	**(461,855)**
Total	**238**	254	**1,919**
Deferred tax liabilities	**44**	57	**354**
Net deferred tax assets	**¥ 194**	¥ 197	**$ 1,565**

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2001 and 2000, and the actual effective tax rates reflected in the accompanying consolidated statements of operations, is as follows:

	2001	2000
Normal effective statutory tax rate	**42 %**	42 %
Expenses not deductible for income tax purposes	**(4)**	12
Effect of taxation on dividends	**2**	(8)
Inhabitant taxes per capita levy	**(2)**	4
Foreign income taxes	**(7)**	13
Valuation allowance for deferred tax assets	**(84)**	(28)
Equity in earnings of associated companies	**35**	(22)
Operating losses of subsidiaries	**(17)**	45
Lower income tax rates applicable to income in certain foreign countries	**(1)**	(4)
Actual effective tax rate	**(36) %**	54 %

Under the current Japanese tax regulations, a net operating loss can be carried forward for five years and deducted from any future taxable income. The Company and consolidated subsidiaries have a net operating loss carryforward of approximately ¥99,918 million ($805,790 thousand) at March 31, 2001.

13. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥399 million ($3,218 thousand) and ¥1,041 million for the years ended March 31, 2001 and 2000, respectively.

14. LEASES

Income from equipment leases held by a subsidiary for the years ended March 31, 2001 and 2000, was ¥268 million ($2,161 thousand) and ¥340 million, respectively.
The Company and a subsidiary lease certain machinery, computer equipment, office space and other assets. Total rental expenses under the above leases were ¥110 million ($887 thousand) and ¥93 million for the years ended March 31, 2001 and 2000, respectively.
Pro forma information of 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, 2001 and 2000, was as follows:

Year Ended March 31, 2001

	For Lessor					
	Millions of Yen			Thousands of U.S. Dollars		
	Machinery and Equipment	Other	Total	Machinery and Equipment	Other	Total
Acquisition cost	**¥ 975**	**¥ 70**	**¥ 1,045**	**$ 7,863**	**$ 564**	**$ 8,427**
Accumulated depreciation	**756**	**50**	**806**	**6,097**	**403**	**6,500**
Net leased property	**¥ 219**	**¥ 20**	**¥ 239**	**$ 1,766**	**$ 161**	**$ 1,927**

	For Lessee					
	Millions of Yen			Thousands of U.S. Dollars		
	Machinery and Equipment	Other	Total	Machinery and Equipment	Other	Total
Acquisition cost	¥ 369	¥ 45	¥ 414	$ 2,976	$ 363	$ 3,339
Accumulated depreciation	163	15	178	1,315	121	1,436
Net leased property	¥ 206	¥ 30	¥ 236	$ 1,661	$ 242	$ 1,903

	Millions of Yen		Thousands of U.S. Dollars	
	Unearned Lease Income (As Lessor)	Obligations under Finance Lease (As Lessee)	Unearned Lease Income (As Lessor)	Obligations under Finance Lease (As Lessee)
Due within one year	**¥ 138**	**¥ 74**	**$ 1,113**	**$ 597**
Due after one year	**146**	**162**	**1,177**	**1,306**
Total	**¥ 284**	**¥ 236**	**$ 2,290**	**$ 1,903**

Year Ended March 31, 2000

	Millions of Yen	
	Unearned Lease Income (As Lessor)	Obligations under Finance Lease (As Lessee)
Due within one year	¥ 248	¥ 92
Due after one year	300	91
Total	¥ 548	¥ 183

Depreciation expense for lessor, which is reflected in the accompanying consolidated statements of operations, computed by the straight-line method was ¥176 million ($1,419 thousand) for the year ended March 31, 2001.
Depreciation expense for lessee, which is not reflected in the accompanying consolidated statements of operations, computed by

the straight-line method was ¥110 million ($887 thousand) for the year ended March 31, 2001.
The amounts of unearned lease income and obligations, acquisition cost and depreciation under finance leases include the imputed interest income portion and interest expense portion, respectively.

15. DERIVATIVES

The Company enters into foreign exchange forward contracts and currency option 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 management and the execution and control of derivatives are controlled by the Company's Financing Department. Each derivative transaction is periodically reported to the Company's Accounting Department and executive officers.
Forward exchange contracted amounts which are assigned to associated assets or liabilities and are reflected on the balance sheet at year end are not subject to the disclosure of market value information.
The total of forward exchange contracted amounts which were not reflected on the consolidated balance sheets and currency option contracts as of March 31, 2000, were as follows:

Year Ended March 31, 2000		Millions of Yen	
	Amount of Foreign Currency	Equivalent Yen Valued at Forward Exchange Rate	Equivalent Yen Valued at Forward Exchange Rate as of March 31, 2000
Foreign exchange forward contracts:			
Buying forward:			
U.S. dollars	**48,658 thousand**	**¥ 5,182**	**¥ 5,025**
German marks	**9,569 thousand**	**629**	**485**
Singapore dollars	**5,872 thousand**	**354**	**355**
Other		**169**	**162**
Total		**¥ 6,334**	**¥ 6,027**
Selling forward:			
U.S. dollars	**8,186 thousand**	**¥ 866**	**¥ 853**
Other		**20**	**20**
Total		**¥ 886**	**¥ 873**

	Millions of Yen	
	Contract Amount	Fair Value
Currency options contracts:		
Call:		
U.S. dollars	¥ 3,804	
(Option premiums on balance sheet)	(166)	¥ 18
Put:		
U.S. dollars	¥ 3,312	
(Option premiums on balance sheet)	(166)	¥ 49

All of the derivative contracts outstanding at March 31, 2001, are foreign exchange contracts which qualify for hedge accounting and excluded from the above-mentioned market value information.

16. SUBSEQUENT EVENT

The following proposed disposition of accumulated deficit of the Company at March 31, 2001, was approved at the shareholders meeting held on June 28, 2001:

	Millions of Yen	Thousands of U.S. Dollars
Reversal of additional paid-in capital	¥ 23,655	$190,766
Reversal of legal reserve	2,815	22,702
Accumulated deficit to be carried forward	7,343	59,217

17. SEGMENT INFORMATION

Information about foreign operations and sales to foreign customers of the Company and consolidated subsidiaries for the years ended March 31, 2001 and 2000, was as follows:

(1) Foreign Operations

Year Ended March 31, 2001	Millions of Yen							
	Japan	Asia	Europe	North America	Other	Subtotal	Eliminations (Corporate)	Consolidated
Construction contract revenue:								
Outside customers	**¥ 120,186**	**¥6,902**	**¥ 53**	**¥1,524**		**¥ 128,665**		**¥ 128,665**
Intersegment	**17,707**	**998**	**765**	**62**		**19,532**	**¥ (19,532)**	
Total	**137,893**	**7,900**	**818**	**1,586**		**148,197**	**(19,532)**	**128,665**
Operating expenses	**151,224**	**7,261**	**816**	**1,612**	**¥ 36**	**160,949**	**(18,450)**	**142,499**
Operating income (loss)	**¥(13,331)**	**¥ 639**	**¥ 2**	**¥ (26)**	**¥ (36)**	**¥ (12,752)**	**¥ (1,082)**	**(13,834)**
Other income and expenses — net								**10,477**
Loss before income taxes and minority interests								**¥ (3,357)**
Assets	**¥ 116,792**	**¥7,281**	**¥ 143**	**¥ 344**	**¥ 207**	**¥ 124,767**	**¥ (10,115)**	**¥ 114,652**

Year Ended March 31, 2001	Thousands of U.S. Dollars							
	Japan	Asia	Europe	North America	Other	Subtotal	Eliminations (Corporate)	Consolidated
Construction contract revenue:								
Outside customers	**$ 969,243**	**$55,661**	**$ 427**	**$12,290**		**$1,037,621**		**$1,037,621**
Intersegment	**142,799**	**8,048**	**6,169**	**500**		**157,516**	**$(157,516)**	
Total	**1,112,042**	**63,709**	**6,596**	**12,790**		**1,195,137**	**(157,516)**	**1,037,621**
Operating expenses	**1,219,549**	**58,556**	**6,581**	**13,000**	**$ 290**	**1,297,976**	**(148,790)**	**1,149,186**
Operating income (loss)	**$(107,507)**	**$5,153**	**$ 15**	**$ (210)**	**$ (290)**	**$ (102,839)**	**$ (8,726)**	**(111,565)**
Other income and expenses—net								**84,492**
Loss before income taxes and minority interests								**$ (27,073)**
Assets	**$ 941,871**	**$58,718**	**$1,153**	**$2,774**	**$1,669**	**$1,006,185**	**$ (81,572)**	**$ 924,613**

Year Ended March 31, 2000	Millions of Yen							
	Japan	Asia	Europe	North America	Other	Subtotal	Eliminations (Corporate)	Consolidated
Construction contract revenue:								
Outside customers	¥161,075	¥5,367	¥ 520	¥2,001		¥ 168,963		¥ 168,963
Intersegment	19,406	547	390	76		20,419	¥ (20,419)	
Total	180,481	5,914	910	2,077		189,382	(20,419)	168,963
Operating expenses	181,553	5,908	923	1,918	¥ 30	190,332	(21,216)	169,116
Operating income (loss)	¥ (1,072)	¥ 6	¥ (13)	¥ 159	¥ (30)	¥ (950)	¥ 797	(153)
Other income and expenses — net								1,706
Income before income taxes and minority interests								¥ 1,553
Assets	¥153,614	¥6,005	¥ 427	¥1,081	¥ 418	¥ 161,545	¥ (8,446)	¥ 153,099

Notes: 1. The Company and consolidated subsidiaries are summarized into five segments by geographic area based on the countries where the companies are located.

The segments consisted of the following countries in 2001 and 2000:

Asia: Indonesia, Singapore, Philippines, Myanmar, Malaysia
Europe: United Kingdom, Germany, Poland
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, 2001 and 2000, were ¥2,661 million ($21,460 thousand) and ¥1,834 million, respectively.

Year Ended March 31, 2001	Millions of Yen			
	Asia	The Near and Middle East	Other	Total
Overseas sales (A)	**¥ 40,290**	**¥ 18,640**	**¥ 5,228**	**¥ 64,158**
Consolidated sales (B)				**128,665**
(A)/(B)	**31.31%**	**14.49%**	**4.06%**	**49.86%**

Year Ended March 31, 2001	Thousands of U.S. Dollars			
	Asia	The Near and Middle East	Other	Total
Overseas sales (A)	**$324,919**	**$150,323**	**$ 42,161**	**$ 517,403**
Consolidated sales (B)				**1,037,621**

Year Ended March 31, 2000	Millions of Yen			
	Asia	The Near and Middle East	Other	Total
Overseas sales (A)	¥ 44,038	¥ 35,722	¥ 20,083	¥ 99,843
Consolidated sales (B)				168,963
(A)/(B)	26.06%	21.14%	11.89%	59.09%

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

The segments consist of the following countries:

Year Ended March 31, 2001

Asia: Singapore, Indonesia, China and others
The Near and Middle East: Oman, Saudi Arabia, Qatar and others
Other: Azerbaijan and others

Year Ended March 31, 2000

Asia: China, Singapore, Thailand and others
The Near and Middle East: Qatar, Oman, Saudi Arabia and others
Other: Poland, Turkmenistan, Azerbaijan, United States of America and others

OPINION OF INDEPENDENT PUBLIC ACCOUNTANTS

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Deloitte Touche Tohmatsu

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Chiyoda Corporation:

We have examined the consolidated balance sheets of Chiyoda Corporation and consolidated subsidiaries as of March 31, 2001 and 2000, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Chiyoda Corporation and consolidated subsidiaries as of March 31, 2001 and 2000, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

As described in Note 7, the consolidated balance sheets at March 31, 2001 and 2000 include accounts receivable and other assets from Nigerian National Petroleum Corporation ("NNPC") and Karunaphuli Fertilizer Company Limited ("KAFCO").

As discussed in Note 11, the Company has implemented a new restructuring plan, which includes a business plan focusing on core business areas.

As discussed in Note 2, effective April 1, 2000, the consolidated financial statements have been prepared in accordance with a new accounting standard for employees' retirement benefits.

Our examinations 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 28, 2001

The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan. The standards, procedures and practices to audit such financial statements are those which are generally accepted and applied in Japan.

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

Chiyoda Shanghai Representative Office
Room 1501 CIMIC Tower, No.800 Shang
Cheng Rd. Pu Dong New Area, Shanghai,
200120, China
Tel: 86-21-6875-0034 Fax: 86-21-6875-0037

Chiyoda Singapore Representative Office
14 International Business Park, Jurong East,
Singapore 609922, The Republic of Singapore
Tel: 65-560-1274 Fax: 65-560-2563

Chiyoda Tehran Representative Office
2nd Floor, No.16, Mahtab St., Aftab St.,
Vanak Avenue, Tehran 19949, Iran
Tel: 98-21-803-6391, 805-8592
Fax: 98-21-805-8967

Singapore Human Resources Office
10 Anson Road #28-06A International Plaza
Singapore 079903, The Republic of Singapore
Tel: 65-324-0080 Fax: 65-324-0090

MAJOR SUBSIDIARIES AND AFFILIATED COMPANIES

OVERSEAS

Chiyoda International Corporation
1177 West Loop South, Suite 680, Houston, TX
77027, U.S.A.
Tel: 1-713-965-9005 Fax: 1-713-965-0075

Chiyoda International Limited
4th Floor Dorland House, 20 Regent Street,
London SW1Y 4PH, U.K.
Tel: 44-20-7867-1221 Fax: 44-20-7867-1414

Chiyoda Singapore (Pte) Limited
14 International Business Park, Jurong East,
Singapore 609922, The Republic of Singapore
Tel: 65-563-3488 Fax: 65-567-5231

Chiyoda Asia Pacific (Pte) Limited
14 International Business Park, Jurong East,
Singapore 609922, The Republic of Singapore
Tel: 65-425-0368 Fax: 65-569-6102

Chiyoda Malaysia Sdn. Bhd.
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

Chiyoda (Thailand) Limited
Bangkok Head Office
5th Floor, Dusit Thani Office Bldg., 946, Rama
IV Road, Bangkok 10500, Thailand
Tel: 66-2-236-8037 Fax: 66-2-236-6841
Sriracha Office
P.O. Box 7, Ao-Udom, Sriracha,
Cholburi 20230, Thailand
Tel: 66-38-352-315-8 Fax: 66-38-352-321

P.T. Chiyoda International Indonesia
7th Floor, ASPAC Kuningan Building Jl. H.R.
Rasunasaid Kav., X-2 No.4 Jakarta 12950,
Indonesia
Tel: 62-21-252-1066 Fax: 62-21-252-1101

L&T-Chiyoda Limited
B.P. Estate, National Highway No.8, Chhani,
Baroda-391740, Gujarat State, India
Tel: 91-265-771003/772855
Fax: 91-265-774985

C&E Corporation
C&E Corporation Bldg., Meralco Avenue
Corner, General Araneta Street, Pasing City,
Metro Manila, Philippines
Tel: 63-2-636-1001~8
Fax: 63-2-636-1013/1022

Chiyoda Petrostar Ltd.
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 Nigeria Limited
Lagos Head Office
Plot PC-12, 1st Floor, (All CO Plaza), Afribank
Street, Victoria Island, Lagos, Nigeria
Tel: 234-1-2613291 Fax: 234-1-2612565
Kaduna Branch Office
Kachia Road, 17KM, P.O. Box 1144, Kaduna,
Nigeria

Chiyoda & Public Works Co., Ltd.
No.1 (A), Thanthumar Road, 29 Ward
Thuwunna, Thingangyun Township, Yangon,
Union of Myanmar
Tel: 95-1-565615/579330 Fax: 95-1-579870

IN JAPAN

Chiyoda Kosho Co., Ltd.
Plant Engineering, Construction and
Maintenance, and Insuance Service

Chiyoda Keiso Co., Ltd.
Erectical and Instrumentation Engineering,
Equipment Supply, Installation and Maintenance

Chiyoda Techno Ace Co., Ltd.
Consulting, Engineering and Construction of
Pharmaceutical Plants, Laboratories and
Research Centers

U-Tech Consulting Co., Ltd.
Consulting for Industrial and Social, Regional
Development

IT Engineering Limited
IT Solutions and Software Development

Tokyo Plant Service Co., Ltd.
Plant Maintenance for LNG and Co-Gereration
Facilities

Environmental Engineering Corporation
Engineering and Construction for Environmental
Plants in Overseas Market

Chiyoda & PAC Co., Ltd.
Project Management, Engineering and
Installation of Automotive Plants

Arrow Business Consulting Corporation
Consulting Services for Finance and Accounting

Arrowhead International Corporation
Travel and Air Cargo Agent, Spare Parts Supply

Arrow Human Resources Co., Ltd.
Human Resources Supply and Training

(As of September 1, 2001)

BOARD OF DIRECTORS AND EXECUTIVE OFFICERS

President & CEO
Nobuo Seki*

Executive Vice Presidents
Akira Yamamura*
John L. Rose*
Naotake Naritomi*

Senior Managing Director
Hiizu Ichikawa*

Managing Directors
Atsuo Minamoto
Takashi Kubota
Hiroshi Kobayashi

Director
Albert J. Stanley

Corporate Auditors
Michihiko Kawana
Yoshio Ishiwata
Hideaki Fujioka

Senior Executive Officers
Yoshihiro Shirasaki
Akira Kadoyama
Hideo Nakatani
Hiroshi Shibata

Executive Officers
Madoka Koda
Wataru Shimono
Junichi Sakaguchi
Takashi Yamamoto

* Representative Directors

(As of June 28, 2001)

CORPORATE DATA

Established
January 20, 1948

Number of Employees
2,916
[Parent Company: 1,323]

Main Business Activities
Planning, design, procurement, construction, commissioning, and operation assistance of public- and private-sector facilities in such areas as gas, petroleum, petrochemicals, chemicals, coal, electric power, nonferrous metal processing, biochemistry, pharmaceutical manufacturing, medical treatment, food processing, factory automation and computer-integrated manufacturing, theme park development, space development, and distribution as well as related facilities for pollution prevention, environmental preservation and enhancement, and disaster prevention

Paid-in-Capital
¥12,027,676,450

Capital Stock Issued
185,428,529 shares

Number of Shareholders
18,758

Stock Exchange Listings
Tokyo, Osaka, Nagoya, Sapporo

Transfer Agent of Common Stock
The Mitsubishi Trust and Banking Corporation
4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005, Japan

(As of March 31, 2001)

CHIYODA CORPORATION

Head Office
12-1,Tsurumichuo 2-chome
Tsurumi-ku,Yokohama 230-8601,Japan
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