CHIYODA

Chiyoda Corporation
Annual Report 2002

Fiscal Year Ended March 31, 2002

PROFILE

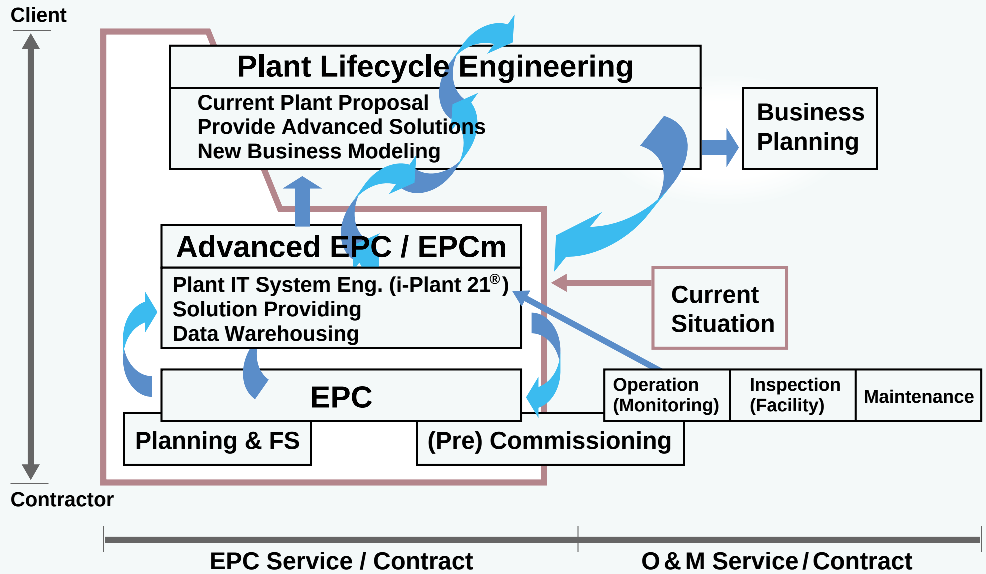
For more than 50 years, Chiyoda Corporation has constantly evolved to meet the fast-changing needs of its diverse customers around the world.

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 will continue its engineering, procurement and construction (EPC) business, while enlarging operations to include plant lifecycle engineering (PLE). This will enable Chiyoda to participate in plant planning, maintenance, operation, revamping, and business planning for future investment. The objective is to become a one-stop provider of everything Chiyoda customers need in the way of plant development and operations.

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.

"Where we are going."



CONTENTS

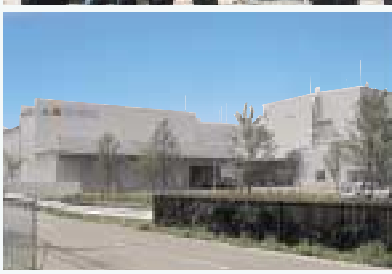
1 Profile
2 Business Highlights
3 A Message from the Management
5 Review of Operations
International Markets
Domestic & General Industries Markets
Technology Outlook
13 Financial Section
33 Corporate Directory
34 Board of Directors and Executive Officers
34 Corporate Data

Cover: Based on the Albert Memorial in Hyde Park, London, UK

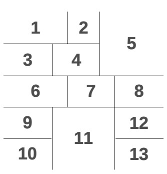
Forward-Looking Statements

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

BUSINESS HIGHLIGHTS



1 ADGAS President Al Jarwan visited Chiyoda for signing ceremony of LPG Train-4 FEED contract.
2 A ceremony marks 3 million hours of accident-free operation at BP Ningbo LPG bulk breaking terminal project in China.
3 Chiyoda completed technical center for Asahi Glass.
4 A Chiyoda consortium won a contract for a fertilizer complex in Iran from PIDMCO.
5 Chiyoda participated in the LNG13 International Exhibition held in Seoul, Korea, in May 2001 and made three presentaions at the conference.
6 Groundbreaking ceremony for the Mie Prefectural Government's RDF Fired Power Plant.
7 Chiyoda installed storage pile dischargers at the Nippon Oil coal center, Japan's largest, which handles 2.7 million tons of coal annually.
8 Completion ceremony for the sulfuric acid plant of Onahama Smelting & Refining. Chiyoda built the plant's tail gas treating unit.
9 Chiyoda completed a medical X-ray film factory project for Konica based on an EPC+management program.
10 Chiyoda completed ash handling facilities for Isogo Thermal Power Station Unit No.1 of EPDC (J-Power).
11 Chiyoda completed the CT-121 FGD plant for KOBELCO's Shinko Kobe Power Station No.1.
12 Chiyoda completed the Sankio Chemical clinical medicine production plant.
13 A solemn ceremony for a safe completion of a project to move the Toyo Roki main manufacturing plant.



A MESSAGE FROM THE MANAGEMENT

Nobuo Seki President and CEO

To Our Shareholders:

May we first express our appreciation for your understanding and support. We hope that your patience is being amply rewarded.

This report concerns the operations of Chiyoda Corporation during the fiscal year ending March 31, 2002.

Overall, the economy was sluggish, although exports were buoyed by the recovery seen in the United States. On the other hand, in Japan, a worsening employment situation resulted in a further slowdown in consumer spending and a shifting of production facilities overseas led to declining capital investments at home.

Overseas, the terrorist attacks of September 11, 2001, resulted directly in armed conflict in Afghanistan and indirectly in aggravated hostilities between Israel and the Palestinians. While there is some political instability in certain countries, adjustment in inventories, especially in the United States, has led to a brighter international economic outlook.

Business Activities in FY2002

In the domestic plant market, LNG receiving terminals, pharmaceuticals plants, and facilities to meet environmental standards showed healthy growth. However, the deflationary spiral of the current economy caused a very severe business environment overall.

In the overseas plant market, LNG projects were very active, stimulated by the move from oil and coal-fired power generation to LNG. We also saw some ethylene project movement, using natural gas as feed stock. Stabilization of oil prices at a fairly high level and technological advances have resulted in the realization of larger scale gas-initiative plants, which resulted in improved productivity. The increased availability of cheaper feed stock also helped the market grow. As a result, we saw some resurgence in overseas markets, especially in the Middle East.

This year, activities and projects resulting from our “New Restructuring Plan” were stimulated by our “Project Super X,” which was devised in an effort to achieve concrete results as quickly as possible. Project Super X went into action early in the fiscal year and helped us keep adverse effects of market fluctuations to a minimum, as well as assisting the Company in making the adjustments necessary to put us on a firm footing for stable profitability.

(1) Improving our fiscal position
As planned, five banks led by the Bank of Tokyo-Mitsubishi, and Mitsubishi Corporation, waived their credits against Chiyoda for a total of ¥2.8 billion in loans, as special liability exemptions. At the same time, we took measures to drastically reduce fixed costs and to sell off assets. In the end, we were able to significantly improve our fiscal position.

(2) Strengthening competitiveness
The practical application of overseas Low Cost Engineering Centers (LCEs) and low-cost subcontractors helped us create a very competitive position.

(3) Synergizing Group companies
By having each company concentrate upon its core business, and by clarifying each company’s strengths, we can harmonize common operations and management to make maximum use of the synergism created by our Group companies.

(4) Promoting information technology
The entire Chiyoda Group is moving ahead with groupwide integration of information technology, improvement of information security in today’s online environment, and launching of a Web-based IT initiative. These IT strategies will take effect in the coming fiscal year, and we believe our enhanced IT capabilities will help us take our business to a higher level.

(5) Fulfilling business planning management system
We introduced an overall budget program aimed at stringent control of general administrative and bidding costs.

In addition, for the proper control and management of each project, we have strengthened our process of checks at each stage (Design Review System and Milestone Monitoring System) designed to track the risks inherent within the project, identify approaching problems, and map out the steps to effective solutions. The corporate administration division conducts double checks (Cold Eye Review System) of all projects, and makes them while restraining influence and maintaining transparency.

At the management level, analysis of the risk management plan for each project is thoroughly and carefully assessed, so projects that Chiyoda should pursue can be identified by the Executive Committee, which consists of representative directors.

(6) Obtaining sources of outside manpower
We have set up a system whereby skilled contract employees, including some retired Chiyoda personnel, can be more effectively utilized.

(7) Strengthening alliances and joint ventures
In order to maintain and strengthen our technological advantage, Chiyoda has formed a number of technological and operational alliances with competent corporations that will help us fortify our competitive edge and contribute to our business development. In the fiscal period under review, we formed an alliance with a large Dutch chemical company, DSM Fibre Intermediates B.V., for Caprolactam processes. In addition, we licensed our Chiyoda Thoroughbred 121 flue gas desulfurization process technology to the Black & Veatch Corporation for the North American market and to Environmental Engineering Corporation for the Chinese market. Further, we entered into an agreement with Kellogg Brown & Root, Inc. (KBR) of the United States for residuum oil treating technology.

In Japan, we are conducting joint research with Nippon Furnace Kaisha, Ltd., with the aim of developing steam reformers using new combustion technology. We conducted the world's first test operation of this new technology, which received a great deal of attention at home and abroad.

Where large overseas projects are concerned, we are actively engaged in forming joint ventures with other companies in our industry, depending on characteristics and quality of the projects involved.

With these programs, we were able to reach our goal of becoming a lean, efficient, and profitable organization.

As a result of the efforts of each Chiyoda employee, we were able to win orders during the fiscal year amounting to ¥61.9 billion domestically, an increase of 11.2% over last year, and ¥121.4 billion overseas, an increase of 173.5%, for total orders received of ¥183.4 billion, an increase of 83.2%, which exceeded our projections.

Where revenues are concerned, the low orders received conditions of past years still affected us, so our construction contracts figure for domestic markets reached ¥70.5 billion, an increase of 77.3%, while the international markets figure reached ¥35.0 billion (33.0% decrease). Overall revenues were ¥105.6 billion in total, an increase of 14.7% over last fiscal year. Gross profits for the fiscal year were ¥370 million.
We worked hard at reducing selling, general and administrative expenses, but were faced with an operating loss of ¥6.6 billion at the end of the year. We did achieve some gains from favorable exchange rates, but our ordinary loss totaled ¥4.5 billion. In addition to the debt forgiveness gain of ¥2.8 billion, we also gained a net extraordinary profit of ¥5.6 billion from the sale of assets. Nevertheless, net income for the fiscal year came to only ¥53 million after payment of foreign taxes.

Strategy and Prospects

Since our founding, the Company has adhered to a single objective. To acquire resources, centering on energy, for Japan, which has few resources. In addition, our corporate stance is to contribute to society through technology that helps create energy. And, based upon this standard, we keep careful watch on government energy policies and pursue a place for our company as an engineering firm that helps establish Japan as the fount of world-leading technology.

Further, while continuing our well-received Engineering, Procurement, Construction (EPC) business, we plan to enlarge our operations to include PLE, or Plant Lifecycle Engineering. This will enable us to create a database that we can jointly access and operate with our customers, thereby enabling Chiyoda to participate in plant planning, maintenance, operation, revamping, and business planning for future investment. In other words, we will become a one-stop provider of everything our customers need in the way of plant development and operations. As a foundation for this strategy, we established Chiyoda Advanced Solutions Corporation (ChAS) as a subsidiary charged with developing non-EPC business such as consulting, using computer simulation and analysis for plant engineering purposes. With ChAS, we intend to concentrate on leading-edge technology that offers very high added value.

With proposals in our fields of expertise and leadership on the rise, we plan to capitalize on lessons learned from our business crises of the past and meet this new business with a lean, highly specialized, strong operational base. We aim to achieve profitability and return to a strong business foundation at the earliest possible opportunity.

We hope that our shareholders understand our situation and continue to support our efforts toward efficient and effective management and operations.

June 27, 2002

Nobuo Seki
President and CEO

Note: The above figures are non-consolidated data.

INTERNATIONAL MARKETS

Liquefied Natural Gas (LNG) Sector

Business Summary

Worldwide trends toward protecting the environment spur demand for LNG. New entrants into this market include such countries as China and India, while both the European countries and the United States are drastically increasing imports of LNG and boosting the LNG market. Considering these circumstances, a number of LNG projects are materializing worldwide.

During fiscal 2001, Chiyoda completed five major world-class LNG projects, supplying either Front End Engineering Design (FEED) or Project Specification (PS). They were: PS for the Sakhalin LNG Project in Russia, FEED for Train-I and Tangguh LNG projects in Indonesia, PS for Train-3 project in Oman, and FEED for LNG project in Egypt. Most of these LNG projects are now taking bids for selecting Engineering, Procurement, and Construction (EPC) contractor.

Major Projects

RasGas LNG Train-3

In April 2001, a Chiyoda consortium won a significant EPC contract for the RasGas Onshore Expansion Project by Ras Laffan Liquefied Natural Gas Co., Ltd. (II) (RasGas II), a joint venture of Qatar Petroleum and a subsidiary of ExxonMobil. The consortium consisted of Chiyoda and Mitsui & Co., Ltd., of Japan and Snamprogetti S.p.A. of Italy. The contract entails installation of the third LNG train, the world's largest, which would produce some 4.7 million tons of LNG per year per train (MMTY). The project also includes a number of contract options, such as an identical fourth LNG train, additional LNG tank and LNG loading facilities, and two trains of Sales Gas Units for the company's planned Enhanced Gas Utilization (EGU) project, which will export processed natural gas to neighboring countries. The contract is the second base-load LNG project for Chiyoda in Qatar, following the three trains we have completed for the first grassroots LNG project, which have made Qatar an LNG exporter.

Laying the cornerstone for the RasGas II Train-3 expansion project.

Qatargas LNG Debottlenecking

A joint venture of Chiyoda with Technip was awarded an EPC contract for the debottlenecking of the three existing LNG trains at the Ras Laffan facility of Qatar Liquefied Gas Co., Ltd. (QATARGAS), a joint venture among Qatar Petroleum, TotalFinaElf, ExxonMobil, Mitsui & Co., Ltd., and Marubeni Corporation. The debottlenecking project will replace and upgrade key process equipment such as compressors and turbines. The changes wrought by the debottlenecking project will boost each train's production capacity from 2 million to 3 million tons per year. The project work is expected to be completed during the four shutdown periods scheduled between 2002 and 2005. The expanded second LNG train should come on-stream in 2003, the third train in 2004, and the first train in 2005.

Chiyoda-Technip joint venture won the contract for an LNG plant debottllenecking project for Qatargas.

Qatar RasGas NGL FEED

Chiyoda received a contract for FEED on an Natural Gas Liquids (NGL) recovery project at Ras Laffan, Qatar, from the Ras Laffan LNG Co., Ltd., acting on behalf of ExxonMobil Gas Marketing Middle East Ltd. The project deals with one of the EGU facilities mentioned in Ras Gas LNG Train-3 above. It aims to use Qatar North Field natural gas to produce several grade feedstocks, including methane rich sales gas, high purity ethane for future ethylene production, commercial grade LPG, and condensates. These feedstocks will be sold to domestic and overseas industries. In addition, taking future expansion into consideration, the NGL recovery facilities are expected to become the world's largest at 2.0 billion SCFD.

ADGAS LPG FEED

Abu Dhabi Gas Liquefaction Co., Ltd. (ADGAS), a joint venture among the state-owned Abu Dhabi National Oil Company (ADNOC), Mitsui & Co., Ltd., BP, and TotalFinaElf, awarded Chiyoda a FEED contract for the LPG train-4 project. New environmental regulations forbid flaring of associated gas from any future increases in oil production by ADAMA-OPCO and by an ADNOC subsidiary. This new LPG plant project aims to satisfy those requirements. Key factors in ADGAS's selection of Chiyoda include the experience and expertise we stockpiled while completing a series of projects for ADGAS on Das Island as well as our technical and commercial competitiveness.

Tung Ting Gas LNG Terminal

Chiyoda and CTCI Corporation, a leading Taiwanese engineering company, formed a consortium that was awarded an engineering agreement for the Kuan-Tang LNG Receiving Terminal by the Tung Ting Gas Corporation in Taiwan. Tung Ting Gas is a joint venture among China Development Industrial Bank of Taiwan, President Group of Taiwan, Mitsubishi Corporation of Japan, and other Taiwanese and Japanese companies. After we complete the engineering work, Tung Ting plans to build Taiwan's second LNG Receiving Terminal.

Prospects for FY2002

Chiyoda expects awards for LNG EPC projects, especially from those for which we completed FEED work during the past two fiscal years. In order to maintain our leading position as an engineering contractor of the FEED and EPC phases in LNG projects, we continue to review and renew our activities to meet changing customer needs, based on our proven worldwide technical expertise, our successful track record, and our price competitiveness.

Hydrocarbon & Chemicals Sector

Business Summary

Global recessionary trends during the fiscal year meant that the world market for engineering contractors was generally not as active as we anticipated. Therefore, in Chiyoda's major markets such as the Middle East and Southeast Asia, only a limited number of projects moved toward materialization while many were delayed.

These market conditions made it difficult for engineering contractors to win contracts for new projects. At Chiyoda, fortunately, we met our projections in terms of new projects awarded. Our success in overseas business development came from the application of three principles: (1) careful selection of projects to pursue; (2) flexibility in forming consortium or joint venture partnerships; and (3) competitive pricing. Our competitive pricing is the direct result of restructuring of Chiyoda and Chiyoda subsidiaries, plus resolute efforts to find new and innovating ways of reducing engineering, procurement, and construction costs.

We also feel that our achievements during the fiscal year laid a firm foundation for continuing business success.

Major Projects

Dow Chemical Epoxy Resin Plant in China

This project is significant in at least two ways. First, it is our initial project for Dow Chemical, a world-leading petrochemical company. And second, China will surely be a significant market in the near future as major petrochemical companies like Dow make investments in that country. Thus we expect this project to play a vital role in our winning awards for projects from major oil and petrochemical companies that invest in China in the future.

A ceremony marks a world record for accident-free operation in two projects for Dow Chemical in China, prior to the award of a contract for an epoxy resin plant.

PIDMCO Fertilizer Complex in Iran

Iran holds the world's second-largest natural gas reserves, and we believe it is a very important potential market for Chiyoda. In addition, this project is doubly important because we won the award by forming a consortium that includes Toyo Engineering Corporation (TEC), which is usually a formidable competitor in the fertilizer field. We expect this project to be a significant first step toward mutual collaboration on future work, in the same way as our collaboration with JGC Corporation on a refinery modernization project in Venezuela.

UNITED Ethylene Plant in Saudi Arabia

Saudi Arabia is one of Chiyoda's most important markets. We wish to have on-going projects in Saudi Arabia at all times. The competition for this project

A Chiyoda-led consortium won the contract from Jubail United Petrochemical Company (UNITED) for the world's largest gas-based ethylene plant. It will use KBR's SCORE™ technology.

was stiff, which allows Chiyoda to accumulate experiences in Saudi Arabia.

Our partners in the consortium that won this project include KBR, licensor and alliance partner of the ethylene process, and Mitsubishi Corporation, our major shareholder. We feel the Chiyoda-KBR alliance is a strong one, and should result in ethylene projects in many other countries.

Cooling Water System for Qatar Petroleum

For this project, Chiyoda collaborated with Consolidated Contractors International Company S.A.L (CCC). We have collaborated with the company in the past, and, the combination of Chiyoda's engineering and procurement expertise and CCC's construction skills should result in many more Middle Eastern projects in the future. In addition, CCC's Middle East network and relationships are certain to benefit our partnership.

Chiyoda and CCC won the contract for the Ras Laffan Common Cooling Water Project from Qatar Petroleum. This common cooling water system is a part of Qatar's strategic natural gas industry development plan, and serves as a basic infrastructure for various gas-based industries.

Major projects completed during this fiscal year include a polystyrene plant for SAL Petrochemical (Zhangjiagang) Co., Ltd. in China, boiler installation for ExxonMobil Asia Pacific Pte. Ltd. in Singapore, and a refinery restoration for Pertamina in Indonesia.

Market Analyses and Strategies

Looking at different regions, the Middle East will continue to be Chiyoda's most important market. Hydrocarbon and chemical projects continue to materialize in the region, especially in the fields of gas development and processing, gas to liquid (GTL), petroleum refining, petrochemicals, and fertilizer.

Most Southeast Asian countries have virtually recovered from their economic crises, and there seems to be some activity in petrochemical and refinery projects in the region.

Nevertheless, a number of large international petrochemical and chemical companies are now paying more attention to China than to Southeast Asia, because China offers them a huge market with growing economic potential along with low plant construction and operating costs. Therefore, we see that some projects originally planned for Southeast Asia will be shifted to China, so we will keep a sharp eye on the situation.

Our short-term strategy is to secure contracts for petrochemical projects of large international oil or petrochemical companies in China this year, as a major step toward Chiyoda's continuous presence in that growing country.

Many large projects in the petroleum, gas, and petrochemical sectors are planned in Latin America, especially in Mexico and Venezuela. Our strategy is to first determine which projects we have the best chance of winning, and then do everything possible to get them. One key to winning new contracts in this region will be financing from Japan.

In other parts of the world such as Africa, Central Asia, Central Asia, Russia, and so on, we will concentrate our efforts on a limited number of projects where Chiyoda has a clear technological advantage and is most likely to win the award.

By plant type, in the petrochemical field, we will seek to take advantage of our technological edge in terms of experience and recent contracts, especially ethylene and its downstream products, aromatics, acetic acid, and so on.

We are also focusing on gas-to-liquid (GTL) projects worldwide. Our experience with large projects in remote areas includes LNG, refinery, and petrochemical projects in the Middle East, Southeast Asia, and Africa. And that experience is matched by expertise in reforming and synthesis gas processes. We are confident that Chiyoda's experience and expertise will contribute significantly to our success in winning GTL projects.

Chiyoda also holds definite technological advantages for certain refinery units such as hydrocrackers, fluid catalytic crackers (FCC), continuous catalytic reformers (CCRs), on-stream catalytic replacement (OCR), and deeper ultra hydrodesulphurization (HDS).

In the fertilizer market, Chiyoda aims at projects in which we can form strong consortia and overcome the competition.

We also see opportunities in gas-related mega projects planned in countries with very large gas reserves, especially in Qatar, Abu Dhabi, Indonesia, Iran, and Saudi Arabia.

Chiyoda will continue to pursue overseas projects backed by Japanese investors with whom we have established business relations and familiarity through our experience in the domestic market.

In addition, we will continue to undertake projects that receive financial backing from the Japanese government or governmental institutions.

■MAIN PROJECTS

(April 2001 - March 2002)

	Client	Project	Location
Liquefied Natural Gas (LNG) Sector			
New Contracts	**Ras Laffan Liquefied Natural Gas Co., Ltd.(II)**	LNG Plant (Train-3)	Qatar
	Qatar Liquefied Gas Co., Ltd.	LNG Plant (Debottlenecking)	Qatar
	Tung Ting Gas Corporation	LNG Receiving Terminal (Preliminary work)	Taiwan
	Ras Laffan Liquefied Natural Gas Co., Ltd.	NGL Plant (FEED)	Qatar
	Pertamina	LNG Plant (Train-I, FEED)	Indonesia
	Abu Dhabi Gas Liquefaction Co., Ltd. (ADGAS)	LPG Plant (FEED)	U.A.E.
Backlog of Contracts	**P.T. Badak NGL**	LNG Plant (DCS Retrofit)	Indonesia
Projects Completed	**Pertamina/BP Berau, Ltd.**	LNG Plant (FEED)	Indonesia
	Shell Global Solutions International B.V.	LNG Plant (Project Specification)	Russia
	Shell Global Solutions International B.V.	LNG Plant (Project Specification)	Oman
Hydrocarbon & Chemicals Sector			
New Contracts	**Jubail United Petrochemical Company**	Ethylene Plant	Saudi Arabia
	Petrochemical Industries Development Management Company (PIDMCO)	Urea Plant	Iran
	The Dow Chemical (Zhangjiagang) Co., Ltd.	Converted Epoxy Resin Plant	China
	Qatar Petroleum	Common Cooling Water System	Qatar
Backlog of Contracts	**Thai Olefins Co., Ltd.**	Ethylene Plant	Thailand
	China National Bluestar (Group) Corporation	Bisphnol-A Plant	China
	Petroleos de Venezuela S.A.(PDVSA)	Refinery Modernization	Venezuela
	NEDO/Myanma Petrochemical Enterprise	Fertilizer Plant (Revamp)	Myanmar
	BP Ningbo Huandong LPG Co., Ltd.	LPG Underground Storage Terminal	China
Projects Completed	**SAL Petrochemical (Zhangjiagang) Co., Ltd.**	Polystylene Plant	China
	Dow S/B Latex (Zhangjiagang) Co., Ltd.	Latex Plant	China
	ExxonMobil Asia Pacific Pte. Ltd.	Boiler Installation	Singapore
	Pertamina	Refinery Restoration	Indonesia
	Saudi Arabian Fertilizer Company	Debottlenecking of Urea Plant (Basic Engineering)	Saudi Arabia

DOMESTIC & GENERAL INDUSTRIES MARKETS

Market Overview

The domestic plant market remains in the doldrums as Japan's economy continues its recessionary trends and the perception of excess production capacity persists. However, Chiyoda was able to win a healthy level of contracts for facilities to help the energy industry meet environmental regulations, for pharmaceutical facilities, for chemical plants, and so on.

Petroleum Refining

The business environment for petroleum refining facility investment remains very severe, due to excess capacity and a lackluster domestic economy. At the same time, corporations in the industry are strengthening their organizations and conducting widespread cost-cutting measures, Chiyoda is concentrating in what we can best utilize our technological advantages, such as methods for meeting environmental regulations in terms of ultra deep desulfurization of gas oil, rationalization of existing facilities in order to boost competitiveness, and ways of conserving energy. As a result, we were awarded several important contracts, such as an advanced energy saving program for the Sendai Refinery (former Tohoku Oil Co., Ltd.) of Nippon Petroleum Refining Co., Ltd., and a revamping for ultra deep desulfurization of gas oil for the Marifu Refinery (former Koa Oil Co., Ltd.) of Nippon Petroleum Refining Co., Ltd.

Chiyoda reached an agreement with Kellogg Brown and Root, Inc. (KBR) for its Residuum Oil Supercritical Extraction (ROSE™) process and will start marketing activities for this process for treating residual heavy oil in the future.

Storage Terminals and Airports

During the year, Chiyoda was awarded a contract for a cryogenic tank system at the Fukushima Terminal, one of the National LPG Stockpiling Projects. The project is currently under way and progressing according to schedule.

Planning to use the experience gained in the LPG Bulk Breaking Terminal Project for BP Ningbo Huadong LPG Co., Ltd., Chiyoda is keeping a close eye on three new projects: water sealed mined cavern storage systems in Namikata and Kurashiki and an above-ground storage project in Kamisu.

For airport projects, Chiyoda received an order for Jet Fuel Supply Center No.2 from the Narita Airport Authority (NAA).

Power and Gas

The power and gas industries continue to face severe conditions as the lackluster economy has resulted in reduced growth of energy use, and deregulation of energy retailing has caused gas and electric power companies to undertake programs of significant restructuring and cost reduction. Nevertheless, orders received during the fiscal year for flue gas desulfurization plants and LNG receiving terminal-related facilities attest to our industry-leading position.

Chiyoda completed piping and facilities work for the Toho Gas Chita-Midorihama LNG receiving terminal. This terminal is expected to handle about 800,000 tons of LNG per year, and features four vaporizers and the world's largest underground LNG storage tank, which holds 200,000 Kl.

Chemicals and Petrochemicals

In the chemicals and petrochemicals industries, basic petrochemicals are in the last stages of a revamping in the wake of a price war precipitated by a flood of imports and by increased competition in a lifeless economy. On the other hand, the movement toward investment in fine chemicals continues, and investment in active pharmaceutical ingredients (APIs) plants has accelerated in the chemical industry.

In this environment, Chiyoda has won contracts for several bulk pharmaceutical plants for the chemical industry. In the petrochemical industry, we completed a domestic bisphenol-A plant and the expansion of a Singapore polycarbonate plant.

Chiyoda completed the bisphenol-A Plant at the Mitsubishi Chemical Kurosaki Plant.

Pharmaceuticals

The pharmaceuticals industry is in flux, pushed by greater pressure to develop new drugs, declining drug prices, the international harmonization movement, mergers among large U.S. and EU pharmaceuticals companies, M&A activities, and so on. These conditions have resulted in the need for greater production capacity for new drugs in some instances and concentration of production plants in others. In addition, a greater amount of outsourcing has led to reappraisals of production capacity among outsource providers.

Against this background, the Company is recognized to have superior technology and was awarded several contracts for pharmaceuticals production facilities, including oral solid dosage forms facilities for Ajinomoto Pharma Co., Ltd.

General Manufacturing

Resurgence in the semiconductor and liquid crystal display (LCD) industries resulted in contracts awarded to Chiyoda for high-performance film production facilities and factory diagnosis for semiconductor materials. And in general manufacturing, Chiyoda has begun its Engineering, Procurement, Construction + Management (EPCm) program, which gets the company involved with customers at the planning stage and has helped win several new contracts.

Environmental Protection

As society moves toward environmental sustainability, we can expect more projects aimed at protecting the environment. Chiyoda enjoys considerable experience in desulfurization and denitrifaction projects, but we must make intense efforts to attain new environmental projects in markets where we hold technological advantages. In keeping with societal trends, Chiyoda organized an

Environmental Project Business Department as part of our organizational restructuring, which was executed on June 15, 2001. This department amalgamates the functions and projects of three departments that belonged to the former Environmental Project Division. Chiyoda is conducting aggressive sales activities, specializing in three fields – soil and groundwater remediation, water treatment, and waste treatment – to help clients meet increasingly strict environmental regulations.

Chiyoda completed a new solid dosage drug production factory – the largest such facility in Japan – for Nippon Shinyaku.

Prospects and Strategies

In the energy market, significant activity will continue, spurred by clean energy and other environmental concerns, the shift toward new sources of energy, and equipment necessary to comply with new environmental regulations.

In the chemicals and petrochemicals market, we will see increased investment activity in China and Southeast Asia caused by an increasing number of companies moving to those areas.

In the pharmaceuticals market, we can expect large investments abroad and continued domestic investment in drug development facilities and the integration of production facilities. Overall, this market should be very active.

Chiyoda will make best use of our technological advantages to win new contracts in the industries we expect to show significant activity.

■MAIN PROJECTS

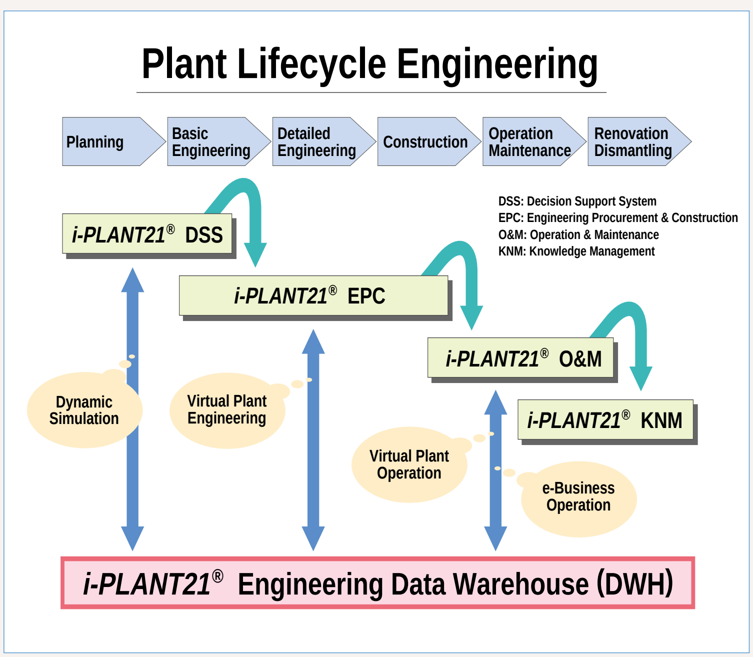
(April 2001 - March 2002)

	Client	Project	Location
New Contracts	**Taiyo Oil Co., Ltd.**	Crude Distillation Unit(Revamp)	Ehime
	Nippon Petroleum Refining Co., Ltd. (Former Tohoku Oil Co., Ltd.)	Advanced Energy Savings Program	Miyagi
	Nippon Petroleum Refining Co., Ltd. (Former Koa Oil Co., Ltd.)	Revamp for Ultra Deep Desulfurization	Yamaguchi
	New Tokyo International Airport Authority (NAA)	Jet Fuel Supply Center(No.2)	Chiba
	Electric Power Development Co., Ltd.	Fly Ash Recovery Facility	Kanagawa
	Ajinomoto Pharma Co., Ltd.	Pharmacuetical Factory	Fukushima
	Pharmacia K.K.	Drug Wrapping Factory (Revamp)	Ibaraki
	Toyo Roki Mfg Co., LTD.	Manufacturing Factory	Shizuoka
	Eisai Co., Ltd.	Research Laboratory	Ibaraki
Backlog of Contracts	**Taiyo Oil Co., Ltd.**	Deep Hydrodesulfurization Plant	Ehime
	Nippon Petroleum Refining Co., Ltd. (Former Koa Oil Co., Ltd.)	Sulphur Recovery Unit(SRU) Hydrogen Production Unit(HPU), Catalytic Flue Gas Desulfurization Unit(Cat. FGD)	Osaka
	Japan LPG Storage Co., Ltd.	LPG Storage Terminal	Nagasaki
	Mie Prefectural Gov't / Fuji Electric Co., Ltd.	RDF Fired Power Plant	Mie
	Kobe Steel, Ltd.	Flue Gas Desulfurization Plant (No.2)	Hyogo
	The Kansai Electric Power Co., Inc.	Flue Gas Desulfurization Plant	Kyoto
	The Tokyo Electric Power Co., Inc.	LNG Facilities Control System for Disaster Prevention	Chiba
	The Tokyo Electric Power Co., Inc.	Expansion of LNG Facilities	Kanagawa
	Japan Nuclear Fuel Limited	Utility Facilities	Aomori
	Kaihatsu Denki Co., Ltd.	Ash Handling Facility	Kanagawa
	Shin-Higashi Nihon Sugar Manufacturing Corp.	Sugar Factory (Revamp)	Chiba
Projects Completed	**The Tokyo Electric Power Co., Inc.**	Vaporization-related Facility	Chiba
	Toho Gas Co., Ltd.	LNG Receiving Terminal	Aichi
	The Okinawa Electric Power Co., Inc.	Flue Gas Desulfurization Plant	Okinawa
	Kobe Steel, Ltd.	Flue Gas Desulfurization Plant (No.1)	Hyogo
	Teijin Polycarbonate Singapore Pte. Ltd.	Polycarbonate Resin Plant (No.3)	Singapore
	Mitsubishi Chemical Corporation	Bisphenol-A Plant	Fukuoka
	Asahi Glass Co., Ltd.	Laboratory	Chiba
	Asahi Glass Urethane Co., Ltd.	Laboratories	Ibaraki
	Fuji Oil Co., Ltd.	Chololate Factory	Ibaraki
	Nihon Reishoku Co., Ltd.	Frozen Food Facility	Hokkaido
	Sankio Chemical Co., Ltd	Clinical Facility	Fukushima
	Fujisawa Pharmaceutical Co., Ltd.	Finishing Facility	Toyama
	Central Glass Co., Ltd.	Bulk Pharmaceutical Plant	Yamaguchi
	Meiji Seika Kaisha, Ltd.	Laboratories	Kanagawa
	Nippon Shinyaku Co., Ltd.	Solid Dosage Factory	Kanagawa
	Bayer Yakuhin, Ltd.	Laboratory	Kyoto
	Konica Corporation	TAC Film Products Factory	Hyogo
	Konica Corporation	Medical Film Factory	Yamanashi
	Oriental Land Co., Ltd.	5 Ride-attractions for Theme Park	Chiba

TECHNOLOGY OUTLOOK

Strategic Spin-Off of AES Division

On April 1, 2002, Chiyoda spun off its Advanced Engineering Solutions (AES) Division, which had been part of the company's Technology & Operations Support Sector, as a wholly owned subsidiary called Chiyoda Advanced Solutions Corporation (ChAS). ChAS will assume a role of "Business Core for the New Generation Engineering", charged with developing business as a provider of high-valued solutions, seeking to develop non-EPC business opportunities such as consulting, using computer simulation and analysis for plant engineering purposes. Further, while continuing our well-received Engineering, Procurement, Construction (EPC) business, we plan to enlarge our operations to include PLE, or Plant Lifecycle Engineering. This will enable us to create a database that we can jointly access and operate with our customers, thereby enabling Chiyoda to participate in plant planning, maintenance, operation, revamping, and business plan for future investment. In other words, we will become a one-stop provider of everything our customers need in the way of plant development and operations. With ChAS, we intend to concentrate on leading-edge technology that offers very high added value. The new company possesses a high level of computer-based know-how concerning high-resolution analysis, plant lifecycle and plant risk management, and utilization of space environment. We believe the Company will be able to offer high-value solutions while developing its new business model.



Advanced High-Temperature Air Combustion Technology (HiCOT)

Chiyoda's on-going demonstrations of the advanced high-temperature air combustion technology (HiCOT) for steam reforming processes have been eminently successful. We plan to aggressively market the new technology to such facilities as hydrogen plants, synthesis gas plants (GTL, DME, methanol, etc.), and ethylene plants.

The pilot tests were part of the five-year plan for the high-temperature air combustion technology development project entrusted by the New Energy and Industrial Technology Development Organization (NEDO). Chiyoda, Nippon Furnace, Tohoku University, and Hokkaido University work together on development of advanced high-temperature air combustion technology for steam reforming reaction processes. The consortium successfully conducted the hydrogen generation test with a new pilot steam reformer, utilizing the HiCOT technology.

The HiCOT project aims at developing new steam reformers with higher hydrogen generation efficiency, more compact size, more than 30% greater energy efficiency, at least 30% reductions in CO and NOx emissions, and so on. The successful tests of HiCOT technology underscores the viability of high-temperature air combustion technology for steam reformers.

Chiyoda owns almost a 60% share of the domestic hydrogen plant engineering and construction market. We will use the current pilot facility to further study the mechanism of heat transfer in high-temperature air combustion and build new technology on that data. At the same time, we will aggressively commercialize the HiCOT technology through sales promotional activities to hydrogen plants, new

A view of the HiCOT demonstration plant

facilities for synthesis gas plants, ethylene plants, and so on.

CO_2 Reforming Process

Chiyoda develops a highly energy-efficient process to produce synthesis gas from natural gas, using our proprietary CO_2 reforming catalyst. The catalyst resists carbon formation well and can produce synthesis gas with the optimum mol ratio of H_2/CO for direct FT synthesis, methanol, and DME.

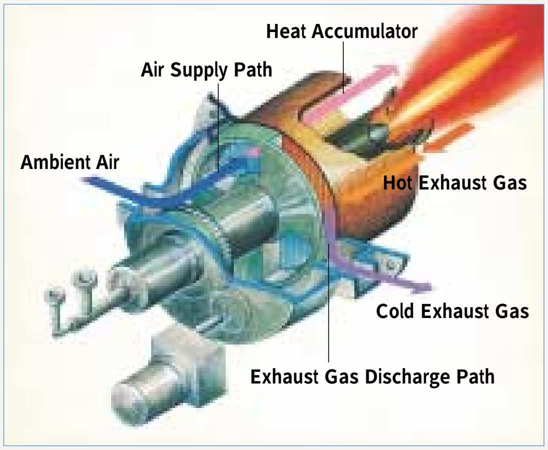
For our new process, Chiyoda is participating in a GTL project sponsored by the Japan National Oil Corporation (JNOC), and has constructed a pilot plant of 7 BPSD capacity in Yufutsu, Hokkaido. The pilot plant will undergo an 18-month performance test beginning in August 2002.

Rotary Regenerative Combustion System (RRX®)

Chiyoda's proprietary RRX® system received the Chairman's Award for Excellent Energy Conservation Equipment 2002, from the Japan Machinery Federation. The award was presented for Chiyoda's high thermal efficiency rotary regenerative burner technology.

The RRX® Burner combines a rotary-type heat exchanger into one unit. The hot flue gas is cooled as it passes through the heat accumulator and released into the atmosphere as exhaust. The great technological leap forward is in the continuous heat exchange of the heat accumulator by a slowly revolving rotary duct.

The radiant section alone results in over 90% of heat efficiency and a significant (30-50%) decrease in fuel consumption and CO_2 production. It also makes the unit much more compact, and measurably reduces (more than 30%) NO_x emissions. The technology can be applied to existing furnaces and Chiyoda already has a track record for installing the technology without trouble at Toa Oil Co., Ltd., and more than ten other companies.



RRX® mechanism

Residuum Oil Supercritical Extraction (ROSE™) Process

Chiyoda entered into an agreement with Kellogg Brown and Root, Inc., (KBR) of the United States for the exclusive marketing rights to its residual oil treatment technology called Residuum Oil Supercritical Extraction (ROSE™) process in Japan.

ROSE™ is a supercritical solvent extraction process for the treatment of residual oil from such sources as heavy fuel oil and asphalt. The technology offers significant economic advantages when compared to other deasphalting technology because it separates the solvent and the deasphalted oil (DAO) at supercritical conditions. More than 32 ROSE™ units have been licensed worldwide.

Demand for heavy fuel oil in the Japanese market is decreasing, and petroleum refiners must study residue upgrading projects, which will likely include process units such as cokers and gasification. ROSE™ benefits a refiner by providing a low-capital approach for upgrading atmospheric and vacuum residues. As such, it has many applications as an effective solution under the difficult investment climate that faces the Japanese refining industry.

The combination of ROSE™ with integrated gasification combined cycle (IGCC) has already been proved overseas. In addition, the technology will soon be combined with multi-purpose gasification furnaces so extracted asphaltene can be used as feedstock to produce synthesis gas for use as fuel, petrochemical feedstock, power, and steam generation, thereby contributing to improving the economic performance of the refinery.

Chiyoda promotes the ROSE™ process for various refinery applications, including its combination with multi-purpose asphaltene gasification. And we expect the market for the ROSE™ process to expand.

The signing ceremony for ROSE™ technology

CONSOLIDATED FIVE-YEAR FINANCIAL SUMMARY

Years ended March 31

	Millions of Yen				
	2002	2001	2000	1999	1998
For the Year:					
Construction contracts	**¥141,506**	¥128,665	¥168,963	¥312,234	¥303,476
Cost of Construction contracts	**136,826**	131,240	154,112	308,703	329,446
Income (loss) before income taxes and minority interests	**1,861**	(3,357)	1,553	(10,534)	(49,796)
Net income (loss)	**121**	(4,607)	698	(11,623)	(51,795)
At Year-End:					
Total assets	**¥115,137**	¥114,652	¥153,099	¥213,920	¥257,746
Total shareholders' equity	**15,103**	15,023	8,181	6,208	5,931
Working capital	**1,387**	2,241	(19,594)	(22,942)	(29,624)
Current ratio (%)	**101.6**	102.6	84.5	87.7	87.4
Long-term debt	**10,672**	11,346	12,545	13,518	7,569
Per Common Share (Yen)**:**					
Net income (loss)	**¥ 0.7**	¥ (20)	¥ 3	¥ (58)	¥ (265)
Shareholders' equity	**81**	81	33	25	30
Other Statistics:					
Number of shares outstanding* (thousands)	**185,429**	185,429	248,357	248,357	195,224

* At year-end

CONSOLIDATED FINANCIAL REVIEW

Operating Results

In fiscal 2002, ended March 31, 2002, revenues from construction contracts on a consolidated basis totaled ¥141,506 million (US$1,064 million), an increase of 10.0% from the previous year.

The cost of construction contracts increased by 4.3%, to ¥136,826 million (US$1,029 million).

Selling, general and administrative expenses decreased by ¥1,432 million, to ¥9,827 million (US$74 million) through the reduction of fixed expenses.

Other income consisting of gains on discharge of liabilities, gains on sales of investments in subsidiaries, interest and dividend income and others decreased by ¥3,469 million, to ¥7,008 million (US$53 million).

As a result, the income before taxes and minority interests was ¥1,861 million (US$14 million), up from a loss of ¥3,357 million (US$25 million) in the previous year, and the net profit per common share amounted to ¥0.7 (US$ 0.005).

During the year, the Company was awarded a total of ¥217,997 million (US$1,677 million) in contracts. International contracts accounted for ¥128,069 million (US$985 million), or 58.7% of the total, with domestic contracts making up the remaining ¥89,928 million (US$692 million). The backlog of contracts as of March 31, 2002, stood at ¥246,137 million (US$1,893 million), with domestic contracts accounting for ¥ 98,638 million (US$759 million) of the total and international contracts for ¥147,499 million (US$1,134 million).

Financial Position

As of March 31, 2002, total assets amounted to ¥115,137 million (US$866 million), ¥485 million higher than those of the previous year. This rise was due mainly to an increase in current assets of ¥432 million to ¥88,125 million (US$663 million).

On the other side of the balance sheet, total current liabilities increased by ¥1,286 million, to ¥86,738 million (US$652 million), mainly because of a rise in advance receipt on Construction Contracts. As a result, the current ratio was 101.6%.

Total shareholders' equity rose by ¥80 million, to ¥115,137 million (US$866 million). The shareholders' equity ratio was 13.1%. The accumulated deficit decreased by ¥23,772 million to ¥2,517 million (US$19 million). In an effort to decrease the deficit, the Company refrained from paying cash dividends for fiscal 2002.

Cash Flows

Net cash provided by operating activities totaled ¥10,418 million (US$78 million), comprising ¥121 million (US$1 million) in net profit and ¥5,347 million (US$41 million) in outflows from non-cash adjustments, and ¥15,734 million (US$118 million) provided by net changes in operating assets and liabilities.

Net cash used in investing activities amounted to ¥205 million (US$2 million). Comprising cash inflows from proceeds from sales of investment securities and investment in subsidiaries, which offset outflows for purchase of property, plant and equipment and other investing activities.

Net cash used in financing activities totaled ¥5,876 million (US$44 million), due primarily to ¥5,266 million (US$40 million) cash outflows for repayment of short-term bank loans.

As a result, cash and cash equivalents, end of year, increased by ¥4,764 million, to ¥38,677 million (US$291 million).

CONSOLIDATED BALANCE SHEETS

Chiyoda Corporation and Consolidated Subsidiaries
March 31, 2002 and 2001

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2002	2001	**2002**
CURRENT ASSETS:			
Cash and cash equivalents	**¥ 38,677**	¥ 33,913	**$ 290,805**
Short-term investments	**1,774**	1,731	**13,338**
Notes and accounts receivable—trade (Notes 3 and 8)	**25,334**	19,312	**190,481**
Allowance for doubtful accounts	**(368)**	(148)	**(2,767)**
Costs and estimated earnings on long-term construction contracts (Note 4)	**2,246**	12,920	**16,887**
Costs of construction contracts in process (Note 4)	**9,755**	10,506	**73,346**
Jointly controlled asset of joint venture	**8,222**	2,728	**61,820**
Prepaid expenses and other (Note 7)	**2,485**	6,731	**18,684**
Total current assets	**88,125**	87,693	**662,594**
PROPERTY, PLANT AND EQUIPMENT (Note 8)**:**			
Land	**2,691**	2,703	**20,233**
Buildings and structures	**6,731**	6,609	**50,609**
Machinery and equipment	**1,220**	2,237	**9,173**
Tools, furniture and fixtures	**5,424**	6,601	**40,782**
Construction in progress		1	
Total	**16,066**	18,151	**120,797**
Accumulated depreciation	**(8,524)**	(10,656)	**(64,090)**
Net property, plant and equipment	**7,542**	7,495	**56,707**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 5)	**1,759**	2,504	**13,226**
Investments in and advances to unconsolidated subsidiaries and associated companies (Notes 6 and 7)	**5,020**	4,689	**37,744**
Long-term loans	**19**	26	**143**
Long-term receivables (Note 7)	**14,194**	13,526	**106,722**
Other investments	**5,342**	5,995	**40,165**
Allowance for doubtful accounts (Note 7)	**(6,864)**	(7,276)	**(51,609)**
Total investments and other assets	**19,470**	19,464	**146,391**
TOTAL	**¥115,137**	¥114,652	**$ 865,692**

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2002	2001	**2002**
CURRENT LIABILITIES:			
Short-term bank loans (Notes 8 and 11)	**¥ 16,667**	¥ 25,232	**$ 125,316**
Current portion of long-term debt (Notes 8 and 11)	**789**	720	**5,932**
Notes and accounts payable—trade (Notes 3 and 11)	**40,343**	42,038	**303,331**
Advance receipts on construction contracts	**19,536**	8,269	**146,887**
Accrued expenses and other	**9,403**	9,193	**70,700**
Total current liabilities	**86,738**	85,452	**652,166**
NON-CURRENT LIABILITIES:			
Long-term debt (Notes 8 and 11)	**10,672**	11,346	**80,241**
Liability for retirement benefits (Note 9)	**2,025**	2,330	**15,225**
Other liabilities	**106**	63	**797**
Total non-current liabilities	**12,803**	13,739	**96,263**
MINORITY INTERESTS	**493**	438	**3,707**
CONTINGENT LIABILITIES (Notes 3 and 14)			
SHAREHOLDERS' EQUITY (Note 10)**:**			
Common stock—authorized, 650,000 thousand shares in 2002 and 2001; issued and outstanding, 185,429 thousand shares in 2002 and 2001	**12,028**	12,028	**90,436**
Additional paid-in capital	**5,819**	29,473	**43,752**
Accumulated deficit	**(2,517)**	(26,289)	**(18,925)**
Net unrealized loss on available-for-sale securities	**(1)**		**(8)**
Foreign currency translation adjustments	**(220)**	(178)	**(1,654)**
Treasury stock—at cost, 40,521 shares in 2002 and 50,561 shares in 2001	**(6)**	(11)	**(45)**
Total shareholders' equity	**15,103**	15,023	**113,556**
TOTAL	**¥115,137**	¥ 114,652	**$ 865,692**

CONSOLIDATED STATEMENTS OF OPERATIONS

Chiyoda Corporation and Consolidated Subsidiaries
Years Ended March 31, 2002 and 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2002	2001	**2002**
CONSTRUCTION CONTRACTS (Notes 3 and 4)	**¥141,506**	¥ 128,665	**$1,063,955**
COST OF CONSTRUCTION CONTRACTS (Notes 3 and 4)	**136,826**	131,240	**1,028,767**
Gross profit (loss)	**4,680**	(2,575)	**35,188**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 13)	**9,827**	11,259	**73,887**
Operating loss	**(5,147)**	(13,834)	**(38,699)**
OTHER INCOME (EXPENSES):			
Interest and dividend income (Note 3)	**662**	1,149	**4,977**
Interest expense	**(844)**	(1,561)	**(6,346)**
Gain on discharge of liabilities (Note 11)	**2,871**	19,778	**21,586**
Gain (loss) on sales of marketable and investment securities (Note 5)	**406**	(2,295)	**3,052**
Equity in earnings of associated companies	**526**	2,829	**3,955**
Foreign exchange gain	**871**	673	**6,549**
Provision for doubtful accounts	**(580)**	(5,027)	**(4,361)**
Gain on sales of investments in subsidiaries	**1,385**		**10,414**
Gain on sale of intellectual property right	**800**		**6,015**
Reversal of liability for retirement benefits to directors	**384**		**2,887**
Reversal of additional retirement benefits to employees	**964**		**7,248**
Loss on disposal of property and land	**(144)**		**(1,083)**
Loss on devaluation of investment securities	**(334)**		**(2,511)**
Reversal of allowance for financial support to subsidiaries		1,000	
Amortization of negative goodwill		48	
Loss on devaluation of property, plant and equipment		(2,019)	
Additional retirement benefits paid to employees		(2,847)	
Other—net	**41**	(1,251)	**309**
Other income—net	**7,008**	10,477	**52,691**
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS—(Forward)	**¥ 1,861**	¥ (3,357)	**$ 13,992**
INCOME TAXES (Note 12)**:**			
Current	**1,786**	1,220	**13,429**
Deferred	**(88)**	(16)	**(662)**
Total	**1,698**	1,204	**12,767**
MINORITY INTERESTS IN NET INCOME	**(42)**	(46)	**(315)**
NET INCOME (LOSS)	**¥ 121**	¥ (4,607)	**$ 910**
	Yen		U.S. Dollars
NET INCOME (LOSS) PER COMMON SHARE (Note 2.o)	**¥ 0.7**	¥ (20)	**$ 0.005**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Chiyoda Corporation and Consolidated Subsidiaries
Years Ended March 31, 2002 and 2001

	Thousands	Millions of Yen					
	Shares of Common Stock	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Unrealized Loss on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, APRIL 1, 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 (50,561 shares)							¥ (11)
Foreign currency translation adjustments						¥ (178)	
BALANCE, MARCH 31, 2001	185,429	12,028	29,473	(26,289)		(178)	(11)
Transfer to deficit (Note 10)			**(23,654)**	**23,654**			
Increase in accumulated deficit for decrease in consolidated subsidiaries				**(3)**			
Net income				**121**			
Decrease in treasury stock (10,040 shares)							**5**
Net unrealized loss on available-for-sale securities					**¥ (1)**		
Foreign currency translation adjustments						**(42)**	
BALANCE, MARCH 31, 2002	**185,429**	**¥ 12,028**	**¥ 5,819**	**¥ (2,517)**	**¥ (1)**	**¥ (220)**	**¥ (6)**

	Thousands of U.S. Dollars (Note 1)					
	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Unrealized Loss on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, MARCH 31, 2001	$ 90,436	$ 221,602	$(197,662)		$ (1,338)	$ (83)
Transfer to deficit (Note 10)		**(177,850)**	**177,850**			
Increase in accumulated deficit for decrease in consolidated subsidiaries			**(23)**			
Net income			**910**			
Decrease in treasury stock (10,040 shares)						**38**
Net unrealized loss on available-for-sale securities				**$ (8)**		
Foreign currency translation adjustments					**(316)**	
BALANCE, MARCH 31, 2002	**$ 90,436**	**$ 43,752**	**$(18,925)**	**$ (8)**	**$(1,654)**	**$ (45)**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Chiyoda Corporation and Consolidated Subsidiaries
Years Ended March 31, 2002 and 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2002	2001	**2002**
OPERATING ACTIVITIES:			
Income (loss) before income taxes and minority interests	**¥ 1,861**	¥ (3,357)	**$ 13,992**
Adjustments for:			
Income taxes paid	**(1,718)**	(847)	**(12,917)**
Depreciation and amortization	**1,026**	1,751	**7,714**
Provision for (reversal of) allowance for doubtful accounts — net	**(193)**	4,923	**(1,451)**
Reversal of retirement benefits — net	**(305)**	(2,935)	**(2,293)**
Reversal of additional retirement benefit to employees	**(964)**		**(7,248)**
Reversal of allowance for financial support to subsidiaries		(1,000)	
(Gain) loss on sales of investment securities — net	**(406)**	2,295	**(3,053)**
Gain on sales of investment in subsidiaries	**(1,385)**		**(10,414)**
Loss on devaluation of investment securities	**334**		**2,511**
Loss on disposal of property, plant and equipment	**144**		**1,083**
Loss on devaluation of property, plant and equipment		2,019	
Gain on discharge of liabilities	**(2,871)**	(19,778)	**(21,586)**
Gain on sale of intellectual property right	**(800)**		**(6,015)**
Foreign exchange gain — net	**(493)**	(245)	**(3,707)**
Equity in earnings of associated companies	**(526)**	(2,829)	**(3,955)**
Changes in operating assets and liabilities:			
Decrease (increase) in notes and accounts receivable and costs and estimated earnings on long-term construction contracts	**4,652**	(4,478)	**34,977**
Decrease in costs of construction contracts in process	**751**	1,499	**5,647**
Decrease in interest and dividend receivable	**759**	2,342	**5,707**
(Decrease) increase in trade notes and accounts payable	**(1,695)**	5,442	**(12,744)**
Increase (decrease) in advance receipts on construction contracts	**11,267**	(1,319)	**84,714**
Other — net	**980**	1,119	**7,369**
Total adjustments	**8,557**	(12,041)	**64,339**
Net cash provided by (used in) operating activities	**10,418**	(15,398)	**78,331**
INVESTING ACTIVITIES:			
Proceeds from sales of investment securities	**1,152**	22,635	**8,662**
Proceeds from sales of investment in subsidiaries	**749**		**5,632**
Purchase of investment securities	**(501)**		**(3,767)**
Purchases of property, plant and equipment	**(484)**	(213)	**(3,639)**
Proceeds from sales of property, plant and equipment	**112**	2,528	**842**
Proceeds from collections of long-term receivables		7,337	
Other — net	**(1,233)**	(841)	**(9,271)**
Net cash (used in) provided by investing activities	**(205)**	31,446	**(1,541)**
FORWARD	**¥10,213**	¥ 16,048	**$ 76,790**
FINANCING ACTIVITIES:			
Net decrease in short-term bank loans	**(5,266)**	(34,903)	**(39,594)**
Proceeds from long-term debt	**80**	10,050	**602**
Repayments of long-term debt	**(698)**	(2,864)	**(5,248)**
Proceeds from issuance of common stock		11,638	
Other — net	**8**	(3)	**60**
Net cash used in financing activities	**(5,876)**	(16,082)	**(44,180)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**428**	661	**3,218**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**4,765**	627	**35,828**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**33,913**	33,286	**254,985**
DECREASE IN CASH AND CASH EQUIVALENTS ELIMINATION FROM CONSOLIDATION	**(1)**		**(8)**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥ 38,677**	¥ 33,913	**$ 290,805**

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Chiyoda Corporation and Consolidated Subsidiaries
Years Ended March 31, 2002 and 2001

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 2001 financial statements in order for them to conform to the classifications used in 2002. 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 Chiyoda Corporation (the "Company") is incorporated and principally operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥133 to $1, the approximate rate of exchange at March 31, 2002. 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, 2002, include the accounts of the Company and its 27 (32 in 2001) 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 6 (4 in 2001) 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, have 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 are 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 3 months of the date of acquisition.

d.Investment Securities

Effective April 1, 2000, the Group adopted a new accounting standard for financial instruments, including investment securities. Under this standard, all applicable securities are classified as available-for-sale securities.

The new standard allows companies to delay the implementation of fair value reporting and continue to utilize the cost basis for up to 1 year after the effective date. Effective April 1, 2001, available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity. As a result of implementation of fair value reporting, there is no influence on income before income taxes.

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 possible 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, from 4 to 13 years for machinery and equipment and from 2 to 15 years for tools, furniture and fixtures.

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

Employees of the Company and its certain consolidated subsidiaries are under most circumstances, entitled to certain lump-sum severance payments and pension payments.

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 ¥12,123 million ($91,150 thousand), determined as of April 1, 2000, is being amortized and charged to income over 15 years and presented as operating expense in the statements of operations.

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

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 bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

l.Foreign Currency Transactions

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.

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. Differences arising from such translation were shown as "Foreign currency translation adjustments" in a separate component of shareholders' equity.

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.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (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 also 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.

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 185,415 thousand shares for 2002 and 235,034 thousand shares for 2001.

Fully diluted net income per share is not disclosed because it is anti-dilutive.

3. TRANSACTIONS WITH UNCONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Transactions for the Year Ended March 31			
Construction contract revenues	**¥36,485**	¥ 12,679	**$274,323**
Purchases	**857**	2,009	**6,444**
Interest and dividend income	**74**	75	**556**
Balances at March 31			
Notes and accounts receivable — trade	**78**	33	**586**
Notes and accounts payable — trade	**(238)**		**(1,789)**

The Company has guaranteed the indebtedness of certain unconsolidated subsidiaries and associated companies in the amount of ¥4,719 million ($35,481 thousand) and ¥4,017 million at March 31, 2002 and 2001, respectively.

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, 2002 and 2001, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Costs and estimated earnings	**¥ 50,511**	¥ 53,461	**$ 379,782**
Amounts billed	**(48,265)**	(40,541)	**(362,895)**
Net	**¥ 2,246**	¥ 12,920	**$ 16,887**

Costs of construction contracts in process which are accounted for by the completed-contract method at March 31, 2002 and 2001, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Costs incurred	**¥ 32,932**	¥ 32,872	**$ 247,609**
Amounts billed	**(23,177)**	(22,366)	**(174,263)**
Net	**¥ 9,755**	¥ 10,506	**$ 73,346**

5. INVESTMENT SECURITIES

Investment securities at March 31, 2002 and 2001, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Equity securities	**¥ 1,759**	¥ 2,502	**$ 13,226**
Trust fund investments		2	
Total	**¥ 1,759**	¥ 2,504	**$ 13,226**

The carrying amounts and aggregate fair values of investment securities at March 31, 2002, were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale—Equity securities	¥ 45	¥ 5	¥ 3	¥ 47

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale—Equity securities	$ 338	$ 38	$ 22	$ 354

Available-for-sale securities whose fair value is not readily determinable at March 31, 2002 and 2001, were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Equity securities	**¥ 1,712**	¥ 2,024	**$ 12,872**

Proceeds from sales of available-for-sale securities for the years ended March 31, 2002 and 2001, were ¥1,184 million ($8,902 thousand) and ¥22,542 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥448 million ($3,368 thousand) and ¥42 million ($316 thousand), respectively, for the year ended March 31, 2002 and ¥2,308 million and ¥4,665 million, respectively, for the year ended March 31, 2001.

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

Investments in and advances to unconsolidated subsidiaries and associated companies at March 31, 2002 and 2001, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Investments	**¥ 2,805**	¥ 3,209	**$ 21,090**
Advances	**2,215**	1,480	**16,654**
Total	**¥ 5,020**	¥ 4,689	**$ 37,744**

7. LONG-TERM RECEIVABLES

Long-term receivables at March 31, 2002 and 2001, include receivables of ¥8,153 million ($61,301 thousand) and ¥8,129 million, respectively, from Nigerian National Petroleum Corporation ("NNPC") relating to services performed by the Company in 1995. The

Company has negotiated payment terms with NNPC and had collected ¥7,337 million 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 ¥7,615 million ($57,256 thousand) and ¥6,351 million at March 31, 2002 and 2001, 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 a 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
	2002	2001	**2002**
Prepaid expenses and other	**¥ 49**	¥ 232	**$ 368**
Investments in and advances to unconsolidated subsidiaries and associated companies	**2,904**	2,082	**21,835**
Long-term receivables	**4,662**	4,037	**35,053**
Allowance for doubtful accounts	**(640)**	(647)	**(4,812)**
Total	**¥ 6,975**	¥ 5,704	**$ 52,444**

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

Short-term bank loans bear interest at rates ranging from 1.625% to 7.950% and from 1.375% to 8.050% at March 31, 2002 and 2001, respectively. Short-term bank loans at March 31, 2002 and 2001, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Collateralized	**¥ 3,135**	¥ 3,655	**$ 23,571**
Uncollateralized	**13,532**	21,577	**101,745**
Total	**¥ 16,667**	¥ 25,232	**$ 125,316**

Long-term debt at March 31, 2002 and 2001, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Long-term loans from banks and insurance companies, maturing serially through 2010, with interest rates ranging from 0.900% to 6.900% (2002) and from 1.725% to 6.900% (2001):			
Collateralized	**¥ 962**	¥ 1,146	**$ 7,233**
Uncollateralized	**10,499**	10,920	**78,940**
Total	**11,461**	12,066	**86,173**
Current portion	**(789)**	(720)	**(5,932)**
Total	**¥ 10,672**	¥ 11,346	**$ 80,241**

Subordinated loans in the amount of ¥10,000 million ($75,188 thousand) from The Bank of Tokyo-Mitsubishi, Ltd. were included in 'Uncollateralized' at March 31, 2002 and 2001.
Annual maturities of long-term debt at March 31, 2002, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2003	¥ 789	$ 5,932
2004	256	1,925
2005	102	767
2006	10,101	75,947
2007 and thereafter	213	1,602
Total	¥ 11,461	$ 86,173

The following assets were pledged as collateral for short-term debt at March 31, 2002:

	Millions of Yen	Thousands of U.S. Dollars
Land	¥ 1,285	$ 9,662
Buildings and structures — net of accumulated depreciation	673	5,060
Total	¥ 1,958	$ 14,722

The following assets were pledged as collateral for long-term debt at March 31, 2002:

	Millions of Yen	Thousands of U.S. Dollars
Notes and accounts receivable — trade	¥ 394	$ 2,962
Land	695	5,226
Buildings and structures — net of accumulated depreciation	762	5,729
Total	¥ 1,851	$ 13,917

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 age 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, officers and corporate auditors in the amount of ¥196 million ($1,473 thousand) and ¥534 million for the years ended March 31, 2002 and 2001, respectively. The retirement benefits to directors and corporate auditors are paid subject to the approval of the shareholders.
The liability for employees' retirement benefits at March 31, 2002 and 2001, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Projected benefit obligation	**¥ 31,890**	¥ 31,008	**$ 239,774**
Fair value of plan assets	**(15,952)**	(16,854)	**(119,940)**
Unrecognized transitional obligation	**(10,507)**	(11,372)	**(79,000)**
Unrecognized actuarial loss	**(3,607)**	(1,017)	**(27,120)**
Prepaid pension cost	**5**	31	**38**
Net liability	**¥ 1,829**	¥ 1,796	**$ 13,752**

The components of net periodic benefit costs for the years ended March 31, 2002 and 2001, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Service cost	**¥ 1,042**	¥ 1,202	**$ 7,835**
Interest cost	**862**	982	**6,481**
Expected return on plan assets	**(544)**	(841)	**(4,090)**
Amortization of transitional obligation	**808**	841	**6,075**
Recognized actuarial loss	**78**		**586**
Net periodic benefit costs	**¥ 2,246**	¥ 2,184	**$ 16,887**

Assumptions used for the years ended March 31, 2002 and 2001, are set forth as follows:

	2002	2001
Discount rate	**2.5 %**	3.0 %
Expected rate of return on plan assets	**3.5 %**	5.0 %
Recognition period of actuarial gain/loss	**13 years**	13 years
Amortization period of transitional obligation	**15 year**	15 years

10. SHAREHOLDERS' EQUITY

The authorized number of shares was 570,000 thousand shares of common stock and 80,000 thousand shares of non-voting, non-cumulative preferred stock at March 31, 2002 and 2001.
Japanese companies are subject to the Japanese Commercial Code (the "Code") to which certain amendments became effective from October 1, 2001.
Prior to October 1, 2001, the Code required at least 50% of the issue price of new shares, with a minimum of the par value thereof, to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital were credited to additional paid-in capital. Effective October 1, 2001, the Code was revised and common stock par values were eliminated resulting in all shares being recorded with no par value.
Prior to October 1, 2001, the Code also provided that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other cash payments which are made as an appropriation of retained earnings applicable to each fiscal period shall be appropriated and set aside as a legal reserve until such reserve equals 25% of stated capital. Effective October 1, 2001, the revised Code allows for such appropriations to be set aside as a legal reserve until the total additional paid-in capital and legal reserve equals 25% of stated capital. The amount of total additional paid-in capital and legal reserve which exceeds 25% of stated capital can be transferred to retained earnings by resolution of the shareholders, which may be available for dividends. The amount of legal reserve, which is included in accumulated deficit, totals ¥85 million ($639 thousand) and ¥2,975 million as of March 31, 2002 and 2001, respectively. Under the Code, companies may issue new common shares to existing shareholders without consideration as a stock split pursuant to a resolution of the Board of Directors. Prior to October 1, 2001, the amount calculated by dividing the total amount of shareholders' equity by the number of outstanding shares after the stock split could not be less than ¥50. The revised Code eliminated this restriction.
Prior to October 1, 2001, the Code imposed certain restrictions on the repurchase and use of treasury stock. Effective October 1, 2001, the Code eliminated these restrictions allowing companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders meeting and dispose of such treasury stock by resolution of the Board of Directors after March 31, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of stated capital, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders meeting.
The Code permits companies to transfer a portion of additional paid-in capital and legal reserve to stated capital by resolution of the Board of Directors. The Code also permits companies to transfer a portion of unappropriated retained earnings, available for dividends, to stated capital by resolution of the shareholders.
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 thousand shares were redeemed totaling ¥14,176 million.
At a Board of Directors meeting held on March 28, 2001, the Directors approved a transfer of ¥14,176 million 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, which were applied equally to common stock and additional paid-in capital.
At the general shareholders meeting held on June 28, 2001, the shareholders approved a transfer of ¥23,654 million ($177,850 thousand) from additional paid-in capital as a reduction in accumulated deficit in order to improve the financial stability of the Company.

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 the Company's 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 consisted of short-term bank loans, notes payable and long-term debt. The discharge of these liabilities of ¥2,871 million ($21,586 thousand) and ¥19,778 million was recorded as a gain in the statements of operations for the years ended March 31, 2002 and 2001, respectively.

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 rate of approximately 42% for the years ended March 31, 2002 and 2001.
The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2002 and 2001, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Deferred tax assets:			
Tax loss carryforwards	**¥ 44,918**	¥ 41,960	**$ 337,729**
Cost of construction contracts	**4,922**	5,725	**37,008**
Retirement benefits	**338**	630	**2,541**
Loss on long-term construction contracts	**217**	245	**1,632**
Allowance for doubtful accounts	**2,606**	2,807	**19,594**
Loss on devaluation of costs of construction contracts in process	**928**	365	**6,977**
Loss on devaluation of property, plant and equipment	**770**	1,489	**5,789**
Additional retirement benefits paid to employees	**54**	657	**406**
Other	**1,783**	3,630	**13,406**
Less valuation allowance	**(56,304)**	(57,270)	**(423,338)**
Total	**232**	238	**1,744**
Deferred tax liabilities	**45**	44	**338**
Net deferred tax assets	**¥ 187**	¥ 194	**$ 1,406**

Reconciliations between the normal effective statutory tax rate and the actual effective tax rates reflected in the accompanying consolidated statements of operations for the years ended March 31, 2002 and 2001, are as follows:

	2002	2001
Normal effective statutory tax rate	**42 %**	42 %
Expenses not deductible for income tax purposes	**8**	(4)
Effect of taxation on dividends	**(7)**	2
Inhabitant taxes per capita levy	**3**	(2)
Foreign income taxes	**32**	(7)
Valuation allowance for deferred tax assets	**77**	(84)
Equity in earnings of associated companies	**(12)**	35
Operating losses of subsidiaries	**(47)**	(17)
Lower income tax rates applicable to income in certain foreign countries	**(5)**	(1)
Actual effective tax rate	**91 %**	(36) %

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 ¥106,947 million ($804,113 thousand) at March 31, 2002.

13. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥388 million ($2,917 thousand) and ¥399 million for the years ended March 31, 2002 and 2001, respectively.

14. LEASES

Income from equipment leases held by a subsidiary for the years ended March 31, 2002 and 2001, was ¥152 million ($1,143 thousand) and ¥268 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 ¥86 million ($647 thousand) and ¥110 million for the years ended March 31, 2002 and 2001, 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, 2002 and 2001, was as follows:

Year Ended March 31, 2002	For Lessor							
	Millions of Yen				Thousands of U.S. Dollars			
	Machinery and Equipment	Tools, Furniture and Fixtures	Other	Total	Machinery and Equipment	Tools, Furniture and Fixtures	Other	Total
Acquisition cost	**¥ 571**	**¥ 208**	**¥ 64**	**¥ 843**	**$4,293**	**$1,564**	**$ 481**	**$6,338**
Accumulated depreciation	**481**	**176**	**57**	**714**	**3,616**	**1,323**	**429**	**5,368**
Net leased property	**¥ 90**	**¥ 32**	**¥ 7**	**¥ 129**	**$ 677**	**$ 241**	**$ 52**	**$ 970**

	For Lessor							
	Millions of Yen				Thousands of U.S. Dollars			
	Machinery and Equipment	Tools, Furniture and Fixtures	Other	Total	Machinery and Equipment	Tools, Furniture and Fixtures	Other	Total
Acquisition cost	**¥ 27**	**¥ 444**	**¥ 50**	**¥ 521**	**$ 203**	**$3,338**	**$ 376**	**$3,917**
Accumulated depreciation	**5**	**123**	**28**	**156**	**38**	**924**	**211**	**1,173**
Net leased property	**¥ 22**	**¥ 321**	**¥ 22**	**¥ 365**	**$ 165**	**$2,414**	**$ 165**	**$2,744**

	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	**¥ 88**	**¥ 129**	**$ 662**	**$ 970**
Due after one year	**64**	**236**	**481**	**1,774**
Total	**¥ 152**	**¥ 365**	**$ 1,143**	**$ 2,744**

Year Ended March 31, 2001	For Lessor							
	Millions of Yen				Thousands of U.S. Dollars			
	Machinery and Equipment	Tools, Furniture and Fixtures	Other	Total	Machinery and Equipment	Tools, Furniture and Fixtures	Other	Total
Acquisition cost	¥ 685	¥ 290	¥ 70	¥ 1,045	¥ 7	¥ 362	¥ 45	¥ 414
Accumulated depreciation	540	216	50	806	2	161	15	178
Net leased property	¥ 145	¥ 74	¥ 20	¥ 239	¥ 5	¥ 201	¥ 30	¥ 236

	Millions of Yen	
	Unearned Lease Income (As Lessor)	Obligations under Finance Lease (As Lessee)
Due within one year	¥ 138	¥ 74
Due after one year	146	162
Total	¥ 284	¥ 236

Depreciation expense for lessor, which is reflected in the accompanying consolidated statements of operations, computed by the straight-line method was ¥119 million ($895 thousand) and ¥176 million for the years ended March 31, 2002 and 2001, respectively.
Depreciation expense for lessee, which is not reflected in the accompanying consolidated statements of operations, computed by the straight-line method was ¥87 million ($654 thousand) and ¥110 million for the years ended March 31, 2002 and 2001, respectively.
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.
All of the derivative contracts outstanding at March 31, 2002 and 2001, are qualified for hedge accounting and disclosures of market value information are not required to be and have not been presented herein.

16. CONTINGENT LIABILITIES

At March 31, 2002, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees and similar items of bank loans	¥ 6,306	$ 47,414

17. SUBSEQUENT EVENTS

a.Stock Option Plan
At the general shareholders meeting held on June 27, 2002, the shareholders of the Company approved the stock option plan for the Company's directors, officers and key employees.
The plan provides for granting options to the Company's directors, officers and key employees to purchase up to 8,000 thousand shares of the Company's common stock in the period from July 1, 2004 to June 30, 2009. The options will be granted at an exercise price of 105% of the averaged fair market value of the Company's common stock during one month prior to the month of option grant. The Company plans to issue acquired treasury stock upon exercise of the stock options.
b.Appropriation of Retained Earnings
The following proposed disposition of accumulated deficit of the Company at March 31, 2002, was approved at the general

shareholders meeting held on June 27, 2002:

	Millions of Yen	Thousands of U.S. Dollars
Accumulated deficit to be carried forward	¥ 7,290	$ 54,812

18. SEGMENT INFORMATION

Information about foreign operations and sales to foreign customers of the Company and consolidated subsidiaries for the years ended March 31, 2002 and 2001, was as follows:

(1)Foreign Operations

Year Ended March 31, 2002	Millions of Yen							
	Japan	Asia	Europe	North America	Other	Subtotal	Eliminations (Corporate)	Consolidated
Construction contract revenue:								
Outside customers	¥132,983	¥8,113	¥ 13	¥ 397		¥ 141,506		¥ 141,506
Intersegment	21,912	521	235	13		22,681	¥ (22,681)	
Total	154,895	8,634	248	410		164,187	(22,681)	141,506
Operating expenses	160,487	8,291	251	576	¥ 26	169,631	(22,978)	146,653
Operating income (loss)	¥ (5,592)	¥ 343	¥ (3)	¥ (166)	¥ (26)	¥ (5,444)	¥ 297	(5,147)
Other income and expenses—net								7,008
Income before income taxes and minority interests								¥ 1,861
Assets	¥117,089	¥8,170	¥ 179	¥ 100	¥ 206	¥ 125,744	¥ (10,607)	¥ 115,137

Year Ended March 31, 2002	Thousands of U.S. Dollars							
	Japan	Asia	Europe	North America	Other	Subtotal	Eliminations (Corporate)	Consolidated
Construction contract revenue:								
Outside customerss	$ 999,872	$61,000	$ 98	$ 2,985		$1,063,955		$1,063,955
Intersegment	164,752	3,917	1,767	98		170,534	$(170,534)	
Total	1,164,624	64,917	1,865	3,083		1,234,489	(170,534)	1,063,955
Operating expenses	1,206,669	62,338	1,888	4,331	$ 195	1,275,421	(172,767)	1,102,654
Operating income (loss)	$ (42,045)	$ 2,579	$ (23)	$(1,248)	$ (195)	$ (40,932)	$ 2,233	(38,699)
Other income and expenses—net								52,691
Income before income taxes and minority interests								$ 13,992
Assets	$880,368	$61,429	$1,346	$ 752	$1,549	$ 945,444	$ (79,752)	$ 865,692

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

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 2002 and 2001:
Asia: Indonesia, Singapore, Philippines, Myanmar, Malaysia, Thailand
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, 2002 and 2001, were ¥3,887 million ($29,226 thousand) and ¥2,661 million, respectively.

(2) Sales to Foreign Customers

Year Ended March 31, 2002	Millions of Yen			
	Asia	The Near and Middle East	Other	Total
Overseas sales (A)	**¥21,588**	**¥16,539**	**¥ 6,956**	**¥ 45,083**
Consolidated sales (B)				**141,506**
(A)/(B)	**15.26%**	**11.69%**	**4.91%**	**31.86%**

Year Ended March 31, 2002	Thousands of U.S. Dollars			
	Asia	The Near and Middle East	Other	Total
Overseas sales (A)	**$162,316**	**$124,353**	**$52,301**	**$ 338,970**
Consolidated sales (B)				**1,063,955**

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%

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, 2002
Asia: China, Singapore, Indonesia and others
The Near and Middle East: Qatar, Iran and others
Other: Venezuela, Egypt and others
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

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

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, 2002 and 2001, 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, 2002 and 2001, 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, 2002 and 2001 include accounts receivable and other assets from Nigerian National Petroleum Corporation and Karunaphuli Fertilizer Company Limited.

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 27, 2002

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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OFFICES

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MAJOR SUBSIDIARIES AND AFFILIATED COMPANIES

OVERSEAS

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Chiyoda Singapore (Pte) Limited
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Chiyoda Asia Pacific (Pte) Limited
14 International Business Park
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Chiyoda Malaysia Sdn. Bhd.
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P.T. Chiyoda International Indonesia
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Fax: 91-265-774985

C&E Corporation
C&E Corporation Bldg.
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Tel: 63-2-636-1001~8
Fax: 63-2-636-1013/1022

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Jeddah Head Office
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The Kingdom of Saudi Arabia
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Kaduna Branch Office
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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

DOMESTIC

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

Chiyoda Advanced Solutions Corporation
Computer Aided Engineering Analysis, Plant Life
Cycle Engineering and Risk Management,
Utilization of Space Environment, etc

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

IT Engineering Limited
IT Solutions and Software Development

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 30, 2002)

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
Yukihiro Imadegawa

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 27, 2002)

CORPORATE DATA

Established
January 20, 1948

Number of Employees
2,535
[Parent Company: 1,026]

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, power generation, 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
21,105

Stock Exchange Listings
Tokyo, Osaka, Nagoya, Sapporo

Transfer Agent of Common Stock
The Mitsubishi Trust and Banking Corporation
11-1, Nagatacho 2-chome, Chiyoda-ku, Tokyo 100-8212, Japan

(As of March 31, 2002)

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