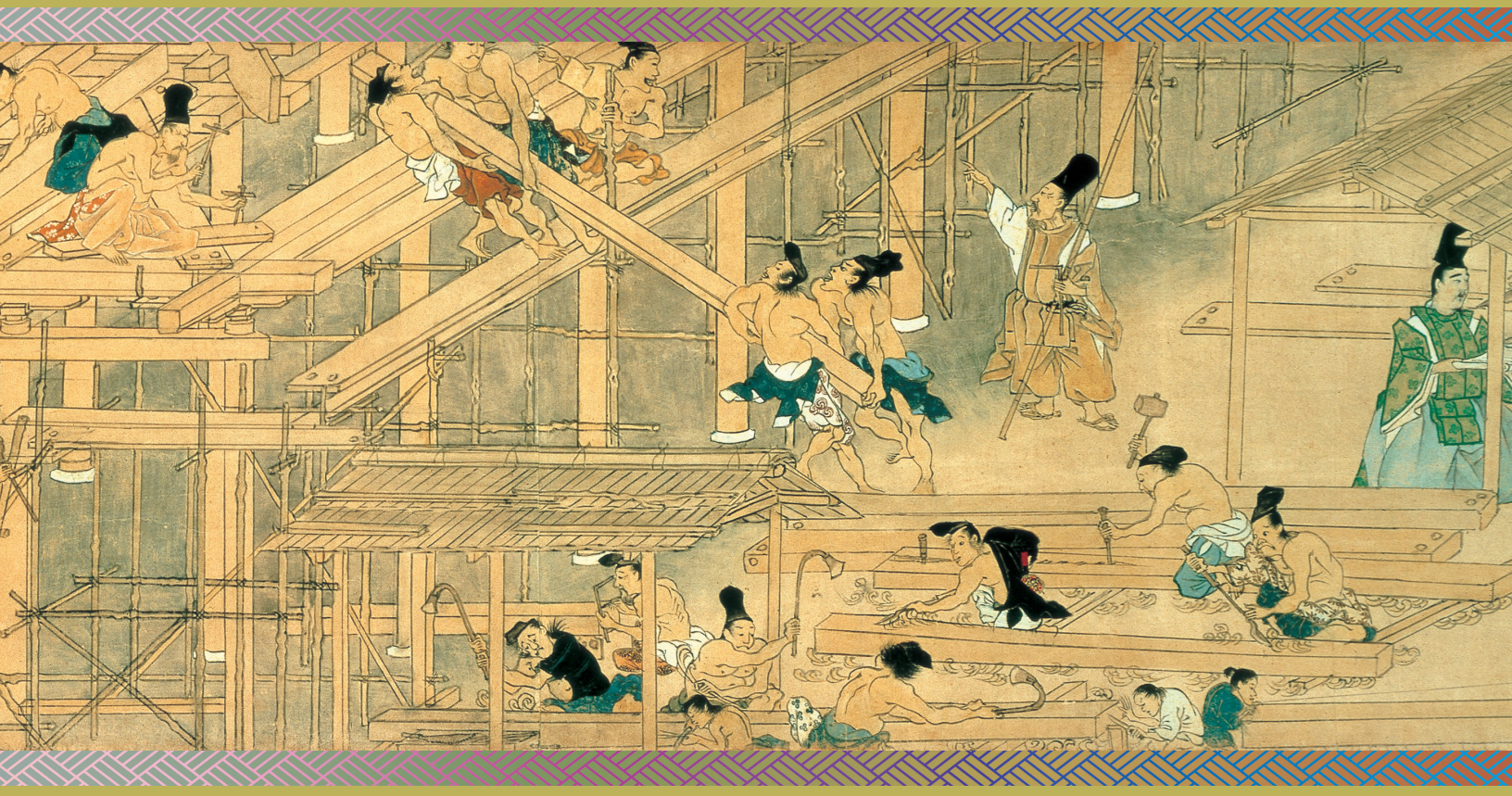
CHIYODA



Chiyoda Corporation Annual Report 2003

Fiscal Year Ended March 31, 2003

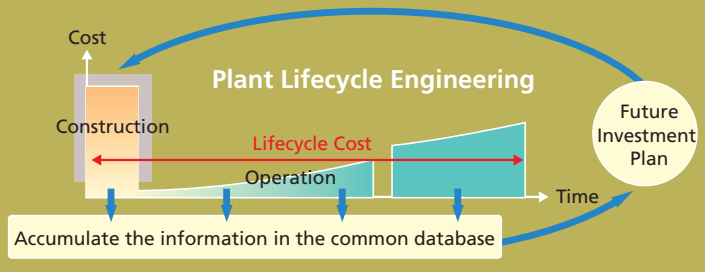
Profile

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 innovating an expanded business model that includes plant lifecycle engineering (PLE). This will enable Chiyoda to participate in project 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, makes it the engineering company of choice for customers worldwide.



CONTENTS

Cover:

The Matsuzaki Tenjin Engi Emaki Picture Scroll

An important cultural asset residing at Hofu-Tenmangu Shrine, Yamaguchi Prefecture.

The scroll portrays the building of the Kitano Tenmangu Shrine in 959 A.D. The man standing with a long staff over his left shoulder is the Toryo, a man with great knowledge and experience who had the responsibility to complete the project on time and within the budget while maintaining workers safety and work quality. In Japan, the Toryo is the origin of today's project managers.

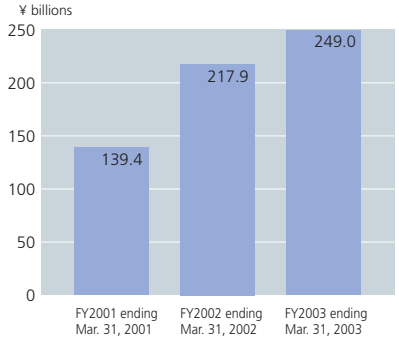
Consolidated Financial Highlights

Chiyoda Corporation and Consolidated Subsidiaries
Years Ended March 31, 2003 and 2002

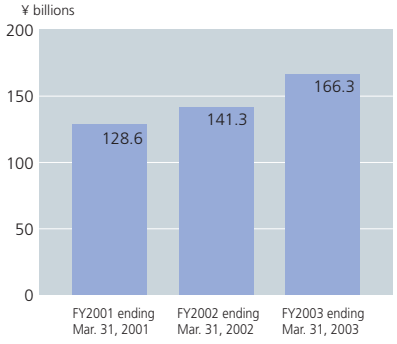
	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Total assets	**¥ 120,297**	¥ 129,314	**$ 1,002,475**
Total shareholders' equity	**16,670**	15,103	**138,916**
Construction contracts	**166,367**	141,387	**1,386,392**
Operating income (loss)	**1,548**	(5,202)	**12,900**
Net income	**2,000**	121	**16,667**
New contracts	**249,093**	217,997	**2,075,775**
Backlog of contracts	**316,167**	246,137	**2,634,725**
Per share of common stock	Yen		U.S. Dollars
Basic net income	**¥ 10.79**	¥ 0.65	**$ 0.09**

* U.S. dollar amounts have been converted at the rate of ¥120=US$1, the approximate rate of exchange at March 31, 2003.

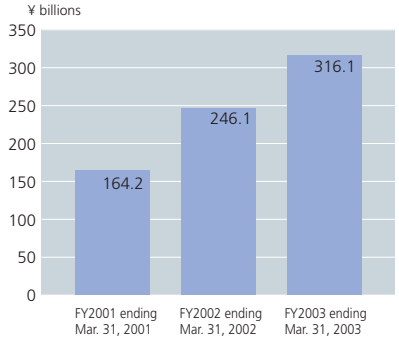
New Contracts



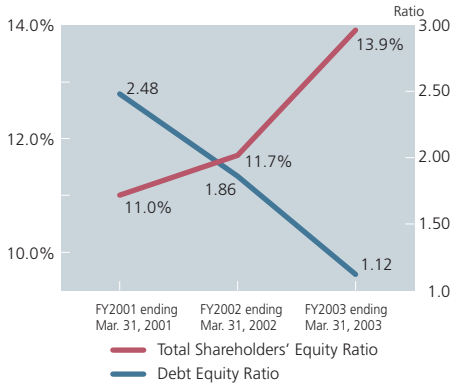
Construction Contracts



Backlog of Contracts

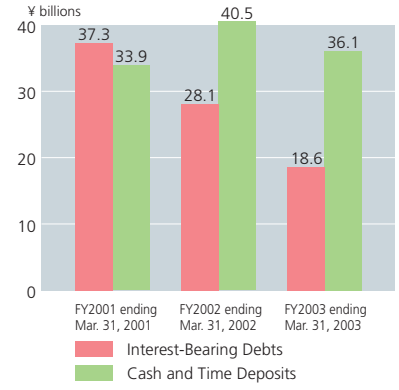


Total Shareholders' Equity Ratio vs., Debt Equity Ratio



Return on Equity (ROE)

Interest-Bearing Debts vs., Cash and Time Deposits



A Message from the President

Nobuo Seki President and CEO

As our shareholders are well aware, during the two years I have been president of Chiyoda Corporation, I have done everything in my power to ensure our success. And, thanks to the unstinting cooperation I have received from within and without the company, we are now stronger than we were two years ago, and we have the capabilities necessary to face the challenges posed by today's ever-changing business environs.

At this moment, Chiyoda is steadily improving revenue and profits, and increasing new orders. Our customers give us positive feedback concerning the quality of our work, and often choose Chiyoda for a job instead of the lowest bidder. Our earnings have shown strong recovery, and we will continue renewed efforts to meet the expectations of our shareholders.

Improved performance

In the past, Chiyoda Corporation has been through tough economic times. Perhaps the current challenges include a mentality problem as we struggle to overcome pessimism caused by underachievement. This will require awareness that both operations and management, at every level, must be executed carefully while adhering to the basics. And, with this in mind, employees and management must be cognizant of and embrace change.

Chiyoda's recent improvements in performance are due to our "Project Super X" program. It aims at achieving the goals of our five-year restructuring plan ahead of schedule. Implementation of "Project Super X" has strengthened our technological base and added immensely to our project and risk management expertise. This in turn has done wonders for both customer relations and employee morale.

New goals

The establishment of long-term bonds with our clients is vital to our future growth. We will especially work with those clients who need our technological strength and our

project management expertise. This we plan to achieve through application of Plant Lifecycle Engineering, or PLE, which comprises the wealth of plant engineering information and know-how Chiyoda Corporation has gathered over the decades. Using PLE, we can propose advanced solutions to our clients for their plants, which are often their most important assets. We assist our clients in enhancing the value of their assets throughout the entire lifecycle – from planning through construction, operation, maintenance, and even calculate necessary improvements and modernization – and help our clients achieve a greater return. In the process, we will continually enhance and update our database and engineering assets, which will enable us to continue to propose the most advanced, effective plant business models to our clients.

We plan to increase bookings through our "Natural Gas Value Chain" marketing strategy, which will allocate corporate resources intensively to natural gas-based projects. This will take advantage of the fact that natural gas producing countries are expanding utilization of their natural resources. This will mean increased production of liquefied natural gas (LNG) as well as a movement into gas-based chemicals and gas-to-liquids (GTL) production. We will use our PLE approach for natural gas projects as well.

Our customers recognize the expertise and knowledge we bring to a project, which allows us to present plans with the foresight to use cutting-edge technology and project management expertise. Through our PLE approach, we will build long-term relationships and mutual trust with our clients. And our PLE approach should enable us to contribute to the sustainable development of our clients and of society.

A look at the future

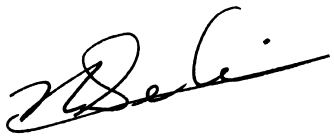
International issues such as the general strike in Venezuela, the war in Iraq, and SARS in Asia may have prevented us from achieving our near-term targets. However, most of the issues are being resolved, so I am comfortable with the economic outlook, and see Chiyoda working in the industry for the long haul.

I firmly believe that we as a company are nearly to the apex of the hill. We have recovered from our past errors and are looking at a bright future. We have an important slogan to remind us of what we should be doing – "Recognize change and find opportunity in it." If we take this slogan to heart, we will never again be caught in the straits of uncertainty that can drag a company down financially. To protect against a financial downturn, Chiyoda Corporation will also establish and maintain effective management control systems – including integrated budget controls, severe screening, monitoring, and audit controls for handing projects, and making maximum use of IT capabilities.

Another key to our coming growth was the formation of Chiyoda Advanced Solutions Corporation (ChAS) in 2002. This wholly owned subsidiary specializes in providing cutting-edge technological consulting services with highly advanced analytical skills that are based on our Group's engineering assets. The launch went smoothly, and ChAS posted a profit in its very first fiscal year.

I am resolved to eliminate accumulated losses and to start paying dividends again soon. We truly appreciate your continued support and look forward to serving you in the future.

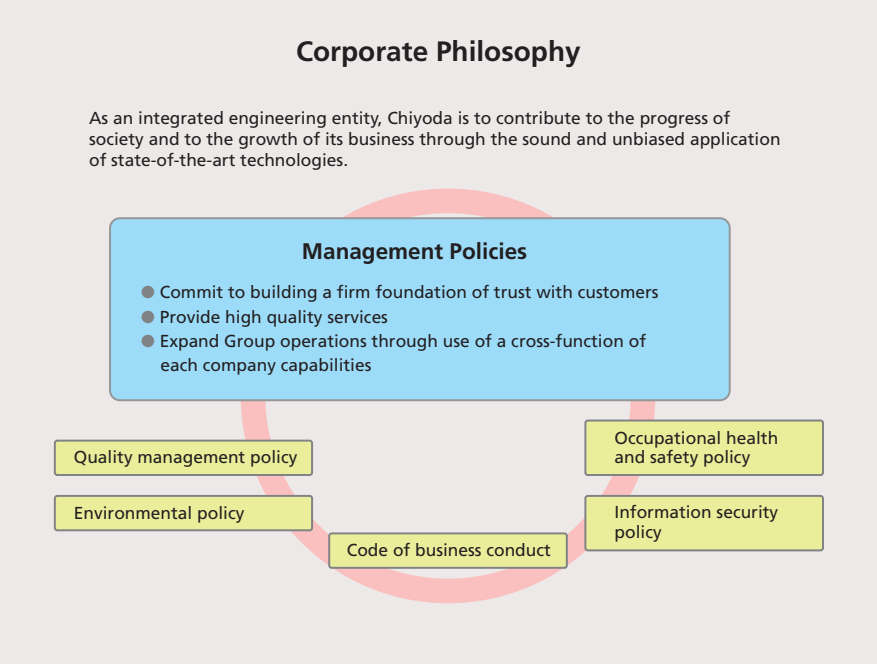
June 25, 2003



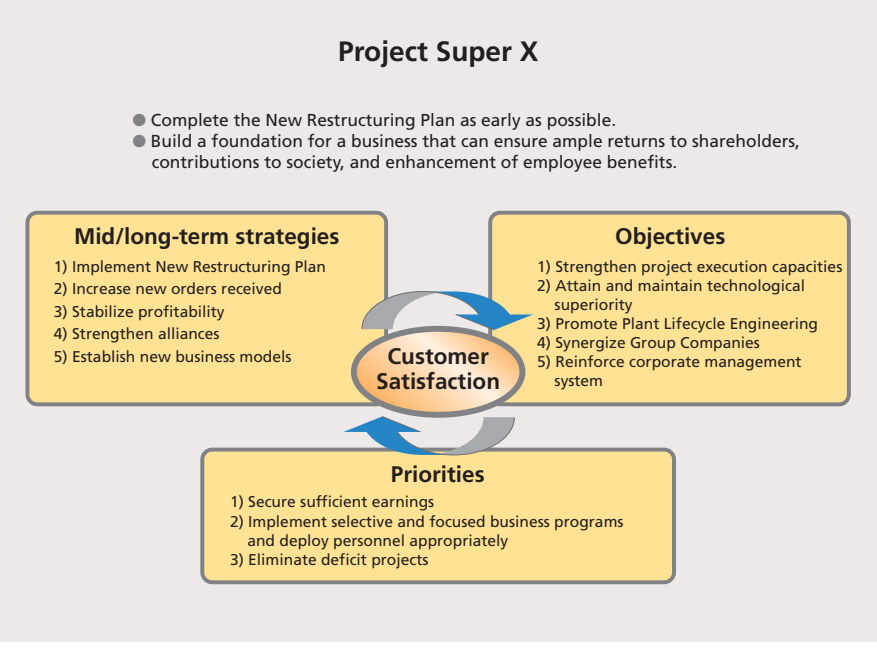
Nobuo Seki
President & CEO
Chiyoda Corporation

Corporate Philosophy and Management Policies

Chiyoda Corporation strives for customer satisfaction by basing our corporate activity on the trust of our customers and society at large and our affinity with them.

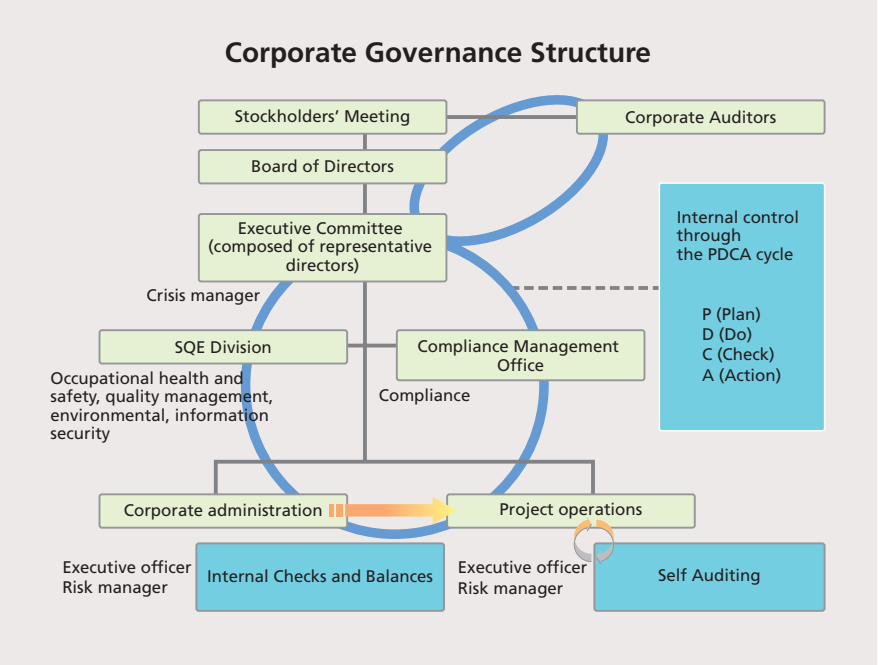


Medium- and Long-Term Business Strategy



Corporate Governance

The Company recognizes that every corporate activity is founded on the trust of and affinity with our shareholders, customers, and society at large, and so pledges to maintain a transparent and healthy business.



Chiyoda's auditing system has one external director as prescribed under Article 188, Section 2, Number 7-2 of the corporate code and three external auditors as prescribed under Article 18, Section 1 of the special corporate code relating to corporate audits. The Company introduced the executive officer system in fiscal 2002 to strengthen administration by separating decision-making from operational implementation.

The Executive Committee makes appropriate decisions in response to rapidly changing social and economic circumstances. The Committee, composed of representative directors, makes the crucial operational decisions for the Company as a whole. Corporate auditors attend Executive Committee meetings and express opinions as required. The Executive Committee thus balances rapid decision-making with transparency.

Executive Officers delegated by the Board of Directors liaise with external consultants such as attorneys and are responsible for executing the decisions of the Executive Committee and Board of Directors. Executive officers report on operations to those organs as needed. Directors oversee the Executive Officers, while corporate auditors perform legal audits on the performance of directors.

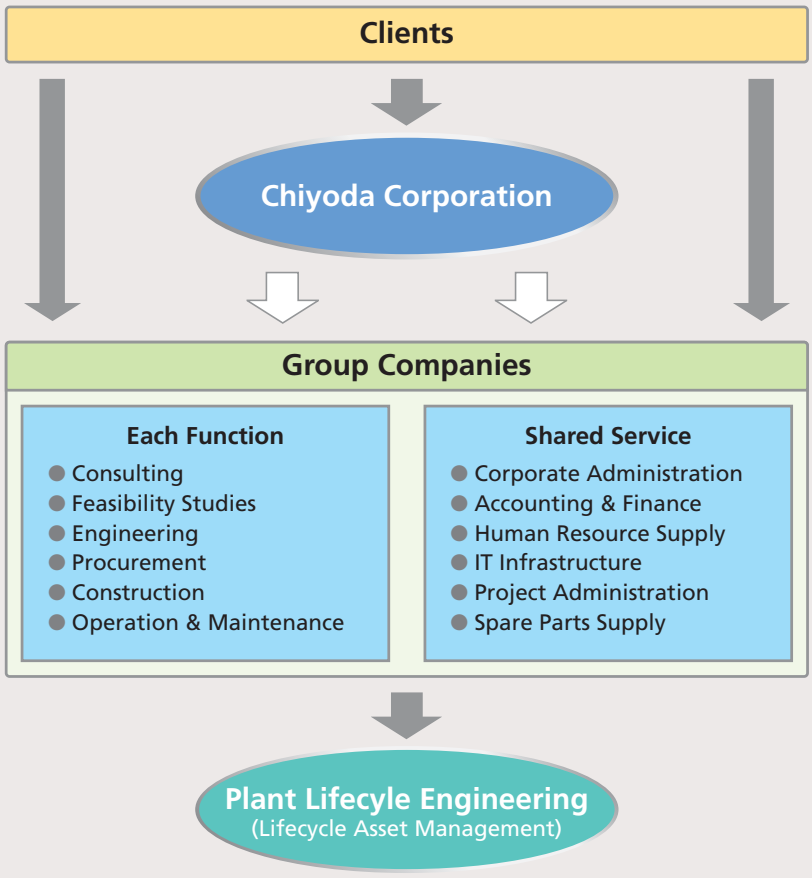
Chiyoda Corporation Environmental Report

Chiyoda publishes an Environmental Report, which explains our efforts in that area. Chiyoda President Nobuo Seki has proclaimed that "Protecting the Earth's environment is our mission." And with that mission in mind, we do our utmost to harmonize the development of human kind with the needs of the global environment. Indeed, "Sustainable Development" is our own clarion call. In fact, we use every skill our company has – engineering, planning, design, procurement, construction, operations, and maintenance – to help ensure minimal impact on the immediate, regional, and global environments.

The Chiyoda Group Operations Initiative

The Chiyoda Group consists of the parent, Chiyoda Corporation, 32 subsidiaries, and 13 affiliated companies. The Group's core function is to provide customers with the most effective engineering solutions for their needs. By combining and deploying the resources of any combination of Group Companies, as needed, when needed, Chiyoda gains the flexibility necessary to allow the company to meet current demand and fill the customer satisfaction, regardless of geographic region.

Chiyoda is committed to building a firm foundation of trust with our customers, to providing high-quality services. We realize Plant Lifecycle Engineering by expanding Group operations through use of a cross-function of each company capabilities.

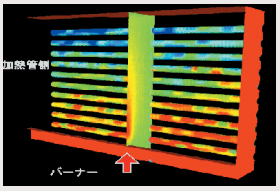


Chiyoda Group Domestic Operations

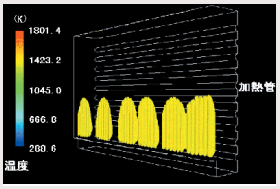
Big SDM Project accounting 500,000 hr (Toa Oil Co., Ltd.)

Compost Factory-Asahi Organic Bio Center (Asahi Environmental System Co., Ltd.)

Lube Oil Blending Plant (Sanwa Kasei Industrial Corporation)



Acoustic Emission Diagnosis



Burner Flame Formation Analysis

CHIYODA CORPORATION

Chiyoda Advanced Solutions Corporation
- Computer Aided Engineering Analysis
- Plant Lifecycle Engineering and Risk Management
- Utilization of Space Environment, etc.

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

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

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

Environmental Monitoring Facilities for International Stadium Yokohama and surrounding area (Yokohama City Green Environmental administration Bureau)

Electric Facilities for Historic Attraction (Yokohama City Ports and Harbors Bureau)

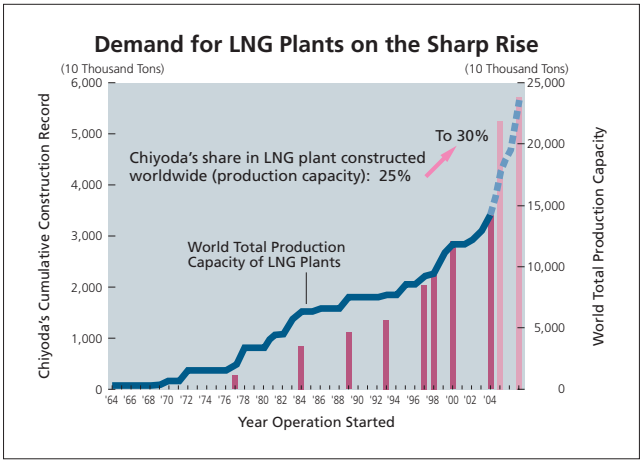
Completion Ceremony (Ajinomoto Pharma Co., Ltd.)

Central Research Center (Ebara Foods Industry Co., Inc.)

Strong Position in LNG Plant Business

Base-load LNG plants built by Chiyoda are currently producing more than 28 million tons per annum (mtpa). In addition, Chiyoda continues to be awarded Front End Engineering and Design (FEED) or Project Specification (PS) works by major LNG projects, which results in measurable benefits for project investors. Chiyoda is also a leading contractor of LNG receiving terminals, mainly in Japan.

Chiyoda continues to develop the state-of-the-art technology, design and project execution in gas processing and LNG chain to enable developers to create viable gas/LNG trade schemes for investors in competitive and changing markets. A core competence at Chiyoda is high-caliber people with the experience and expertise to meet the challenges inherent to large-scale, fast-track, cost-effective gas processing projects with the highest quality engineering.

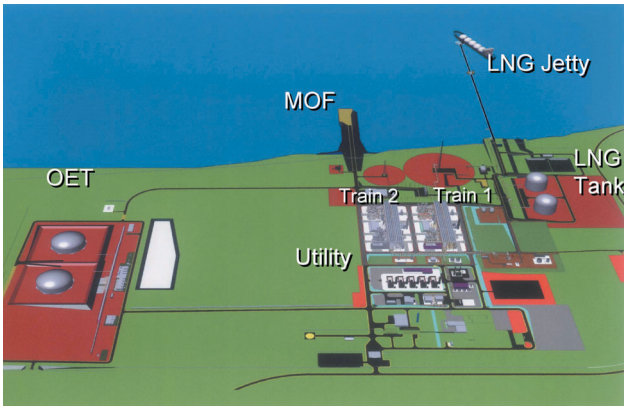


Sakhalin II LNG Project

Chiyoda, along with Toyo Engineering Corporation (TEC) and Russian corporations, signed an EPC contract with Sakhalin Energy Investment Company Ltd. (SEIC) on June 2, 2003 for a grass-roots liquefied natural gas plant complex that is part of the Sakhalin II Project. SEIC is owned by Shell Sakhalin Holdings B.V. (55%), Mitsui Sakhalin Holdings B.V. (25%), and Diamond Gas Sakhalin B.V. (20%).

The project construction site is located at Prigorodnoye on southern Sakhalin Island in Russia. The site is also about 160 km from Wakkanai, the northernmost tip of the Japanese island of Hokkaido. The plant will consist of two LNG trains, each with a production capacity of 4.8 million tons per year, the largest in the world. The first train is planned to be operational in 2007. Shell's Double Mixed Refrigerant (DMR) liquefaction process will be used for the first time in a base-load LNG plant. The LNG plant also includes two 100,000 cubic meter LNG tanks and an LNG loading jetty.

Chiyoda provides services in the fields of engineering, procurement, and construction for global LNG projects, and it holds about a 30% share of EPC work for major base-load LNG projects worldwide.

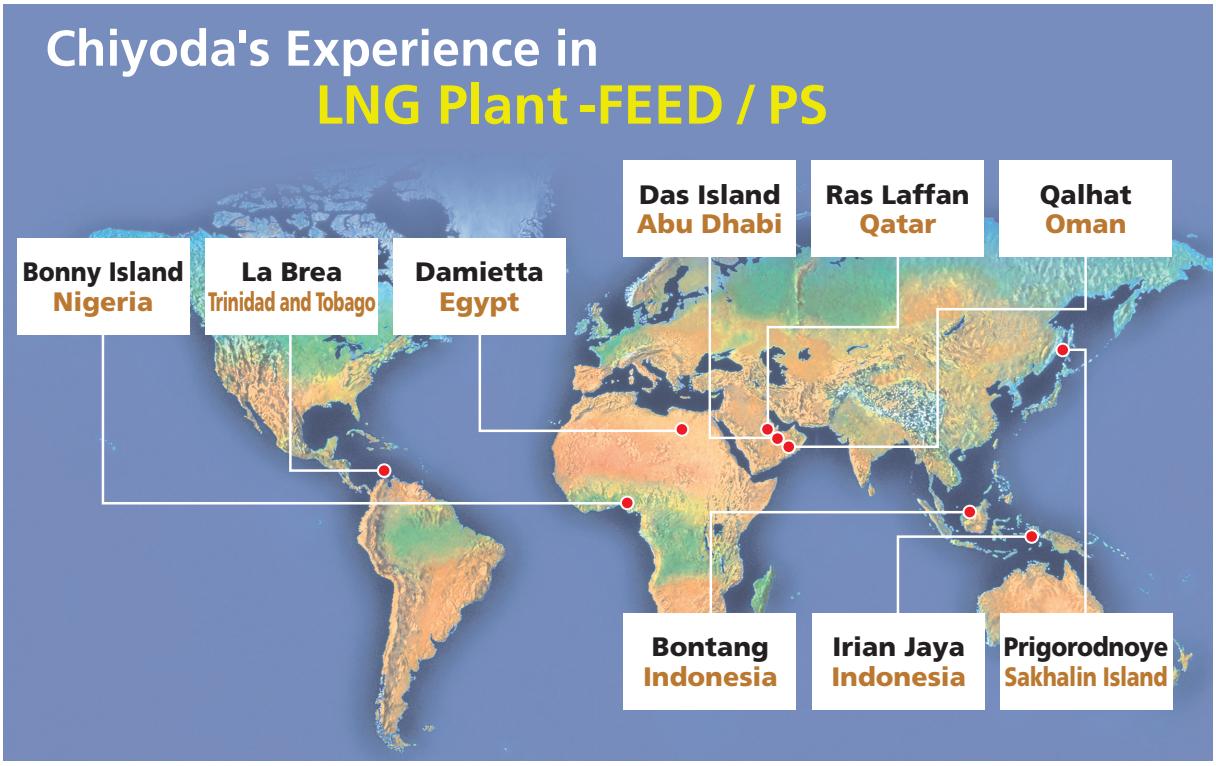


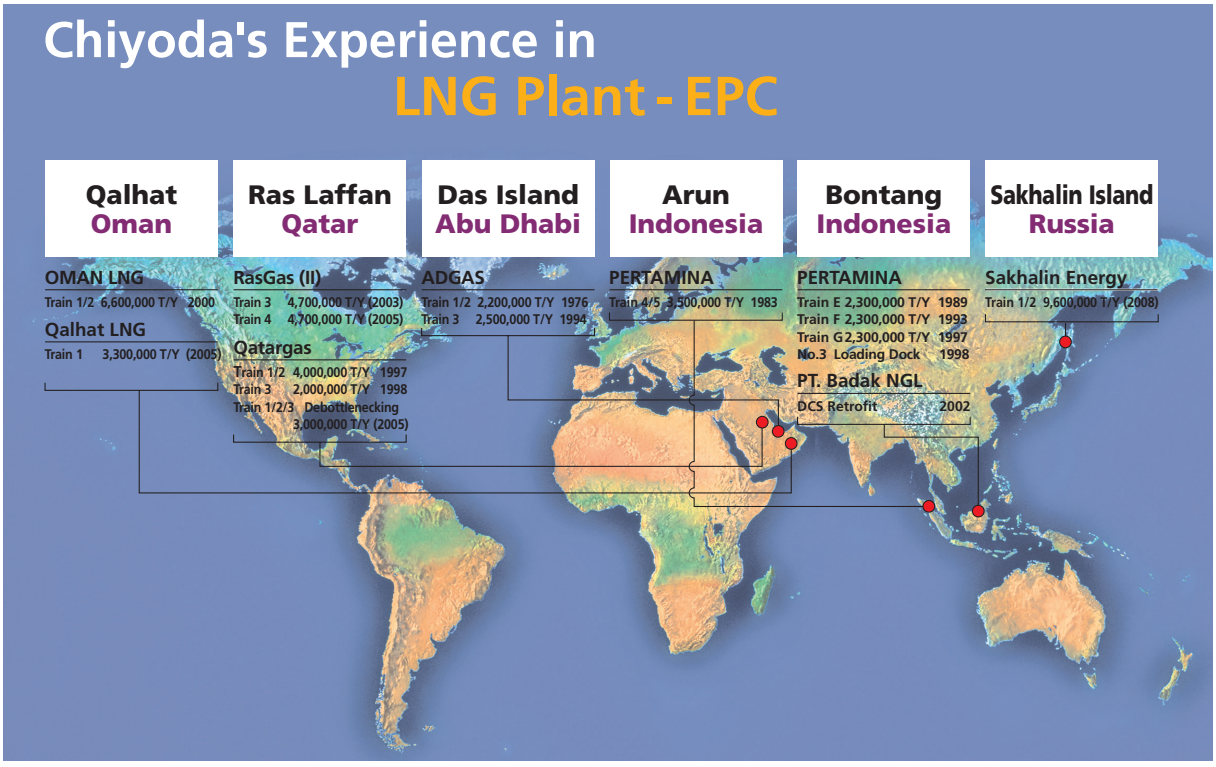
Chiyoda's outstanding technical competence and successful track record in base-load LNG projects around the world, including the recent Qalhat LNG project led to the Sakhalin contract award.

After projects in Qatar and Oman, Chiyoda has continued to secure contracts for base-load LNG projects, evidence of an overwhelming strength in the LNG field.

For the Sakhalin LNG project, Chiyoda performed project specification (PS) work in a joint venture with Fluor Daniels of The Netherlands and OAO NIPIgaspererabotka.

This is the first LNG project in Russia, which has the world's largest natural gas reserves, and will be the cornerstone of future gas-related projects in that country.


Chiyoda's Experience in
LNG Plant -FEED / PS
Bonny Island
Nigeria
La Brea
Trinidad and Tobago
Damietta
Egypt
Das Island
Abu Dhabi
Ras Laffan
Qatar
Qalhat
Oman
Bontang
Indonesia
Irian Jaya
Indonesia
Prigorodnoye
Sakhalin Island


Chiyoda's Experience in
LNG Plant - EPC
Qalhat
Oman
OMAN LNG
Train 1/2 6,600,000 T/Y 2000
Qalhat LNG
Train 1 3,300,000 T/Y (2005)
Ras Laffan
Qatar
RasGas (II)
Train 3 4,700,000 T/Y (2003)
Train 4 4,700,000 T/Y (2005)
Qatargas
Train 1/2 4,000,000 T/Y 1997
Train 3 2,000,000 T/Y 1998
Train 1/2/3 Debottlenecking
3,000,000 T/Y (2005)
Das Island
Abu Dhabi
ADGAS
Train 1/2 2,200,000 T/Y 1976
Train 3 2,500,000 T/Y 1994
Arun
Indonesia
PERTAMINA
Train 4/5 3,500,000 T/Y 1983
Bontang
Indonesia
PERTAMINA
Train E 2,300,000 T/Y 1989
Train F 2,300,000 T/Y 1993
Train G 2,300,000 T/Y 1997
No.3 Loading Dock 1998
PT. Badak NGL
DCS Retrofit 2002
Sakhalin Island
Russia
Sakhalin Energy
Train 1/2 9,600,000 T/Y (2008)

Projects in China Continue to Grow

Successful Achievement with 400 Million Hours Accident-Free

BP Ningbo Huadong LPG Bulk Breaking Terminal Project

A ceremony marking the completion of the BP Ningbo Huadong LPG Bulk Breaking Terminal Project was held on October 18, 2002, at the project site in Ningbo, Zhejiang Province, People's Republic of China.

On hand for the event were Ningbo Mayor Jin Deshui, city officials, President and Chief Executive of BP China Dr. Gary Dirks, and BP officials. Managing Director Atsuo Minamoto represented Chiyoda at the ceremony.

The project, awarded to us in a consortium with NCC International A.B. of Sweden in March 2000, was to construct one of China's largest underground receiving and storage terminals for liquefied petroleum gas (LPG). It can handle 1.6 million tons of LPG per year, and includes jetty, topside and underground processing/utility facilities and two underground storage areas for propane and butane.

Chiyoda, as the consortium leader, was responsible for Engineering, Procurement, Construction (EPC) of the topside and underground facilities for the process and utility plants, and construction of two jetties for 50,000 dwt and 5,000 dwt vessels. NCC International A.B. constructed the two underground caverns.

This was Chiyoda's first experience in executing a project in consortium with a non-Japanese contractor in China. Cultural differences caused problems at times, yet we overcame the difficulties and successfully turned over the terminal facilities in June 2003, as was set out in the contract. All commissioning work has also been completed and deliveries of refrigerated LPG started on August 5, 2002. We believe the teamwork of contractors striving for the same goal was key to the success of the project.

In his remarks at the ceremony, Dr. Dirks expressed his appreciation for the achievement of 4 million accident-free man-hours on the project, despite the harsh working environment.

People celebrate the completion of the BP Ningbo Huadong LPG Bulk Breaking Terminal Project.

Foreign investment continues to grow in China, and we believe the successful completion of the BP project, requiring stringent safety/quality management, has proven our project execution capability.

We hope to build on this experience to secure future projects in China.

The LPG storage facility and the ingress shaft

Above-ground facilities

3.6 million accident-free man-hours achieved through 3 Dow Chemical projects in China

S/B Latex Project

An opening ceremony of a new latex plant was held at the Dow Chemical Company in the Yangzi Petrochemical Industrial Complex on October 25, 2002. Among those in attendance were the Dow Chemical Global Vice President, the Dow project staff, the Zhangjiagang City Communist Party Committee Secretary, and the Zhangjiagang Mayor.

The plant, owned by Dow S/B Latex Zhangjiagang Co., Ltd., at Deji field in Zhangjiagang, China, is to produce 22,000 tons of latex per year from feedstock of butadiene and styrene monomer. The product is used for paper coating, for which demand is growing in China.

Chiyoda was awarded an EPC contract for the plant in April 2000 and successfully turned over the plant to the client in September 2002.

Dow has expressed its appreciation for the high purity of the product so soon after the project's completion.

What's more, the trust built and relationships formed with Chinese authorities during this project have led to other development projects in the city of Zhangjiagang.

People celebrate the opening of the latex plant.

SAL Polystyrene Project

Following the latex project, an opening ceremony for the polystyrene plant was held on December 5, 2002, with attendance by the Dow Chemicals Global Vice President, the SAL President, the Asahi Kasei Vice President and project staff, the City Communist Party Committee Secretary and the Zhangjiagang Mayor.

A plaque of appreciation was given to Chiyoda by Dow Chemical.

During the ceremony, we received a plaque of appreciation for successfully completing this grassroots plant despite many difficulties.

Chiyoda was awarded an EPC contract for this the polystyrene plant by SAL Petrochemical Zhangjiagang Co., Ltd. (SAL is a Dow Chemical and Asahi Kasei joint venture) at the end of 1999 and turned over the plant to the client in October 2002.

The plant has a yearly output of 120,000 tons of polystyrene, a general-purpose resin for which demand is rapidly increasing in China.

Converted Epoxy Resin Project

Dow's positive evaluation of Chiyoda's performance through the latex and the polystyrene projects led to another EPC contract in the same city.

Chiyoda was awarded an EPC contract for 41,000 tons per year converted epoxy resin plant in April 2001.

We studied and analyzed the lessons learned in the previous two projects and reinforced our supervision of Chinese subcontractors and vendors in executing this project. In addition, we concentrated on improving communications, and focused on "doing what must be done, and doing it right." With this phrase as our motto, we were able to complete the project with improved quality and ahead of schedule in February 2003.

From the initial latex project through the epoxy resin project, we posted a record of 3.6 million accident-free man-hours.

This significant record not only places us in high esteem with our clients, but also helps establish Chiyoda as a trustworthy engineering contractor in the Chinese market.

Converted epoxy resin plant for Dow Chemical (Zhangijiagang, China)

Natural Gas Projects

3D model for Qalhat LNG S.A.O.C.

In overseas markets, Japanese electric power companies, which are major users of liquefied natural gas (LNG), have suspended operation of their nuclear electric power plants one after another. As a result, operating rates of LNG-fired power plants have remained high, spurring prospective LNG suppliers to aggressive marketing efforts in Japan. India, which has contracted with RasGas II project for 7.5 million tons per annum, and the People's Republic of China, which entered into agreements to purchase LNG from Australia and Indonesia, are emerging as new LNG importing countries. What's more, imports of LNG to the United States, where natural gas prices are soaring, and to European countries, where deregulation has brought newcomers into the gas supply business, are increasing. Overall, these factors mean long-term demand for LNG is on an upward trend.

Plans for construction and expansion of gas processing, LNG and LPG plants are brisk in Middle Eastern countries including Oman, Qatar, and the U.A.E.

Capitalizing this backdrop, we have received orders for large-scale projects such as Train 4 for the RasGas onshore expansion in Qatar, the Qalhat LNG in Oman, the Al-Kaleej gas development phase 1 in Qatar, and a gas processing plant in the central part of Sumatra, Indonesia.

Recently, growth of the gas utilization business field resulted in expansion of our engineering services so we reorganized our LNG operations into Natural Gas Value-Chain operation. We will develop sales activities to cover a variety of natural gas-related projects from upstream to final market, aimed at most effective use of natural gas resources.

Projects completed in the fiscal year 2003 include DCS retrofitting of the LNG plant of PT.Badak NGL, upgrades of FEED work at Oman LNG Plant from Shell Global Solutions International B.V., and the BP Ningbo LPG Bulk Breaking Terminal Project in China.

In the domestic market, electric power companies and gas companies have not made large-scale investments in LNG terminals. However, we have secured orders for various renovation and/or revamp projects for LNG terminals in this fiscal year, thanks to our solid reputation for engineering expertise in the field of cryogenics.

In the field of LPG stockpiling, we received orders for engineering and construction of Namikata and Kurashiki terminals in the first half of the fiscal year 2002. These projects are water sealed underground cavern storage terminals, and our experience with BP Ningbo Huadong LPG project should be useful and advantageous.

We are also focused on winning the Kamisu LPG national stockpiling terminal project, which is scheduled to be tendered in the fiscal year 2003.

In the new energy field, we have participated in developing a process for manufacturing synthesis gas at a gas-to-liquid (GTL) pilot plant for the Japan National Oil Corporation, which will produce Japan's first synthetic fuel. Verification of the commercial viability of Chiyoda's catalyst for manufacturing synthetic gas will open up a promising future for this technology.

PROJECT HIGHLIGHTS

President Nobuo Seki expresses appreciation to U.H (Paul) Jones, venture manager of Ras Laffan Liquefied Natural Gas Company Limited (II), for the RasGas Train 4 option contract awarded to Chiyoda.

RasGas Train 4 LNG Onshore Expansion in Qatar

The Joint Venture of Chiyoda, Mitsui & Co., Ltd. and Snamprogetti S.p.A received at the end of September, 2002, the notice to proceed with execution of the option for the detailed engineering, procurement and construction (EPC) of LNG Train 4 plant, LNG tank, berth, and condensate loading facilities from Ras Laffan Liquefied Natural Gas Company Limited (II) (RasGas II: Qatar Petroleum and Mobil QM Gas Inc.) in the State of Qatar, in addition to the contract for its LNG Train 3 plant currently under execution since April 1, 2001.

This contract for the LNG Train 4 project includes an installation of the world's currently largest LNG Train, which will be identical with that of the Train 3 Project, and will produce approximately 4.7 million tons of LNG per annum. The LNG Train 4 plant will start delivering LNG cargoes by the end of 2005.

We believe that the notice to proceed with this contract option is largely attributable to our JV's superb capability as proven in Train 3 project execution, and in successful track records in other Qatar projects, which result in a synergistic effect with the ongoing Train 3 project.

This option for Train 4 work means successive awards of EPC contracts to Chiyoda, beginning with the Qatargas LNG Train 1/2/3 contracts (completed in 1998) and continuing with the RasGas Train 3 contract (under execution). We believe this track record confirms Chiyoda's competitive strength in the LNG plant business of the Middle East region.

President Nobuo Seki signs a parent company guarantee in the presence of H.E. Mohammed Hamad Saif Al Rumhi, Minster of Oil and Gas, at the contract signing ceremonies for the Qalhat LNG train.

Qalhat LNG Project in Oman

Chiyoda-Foster Wheeler and Co. LLC was awarded a contract by Qalhat LNG S.A.O.C. for the detailed engineering, procurement and construction (EPC) of a liquefied natural gas (LNG) train at Qalhat, near Sur, the Sultanate of Oman. The contract includes construction of additional LNG storage facilities as an option.

The new LNG train will be built adjacent to the existing Oman LNG Complex at Qalhat, where two identical LNG trains, each with a capacity of 3.3 million tons per year, have been operating since early 2000. During the completion of the existing trains for Oman LNG LLC, Chiyoda-Foster Wheeler achieved highest quality and an outstanding safety record while performing within budget and on a fast project schedule.

Through excellent performance in EPC for the existing plants, as well as for the Project Specification Work on the new LNG train, Chiyoda-Foster Wheeler demonstrated its expertise as a reliable and competent engineering contractor and earned the confidence of Shell Global Solutions International B.V., which has been involved in the Oman LNG project as Technical Advisor from the outset.

The new LNG train aims for improved production capacity and is expected to be on stream by the end of 2005. Chiyoda's rich experience and proven performance in fast-track base-load LNG projects worldwide help Chiyoda-Foster Wheeler meet the challenging delivery schedule and enable Qalhat LNG S.A.O.C. to supply LNG supply in early 2006.

The EPC Award Ceremony for the Al-Khaleej Gas Phase-1 Project at the Ritz Carlton Hotel in Doha, Qatar.

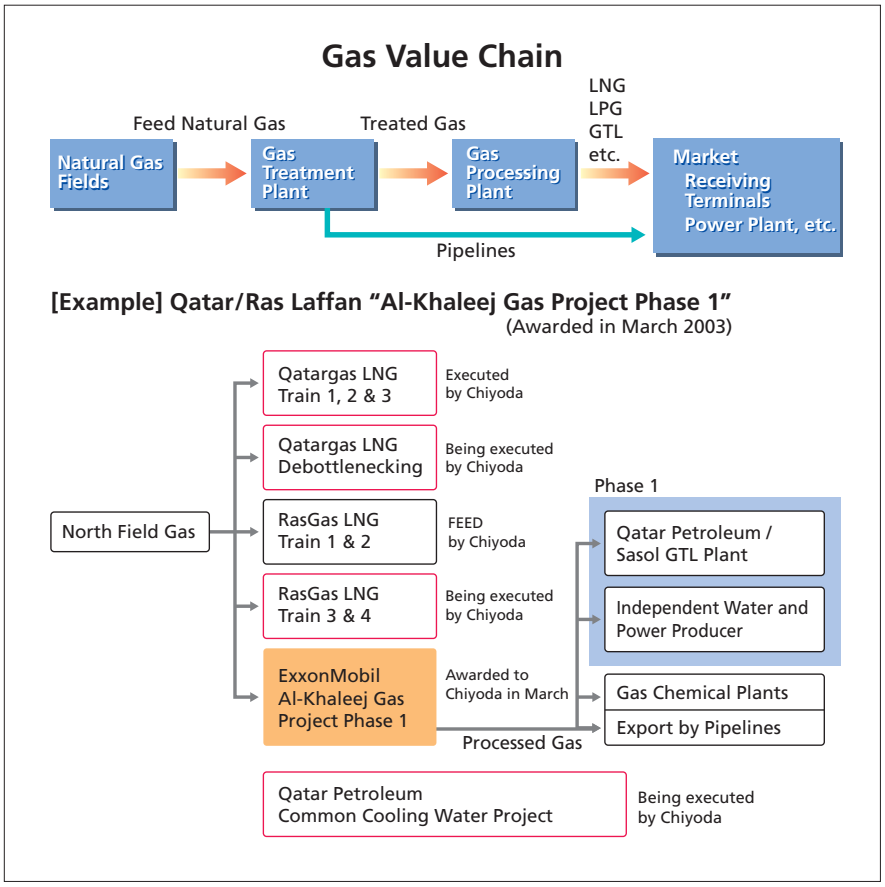
Al-Khaleej Gas Project Phase-1 in Qatar

On March 31, 2003, the Joint Venture of Chiyoda, Mitsui & Co., Ltd., Snamprogetti & Co., W.L.L. (CMS&A) received the award from ExxonMobil Middle East Gas Marketing Limited to execute the detailed engineering, procurement and construction (EPC) of Al-Khaleej Gas Project Phase 1 (AKG-1) in the State of Qatar.

This project will provide a reliable gas supply to significant projects within Qatar from the abundant reserves (900 TCF) in North Field. The new AKG-1 facilities will be built adjacent to the existing RasGas LNG Trains in the Ras Laffan Industrial City.

Chiyoda believes that the award of this contract is attributable to a synergy effect with the ongoing Train 3 and 4 execution and the company's superb capability as proven in such ongoing projects as well as in a successful track record with other Qatar projects.

Award of this AKG-1 project represents a succession of EPC contracts in Qatar for Chiyoda and its partners, including the Qatargas LNG Trains 1/2/3 contracts (completed in 1998), Qatargas Debottlenecking Project and the RasGas Train 3 and 4 contracts (both under execution). We believe this shows Chiyoda's competitive stronghold in the business of Gas Value-Chain in the Middle East region.



Before

After (Refurbished by Ergonomics Design)

DCS Retrofit & Instrumentation Upgrade for Bontang LNG Trains in Indonesia

PT. Badak NGL (a subsidiary of PERTAMINA) is operating one of the largest LNG production complexes in the world – eight LNG trains with associated utility and offsite facilities. The first four trains (Trains-A/B & C/D) were commissioned in 1977 and 1983 respectively, and were being monitored and controlled by panel-mounted electrical controllers using 1970's technology. To enhance the reliability, operability, and maintainability of those four trains, an entire revamp/upgrade of the control, safety and the electrical system was done by Chiyoda.

Through this DCS Retrofit Project, PT. Badak's existing drawings have been up-dated, which enhances the maintainability and reliability of those four trains.

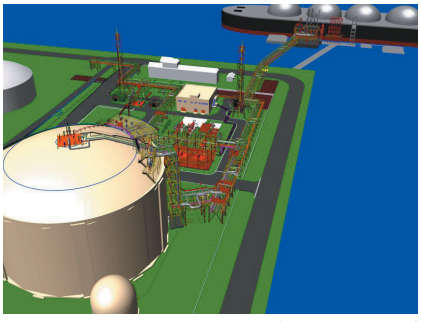
Three of the remaining four trains were also constructed in late 1980's and 1990's by Chiyoda with the latest monitoring and control technologies (DCS). As a result of this DCS Retrofit Project, PT. Badak operates all of eight LNG trains under fully automated technologies with high reliability.

PT. Badak operates 365 days a year to produce and supply LNG to Japan, Korea, and Taiwan. Chiyoda will continue to support PERTAMINA and PT. Badak, and contribute to Japanese and East Asian energy security through its activities.

Mizushima LNG Receiving Terminal

Chiyoda was awarded a full-turnkey contract for the Mizushima LNG Receiving Terminal from Mizushima LNG Company Limited, which was jointly established by Chugoku Electric Power Co., Inc., and Nippon Oil Corporation.

The scope of work for the project includes removing existing tanks within the premises of Mizushima Refinery and installing one above-ground PC LNG tank with a capacity of 160,000 kiloliters, and receiving and transshipment facilities mainly for use at the Mizushima power plant of Chugoku Electric Power. Commercial operation is scheduled to commence in April 2006. The capacity of LNG handled will be 600,000 tpa.



Mizushima LNG Receiving Terminal. (bird's eye view of 3D model)

In 1969, Chiyoda constructed Japan's first LNG receiving terminal for Tokyo Gas Co., Ltd. at Negishi in Yokohama Harbor. Since then, among all the 24 terminals constructed and operated by electric power companies and city gas companies in Japan, we have participated in engineering and construction of 12, fully half of all LNG terminals, which may account for our excellent reputation.

We believe this new contract is in recognition of Chiyoda's outstanding achievements and experience in performing engineering, procurement and construction (EPC) for LNG terminals.

Chemical Projects

Chiyoda was involved in the construction of all polycarbonate plants for Teijin in Singapore.

Pharmaceuticals factory for Eisai Co., Ltd. (Artist's rendering)

In overseas markets, looking at the mega petrochemical complex planned by U.S. and European majors in China, three ethylene centers for BP, BASF, and Shell have started construction. Amidst these moves, we secured an EPC contract for constructing SM/PO and MPG/Polyols plants from CNOOC and Shell Petrochemicals Company Limited.

In addition, following the successive completion of the latex and polystyrene plants in the previous fiscal year, we completed a converted epoxy resin plant for Dow Chemical in fiscal 2002.

We have also licensed our proprietary acetic acid manufacturing technology (ACETICA®) to a Chinese firm for potential construction of a plant.

For large-scale gas chemical plants to diversify the use of gas in producing countries, we won the contract for the world's largest methanol plant in Saudi Arabia, where we have a significant track record of executing large-scale gas chemical plant projects.

On the other hand, chemical industry investment in China is shifting to higher value-added functional chemical products from general-purpose chemicals.

Although there are many projects in this field, the market is smaller than that of general-purpose chemicals and the number of projects in which we can exert our technological superiority is limited. Therefore, we have carefully selected projects in which we can make the most of our strengths.

China is expected to grow into a giant consumer market from its current position as the world's factory. While investment by U.S. and European majors and quasi-majors continues, more Japanese firms are expected to enter the market.

New regulations enacted by the Chinese government at the end of 2002 make it difficult to win EPC contracts on a lump-sum basis, but we will aim for higher valued services with quality projects, utilizing our project management expertise through alliances with international firms.

In the domestic market, we saw price hikes of butadiene, styrenemonomer, and paraxylene, led by an increasing demand for these products in China. The rise in prices, however, was not enough to induce the new investment in Japan. Chemical companies are changing their business stances, strengthening propylene production to counter the growth of ethane-based ethylene.

The move toward increased propylene production will involve FCC unit revamping of petroleum refineries and should result in plant and equipment investment in propylene downstream derivatives.

These moves by chemical companies concur with the petroleum refining companies' search for higher value-added products besides gasoline, and we expect continued integration of chemical firms and refiners.

In the pharmaceutical industry, fierce competition to develop new drugs has accelerated. As a result, major pharmaceutical manufacturers are further specializing in research and development, while spinning off drug manufacturing and laying the groundwork to undertake entrusted manufacturing from third-party companies.

Nevertheless, we won a contract from a major foreign pharmaceutical manufacturer to diagnose the existing facilities and develop a plan for integration of its factories.

And we will aim at winning repeat orders for world-class research centers from major manufacturers, focusing on high value-added projects where we can make the best use of our technological expertise.

Yoshihito Hashimoto Elected PDA Director

Yoshihito Hashimoto, an Engineering Consultant at Chiyoda, was recently elected a Director of the Parental Drug Association (PDA). Chiyoda is a corporate member of the PDA. The PDA Board of Directors consists of 17 members, and Hashimoto is the only Director from Asian. The U.S.-based PDA is a non-profit organization dedicated to improving the quality of pharmaceuticals. The association provides scientific opinions on draft regulations and guidelines issued by the U.S. Federal Drug Administration (FDA) before they go into effect, as well as ideas and comments on execution of them from scientific aspect. It also provides educational programs for concerned professionals to ensure compliance with new regulations. Now, Hashimoto works with the American and European Directors, and cooperate with various governmental agencies and industry associations to see that the quality of pharmaceuticals produced in Asia conform to pertinent regulations.

PROJECT HIGHLIGHTS

IMC's World Scale Methanol Plant in Saudi Arabia

Chiyoda and its Saudi Arabian affiliated company, Chiyoda Petrostar Limited (CPL), were selected as the contractors for the engineering, procurement, construction and commissioning (EPCC) of a world-scale methanol plant and associated utilities facility project by International Methanol Company Limited (IMC). IMC is a joint venture between Saudi International Petrochemical Company (SIPC) and Japan-Arabia Methanol Company Ltd. (JAMC). JAMC is a Japanese limited liability company owned by a consortium of major Japanese companies led by Mitsui & Co., Ltd.

Contract-signing ceremonies held at Al Khobar, Saudi Arabia, on December 23, 2002.

This project is to build today's world-scale grass root 2,900 tons per day methanol plant and associated utility and offsite facilities in Jubail Industrial City in Saudi Arabia. The project will be completed in 30 months and a majority of the methanol produced at this plant will be taken off by JAMC.

Chiyoda and CPL were selected following international competitive bidding. Chiyoda's expertise from past methanol projects, combined with abundant EPC experience in Saudi Arabia, was a major factor in its selection. Due to its substantial experience and expertise in engineering, procurement and construction of synthesis gas process plants, Chiyoda is able to offer a technically and commercially reliable proposal at a competitive price, another reason for selection of Chiyoda for this project.

Licensing agreement ceremony for Chiyoda's proprietary ACETICA® process.

Licenses ACETICA® to Chinese Firm

Chiyoda executed a licensing agreement with Guizhou Crystal Organic Chemical Group Co., Ltd. in China for a planned 36,000 tons per year acetic acid plant. Chiyoda will grant a license for its proprietary process technology to produce acetic acid (ACETICA® Process) and provide its process design package to the client. Further, it has been basically agreed that Chiyoda will provide the engineering, procurement, and supervising services for this project. This plant, when constructed, will be the first commercial plant using the ACETICA® Process.

Guizhou Crystal Organic Chemical Group Co. manufactured acetic acid with a process that used mercury (Hg), which caused water pollution in the area. As a part of overall measures for the environmental protection of the Maotiao River Basin in Guizhou Province, this project will construct an acetic acid plant employing a process that does not use mercury, and the ACETICA® Process has been selected.

ACETICA® is a novel process for producing acetic acid based on methanol carbonylation. The process produces high yields of acetic acid from methanol and carbon monoxide in the presence of a proprietary catalyst developed by Chiyoda. The ACETICA® Process with this catalyst has several advantages over the conventional process: a) ease of catalyst handling, b) high reactor productivity, c) less byproduct, and d) less corrosion of plant equipment. Consumption of both steam and electric power are also significantly reduced with the employment of a unique bubble column loop reactor.

Chiyoda expects that the implementation of this project will accelerate the demand for the process in China, whose market is expected to grow exponentially now that China has been a member of the WTO since December 2001.

Acetic acid is used for vinyl acetate, which is the raw material of synthetic fibers and Pure Terephthalic Acid (PTA), the raw material of PET. Demand in China is expected to increase at an accelerating pace.

Contracts signing ceremony for the SM/PO and MPG/Polyols Plant on November 25, 2002.

SM/PO and MPG/Polyols Plant for CSPC in China

Chiyoda, together with Technip and Mitsubishi Corporation, won a contract for the engineering, procurement and construction (EPC) of SM/PO and MPG/Polyols plant from CNOOC and Shell Petrochemicals Company Limited (CSPC) in China.

This project is a part of CSPC's Nanhai Petrochemicals Project, which is regarded as one of the largest Sino-foreign joint venture projects in China, with a total investment of USD 4.3 billion. This world-scale SM/PO and MPG/Polyols plant will produce 560,000 tons per year of styrene monomer (SM), 250,000 tons per year of propylene oxide (PO), 185,000 tons per year of polyols and 60,000 tons per year of monopropylene glycol (MPG). The plants will be on stream by the end of 2005.

Major reasons for selection of Chiyoda include the superb capabilities being proven in the similar projects for Shell, its abundant EPC experience in China, and competitive pricing.

Chiyoda has completed many projects in China since the 1970's. All of these projects have been successfully completed without accident, thanks to Chiyoda's technical expertise and project execution skills, which are highly reputed by clients.

We believe implementation of this significant project will further reinforce its competitive stronghold in China.

Petroleum Projects

Ultra-deep desulfurization (gas oil) plant for Taiyo Oil Co., Ltd.

In overseas markets, demand for environmental protection measures and heavy oil cracking technology is expected to increase in Asia, so we will focus on utilizing our technological expertise in these fields while continuing technological research and development.

In the domestic market, we completed a series of projects related to ultra-deep desulfurization of kerosene for petroleum refineries.

In environmental protection project, we have turned over the Osaka Refinery of Nippon Petroleum Refining Co., Ltd, the first commercial CASOX process unit, which was developed jointly with Hokuriku Electric Power Company.

In the petroleum industry, sulfur-free gasoline and reduction of heavy oil will become more important as environmental regulations become stricter. We will focus on providing business solutions from the planning phase, based on our superior technological expertise in hydrodesulfurization.

In Japan, industrial companies have achieved significant energy savings on their own. However, there is still considerable room for conservation of energy in large industrial complexes. We plan to secure EPC contracts in this field by proposing and conducting feasibility studies, taking into account of the heat balance of the total area, which also contributes to a reduction of greenhouse gas emissions.

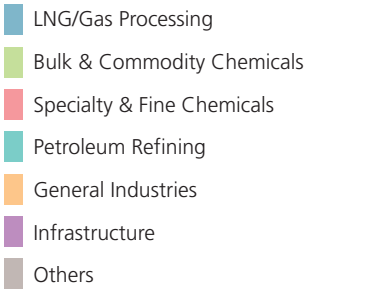
General Industries Projects

Recovery from the IT recession was not strong enough to cause a rebound in high-quality film/electronic materials, where we are actively seeking business opportunities, and the drop in prices of finished products discouraged plant and equipment investment.

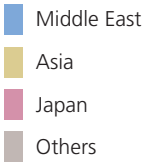
However, companies with strong earnings are expected to increase their investments in modernizing and expanding existing facilities as they move to boost efficiency.

Taking advantage of our superiority in high-quality film/electronic materials, we will focus on both new and expansion projects in this field.

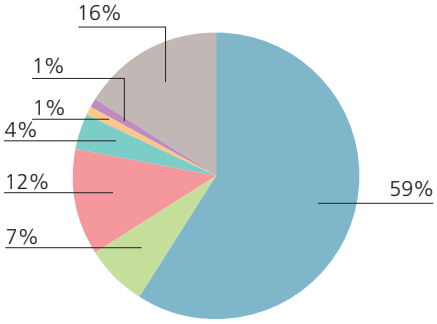
FY2003 Breakdown by Industry

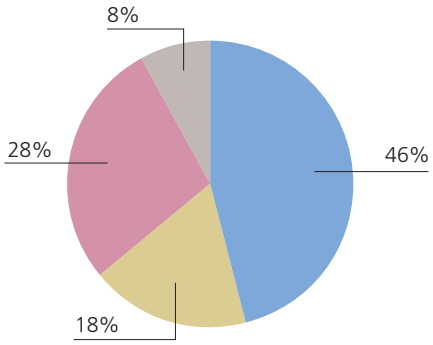


FY2003 Breakdown by Region

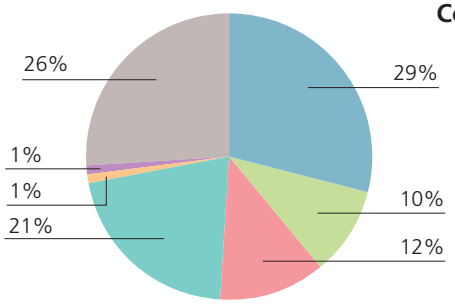


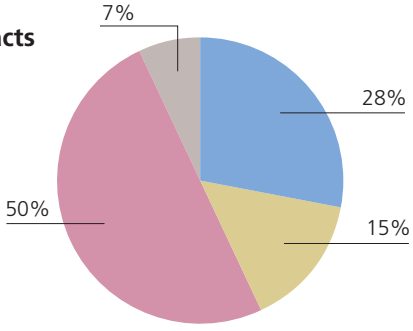
New Contracts



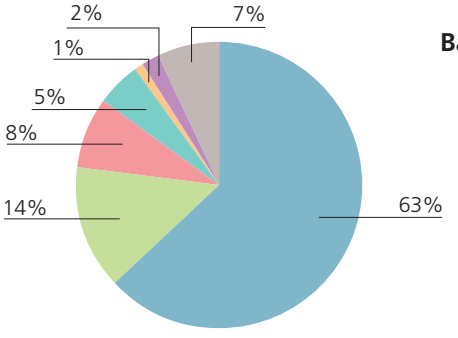


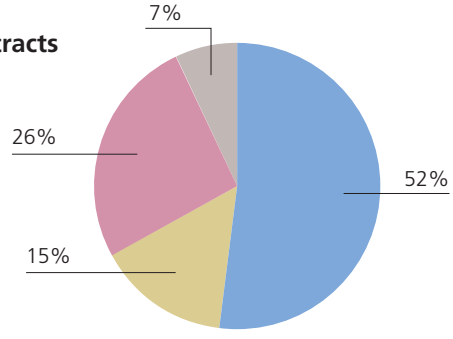
Construction Contracts





Backlog of Contracts





Major Projects (Non-consolidated)

	Clients	Projects	Locations
New Contracts	**Ras Laffan Liquefied Natural Gas Co., Ltd. (II)**	LNG Plant (Train-4)	Qatar
	Qalhat LNG S.A.O.C.	LNG Plant (Qalhat Train)	Oman
	ExxonMobil Middle East Gas Marketing Ltd.	Gas Pre-Treating Plant NGL Recovery Plant Fractionation Plant	Qatar
	International Methanol Company	Methanol Plant & Utility/Offsite	Saudi Arabia
	CNOOC and Shell Petrochemicals Co., Ltd.	SM/PO and MPG/Polyols Plant	China
	Guizhou Crystal Organic Chemical Group Co., Ltd.	Acetic Acid Plant (Licensing & Process Design Package)	China
	Nippon Petroleum Refining Co., Ltd	Crude Distillation Unit (Revamp)	Yokohama, Japan
	Mitsubishi Gas Chemical Co., Inc.	Specialty Chemical Plant (Rehabilitation)	Niigata, Japan
	Japan LPG Storage Co., Ltd.	LPG Storage Terminal	Namikata, Japan
	Japan LPG Storage Co., Ltd.	LPG Storage Terminal	Kurashiki, Japan
	Eisai Co.,Ltd.	Bulk Pharmaceutical Plant	Ibaraki, Japan
Construction Contracts	**PT. Badak NGL**	LNG Plant (DCS Retrofit)	Indonesia
	Ras Laffan Liquefied Natural Gas Co., Ltd.	NGL Plant (FEED)	Qatar
	Pertamina	LNG Plant (Train-I, FEED)	Indonesia
	Tung Ting Gas Corporation	LNG Receiving Terminal (Preliminary work)	Taiwan
	Abu Dhabi Gas Liquefaction Co., Ltd. (ADGAS)	LPG Plant (4th Train, FEED)	U.A.E.
	BP Ningbo Huadong LPG Co., Ltd.	LPG Underground Storage Terminal	China
	The Dow Chemical (Zhangjiagang) Co., Ltd.	Converted Epoxy Resin Plant	China
	Nippon Petroleum Refining Co., Ltd.	Sulphur Recovery Unit Hydrogen Production Unit Catalytic Flue Gas Desulfurization Unit	Osaka, Japan
	Nippon Petroleum Refining Co., Ltd.	Advanced Energy Savings Program	Sendai, Japan
	Nippon Petroleum Refining Co., Ltd.	Revamp for Ultra Deep Desulfuraization	Sendai, Japan
	Nippon Petroleum Refining Co., Ltd.	Integration Work of Mizushima Complex	Okayama, Japan
	Nippon Petroleum Refining Co., Ltd.	Revamp for Ultra Deep Desulfurization	Yamaguchi, Japan
	Kaihatsu Denki Co., Ltd	Ash Handling Facility	Kanagawa, Japan
	The Tokyo Electric Power Co., Inc.	LNG Facilities	Kanagawa, Japan
	The Tokyo Electric Power Co., Inc.	LNG Facilities (Control System for Disaster Prevention)	Chiba, Japan
	Tokyo Gas Co., Ltd.	LNG Facilities (Reconstruction)	Chiba, Japan
	Teijin Polycarbonate Singapore Pte. Ltd.	Polycarbonate Plant (No.4)	Singapore
	Ajinomoto Pharma Co., Ltd.	Pharmaceutical Factory	Fukushima, Japan
	Pharmacia K.K.	Drug Wrapping Factory (Revamp)	Ibaraki, Japan
	Taiyo Oil Co., Ltd.	Deep Hydrodesulfurization (DHDS) Plant	Ehime, Japan
	Showa Yokkaichi Sekiyu Co., Ltd.	Renewal of Compressor and Pump	Niigata, Japan
	Asahi Glass Co., Ltd.	Bulk Pharmaceutical Facility	Chiba, Japan
Backlog of Contracts	**Ras Laffan Liquefied Natural Gas Co., Ltd. (II)**	LNG Plant (Train-3)	Qatar
	Qatar Liquefied Natural Gas Co., Ltd.	LNG Plant (Debottlenecking)	Qatar
	Thai Olefins Public Co., Ltd.	Ethylene Plant	Thailand
	China National Bluestar (Group) Corporation	Bisphenol-A Plant	China
	Petroleos de Venezuela S.A. (PDVSA)	Refinery Modernization	Venezuela
	New Energy and Industrial Technology Development Organization (NEDO)	Fertilizer Plant (Revamp)	Myanmar
	Jubail United Petrochemical Company	Ethylene Plant	Saudi Arabia
	Petrochemical Industries Development Management Company (PIDMCO)	Fertilizer Complex	Iran
	Qatar Petroleum	Common Cooling Water System	Qatar
	Taiyo Oil Co., Ltd.	Crude Distillation Unit (Revamp)	Ehime, Japan
	Japan LPG Storage Co., Ltd.	LPG Storage Terminal	Nagasaki, Japan
	Kobe Steel, Ltd.	Flue Gas Desulfurization Plant (No.2)	Hyogo, Japan
	The Kansai Electric Power Co., Inc.	Flue Gas Desulfurization Plant	Kyoto, Japan
	Japan Nuclear Fuel Limited	Utility Facilities	Aomori, Japan
	Mizushima LNG Co., Ltd.	LNG Receiving Terminal (Grass-Root)	Okayama, Japan
	Electric Power Development Co., Ltd.	Fly Ash Recovery	Yokohama, Japan
	Toyo Roki Mfg. Co., Ltd.	Factory Removing & Reconstruction	Shizuoka, Japan

The GTL pilot plant at Yufutsu.

National Project for New GTL Process Development

Chiyoda is participating in a gas-to-liquid (GTL) project sponsored by the Japan National Oil Corporation (JNOC), as part of a consortium that includes Japan Petroleum Exploration Co., Ltd., INPEX Corporation (INPEX), Cosmo Oil Co., Ltd., and Nippon Steel Corporation. The goal of the project is to develop a process for smaller gas fields, which tend to have higher CO_2 content in their natural gas.

The first step in the program was to build a pilot plant to prove the new GTL process. Chiyoda was in charge of the basic design of the synthesis gas section. Cosmo and Japan Steel teamed up to design the FT synthesizing section. Chiyoda was the leader in construction for the pilot plant. In July 2001, construction of the plant began at Japan Petroleum Exploration Company's Yufutsu gas field, and the plant was completed in July 2002. The pilot plant has production capacity of 7 BPSD.

In July 2002, the synthesis gas line started up. CO_2 reforming catalysts developed by the Chiyoda R&D Center were installed in the tubular reformer, the heart of the system. The catalysts have shown high resistance to carbon formation under CO_2 reforming conditions since operations began, and they continue at the same high efficiency levels achieved when the plant started up. In October 2002, the FT line, which converts synthesis gas into synthetic fuel, started up. The pilot plant will continue operation until December 2003.

Nippon Petroleum Refining's Osaka No.1 Plant, where CASOX was first installed.

First Catalytic Flue Gas Desulfurization (FGD) Plant

Chiyoda developed a new process to remove SO_2 from flue gas by catalytically oxidating it to SO_3, and called it the CASOX process. The heart of the process is a proprietary honeycomb catalyst loaded in a reactor. The CASOX process can achieve efficient FGD operation with low energy consumption and high performance (more than 99.0% SO_2 removal). The process also creates dilute sulfuric acid as a by-product .

The first commercial plant to use the CASOX process has been successfully operated since April 2003 at the Nippon Petroleum Refining Co. Osaka Refinery. The plant was designed to treat 45,000 Nm^3/hr of tail-gas from the sulfur recovery unit. The sulfuric acid generated at the plant as a by-product is temporarily placed in a storage tank, and later sold.

Based on this first commercial experience, Chiyoda plans to further promote our business in this field as well as to extend application of the CASOX process to desulfurization of smokestack gases from industrial boilers and metal refining furnaces.

Chiyoda and Intergraph sign the alliance agreement.

Alliance with Intergraph for Global Engineering IT Environment

Chiyoda and the Process, Power & Offshore division of Intergraph Corporation have signed a long-term contract for implementation and development of global information management and project engineering software. Under the agreement, Intergraph and Chiyoda will work to further refine engineering, procurement and construction (EPC) requirements within Intergraph SmartPlant® Foundation and The Engineering Framework.

Intergraph will use Chiyoda's internally developed i-PLANT21® system as a knowledge resource for these additional EPC requirements. Chiyoda plans to employ SmartPlant® Foundation as its worldwide project engineering document and data management system by year-end, followed by implementation of The Engineering Framework in 2004.

Piping layout of 18-8 SS (left) and 36% nickel alloy steel (right) is different.

36% Nickel Alloy Steel Piping for LNG Service

36% nickel content alloy steel shows an extremely low coefficient of linear thermal expansion, so it is often used for standard meter measures.

Chiyoda joined Tokyo Gas Co., Ltd. and JFE Steel Corporation to develop a way to make 36% nickel alloy steel piping for liquefied natural gas (LNG). The alloy's super-low coefficient of linear thermal expansion (about one-tenth that of 18-8 stainless steel) makes it ideal for the cryogenic temperatures required in LNG service. However, because of difficulties in multi-layer welding, it has been difficult to use the alloy for applications such as piping, which require high-strength welded joints. The Chiyoda joint project has now solved the problem of multi-layer welding with a welding material containing tantalum.

The new welding technique makes 36% nickel alloy steel LNG piping a reality, and the low thermal expansion coefficient means contraction loops in the piping are no longer necessary.

Chiyoda has confirmed that the alloy can be successfully used in both 16-inch (including fittings) and 32-inch LNG piping.

Chinese engineer trainees with Japanese staff at Chiyoda's headquarters.

Technology Transfer under First CT-121 License to China

Chiyoda concluded its first CT-121 license for China in March 2003, signing an agreement with Ebara Corporation and Environmental Engineering Corporation. In addition to performing a basic design for the Taishan FGD Project, Chiyoda conducted a technology transfer (in the form of training) to its engineering firm, Beijing Boqi Electric Power Science & Technology Co., Ltd.

Classroom training for 12 Chinese engineers at Chiyoda's headquarters in Yokohama started on July 22, 2003, and included calculation methods for material and equipment selection, sizing and structural calculations for JBR, instrumentation logic, and so on.

With students eager to learn and Chiyoda lecturers well prepared, the 12 days of training were very successful. The skills and knowledge learned at Chiyoda will surely help them dominate in the bidding process for FGD projects in China as well as in the execution of future CT-121 projects.

A close-up of titania catalyst made for testing purposes.

Titania Catalyst Made by Pore Control

It is well known that titania catalyst carriers are more effective for hydrodesulfurizing petroleum fractions than those made of alumina, probably because of the chemical interaction between the titania carrier and the activator on it. However, the industrial use of titania catalyst carriers is currently limited because its surface area is much lower than that of alumina carriers, and it is well known that catalyst activity is proportionate to surface area.

Chiyoda joined an R&D program, sponsored by the New Energy and Industrial Technology Development Organization (NEDO), that aims to develop a highly active catalyst to produce sulfur-free diesel fuel. Chiyoda proposes a proprietary technology for a multi-gelation method that can control pore size distribution and surface area, even in titania carriers. Chiyoda has already developed manufacturing technology for structure-controlled titania support catalysts used in ultra-deep hydrodesulfurization of diesel oil. Recently, catalyst performance tests conducted by NEDO showed excellent results compared with those developed by others.

We expect titania carriers prepared by our proprietary method to find applications in other industrial fields such as De-NOx catalysts, photo-catalysts, and so on.

FINANCIAL SECTION
Consolidated Five-Year Financial Summary

Years ended March 31

	Millions of Yen				
	2003	2002	2001	2000	1999
For the Year:					
Construction contracts	**¥ 166,367**	¥ 141,387	¥ 128,665	¥ 168,963	¥ 312,234
Cost of Construction contracts	**155,924**	136,762	131,240	154,112	308,703
Income (loss) before income taxes and minority interests	**2,509**	1,861	(3,357)	1,553	(10,534)
Net income (loss)	**2,000**	121	(4,607)	698	(11,623)
At Year-End:					
Total assets	**¥ 120,297**	¥ 129,314	¥ 114,652	¥ 153,099	¥ 213,920
Total shareholders' equity	**16,670**	15,103	15,023	8,181	6,208
Working capital	**7,526**	1,387	2,241	(19,594)	(22,942)
Current ratio (%)	**108.4**	101.4	102.6	84.5	87.7
Long-term debt	**10,422**	10,672	11,346	12,545	13,518
Per Common Share (Yen):					
Net income (loss)	**¥ 10.79**	¥ 0.65	¥ (20)	¥ 3	¥ (58)
Shareholders' equity	**90**	81	81	33	25
Other Statistics:					
Number of shares outstanding* (thousands)	**185,429**	185,429	185,429	248,357	248,357

* At year-end

Consolidated Financial Review

Operating Results

In fiscal 2003 ended March 31, 2003, revenues from construction contracts on a consolidated basis totaled ¥166,367 million (US$1,386 million), an increase of 17.7% from the previous year.

The cost of construction contracts increased by 14.0%, to ¥155,924 million (US$1,299 million).

Selling, general and administrative expenses decreased by ¥932 million to ¥8,895 million (US$74 million) through the reduction of fixed expenses.

Other income consisting of reversal of allowance for doubtful accounts, equity in earnings of associated companies, and others decreased by ¥6,102 million, to ¥961 million (US$8 million). The decrease was mainly due to gain on discharge of liabilities posted in the previous year.

The income before taxes and minority interests was ¥2,509 million (US$21 million), up from ¥1,861 million (US$14 million) in the previous year, and the net profit per common share amounted to ¥10.8 (US$ 0.09).

During the year, the Company was awarded a total of ¥249,093 million (US$2,076 million) in contracts. International contracts accounted for ¥180,488 million (US$1,504 million) or 72.4% of the total with domestic contracts making up the remaining ¥68,605 million (US$572 million). The backlog of contracts as of March 31, 2003, stood at ¥316,167 million (US$2,635 million), with domestic contracts accounting for ¥83,604 million (US$697 million) of the total and international contracts for ¥232,562 million (US$1,938 million).

Financial Position

As of March 31 2003, total assets amounted to ¥120,297 million (US$1,002 million), ¥9,017 million lower than those of the previous year. This decrease was due mainly to a reduction in long-term receivables of ¥14,194 million to ¥9,918 million (US$83 million).

Total current liabilities decreased by ¥11,512 million, to ¥89,403 million (US$745 million), mainly because of decrease in short-term bank loans.

Total shareholders' equity rose by ¥1,567 million, to ¥16,670 million (US$139 million). The shareholders' equity ratio was 13.9%. The accumulated deficit decreased by ¥2,020 million to ¥497 million (US$4 million). In an effort to decrease the deficit the Company refrained from paying cash dividends for fiscal 2003.

Cash Flows

Net cash provided by operating activities totaled ¥6,939 million (US$58 million), comprising ¥2,000 million (US$17 million) in net profit and ¥2,793 million (US$23 million) provided by net changes in operating assets and liabilities, and ¥2,146 million (US18 million) by other factors, mainly composed of the equity in earnings of associated companies and income taxes paid.

Net cash used in investing activities amounted to ¥873 million (US$7 million). Disbursements for originating loans occupy substantial portion of it.

Net cash used in financing activities totaled ¥9,544 million (US$80 million) due primarily to ¥8,718 million (US$73 million) cash outflows for repayment of short-term debt.

Cash and cash equivalents, end of year, decreased by ¥3,737 million, to ¥34,940 million (US$291 million).

Consolidated Balance Sheets

Chiyoda Corporation and Consolidated Subsidiaries
March 31, 2003 and 2002

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	**2003**
CURRENT ASSETS:			
Cash and cash equivalents	**¥ 34,940**	¥ 38,677	**$ 291,167**
Time deposits	**1,172**	1,774	**9,767**
Notes and accounts receivable — trade (Notes 3 and 8)	**20,325**	25,334	**169,375**
Allowance for doubtful accounts	**(629)**	(368)	**(5,242)**
Costs and estimated earnings on long-term construction contracts (Note 4)	**5,050**	2,246	**42,083**
Costs of construction contracts in process	**21,105**	23,910	**175,875**
Jointly controlled asset of joint venture	**8,672**	8,222	**72,267**
Prepaid expenses and other (Notes 7 and 12)	**6,294**	2,507	**52,450**
Total current assets	**96,929**	102,302	**807,742**
PROPERTY, PLANT AND EQUIPMENT (Note 8):			
Land	**2,527**	2,691	**21,058**
Buildings and structures	**6,676**	6,731	**55,633**
Machinery and equipment	**960**	1,220	**8,000**
Tools, furniture and fixtures	**5,178**	5,424	**43,150**
Total	**15,341**	16,066	**127,841**
Accumulated depreciation	**(8,274)**	(8,524)	**(68,950)**
Net property, plant and equipment	**7,067**	7,542	**58,891**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 5 and 8)	**1,835**	1,759	**15,292**
Investments in and advances to unconsolidated subsidiaries and associated companies (Notes 6 and 7)	**3,650**	5,020	**30,417**
Long-term loans	**615**	19	**5,125**
Long-term receivables (Note 7)	**9,918**	14,194	**82,650**
Other investments	**4,768**	5,342	**39,733**
Allowance for doubtful accounts (Note 7)	**(4,485)**	(6,864)	**(37,375)**
Total investments and other assets	**16,301**	19,470	**135,842**
TOTAL	**¥ 120,297**	¥ 129,314	**$ 1,002,475**

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	**2003**
CURRENT LIABILITIES:			
Short-term bank loans (Notes 8 and 11)	**¥ 7,939**	¥ 16,667	**$ 66,158**
Current portion of long-term debt (Notes 8 and 11)	**263**	789	**2,192**
Notes and accounts payable — trade (Notes 3 and 11)	**46,511**	40,343	**387,592**
Advance receipts on construction contracts	**25,172**	33,713	**209,766**
Income taxes payable	**295**	488	**2,458**
Allowance for contingent loss	**800**		**6,667**
Accrued expenses and other	**8,423**	8,915	**70,192**
Total current liabilities	**89,403**	100,915	**745,025**
NON-CURRENT LIABILITIES:			
Long-term debt (Notes 8 and 11)	**10,422**	10,672	**86,850**
Liability for retirement benefits (Note 9)	**3,182**	2,025	**26,517**
Other liabilities	**121**	106	**1,008**
Total non-current liabilities	**13,725**	12,803	**114,375**
MINORITY INTERESTS	**499**	493	**4,159**
CONTINGENT LIABILITIES (Notes 3, 14, 15 and 16)			
SHAREHOLDERS' EQUITY (Notes 10 and 18)**:**			
Common stock — authorized, 570,000 thousand shares; issued, 185,429 thousand shares	**12,028**	12,028	**100,233**
Preferred stock — authorized, 80,000 thousand shares			
Additional paid-in capital	**5,819**	5,819	**48,492**
Accumulated deficit	**(497)**	(2,517)	**(4,142)**
Unrealized gain (loss) on available-for-sale securities	**10**	(1)	**83**
Foreign currency translation adjustments	**(642)**	(220)	**(5,350)**
Treasury stock — at cost, 229,340 shares in 2003 and 40,521 shares in 2002	**(48)**	(6)	**(400)**
Total shareholders' equity	**16,670**	15,103	**138,916**
TOTAL	**¥ 120,297**	¥ 129,314	**$ 1,002,475**

Consolidated Statements of Income

Chiyoda Corporation and Consolidated Subsidiaries
Years Ended March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	**2003**
CONSTRUCTION CONTRACTS (Notes 3 and 4)	**¥ 166,367**	¥ 141,387	**$ 1,386,392**
COST OF CONSTRUCTION CONTRACTS (Notes 3 and 4)	**155,924**	136,762	**1,299,367**
Gross profit	**10,443**	4,625	**87,025**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 3 and 13)	**8,895**	9,827	**74,125**
Operating income (loss)	**1,548**	(5,202)	**12,900**
OTHER INCOME (EXPENSES):			
Interest and dividend income (Note 3)	**360**	662	**3,000**
Interest expense	**(529)**	(844)	**(4,408)**
Provision for contingent loss	**(800)**		**(6,667)**
Reversal of (provision for) allowance for doubtful accounts	**1,167**	(580)	**9,725**
Provision for investment loss	**(264)**		**(2,200)**
Gain on discharge of liabilities (Note 11)		2,871	
Equity in earnings of associated companies	**1,000**	526	**8,333**
Foreign exchange gain (loss)	**(178)**	871	**(1,483)**
Gain on sales of investments in subsidiaries	**315**	1,385	**2,625**
Loss on devaluation of golf club membership	**(294)**	(3)	**(2,450)**
Gain on sale of intellectual property right		800	
Reversal of liability for retirement benefits to directors		384	
Reversal of additional retirement benefits to employees		964	
Other — net	**184**	27	**1,533**
Other income — net	**961**	7,063	**8,008**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**2,509**	1,861	**20,908**
INCOME TAXES (Note 12)**:**			
Current	**951**	1,786	**7,925**
Deferred	**(147)**	(88)	**(1,225)**
Refund of foreign income taxes	**(317)**		**(2,642)**
Total	**487**	1,698	**4,058**
MINORITY INTERESTS IN NET INCOME	**22**	42	**183**
NET INCOME	**¥ 2,000**	¥ 121	**$ 16,667**
	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 17)**:**			
Basic net income	**¥ 10.79**	¥ 0.65	**$ 0.09**
Diluted net income	**10.77**		**0.09**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Chiyoda Corporation and Consolidated Subsidiaries
Years Ended March 31, 2003 and 2002

	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, 2001	185,429	¥ 12,028	¥ 29,473	¥ (26,289)		¥ (178)	¥ (11)
Transfer to accumulated 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 increase in unrealized loss on available -for-sale securities					¥ (1)		
Net decrease in foreign currency translation adjustments						(42)	
BALANCE, MARCH 31, 2002	185,429	12,028	5,819	(2,517)	(1)	(220)	(6)
Decrease in accumulated deficit due to increase in associated companies accounted for by equity method				**20**			
Net income				**2,000**			
Increase in treasury stock (188,819 shares)							**(42)**
Net increase in unrealized gain on available -for-sale securities					**11**		
Net decrease in foreign currency translation adjustments						**(422)**	
BALANCE, MARCH 31, 2003	**185,429**	**¥ 12,028**	**¥ 5,819**	**¥ (497)**	**¥ 10**	**¥ (642)**	**¥ (48)**

	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, 2002	$ 100,233	$ 48,492	$ (20,975)	$ (8)	$(1,833)	$ (50)
Decrease in accumulated deficit due to increase in associated companies accounted for by equity method			**166**			
Net income			**16,667**			
Increase in treasury stock (188,819 shares)						**(350)**
Net increase in unrealized gain on available-for-sale securities				**91**		
Net decrease in foreign currency translation adjustments					**(3,517)**	
BALANCE, MARCH 31, 2003	**$ 100,233**	**$ 48,492**	**$ (4,142)**	**$ 83**	**$(5,350)**	**$ (400)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Chiyoda Corporation and Consolidated Subsidiaries
Years Ended March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	**2003**
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥ 2,509**	¥ 1,861	**$ 20,908**
Adjustments for:			
Income taxes paid	**(790)**	(1,718)	**(6,583)**
Depreciation and amortization	**1,226**	1,026	**10,217**
Reversal of allowance for doubtful accounts — net	**(968)**	(193)	**(8,067)**
Provision for contingent loss	**800**		**6,667**
Provision for investment loss	**264**		**2,200**
Provision for (reversal of) retirement benefits — net	**1,157**	(305)	**9,642**
Reversal of additional retirement benefit to employees		(964)	
Gain on sales of investment in subsidiaries	**(315)**	(1,385)	**(2,625)**
Loss on devaluation of golf club membership	**294**	3	**2,450**
Gain on discharge of liabilities		(2,871)	
Gain on sale of intellectual property right		(800)	
Foreign exchange loss (gain) — net	**916**	(493)	**7,633**
Equity in earnings of associated companies	**(1,000)**	(526)	**(8,333)**
Changes in operating assets and liabilities:			
Decrease in notes and accounts receivable and costs and estimated earnings on long-term construction contracts	**1,144**	4,652	**9,533**
Decrease in costs of construction contracts in process	**2,805**	8,959	**23,375**
Decrease in interest and dividend receivable	**1,217**	759	**10,142**
Increase (decrease) in trade notes and accounts payable	**6,168**	(1,695)	**51,400**
(Decrease) increase in advance receipts on construction contracts	**(8,541)**	3,078	**(71,175)**
Other — net	**53**	1,030	**441**
Total adjustments	**4,430**	8,557	**36,917**
Net cash provided by operating activities	**6,939**	10,418	**57,825**
INVESTING ACTIVITIES:			
Proceeds from sales of investment securities	**8**	1,152	**67**
Proceeds from sales of investment in subsidiaries	**116**	749	**967**
Purchase of investment securities	**(118)**	(501)	**(983)**
Purchases of property, plant and equipment	**(296)**	(484)	**(2,467)**
Proceeds from sales of property, plant and equipment	**142**	112	**1,183**
Disbursements for originating loans	**(638)**	(685)	**(5,316)**
Proceeds from collections of loans	**193**		**1,608**
Other — net	**(280)**	(548)	**(2,334)**
Net cash used in investing activities	**(873)**	(205)	**(7,275)**
FINANCING ACTIVITIES:			
Net decrease in short-term bank loans	**(8,718)**	(5,266)	**(72,650)**
Proceeds from long-term debt	**9**	80	**75**
Repayments of long-term debt	**(793)**	(698)	**(6,608)**
Other — net	**(42)**	8	**(350)**
Net cash used in financing activities	**(9,544)**	(5,876)	**(79,533)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**(459)**	428	**(3,825)**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(3,937)**	4,765	**(32,808)**
CASH AND CASH EQUIVALENTS OF NEWLY (EXCLUSION OF) CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR	**200**	(1)	**1,667**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**38,677**	33,913	**322,308**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥ 34,940**	¥ 38,677	**$ 291,167**

See notes to consolidated financial statements.

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 Financial Reporting 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. In addition, certain reclassifications and rearrangements have been made in the 2002 financial statements in order for them to conform to classifications and presentations used in 2003.

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 ¥120 to $1, the approximate rate of exchange at March 31, 2003. 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, 2003, include the accounts of the Company and its 24 (27 in 2002) 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 8 (6 in 2002) 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, was charged to income at the time of acquisition as the amount involved was not material.

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

b. 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 based on the ratio of costs incurred to total estimated costs. Under this method, related costs and estimated earnings in excess of progress billings are presented as a current asset.

Unbilled costs on the other contracts, which are accounted for by the completed-contract method, are stated as 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 — All securities are classified as available-for-sale securities and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity. The cost of securities sold is determined based on the moving-average method.

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

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 estimated losses on 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 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 11 to 57 years (38 to 64 years in 2002) for buildings and structures, 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. Allowance for Contingent Loss — The allowance for contingent loss is provided at the amount deemed necessary to cover possible losses on construction contracts based on the estimation of each contingency.

i. 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 ($101,025 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 income.

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.

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

k. 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.

l. Income Taxes — The Company and wholly owned domestic subsidiaries adopted consolidation tax payment on March 31, 2003. The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

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

However, short-term and long-term receivables and payables covered by forward exchange contracts are translated at the contract rates.

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

n. 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 a separate component of shareholders' equity as "Foreign currency translation adjustments."

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

o. 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 are 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 con-

tracts 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 an other liability or other asset.

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

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

Diluted net income per share for the year ended March 31, 2002, is not disclosed because no dilutive securities were outstanding during the year.

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
	2003	2002	**2003**
Transactions for the Year Ended March 31			
Construction contract revenues	**¥ 38**	¥ 36	**$ 317**
Purchases	**(2,340)**	(857)	**(19,500)**
Selling, general and administrative expenses	**(923)**	(363)	**(7,692)**
Interest and dividend income	**42**	74	**350**
Balances at March 31			
Notes and accounts receivable — trade	**36**	78	**300**
Notes and accounts payable — trade	**(422)**	(238)	**(3,517)**

The Company has guaranteed the indebtedness of certain unconsolidated subsidiaries and associated companies in the amount of ¥4,985 million ($41,542 thousand) and ¥3,253 million at March 31, 2003 and 2002, 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, 2003 and 2002, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Costs and estimated earnings	**¥ 75,610**	¥ 50,511	**$ 630,083**
Amounts billed	**(70,560)**	(48,265)	**(588,000)**
Net	**¥ 5,050**	¥ 2,246	**$ 42,083**

5. INVESTMENT SECURITIES

Investment securities at March 31, 2003 and 2002, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Equity securities	**¥ 1,835**	¥ 1,759	**$ 15,292**

The carrying amounts and aggregate fair values of investment securities with readily determinable fair values at March 31, 2003 and 2002, were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2003				
Available-for-sale — Equity securities	**¥ 55**	**¥ 26**	**¥ 10**	**¥ 71**
March 31, 2002				
Available-for-sale — Equity securities	45	5	3	47

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2003				
Available-for-sale — Equity securities	**$ 458**	**$ 217**	**$ 83**	**$ 592**

Available-for-sale securities whose fair value is not readily determinable at March 31, 2003 and 2002, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Equity securities	**¥ 1,764**	¥ 1,712	**$ 14,700**

Proceeds from sales of available-for-sale securities for the years ended March 31, 2003 and 2002, were ¥6 million ($50 thousand) and ¥1,184 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥2 million ($17 thousand) and ¥3 million ($25 thousand), respectively, for the year ended March 31, 2003 and ¥448 million and ¥42 million, respectively, for the year ended March 31, 2002.

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

Investments in and advances to unconsolidated subsidiaries and associated companies at March 31, 2003 and 2002, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Investments	**¥ 2,371**	¥ 2,805	**$ 19,759**
Allowance for investment loss	**(264)**		**(2,200)**
Advances	**1,543**	2,215	**12,858**
Total	**¥ 3,650**	¥ 5,020	**$ 30,417**

7. LONG-TERM RECEIVABLES

Long-term receivables at March 31, 2003 and 2002, include receivables of ¥3,986 million ($33,217 thousand) and ¥8,153 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 ¥4,047 million ($33,725 thousand) during the year ended March 31, 2003, but the repayment schedule of the remaining balance is not determined due to the economic and political circumstances in Nigeria.

The Company also has gross receivables and other assets in the amount of ¥7,132 million ($59,433 thousand) and ¥7,615 million at March 31, 2003 and 2002, 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
	2003	2002	**2003**
Prepaid expenses and other	**¥ 41**	¥ 49	**$ 342**
Investments in and advances to unconsolidated subsidiaries and associated companies	**2,873**	2,904	**23,942**
Allowance for investment loss	**(263)**		**(2,192)**
Long-term receivables	**4,218**	4,662	**35,150**
Allowance for doubtful accounts	**(1,031)**	(640)	**(8,592)**
Total	**¥ 5,838**	¥ 6,975	**$ 48,650**

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

Short-term bank loans bear interest at rates ranging from 1.625% to 7.65% and from 1.625% to 7.95% at March 31, 2003 and 2002, respectively. Short-term bank loans at March 31, 2003 and 2002, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Collateralized	**¥ 3,140**	¥ 3,135	**$ 26,167**
Uncollateralized	**4,799**	13,532	**39,991**
Total	**¥ 7,939**	¥ 16,667	**$ 66,158**

Long-term debt at March 31, 2003 and 2002, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Long-term loans from banks and insurance companies, maturing serially through 2010, with interest rates ranging from 0.9% to 6.9% (2003) and from 0.9% to 6.9% (2002):			
Collateralized	**¥ 664**	¥ 962	**$ 5,534**
Uncollateralized	**10,021**	10,499	**83,508**
Total	**10,685**	11,461	**89,042**
Less current portion	**(263)**	(789)	**(2,192)**
Long-term debt, less current portion	**¥ 10,422**	¥ 10,672	$ **86,850**

Subordinated loans in the amount of ¥10,000 million ($83,333 thousand) from The Bank of Tokyo-Mitsubishi, Ltd. were included in 'Uncollateralized' at March 31, 2003 and 2002.

Annual maturities of long-term debt at March 31, 2003, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2004	¥ 263	$ 2,192
2005	108	900
2006	10,103	84,192
2007	72	600
2008 and thereafter	139	1,158
Total	¥ 10,685	$ 89,042

The following assets were pledged as collateral for short-term debt at March 31, 2003:

	Millions of Yen	Thousands of U.S. Dollars
Land	¥ 1,285	$ 10,708
Buildings and structures — net of accumulated depreciation	655	5,458
Investment securities	4	34
Total	¥ 1,944	$ 16,200

The following assets were pledged as collateral for long-term debt at March 31, 2003:

	Millions of Yen	Thousands of U.S. Dollars
Notes and accounts receivable — trade	¥ 197	$ 1,642
Land	695	5,792
Buildings and structures — net of accumulated depreciation	718	5,983
Total	¥ 1,610	$ 13,417

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 ¥271 million ($2,259 thousand) and ¥196 million for the years ended March 31, 2003 and 2002, 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, 2003 and 2002, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Projected benefit obligation	**¥ 34,212**	¥ 31,890	**$ 285,100**
Fair value of plan assets	**(14,195)**	(15,952)	**(118,292)**
Unrecognized transitional obligation	**(9,699)**	(10,507)	**(80,825)**
Unrecognized actuarial loss	**(7,407)**	(3,607)	**(61,725)**
Prepaid pension cost		5	
Net liability	**¥ 2,911**	¥ 1,829	**$ 24,258**

The components of net periodic benefit costs for the years ended March 31, 2003 and 2002, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Service cost	**¥ 1,080**	¥ 1,042	**$ 9,000**
Interest cost	**739**	862	**6,158**
Expected return on plan assets	**(365)**	(544)	**(3,042)**
Amortization of transitional obligation	**808**	808	**6,733**
Recognized actuarial loss	**308**	78	**2,567**
Net periodic benefit costs	**¥ 2,570**	¥ 2,246	**$ 21,416**

Assumptions used for the years ended March 31, 2003 and 2002, are set forth as follows:

	2003	2002
Discount rate	**1.5%**	2.5%
Expected rate of return on plan assets	**2.5%**	3.5%
Recognition period of actuarial gain/loss	**12 years**	13 years
Amortization period of transitional obligation	**15 years**	15 years

10. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Japanese Commercial Code (the "Code") to which certain amendments became effective from October 1, 2001.

The Code was revised whereby common stock par value was eliminated resulting in all shares being recorded with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The revised Code also provides that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 25% of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25% of the common stock may be available for dividends by resolution of the shareholders. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The revised Code eliminated restrictions on the repurchase and use of treasury stock allowing Japanese 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 beginning April 1, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus the amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders meeting.

At the general shareholders meeting held on June 28, 2001, the shareholders approved a transfer of ¥23,654 million from additional paid-in capital as a reduction in accumulated deficit in order to improve the financial stability of the Company.

The Company has stock option plan which provides for granting options to the Company's directors, officers and key employees to purchase aggregate 7,896 shares of the Company's stock in the period from July 1, 2004 to June 30, 2009. The options will be granted at an exercise price of ¥233 ($1.94) per share.

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 consisted of short-term bank loans, notes payable and long-term debt. The discharge of these liabilities of ¥2,871 million was recorded as a gain in the statement of income for the year ended March 31, 2002.

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, 2003 and 2002.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2003 and 2002, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Deferred tax assets:			
Tax loss carryforwards	**¥ 23,231**	¥ 44,918	**$ 193,592**
Cost of construction contracts	**4,216**	4,922	**35,133**
Retirement benefits	**896**	338	**7,467**
Allowance for doubtful accounts	**1,929**	2,606	**16,075**
Loss on long-term construction contracts	**180**	217	**1,500**
Loss on devaluation of costs of construction contracts in process	**181**	928	**1,508**
Loss on devaluation of property, plant and equipment	**734**	770	**6,117**
Other	**3,143**	1,837	**26,191**
Less valuation allowance	**(34,224)**	(56,304)	**(285,200)**
Total	**286**	232	**2,383**
Deferred tax liabilities	**18**	45	**150**
Net deferred tax assets	**¥ 268**	¥ 187	**$ 2,233**

Reconciliations between the normal effective statutory tax rate and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2003 and 2002, are as follows:

	2003	2002
Normal effective statutory tax rate	**42%**	42%
Expenses not deductible for income tax purposes	**6**	8
Effect of taxation on dividends		(7)
Inhabitant taxes per capita levy	**3**	3
Foreign income taxes	**4**	32
Valuation allowance for deferred tax assets	**(19)**	77
Equity in earnings of associated companies	**(17)**	(12)
Operating losses of subsidiaries		(47)
Lower income tax rates applicable to income in certain foreign countries	**(1)**	(5)
Other — net	**1**	
Actual effective tax rate	**19%**	91%

On March 31, 2003, a tax reform law concerning enterprise tax was enacted in Japan which changed the normal effective statutory tax rate from 42% to 40%, effective for years beginning on or after April 1, 2004. The effect of this change was to decrease deferred tax assets — non-current by ¥9 million ($75 thousand) and decrease income taxes — deferred by ¥9 million ($75 thousand) in the consolidated financial statements for the year ended March 31, 2003.

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 ¥55,940 million ($466,167 thousand) at March 31, 2003.

13. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥474 million ($3,950 thousand) and ¥388 million for the years ended March 31, 2003 and 2002, respectively.

14. LEASES

Income from equipment leases held by a subsidiary for the years ended March 31, 2003 and 2002, was ¥139 million ($1,158 thousand) and ¥152 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 ¥157 million ($1,308 thousand) and ¥86 million for the years ended March 31, 2003 and 2002, respectively.

Pro forma information for leased property under finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2003 and 2002, was as follows:

Year Ended March 31, 2003	As 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	**¥ 382**	**¥ 124**	**¥ 26**	**¥ 532**	**$ 3,183**	**$ 1,033**	**$ 217**	**$ 4,433**
Accumulated depreciation	**374**	**117**	**26**	**517**	**3,116**	**975**	**217**	**4,308**
Net leased property	**¥ 8**	**¥ 7**		**¥ 15**	**$ 67**	**$ 58**		**$ 125**

	As Lessee							
	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	**¥ 13**	**¥ 613**	**¥ 51**	**¥ 677**	**$ 108**	**$ 5,108**	**$ 426**	**$ 5,642**
Accumulated depreciation	**7**	**250**	**25**	**282**	**58**	**2,083**	**209**	**2,350**
Net leased property	**¥ 6**	**¥ 363**	**¥ 26**	**¥ 395**	**$ 50**	**$ 3,025**	**$ 217**	**$ 3,292**

	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	**¥ 14**	**¥ 158**	**$ 117**	**$ 1,317**
Due after one year	**4**	**237**	**33**	**1,975**
Total	**¥ 18**	**¥ 395**	**$ 150**	**$ 3,292**

Year Ended March 31, 2002	Millions of Yen											
	As Lessor					As Lessee						
	Machinery and Equipment	Tools, Furniture and Fixtures	Other	Total		Machinery and Equipment	Tools, Furniture and Fixtures	Other	Total			
Acquisition cost	¥ 571	¥ 208	¥ 64	¥ 843		¥ 27	¥ 444	¥ 50	¥ 521			
Accumulated depreciation	481	176	57	714		5	123	28	156			
Net leased property	¥ 90	¥ 32	¥ 7	¥ 129		¥ 22	¥ 321	¥ 22	¥ 365			

	Millions of Yen	
	Unearned Lease Income (As Lessor)	Obligations under Finance Lease (As Lessee)
Due within one year	¥ 88	¥ 129
Due after one year	64	236
Total	¥ 152	¥ 365

Depreciation expense as lessor, which is reflected in the accompanying consolidated statements of income, computed by the straight-line method was ¥63 million ($525 thousand) and ¥119 million for the years ended March 31, 2003 and 2002, respectively.

Depreciation expense as lessee, which is not reflected in the accompanying consolidated statements of income, computed by the straight-line method was ¥157 million ($1,308 thousand) and ¥86 million for the years ended March 31, 2003 and 2002, 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, 2003 and 2002, 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, 2003, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees and similar items for bank loans	¥ 7,231	$ 60,258

17. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the year ended March 31, 2003, is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted-average Shares	EPS	
Basic EPS — Net income available to common shareholders	¥ 2,000	185,293	¥ 10.79	$ 0.09
Effect of dilutive securities — Warrants		362		
Diluted EPS — Net income for computation	¥ 2,000	185,655	¥ 10.77	$ 0.09

Diluted net income per share for the year ended March 31, 2002, is not disclosed because no dilutive securities were outstanding during the year.

18. SUBSEQUENT EVENT

The following proposed disposition of the accumulated deficit of the Company at March 31, 2003, was approved at the general shareholders meeting held on June 25, 2003:

	Millions of Yen	Thousands of U.S. Dollars
Accumulated deficit to be carried forward	¥ 4,605	$ 38,375

19. SEGMENT INFORMATION

Information about foreign operations and sales to foreign customers of the Company and consolidated subsidiaries for the years ended March 31, 2003 and 2002, was as follows:

(1) Foreign Operations

Year Ended March 31, 2003	Millions of Yen							
	Japan	Asia	Europe	North America	Other	Subtotal	Eliminations (Corporate)	Consolidated
Construction contract revenue:								
Outside customers	**¥ 160,526**	**¥ 5,659**	**¥ 48**	**¥ 134**		**¥ 166,367**		**¥ 166,367**
Intersegment	**25,163**	**624**	**200**	**42**		**26,029**	**¥ (26,029)**	
Total	**185,689**	**6,283**	**248**	**176**		**192,396**	**(26,029)**	**166,367**
Operating expenses	**183,426**	**6,473**	**250**	**200**	**¥ 14**	**190,363**	**(25,544)**	**164,819**
Operating income (loss)	**¥ 2,263**	**¥ (190)**	**¥ (2)**	**¥ (24)**	**¥ (14)**	**¥ 2,033**	**¥ (485)**	**1,548**
Other income and expenses — net								**961**
Income before income taxes and minority interests								**¥ 2,509**
Assets	**¥ 126,246**	**¥ 7,446**	**¥ 216**	**¥ 636**	**¥ 160**	**¥ 134,704**	**¥ (14,407)**	**¥ 120,297**

Year Ended March 31, 2003	Thousands of U.S. Dollars							
	Japan	Asia	Europe	North America	Other	Subtotal	Eliminations (Corporate)	Consolidated
Construction contract revenue:								
Outside customers	**$1,337,717**	**$47,158**	**$ 400**	**$ 1,117**		**$ 1,386,392**		**$ 1,386,392**
Intersegment	**209,691**	**5,200**	**1,667**	**350**		**216,908**	**$ (216,908)**	
Total	**1,547,408**	**52,358**	**2,067**	**1,467**		**1,603,300**	**(216,908)**	**1,386,392**
Operating expenses	**1,528,550**	**53,942**	**2,083**	**1,667**	**$ 116**	**1,586,358**	**(212,866)**	**1,373,492**
Operating income (loss)	**$ 18,858**	**$(1,584)**	**$ (16)**	**$ (200)**	**$ (116)**	**$ 16,942**	**$ (4,042)**	**12,900**
Other income and expenses — net								**8,008**
Income before income taxes and minority interests								**$ 20,908**
Assets	**$1,052,050**	**$62,050**	**$ 1,800**	**$ 5,300**	**$ 1,333**	**$ 1,122,533**	**$ (120,058)**	**$ 1,002,475**

Year Ended March 31, 2002	Millions of Yen							
	Japan	Asia	Europe	North America	Other	Subtotal	Eliminations (Corporate)	Consolidated
Construction contract revenue:								
Outside customers	¥ 132,864	¥ 8,113	¥ 13	¥ 397		¥ 141,387		¥ 141,387
Intersegment	21,912	521	235	13		22,681	¥ (22,681)	
Total	154,776	8,634	248	410		164,068	(22,681)	141,387
Operating expenses	160,423	8,291	251	576	¥ 26	169,567	(22,978)	146,589
Operating income (loss)	¥ (5,647)	¥ 343	¥ (3)	¥ (166)	¥ (26)	¥ (5,499)	¥ 297	(5,202)
Other income and expenses — net								7,063
Income before income taxes and minority interests								¥ 1,861
Assets	¥ 131,266	¥ 8,170	¥ 179	¥ 100	¥ 206	¥ 139,921	¥ (10,607)	¥ 129,314

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 2003 and 2002:
Asia: Indonesia, Singapore, Philippines, Myanmar, Malaysia, Thailand
Europe: United Kingdom, Germany, Poland
North America: United States of America
Other: Nigeria

Notes: 2. Corporate assets mainly consist of long-term loans and investment securities of the Company. Corporate assets as of March 31, 2003 and 2002, were ¥3,185 million ($26,542 thousand) and ¥3,887 million, respectively.

(2) Sales to Foreign Customers

Year Ended March 31, 2003	Millions of Yen			
	Asia	The Middle and Near East	Other	Total
Overseas sales (A)	**¥ 25,368**	**¥ 46,660**	**¥ 11,285**	**¥ 83,313**
Consolidated sales (B)				**166,367**
(A)/(B)	**15.25%**	**28.04%**	**6.78%**	**50.07%**

Year Ended March 31, 2003	Thousands of U.S. Dollars			
	Asia	The Middle and Near East	Other	Total
Overseas sales (A)	**$211,400**	**$ 388,833**	**$ 94,042**	**$ 694,275**
Consolidated sales (B)				**1,386,392**
(A)/(B)	**15.25%**	**28.04%**	**6.78%**	**50.07%**

Year Ended March 31, 2002	Millions of Yen			
	Asia	The Middle and Near East	Other	Total
Overseas sales (A)	¥ 21,588	¥ 16,539	¥ 6,956	¥ 45,083
Consolidated sales (B)				141,387
(A)/(B)	15.26%	11.69%	4.91%	31.89%

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 consisted of the following countries in 2003 and 2002:
Asia: China, Singapore, Indonesia and others
The Middle and Near East: Qatar, Iran and others
Other: Venezuela, Egypt 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.

Tohmatsu & Co.
MS Shibaura Building
13-23, Shibaura 4-chome
Minato-ku, Tokyo 108-8530, Japan

Tel :+81 -3-3457-7321
Fax :+81 -3-3457-1694
www.tohmatsu.co.jp

Deloitte
Touche
Tohmatsu

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Chiyoda Corporation:

We have audited the accompanying consolidated balance sheets of Chiyoda Corporation and consolidated subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Chiyoda Corporation and consolidated subsidiaries as of March 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

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

Deloitte Touche Tohmatsu

June 25, 2003

Board of Directors, Corporate Auditors, and Executive Officers

Board of Directors

President & Chief Executive Officer	
Nobuo Seki*	
Executive Vice Presidents	
Akira Yamamura*	*International Project & International Group Companies Management*
John L. Rose*	*Technology & International Project Operation (Except for Natural Gas Value-Chain Project)*
Naotake Naritomi*	*Domestic & General Industries Project Operation*
Senior Managing Director & Chief Financial Officer	
Hiizu Ichikawa*	*Corporate Management & Finance*
Managing Directors	
Atsuo Minamoto	*Procurement & Business Operation in China*
Takashi Kubota	*International Project Operation*
Hiroshi Kobayashi	*Natural Gas Value-Chain Project Operation*
Director	
Albert J. Stanley	

*Notes: 1) *****Representative Directors*
2) All board members except Albert J. Stanley are also executive officers.

Corporate Auditors

Michihiko Kawana
Yoshio Ishiwata
Hideaki Fujioka
Yukihiro Imadegawa

Executive Officers

Senior Executive Officers	
Yoshihiro Shirasaki	*Technology & Engineering*
Akira Kadoyama	*Domestic LNG Task Team*
Hideo Nakatani	*Domestic Business Development Div.*
Hiroshi Shibata	*Finance & Corporate Administration Div.*
Executive Officers	
Madoka Koda	*International Project Operation*
Wataru Shimono	*International Project Operation*
Junichi Sakaguchi	*Technology & Engineering*
Takashi Yamamoto	*Chemicals, Pharmaceutical & General Industries Project*
Fumio Nagata	*Natural Gas Value-chain Business Development Div.*

(as of June 25, 2003)

Corporate Information

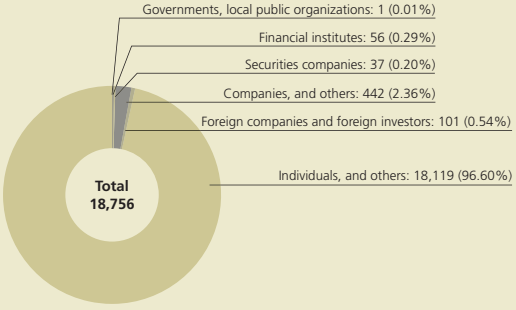
Established:	January 20, 1948
Paid-in Capital:	¥12,027 million
Number of employees:	2,533 (Consolidated)
Stock Exchange Listing:	Tokyo
Transfer Agent of Common Stock:	The Mitsubishi Trust and Banking Corporation
	1-4-5 Marunouchi, Chiyoda-ku, Tokyo
Authorized Shares:	650,000,000
Capital Stock Issued:	185,428,529
Number of Shareholders:	18,756

Major Shareholders

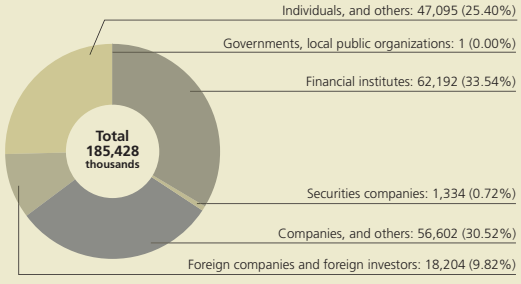
	Status of investors	
	Number of shares (thousands)	Percentage of total (%)
Mitsubishi Corporation	19,851	11.0
Japan Trustee Services Bank, Ltd. (Trust Account)	13,740	7.6
The Mitsubishi Trust and Banking Corporation	9,034	5.0
The Bank of Tokyo-Mitsubishi, Ltd.	9,033	5.0
KBR-MC Investment	5,994	3.3
Ebara Corporation	5,687	3.1
Pension Account Trustee Mitsui Asset Trust and Banking Company, Limited	4,750	2.6
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,343	2.4
Morgan Stanley & Co., Inc.	4,024*	2.2
UFJ Trust Bank Limited (Trust Account Fund A)	3,241	1.8

Note: 3,273,000 shares are owned by New Corp S.A.

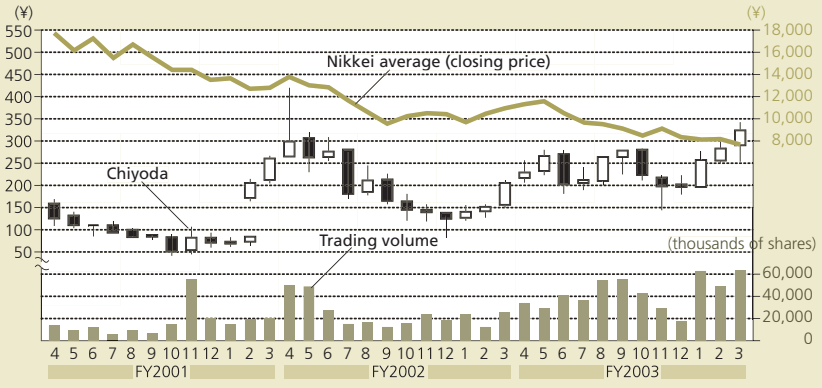
Breakdown by Shareholder



Breakdown by Share (thousands)



Stock Price



(as of March 31, 2003)

Worldwide Network

Offices

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

●Koyasu Office
13, Moriya-cho 3-chome
Kanagawa-ku
Yokohama 221-0022, Japan
Tel: (81)45-441-1268
Fax: (81)45-441-1297

●Research & Development Center
1-1, Minamiwatarida-cho
Kawasaki-ku
Kawasaki 210-0855, Japan
Tel: (81)44-328-6264
Fax: (81)44-328-6272

Overseas Network

●Abu Dhabi Office
P.O.Box 43928, Clock Tower Bldg. Suite No.0204, Al Najda Street
Abu Dhabi, U.A.E.
Tel: (971) 2-671-7161
Fax: (971) 2-671-7162

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

●Doha Middle East Headquarters
7th Floor, Al Mana Tower
Airport Road, Doha
Qatar, P.O. Box 20243
Tel: (974) 4621-673, 4622-875
Fax: (974) 4622-716

●Hague Office
Tauro Trade Cnter
President Kennedykaan 19
Postbus 17111 2502 CC
Hague, The Netherlands
Tel: (31) 70-385-9453
Fax: (31) 70-346-3779

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

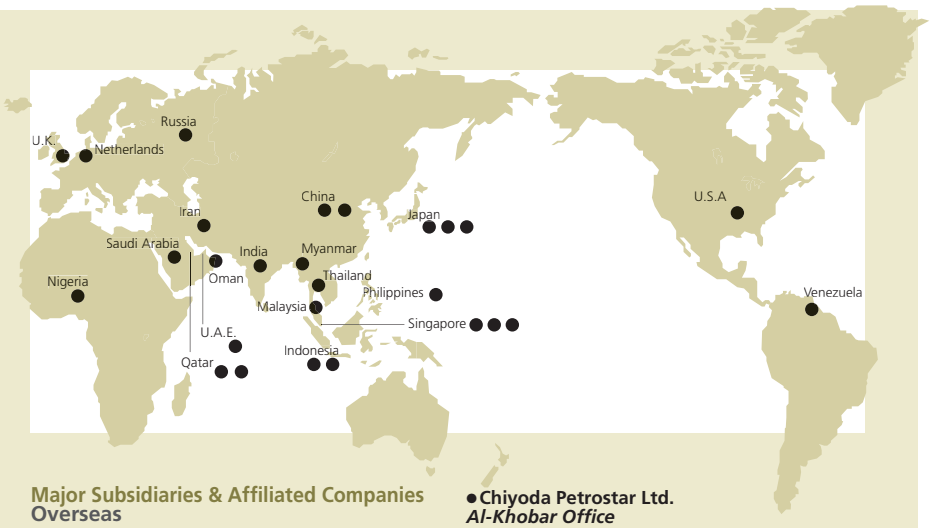
●Shanghai Office
Room 1501, CIMIC Tower No.800
Shang Cheng Rodo, Pu Dong New Area
Shanghai, 200120, China
Tel: (86) 21-6875-0034
Fax: (86) 21-6875-0037

●Singapore Office
14 International Business Park
Jurong East, Singapore 609922
Tel: (65) 6560-1274
Fax: (65) 6560-2563

●Teheran Office
2nd Floor, No.16, Mahtab St. Aftab St.
Vanak Avenue
Teheran, 19949, Iran
Tel: (98) 21-803-6391, 805-8592
Fax: (98) 21-805-8967

Project Companies

Oman, Qatar, Russia, Venezuela



Major Subsidiaries & Affiliated Companies Overseas

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

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

●Chiyoda Singapore (Pte) Limited
14 International Business Park
Jurong East Singapore 609922
Tel: (65) 6563-3488
Fax: (65) 6567-5231

●Chiyoda Asia Pacific (Pte) Limited
14 International Business Park
Jurong East Singapore 609922
Tel: (65) 6425-0368
Fax: (65) 6569-6102

●Chiyoda Malaysia Sdn. Bhd.
15th Floor, Menara Maxisegar Jalan Pandan Indah, 4/2 Pandan Indah, 55100
Kuala Lumpur, Malaysia
Tel: (60) 3-4297-0988
Fax: (60) 3-4297-0800

●Chiyoda (Thailand) Limited
Sriracha Office
P.O. Box 7, Ao-Udom
Sriracha, Cholburi, 20230 Thailand
Tel: (66) 38-352-315~8
Fax: (66) 38-352-321
Bangkok Head Office
5th Floor, Dusit Thani Office Bldg.
946 Rama IV Road Bangkok 10500, Thailand
Tel: (66) 2-233-7521/7524
Fax: (66) 2-236-6841

●PT. Chiyoda International Indonesia
Wisma kalimanis, 10th Floor Suite 1001
Jl. MT. Haryono Kav. 33
Jakarta Selatan 12770
Tel: (62) 21-798-4680
Fax: (62) 21-798-6174

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

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

●Chiyoda Petrostar Ltd.
Al-Khobar Office
P.O.Box 31707, Al-Khobar 31952
Saudi Arabia
Tel: (966)3-864-0839
Fax: (966)3-864-0986
Jeddah Head Office
P.O. Box 6188, Jeddah 21442
Saudi Arabia
Tel: (966) 2-647-0558
Fax: (966) 2-647-1908

●Chiyoda Nigeria Limited
Abuja Office
C/O Peniel Apartments Room No.B1E Plot 137
Ibb Way, Adetokunbo Ademola Crescent
Wuse I I, Abuja, Nigeria
Tel: (234) 9-4130058
Fax: (234) 9-4130062
Lagos Office
Plot PC-43, (1st Floor), Nurses House
Afribank Street, Victoria Island P.M.B 12541
Lagos, Nigeria
Tel: (234) 1-2613291
Fax: (234) 1-2612565

●Chiyoda & Public Works Co., Ltd.
Sedona Hotel Room 307-309
No. 1, Kaba Aye Pagoda Road
Yankin Township, Yangon, Myanmar
Tel: (95) 1-706720
Fax: (95) 1-545227

Domestic

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

Chiyoda Keiso Co., Ltd.
Electrical 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 Lifecycle 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 Sept. 30, 2003)

Shareholder's Memorandum

Annual Fiscal Close:
March 31
Shareholders' Meeting:
June
Record Date:
Final shareholders registered on the list of shareholders and substantial shareholders as of March 31 have the right to vote at the annual general shareholders' meeting for the relevant fiscal term. The record date will be advertised in advance as necessary.
Transfer Agent:
The Mitsubishi Trust and Banking Corporation
1-4-5 Marunouchi, Chiyoda-ku, Tokyo
Agent for stock procedures:
The Mitsubishi Trust and Banking Corporation
1-4-5 Marunouchi, Chiyoda-ku, Tokyo
Agent Offices:
The Mitsubishi Trust and Banking Corporation,
Branches in Japan
Agent for inquiries:
The Mitsubishi Trust and Banking Corporation
1-7-7 Nishi-Ikebukuro, Toshima-ku, Tokyo 171-8508
Venue for Public Notices:
The Nihon Keizai Shimbun
Number of shares per unit:
1,000
Stock Exchange Listing:
Tokyo Stock Exchange First Section
Stock Code:
6366

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.

CHIYODA CORPORATION
12-1,Tsurumichuo 2-chome, Tsurumi-ku, Yokohama 230-8601, Japan
Tel:81-45-521-1231 Fax:81-45-503-0200

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