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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CHIYODA CORPORATION Annual Report 2005

CHIYODA

CHIYODA CORPORATION
Annual Report 2005
Fiscal Year Ended March 31, 2005

"Double Step-Up"

Aiming to become "The Reliability No.1" Project Company and an Excellent Company able to "Sustain Earnings Growth"

CHIYODA CORPORATION, headquartered in Yokohama, Japan, provides services on a global basis in the field of engineering, procurement and construction (EPC) for gas processing, refineries and other hydrocarbon or other industrial plant projects, particularly for LNG, GTL and gas chemicals. For more than 50 years, Chiyoda has constantly leveraged its extensive experience and far-reaching global network to give it an unrivaled advantage. The Company will continue its EPC business, while innovating an expanded business model that includes Plant Lifecycle Engineering (PLE). This will enable Chiyoda to become a one-stop provider of everything its customers need in the way of plant development and operations.

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.

CONTENTS

Front-Cover Photograph
(Left)
Ethylene plant completed in July 2004 for Jubail United Petrochemical Company in Saudi Arabia
(Right)
Methanol plant completed in December 2004 for International Methanol Company in Saudi Arabia

RESULTS

	Millions of Yen		Thousands of U.S. Dollars*
	2005	2004	**2005**
Total assets	**¥182,893**	¥142,860	**$1,709,280**
Total shareholders' equity	**36,873**	22,767	**344,607**
Construction contracts	**267,655**	206,817	**2,501,449**
Operating income	**11,078**	5,881	**103,533**
Net income	**12,863**	6,647	**120,215**
New contracts	**411,292**	290,658	**3,843,850**
Backlog of contracts	**522,444**	375,854	**4,882,654**
Per share of common stock:	Yen		U.S. Dollars*
Basic net income	**¥ 68.62**	¥ 35.91	**$ 0.64**

* U.S. dollar amounts have been converted at the rate of ¥107=$1, the approximate rate of exchange at March 31, 2005.

SUMMARY

- Consolidated construction contracts totaled ¥267.7 billion, operating income was ¥11.1 billion and net income was ¥12.9 billion. All three figures exceeded the forecasts for the fiscal year.
- Growth in construction contracts and earnings was strong, with construction contracts rising 29%, operating income 88% and net income 94%.
- Due to the higher earnings, shareholders' equity increased to ¥36.9 billion, resulting in a 4.3 percentage point improvement in the equity ratio to 20.2%.
- Consolidated new orders were ¥411.3 billion. Orders rose strongly both in Japan and overseas. New orders in Japan totaled ¥89.5 billion, up 24%, and overseas new orders were ¥321.8 billion, up 47%.

To Our Shareholders and Friends

FISCAL 2005, ENDED MARCH 31, 2005, WAS A YEAR OF MAJOR ACCOMPLISHMENTS. WE CLEARED AWAY THE ACCUMULATED DEFICITS 18 MONTHS AHEAD OF SCHEDULE. WE ALSO PUT IN PLACE A PROFITABLE OPERATING STRUCTURE THAT PRODUCED BIG INCREASES IN SALES AND EARNINGS. DUE TO THIS PROGRESS, WE HAVE FINALLY REACHED THE POSITION WHERE WE ARE READY TO RETURN EARNINGS TO SHAREHOLDERS. ACCORDINGLY, WE PAID A DIVIDEND OF ¥6 PER SHARE APPLICABLE TO FISCAL 2005.

In fiscal 2005, consolidated new contracts increased 41.5% to ¥411.3 billion, far above our target for the year. Consolidated construction contracts rose 29.4% to ¥267.7 billion, primarily a reflection of steady progress in EPC work and strong performances by Group companies in Japan. By region, construction contracts in Japan were up 41.4% to ¥89.6 billion and overseas construction contracts increased 24.1% to ¥178.0 billion.

Gross profit on completed construction contracts increased 40.0% to ¥19.7 billion, the result of a higher volume of construction contracts and an improvement in the gross profit margin. In addition, selling, general and administrative expenses fell as a percentage of construction contracts. The result was substantial growth in operating income, which was up 88.4% to ¥11.1 billion, and net income, which was up 93.5% to ¥12.9 billion.

Strategy

To make Chiyoda a corporate group aiming at higher profitability, we have formulated a medium-term management plan called the Double Step-Up Plan 2008 (DSP 2008). This plan began in April 2005 and will end in March 2009. Please see the feature section that begins on page 8 for a more thorough discussion of this plan.

There are two fundamental elements of DPS 2008. The first is to resolutely retain the innovative thinking needed to "capitalize on change, and take on challenges posed by change" with the aim of becoming "The Reliability No.1" Project Company ("a project operating company winning the highest reputation for reliability"). The second is to aim at becoming an Excellent Company able to "Sustain Earnings Growth" through our own efforts. DSP 2008 includes the goals of an equity ratio of at least 30% and dividend per share of at least ¥10 by the fiscal year ending in March 2009. This will give us the long-term financial soundness required to further improve profitability from within and create businesses that can generate growth in the future.

Outlook

There is a high level of activity in the plant engineering market due to strong demand for energy-related projects in Japan and overseas. Outside Japan, the world's energy majors are making Gas Value Chain investments, particularly in Qatar, at a much faster pace than had been expected. Particularly noteworthy are investments in large-scale liquefied natural gas (LNG) plants and in large-scale gas chemical plants that use associated gases, such as ethylene plants. The industrial plant market has thus become a seller's market. The outlook is especially bright for LNG. Until 2020, global LNG demand is projected to increase by 15 million tons each year, an amount equivalent to three LNG plants each with a capacity of 5 million t/y. Demand for LNG projects is certain to remain extremely strong.

In Japan, many oil refining and petrochemical companies are cooperating to integrate refining and petrochemical operations, such as by producing basic chemicals at oil refineries. Furthermore, we expect rising demand for diagnosing and revamping equipment at aging plants. As the cost of crude oil climbs, growing demand for coal along with the tightening of environmental regulations are creating a favorable market for our CT-121 licensing business of flue gas desulfurization technology for coal-fired power stations. This is a new business model that can produce sustained earnings growth.

Closing Message

I am extremely pleased that we were able to resume dividend payments for the first time in nine years. I appreciate very much the trust and understanding of shareholders during this period.

We will continue to base our operations on highly advanced integrated engineering systems, innovative technology, reliable project execution skills and an effective risk management system. This stance will allow us to satisfy our customers as their most reliable business partner, as well as to fulfill our obligations as a corporate citizen.

June 28, 2005

Nobuo Seki
President & CEO,
Chiyoda Corporation

Management Policies

ALL CORPORATE ACTIVITIES AT CHIYODA ARE GUIDED BY A COMMITMENT TO EARNING THE TRUST AND UNDERSTANDING OF SHAREHOLDERS, SOCIETY, CUSTOMERS AND OTHER STAKEHOLDERS BY PRIORITIZING CORPORATE SOCIAL RESPONSIBILITY (CSR). WE ARE DEDICATED TO THE ESTABLISHMENT AND PROPER OPERATION OF FAIR INTERNAL CONTROL SYSTEMS ROOTED IN THE PRINCIPLES OF MANAGEMENT TRANSPARENCY AND SOUNDNESS AND TO THE TIMELY DISCLOSURE OF INFORMATION.

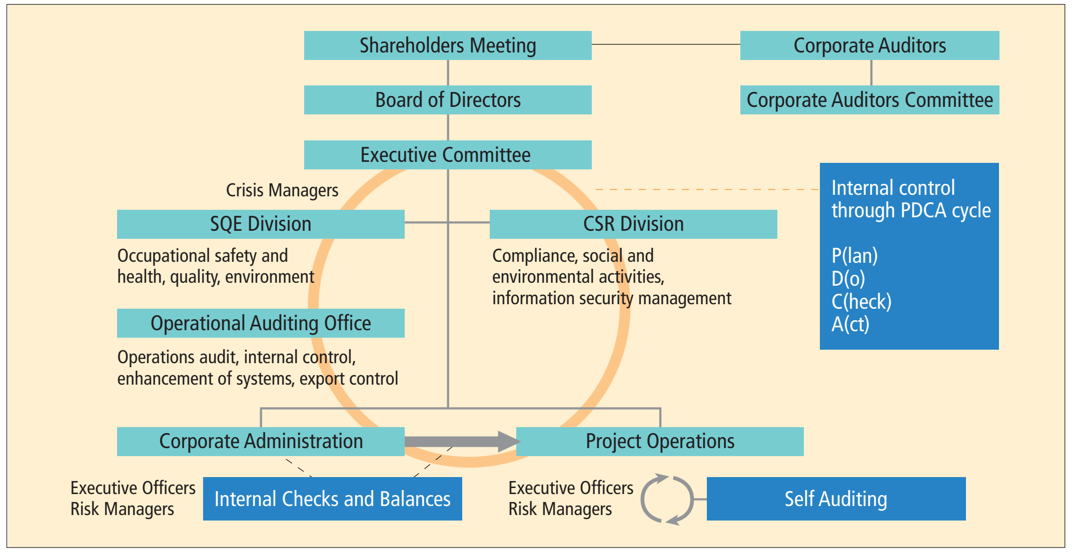
Corporate Governance

Chiyoda has adopted the corporate auditor system, using the executive officer structure in which the Board of Directors supervises the execution of business operations by the executive officers. This provides for accurate decision-making in response to rapid shifts in the social and economic climate. In addition, the Company has an Executive Committee that is composed of the representative directors and examines matters before they are submitted to the Board of Directors. Unanimous votes are required for decisions concerning important matters involving business execution. Corporate auditors attend meetings of the Executive Committee to express opinions as necessary. This system provides for both speedy and transparent decision-making.

Regarding compliance, strict adherence to domestic laws and regulations, international rules, and company rules and regulations is a matter of course. In addition, information in regard to the corporate code of conduct, handbooks providing behavior guidelines and other information are made available to directors and employees on a real time basis using enterprise information portal.

The CSR Division was established in 2005 to provide for the integrated oversight of CSR management at the corporate level. This creates a new framework in which this office oversees the activities of the Compliance Management Office, the Social Environment Office and the Information Security Management Office.

Corporate Governance Structure



Risk Management

Chiyoda has risk management and crisis management systems for various risks and contingencies. Risk managers and crisis managers are appointed to prevent problems as well as to deal with any incidents and minimize their consequences.

With regard to the management of projects, Chiyoda has a rigorous project monitoring system operated by senior management. The Company has a Cold Eye Review System under which sales activities are evaluated so that potential sources of risk can be quickly identified prior to the preparation of estimates, submission of bids and signing of contracts. In addition, the Company conducts project audits under which specialized auditors from corporate administration sections verify the suitability of project execution plans prepared by operating divisions. Through these activities, the Company is further strengthening internal controls and making operations more transparent.

With regard to information security management systems, Chiyoda has established clear rules and systems that comply with BS7799-Part II (2002) standards for the protection and proper handling of information resources that represent the foundation of all business operations. In response to the April 2005 enforcement of all elements of Japan's Personal Information Protection Law, Chiyoda has prepared a personal information protection policy and personal information protection rules, thus establishing a system for the strict compliance with this law.

Health, Safety and the Environment

Chiyoda regards the protection and improvement of safety and health for all Group employees as the basis for its ability to succeed. Priority will continue to be placed on employee safety and hygiene management, such as through employee training, enactment of suitable measures to prevent accidents and other emergencies, and initiatives to preserve and enhance workplace safety and hygiene. Regarding environmental management, Chiyoda in March 2001 became Japan's first specialized plant engineering company to earn ISO 14001 certification. The Company continues to conduct an extensive environmental management program.

Double Step-Up Plan 2008—

Making Strides toward Sustainable Growth

The President Nobuo Seki Discusses the Medium-Term Management Plan and Chiyoda's Future

Q. Please explain the events that led to the formulation of the DSP 2008 medium-term management plan.

A. The downturn in our operating results in the late 1990s and early 2000s prevented us from paying a dividend over the eight-year period that ended in March 2004. Until this happened, we firmly believed in our ability to offer customers outstanding technology and project execution skills. But somehow we let ourselves become over-confident. Our management practices became inflexible, preventing us from adapting to changes in our markets. The result was a decline in sales and earnings. During the past few years, we have thoroughly examined and improved our check and balance management systems, our business practices and our internal auditing and control functions. Thanks to these measures, our performance has rebounded, and we finally came to resume dividend payments applicable to fiscal 2005. Now that we have cleared away the elements that had been blocking our progress, we finally have an operating framework capable of aiming for higher goals.

Double Step-Up Plan 2008 (DSP 2008) establishes concrete goals to shoot for now that we are prepared to advance to a new phase of growth. Specifically, we have two "step-up" goals. One is to step up to become "The Reliability No.1" Project Company. The other is to step up to become an Excellent Company able to "Sustain Earnings Growth."

Q. Would you provide more information concerning these two goals?

A. Becoming "The Reliability No.1" Project Company means acquiring the world's most reliable capabilities for executing projects. Economic growth in China and India, two countries with massive populations, will undoubtedly cause a substantial increase in global demand for energy in the coming years. In fact, we are already facing a sharp increase in the price of crude oil due largely to their bullish economic growth. At the same time, environmental regulations are becoming even more severe. These trends indicate that demand will remain strong for LNG plants, oil refineries and petrochemical plants, requiring highly sophisticated technologies and facilities in all market sectors where Chiyoda has technically advantageous positions. I also want to stress that immense requirement of cost and time constraint for larger energy demand is requiring larger scale plants along with shorter delivery periods. Besides, customers are placing greater priority on reliability than ever before.

A December 2004 LNG plant order from Qatargas II is an excellent illustration of these trends. The order, which we received jointly with Technip France, involves the construction of two trains of 7.8 million ton LNG plant, which will be the largest ever built. These plants will be composed of about 30,000 different parts and components and about 10 million items in all.

If even one of those items is defective, the whole plant may not start operating. This is why we pay close attention to procuring the best possible components at all times. Our approach means that even if there exists a single component which does not meet requirements in the specification, the plants should be designed to allow a minimum impact caused by the failure in the performance of such component. This stance underpins our ability to offer customers outstanding reliability, and is instrumental to receive the order for the world's most advanced LNG plants.

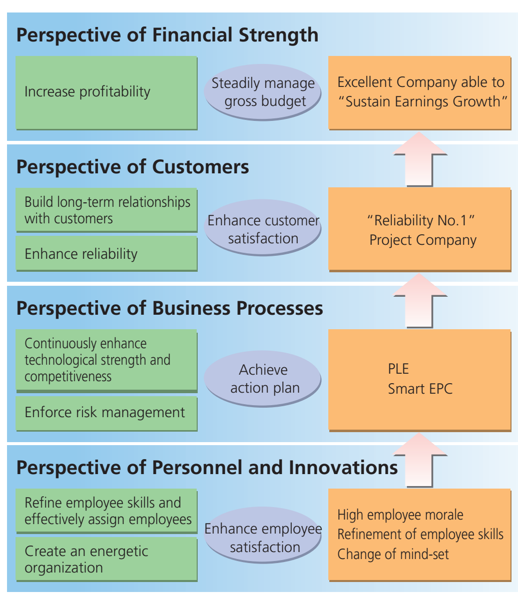
Enhancing our reliability is also vital to minimizing the unnecessary costs in our projects. Once a project is under way, skills and capabilities in minimizing problems and preventing the occurrence of unexpected costs make a direct contribution to profit margins. In other words, our goal of becoming an Excellent Company able to "Sustain Earnings Growth" is an extension of our drive to raise reliability. When we will establish firm reputation for reliability, it will make us stay away from a very severe price competition, thus allowing us to preserve a reasonable profit margin by offering differentiated technical services and capabilities with higher reliability. Since our two step-up goals are concepts that benefit customers and ourselves, we must work on achieving both at the same time.

Q. Chiyoda is now concentrating on four strategies to fulfill the two step-up goals. Would you describe these strategies?

A. Each of the four strategies was created from a different perspective: the customer, business processes, financial strength and the need for personnel and innovations.

Regarding customers, we will execute a business strategy that leverages our superior technologies. That means focusing on market sectors where we can add value as only Chiyoda can. The energy field, where plants are becoming larger and more complex, presents many opportunities for us in this respect. We have high expectations for LNG projects outside Japan and upgrading facilities at oil refineries and petrochemical projects in Japan. Plant Lifecycle Engineering (PLE) is another key element of our business strategy. We must expand our conventional stance of ending our services when a plant is turned over to the customers. Our goal now is to build permanent relationships with customers by supplying services to operate plants at maximum efficiency with minimal costs for lifetime period.

Concept of Management Strategy

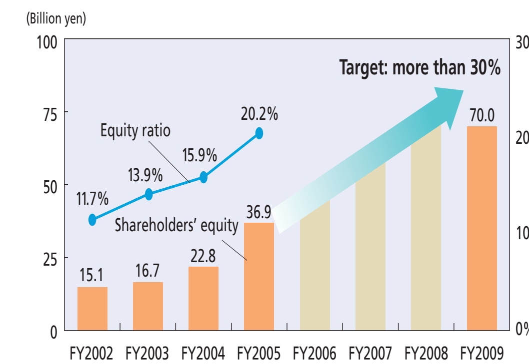


Regarding business processes, our activities are focused on Smart EPC. We want to reinforce risk management skills, make better use of sophisticated IT, utilize Global Engineering Satellites (GESs) in India and the Philippines and have domestic group companies work more closely together. Smart EPC is a collection of initiatives to reform business processes. The objective is to enhance the efficiency and accuracy of our work during the engineering, procurement and construction stages. This requires many interactions. One is utilizing IT in every way possible. Another is executing knowledge management to accumulate a storehouse of our employees' know-how and experience.

Regarding financial strength, our goal is to build a consistently sound financial position that can support the creation of next-generation businesses. This is essential to becoming a company that can sustain earnings growth. By the final year of the medium-term plan, which is the fiscal year ending in March 2009, we aim to raise our equity ratio to at least 30%. That equates to total equity of about ¥70 billion. With this much equity on our balance sheet, we will be in a fairly strong position to take on large-scale projects that could involve various risks.

Last is personnel and innovations. Here, our goal is to foster a workforce and organizational structure that are full of vitality. As an integrated engineering and construction company, our investments in tangible assets are surprisingly small. That allows us to make substantial investments in our people. Fortunately, we already have a corporate culture that encourages the development of highly talented people. Our policy now is to assemble a framework that can foster people who are true professionals in their own fields. Doing so is vital to achieving the two step-up goals of the medium-term plan.

Performance Indicator Targets



Q. What is your view of current trends in the operating environment?

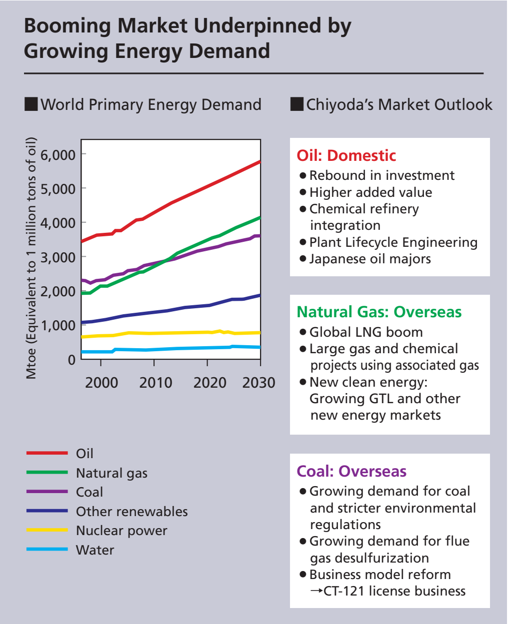
A. Simply put, I think market conditions will be extremely favorable for us for the moment. The primary reason is the large volume of LNG-related projects under way around the world.

Petroleum is, of course, the world's largest source of energy. Coal is still number two and natural gas is third. Natural gas, a clean energy, is expected to surpass coal because of rising demand worldwide. We are now seeing annual

growth of about 7% in the demand of LNG, a pace that is likely to continue for at least the next decade. Raising LNG output at this rate will require building every year new production facilities of LNG with an output of 15 million tons. Demand is increasing because more countries will be importing LNG. The United Kingdom, where North Sea oil reserves are declining, has decided to start importing LNG for the first time in 15 years. In fact, the previously mentioned two Qatar LNG plants that we will build, each the largest in the world, will produce LNG for export to Britain. The United States, India and China also plan to begin importing LNG and increase the import volume.

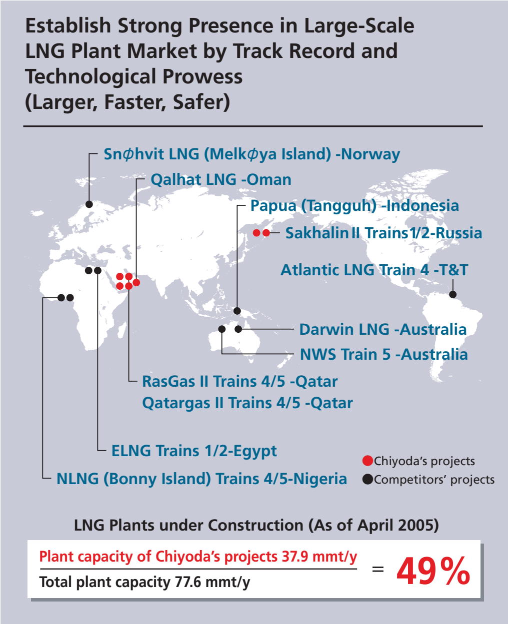
As of April 2005, Chiyoda was participating in 49% of all LNG plants under construction worldwide. LNG plants and LNG receiving terminals in Japan account for 72% and 10%, respectively, of our ¥522.4 billion backlog of contracts. In all, our backlog of contracts includes about ¥430 billion of LNG-related projects. Japan was one of the first countries to import LNG, and is still the world's largest buyer of LNG. Japan's integrated engineering and construction companies have had opportunities to be involved in the LNG projects and became the world leaders in this field. Chiyoda has a particularly strong reputation concerning LNG projects, as can be seen in our high share of this market and the large volume of LNG liquefaction projects now under way.

Market Outlook



Source: IEA (International Energy Agency)

LNG Plant Market Share under Construction



Q. What is Chiyoda's position concerning Corporate Social Responsibility (CSR)?

A. DSP 2008 places considerable emphasis on CSR. For example, we established the CSR Division in April 2005 to provide a single unit for overseeing all activities involving CSR. The division supervises compliance programs, environmental initiatives, information security, social contributions and many other activities. We are also making social and economic contributions through our business activities.

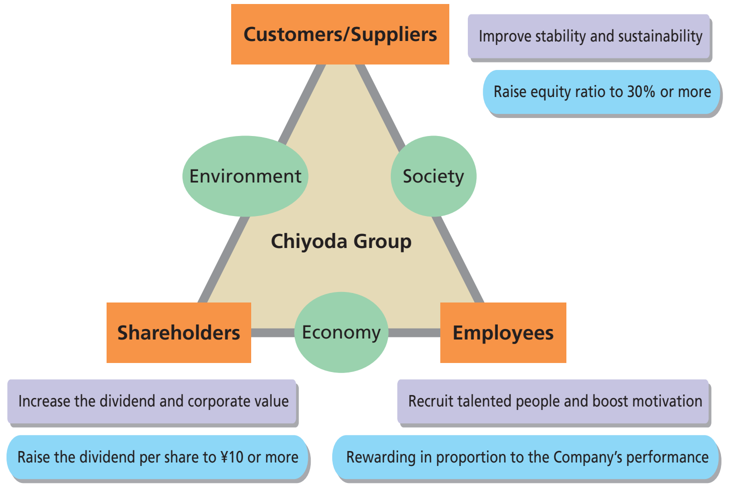
Our technical services contribute to environmental preservation. Raising LNG output helps reduce global CO_2 emissions. Through licensing, we are making our CT-121 flue gas desulfurization process available to plants other than those we build ourselves. And we are participating in a GTL technology development project, which aims to produce kerosene and other liquid fuels from natural gas.

In March 2005, Chiyoda Corporation was selected for inclusion in the FTSE4Good Index, a well-known index developed by FTSE of the U.K. and used for socially responsible investing.

Q. What is your message to the shareholders of Chiyoda?

A. Our dividend applicable to fiscal 2005 was our first dividend in nine years. Under our DSP 2008 medium-term plan, our goal is to raise the dividend per share to ¥10 or more by the plan's final year. We intend to reach this goal through a balanced approach to three key themes: building a stronger financial position; investing in our own human resources looking resolutely forward; and sharing our profits with shareholders. This is why it is so important that we achieve our two step-up goals: becoming "The Reliability No.1" Project Company, and becoming an Excellent Company able to "Sustain Earnings Growth." I am very confident that Chiyoda can fulfill these goals. As we take the necessary actions, I look forward to receiving the continuing support and understanding of our shareholders.

Strengthening Financial Position and Earnings Distributions



Overseas

In the overseas plant market, growing awareness of the low environmental impact of natural gas is supporting a large volume of investments in gas field development and gas production, liquefaction, transport and regasification. These investments are being made by both gas-producing nations and the energy majors. Projects are in gas-producing regions, such as Asia, the Middle East and Africa, and consuming nations, such as the U.S., India and China. These trends produced a large increase in demand for the Chiyoda Group's Gas Value Chain services.

Due to these factors, overseas new contracts increased 47.2% to ¥321.8 billion and construction contracts rose 24.1% to ¥178.0 billion.

◆New Contracts ◆◆Completed Projects ◆◆◆Backlog of Contracts

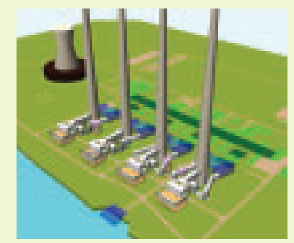
Locations		Clients	Projects
MIDDLE EAST			
Qatar	◆	Qatar Liquefied Gas Co., Ltd. (II)	LNG Plant (Trains 4 & 5)
Qatar	◆	Ras Laffan Liquefied Natural Gas Co., Ltd. (II)	LNG Plant (Train 5)
Qatar	◆	Qatar Liquefied Gas Co., Ltd. 3	LNG Plant (FEED) (Trains 6 & 7)
Qatar	◆	Ras Laffan Liquefied Natural Gas Co., Ltd. (III)	LNG Plant (FEED) (Trains 6 & 7)
Qatar	◆◆	ExxonMobil Middle East Gas Marketing Ltd.	Gas Development Project
Qatar	◆◆◆	Ras Laffan Liquefied Natural Gas Co., Ltd. (II)	LNG Plant (Train 4)
Qatar	◆◆◆	ExxonMobil Middle East Gas Marketing Ltd.	Gas Development Project (expansion)
Qatar	◆◆◆	Qatar Liquefied Gas Co., Ltd.	LNG Plant (debottlenecking)
Oman	◆◆◆	Qalhat LNG S.A.O.C.	LNG Plant
Saudi Arabia	◆	Jubail United Petrochemical Company	Ethylene Plant (expansion)
Saudi Arabia	◆◆	Jubail United Petrochemical Company	Ethylene Plant
Saudi Arabia	◆◆	International Methanol Company	Methanol Plant & Utility/Offsite
Iran	◆◆◆	Petrochemical Industries Development Management Company	Fertilizer Plant
ASIA			
Singapore	◆	Vopak Terminal Singapore Pte. Ltd.	Tank Terminal
Indonesia	◆◆◆	PetroChina International Jabung Limited	Gas Development Project
China	◆◆◆	Nantong SKT New Material Co., Ltd.	PVDC (polyvinylidene chloride) Plant
China	◆◆◆	Mitsubishi Rayon Polymer Nantong Co., Ltd.	PMMA (polymethyl methacrylate) Sheet Plant
China	◆◆◆	CNOOC and Shell Petrochemicals Co., Ltd.	SM/PO and MPG/Polyols Plant
RUSSIA AND OTHERS			
U.S.	◆	Southern Company Service, Inc	Flue Gas Desulfurization (provision of license)
U.S.	◆	Black & Veatch Corporation	Flue Gas Desulfurization (provision of license)
Venezuela	◆◆	Petroleos de Venezuela S.A. (PDVSA)	Refinery Modernization
Russia	◆◆◆	Sakhalin Energy Investment Company Ltd.	LNG Plant / Crude Oil Export Facilities

(Left) Signing ceremony
(Center) Groundbreaking ceremony
(Right) Artist's conception of the two new LNG trains


Qatar ▶ World's Largest LNG Trains for Qatargas II

On December 15, 2004, Chiyoda with its joint venture partner Technip was awarded the EPC contract for two LNG trains with the world's largest capacity by Qatargas II. Each train will produce an expected minimum of 7,800,000t/y of LNG, to be shipped to the U.K. market, with Train 4 scheduled for the start-up in late 2007, followed by Train 5 approximately 9 months later. The new LNG trains are to be constructed at the existing Qatargas LNG plant site in Ras Laffan.

The three existing trains at this site have a total annual output of more than 9 million tons. Chiyoda constructed these three trains too, which have been operating since 1996, and performed subsequent debottlenecking work that raised each train's output by 1 million tons.



Layout of the FGD facility (computer graphics)

U.S. ▶ Licensing of CT-121 Technology for Flue Gas Desulfurization

In January 2005, Chiyoda signed a licensing agreement with Southern Company Services, Inc. for Chiyoda Thoroughbred 121™ (CT-121) flue gas desulfurization (FGD) technology at four units of the coal-fired power plant at the Bowen Power Station of Georgia Power Company. The following March, another contract was signed, this one for the provision of the CT-121 FGD technology to Black & Veatch Corporation for use at the five units of the Killen and Stuart coal-fired power plants of Dayton Power & Light Company in Ohio. Both contracts are about the same size as the large FGD facilities (7.2 million kilowatts) delivered by Chiyoda to Japanese power utility companies.

CT-121 has been selected as one of the technologies for Round II Innovative Clean Coal Technology Program by the U.S. Department of Energy. This innovative technology is to sparge the flue gas stream directly into a pool of a reagent to accomplish the pollutant to reagent contact. CT-121 FGD technology makes it possible to remove sulfur dioxide with a high efficiency rate along with other pollutants and particulate matter. With air pollution regulations becoming much more stringent in the U.S., CT-121 is positioned to play a big part in cleaning flue gas from power plants.



(Left) Work is proceeding on the main pipe racks.
(Center) Construction of the LNG storage tank
(Right) Storage pond for treating effluents

Russia ▶ Progress Continues at the Massive Sakhalin LNG Project

Construction on temporary and permanent facilities for an LNG project is proceeding non-stop on Russia's Sakhalin Island, even during the bitterly cold winter. During the winter, plans for construction to begin in the spring are made. In March 2005, Chiyoda began working with subcontractors on the full-scale start of construction.

The on-time delivery of construction materials and machinery is essential to conducting construction work smoothly. Material Offloading Facilities have been completed and the first two ships have already delivered their cargo. Equipment was immediately installed in the plant using large cranes. As equipment is installed, work is also advancing rapidly on the main pipe racks inside the LNG production facility. Work has already started on placing pipes on the main pipe racks. In addition, construction of the LNG storage tanks is moving along, even during the long winter. Following completion of the tank walls, the construction of the roofs was completed on schedule.

In addition to work on the LNG plant, the project includes measures to protect the surrounding environment. In particular, an extreme care is exercised to prevent snowmelt, rain and other soiled runoff from reaching rivers and the ocean. For this purpose, water is treated in a storage pond before its release.

Work proceeds at an LNG plant in Oman.

Oman ▶ Qalhat LNG Project Ongoing with Omanization and High Standards of HSE

Construction and commissioning work of the Qalhat LNG train is progressing toward completion at the end of this year.

The project has been contributing to human resource development in Oman by way of provision of a unique Omanization program to particularly local society in addition to expansion of job opportunities. This effort has been highly praised and acknowledged by presentation of the award for "Best Omanization Company," which was given by the Minister of Manpower in commemoration of the remarkable performance of "Omanization" in the construction sector.

The project has kept high HSE performance since its commencement and reached the remarkable achievement of 17 million accident-free man-hours, as of July 2005.

Domestic

In the energy field, orders were strong, led by those from Japanese oil refiners for projects to integrate oil refining and petrochemical operations and to conserve energy. In addition, we received a steady stream of orders from electric power and gas companies, as they invested actively in facilities to diversify energy sources, such as a shift to LNG, to protect the environment, and in projects resulting from the elimination of barriers that separated electricity and gas utilities.

In the non-energy field, including chemicals, pharmaceuticals and fine industries, we secured orders related to investments for boosting production of functional materials to meet growing demand from a booming consumer electronics market. Recognition of our engineering capabilities led to favorable number of orders from the pharmaceutical sector as well.

In this environment, consolidated new orders increased 24.3% to ¥89.5 billion and construction contracts rose 41.4% to ¥89.6 billion.

◆New Contracts ◆◆Completed Projects ◆◆◆Backlog of Contracts

	Locations		Clients	Projects
DOMESTIC				
	Kanagawa	◆	Nippon Petroleum Refining Co., Ltd.	Lube Oil / Grease Mixing and Filling Plant
	Yamaguchi	◆	Seibu Oil Co., Ltd.	Mixed Xylene Plant and Refinery Maintenance
	Ibaraki	◆	Mitsubishi Chemical Engineering Corporation and Mitsubishi Chemical Corporation	Ethylene Cracker
	Ibaraki	◆	Eisai Co., Ltd.	Pharmaceutical Bulk Plant
	Kanagawa	◆◆	TOA Oil Co., Ltd.	Refinery Maintenance
	Kanagawa	◆◆	Mitsubishi Pharma Corporation	Pharmaceutical Laboratory
	Fukuoka	◆◆	Nippon Steel Chemical Co., Ltd.	E-6 (Circuit Board Materials) Plant
	Chiba	◆◆	Idemitsu Kosan Co., Ltd.	Gasoline Desulfurization Plant
	Yamaguchi	◆◆	Seibu Oil Co., Ltd.	Gasoline Sulfur Reduction Project
	Mie	◆◆	Showa Yokkaichi Sekiyu Co., Ltd.	Gasoline Sulfur Reduction Project
	Okayama	◆◆◆	Mizushima LNG Co., Ltd.	LNG Receiving Terminal
	Ibaraki	◆◆◆	Japan Oil, Gas and Metals National Corporation	LPG Storage Terminal
	Ehime	◆◆◆	Japan Oil, Gas and Metals National Corporation	LPG Storage Terminal
	Nagasaki	◆◆◆	Japan Oil, Gas and Metals National Corporation	LPG Storage Terminal


Groundbreaking ceremony

Order Received from Seibu Oil for Mixed Xylene Plant

Chiyoda received an order from Seibu Oil Co., Ltd. in October 2004 for the engineering, procurement and construction work for a new Mixed Xylene plant in their existing Yamaguchi Refinery. The project includes some off site works such as tank modifications and new off load facilities for produced Mixed Xylene.

The new plant will produce 200,000 tons of Mixed Xylene per year (8,500BPSD). Mixed Xylene will be produced from Reformate, which is being sold as a gasoline composite. Seibu Oil will have higher value products, variable product line ups and flexibility of operation.

The project team, the sales department, the site office, workers at the site and all related personnel are diligently working together to complete the project on schedule by December 2005 with no accidents or other problems.


Groundbreaking ceremony

Nippon Petroleum Refining Orders Lube Oil and Grease Mixing and Filling Plant

Nippon Petroleum Refining Co., Ltd. held a groundbreaking ceremony in April 2005 for the construction of a lubricant and grease mixing and filling plant at its Yokohama Refinery. To make its operations even more competitive, the Nippon Oil Group decided to centralize lubricant and grease production at its Yokohama Refinery. Currently, Nippon Petroleum Processing Co., Ltd. Tokyo plant also makes these products. As a result, the Nippon Oil Group is rebuilding its lubricant manufacturing system in Yokohama to raise output volume by 40%.

Chiyoda participated in this project from front-end engineering designs (FEED). A long list of accomplishments in lubricant facilities along with engineering skills that include 3D modeling were critical to Chiyoda's ability to capture this order. Work is proceeding toward completion in July 2006 while placing priority on safety and the prevention of accidents.

Performance Highlights

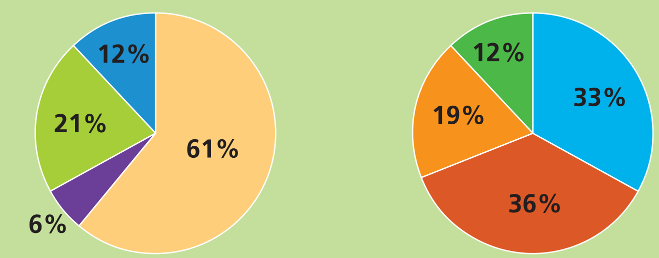
FY2005 Breakdown by Industry

- Gas & Power
- Gas Chemicals
- Petroleum & Petrochemicals
- Fine Industries & Others

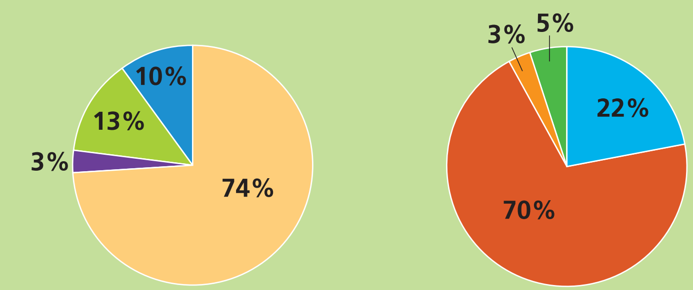
FY2005 Breakdown by Region

- Japan
- Middle East
- Russia
- Asia and Others

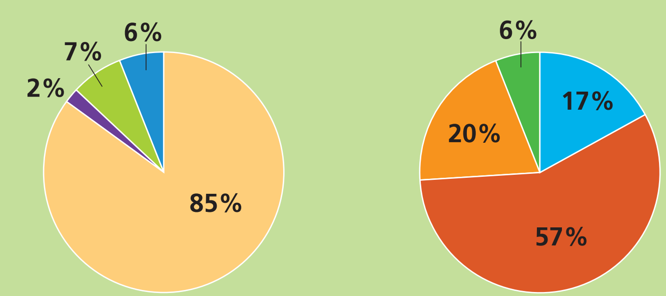
Construction Contracts



New Contracts



Backlog of Contracts



Consolidated Six-Year Financial Summary

Chiyoda Corporation and Consolidated Subsidiaries

	Millions of Yen					
	2005	2004	2003	2002	2001	2000
For the Year:						
Construction contracts	**¥267,655**	¥206,817	¥166,367	¥141,387	¥128,665	¥168,963
Cost of construction contracts	**247,905**	192,710	155,924	136,762	131,240	154,112
Income (loss) before income taxes and minority interests	**12,050**	5,370	2,509	1,861	(3,357)	1,553
Net income (loss)	**12,863**	6,647	2,000	121	(4,607)	698
At Year-End:						
Total assets	**¥182,893**	¥142,860	¥120,297	¥129,314	¥114,652	¥153,099
Total shareholders' equity	**36,873**	22,767	16,670	15,103	15,023	8,181
Working capital	**22,231**	15,719	7,526	1,387	2,241	(19,594)
Current ratio (%)	**115.9**	115.0	108.4	101.4	102.6	84.5
Long-term debt	**215**	10,316	10,422	10,672	11,346	12,545
Per Common Share (Yen):						
Net income (loss)	**¥ 68.62**	¥ 35.91	¥ 10.79	¥ 0.65	¥ (20)	¥ 3
Shareholders' equity	**193**	123	90	81	81	33
Other Statistics:						
Number of shares outstanding* (thousands)	**190,837**	185,041	185,199	185,388	185,429	248,357

* At year-end

Operating Results and Financial Position

1. REVIEW OF OPERATING RESULTS

a Summary

In fiscal 2005, ended March 31, 2005, new contracts increased 41.5% to ¥411.3 billion and consolidated construction contracts increased 29.4% to ¥267.7 billion. Operating income was up 88.4% to ¥11.1 billion and net income rose 93.5% to ¥12.9 billion.

b New contracts and construction contracts

New contracts were up 41.5% to ¥411.3 billion as domestic new contracts rose 24.3% to ¥89.5 billion and overseas new contracts increased 47.2% to ¥321.8 billion. Construction contracts increased 29.4% to ¥267.7 billion, the result of a 41.4% increase in domestic construction contracts to ¥89.6 billion and 24.1% growth in overseas construction contracts to ¥178.0 million.

A summary of engineering operations, which account for almost all of the Group's activities, is presented below.

a. Power and gas

Outside Japan, rising global demand for natural gas is fueling a large volume of investments to develop gas resources by gas-producing nations and energy majors. The United States, the world's largest consumer of energy, will soon have to import more LNG because it no longer meets its demand for gas from domestic sources and imports from Canada. The United Kingdom will also become a net importer of gas due to declining domestic reserves. In Asia, India has started importing LNG, joining Japan, South Korea and Taiwan as LNG purchasers. China is likely to begin importing LNG sooner than had been projected. All these events point to solid long-term demand for LNG.

In Japan, progress in deregulation is making companies reluctant to make large capital investments aimed at creating new sources of energy. At the same time, however, there is a large volume of projects to add and expand gas and power facilities in association with the diversification of energy sources, such as the shift to environmentally friendly natural gas, and with the lowering of the barrier between electric and gas utilities. In addition, demand is beginning to emerge for lifecycle engineering services, which optimize a plant's production expenses over the long term.

New contracts increased 43.6% to ¥305.6 billion. This includes an order from Qatargas II for construction of LNG Trains 4 & 5, from Ras Laffan Liquefied Natural Gas Co., Ltd., also in Qatar, for construction of LNG Train 5, from Qatargas 3 for FEED of LNG Trains 6 & 7 and from Ras Laffan Liquefied Natural Gas III for FEED of LNG Trains 6 & 7. Construction contracts increased 68.7% to ¥162.6 billion. Major components include payment for the completed portion of the Sakhalin II LNG Project in Russia, LNG Trains 4 and 5 for Ras Laffan Liquefied Natural Gas in Qatar, an LNG plant in Oman, a gas development project (additional work) for ExxonMobil Middle East Gas Marketing Ltd. in Qatar, construction of the Mizushima LNG receiving terminal of Mizushima LNG Co., Ltd., a natural gas development project in Indonesia and LPG storage terminals in Kamisu, Fukushima and Namikata.

b. Gas chemicals

In the gas chemicals sector, many large-scale ethylene center projects that will use low-cost gas feedstock are now under way by the energy majors. Projects are located in gas-producing countries such as Saudi Arabia, Qatar and Iran as well as in China and Singapore.

New contracts rose 206.7% to ¥13.9 billion, due in part to an order to expand an ethylene plant in Saudi Arabia. Construction contracts fell 61.6% to ¥14.7 million. This figure includes payment for the completed portion of a project to expand a fertilizer plant in Iran and a methanol plant in Saudi Arabia.

c. Petroleum and petrochemicals

In the petroleum sector, there were substantial capital expenditures in Japan as Japanese oil companies made investments in petrochemical facilities and in projects to reduce energy consumption. In the environmental sector, work was completed on schedule at projects to reduce the sulfur content of fuel oil. There was also growth in sales from maintenance-related construction performed by Chiyoda Group companies in Japan.

In the petrochemicals sector, Japanese chemical companies are constructing petrochemical plants in China and other parts of Asia to increase the competitiveness of products sold to manufacturers of automobiles and home appliances.

In fiscal 2005, new contracts increased 16.0% to ¥52.2 billion. Major components were orders for the construction of a lube oil and grease mixing and filling plant for Nippon Petroleum Refining Co., Ltd., a mixed xylene plant and refinery maintenance for Seibu Oil Co., Ltd., a tank terminal in Singapore and an ethylene cracker for Mitsubishi Chemical Engineering Corporation and Mitsubishi Chemical Corporation. Construction contracts increased 48.7% to ¥57.0 billion. This included expansion of the Puerto La Cruz refinery in Venezuela, ultra low sulfur gasoline projects for Showa Yokkaichi Sekiyu Co., Ltd. and Seibu Oil Co., Ltd., a refinery maintenance project for TOA Oil Co., Ltd. and a gasoline desulfurization plant for Idemitsu Kosan Co., Ltd.

d. General chemicals and industrial machinery

In general chemicals, capital expenditures in the pharmaceuticals sector remained stable, although some companies temporarily reviewed their plans due to industry realignment to become more globally competitive and to the effects of the rapid growth of foreign pharmaceutical companies in Japan. However, there is a growing trend in Japan to outsource engineering work and, following revisions to the Pharmaceuticals Affairs Law, to outsource pharmaceutical manufacturing.

In industrial machinery, there was a high level of capital spending in Japan for equipment associated with electronic materials and high-performance films. New orders were up 59.8% to ¥29.0 billion, including an order from Eisai Co., Ltd. for a synthesizing plant. Construction contracts increased 32.6% to ¥21.8 billion. Major completions were a pharmaceutical laboratory for Mitsubishi Pharma Corporation and an E-6 (circuit board materials) plant for Nippon Steel Chemical Co., Ltd.

e. Environment and others

Regarding environmental activities, Chiyoda conducted sales in Europe and North America of the CT-121 flue gas desulfurization (FGD) technology, which Chiyoda developed. The technology was licensed to Southern Company Services, Inc. for the use of CT-121 at FGD facilities at four coal-fired power plants operated by Georgia Power Company, a major U.S. utility, and to Black & Veatch Corporation for use at five coal-fired units at power stations of Dayton Power & Light Company. Revenues from these sales contributed to results in the fiscal year under review.

In all, new contracts decreased 1.8% to ¥6.4 billion and construction contracts fell 45.7% to ¥7.5 billion.

c Gross profit on construction contracts

Gross profit on construction contracts increased 40.0% to ¥19.7 billion. Contributing to the increase were growth in the volume of sales and an improvement in the gross profit margin because of strict adherence to risk management methodology at all project stages from bidding that is aimed at maintaining the targeted level of profitability on construction contracts. The result was a 0.6 percentage point improvement in the gross profit margin from 6.8% to 7.4%.

d Selling, general and administrative expenses

Selling, general and administrative (SG&A) expenses increased ¥0.4 billion to ¥8.7 billion. This was attributable to a ¥0.2 billion increase in taxes and public charges, partly due to the introduction of pro forma standard taxation, and to a ¥39 million increase in research and development expenses. However, due to improvements in the efficiency of administrative departments, SG&A expenses declined 0.8 percentage point as a percentage of sales, falling from 4.0% to 3.2%.

e Operating income

Higher sales, the improvement in the gross profit margin and the decline in SG&A expenses as a percentage of sales resulted in an 88.4% increase in operating income to ¥11.1 billion. This raised the operating income margin by 1.3 percentage points from 2.8% to 4.1%.

f Other income (expenses)

Other income-net was ¥0.5 billion, ¥42 million more than other income-net in the previous fiscal year.

Net financial income, which is interest and dividend income less interest expense, increased from ¥35 million to ¥0.4 billion. This was the result of higher interest income on Chiyoda's share of funds invested by overseas joint ventures as well as of lower interest expense because of a reduction in interest-bearing debt. Foreign exchange loss was ¥0.1 billion compared with a gain of ¥0.3 billion in the previous fiscal year, when gains were recorded on the cancellation of forward foreign exchange contracts deemed to be unnecessary. The loss in the fiscal year under review mainly reflects hedging costs for comprehensive forward foreign exchange contracts.

Equity in earnings of associated companies totaled ¥0.2 billion, about the same as the ¥0.2 billion posted in the previous fiscal year.

Extraordinary income was ¥0.5 billion in the current fiscal year, against an extraordinary loss of ¥1.0 billion in the previous fiscal year. This was mainly because of a reversal of ¥1.1 billion from the allowance for doubtful accounts due to the collection of certain overdue accounts and long-term receivables-other, and a reversal of ¥0.2 billion from the allowance for contingent loss which offset a loss on impairment of long-lived assets of ¥0.2 billion reflecting an early introduction of impairment accounting and a ¥0.4 billion loss on sale of fixed assets.

g Income, residential and enterprise taxes and deferred tax adjustment

Income before income taxes and minority interests was ¥12.0 billion but income, residential and enterprise taxes totaled only ¥0.9 billion. The low level of taxes was mainly due to the use of loss carryforwards for tax purposes.

Deferred income taxes totaled ¥1.8 billion, the result of a re-assessment of deferred tax assets in consideration of higher profit margins due to improvements in and widespread use of project cost management. Chiyoda therefore believes that taxable earnings in the fiscal year ending in March 2006 will be sufficient to recover deferred tax assets.

h Net income

Net income increased ¥6.2 billion from the previous fiscal year to ¥12.9 billion.

2. SOURCES OF CAPITAL AND LIQUIDITY

a Cash flows

Cash and cash equivalents increased ¥0.7 billion from the previous fiscal year to ¥41.6 billion as of March 31, 2005. Cash used for capital expenditures, primarily for IT-related software, totaled ¥1.0 billion. Major sources of cash were ¥1.2 billion from the exercise of stock options and ¥0.5 billion in net cash provided by operating activities, including cash provided by changes in working capital, including an increase in trade payables. This was ¥15.1 billion less than net cash provided by operating activities in the previous fiscal year.

Jointly controlled assets of joint ventures substantially represent Chiyoda's share of cash and cash equivalents at joint ventures. Net cash provided by operating activities after adjustment for jointly controlled assets of joint ventures was ¥22.0 billion. As a result, the Chiyoda Group's operating activities provided net cash of ¥91.5 billion.

b Financing

Upfront expenses for the construction of plants in Japan and overseas along with SG&A expenses account for the bulk of the Chiyoda Group's financing needs. Significant components of SG&A expenses are employee salaries and allowances and outsourcing expenses. Personnel expenses for employees engaged in R&D represent the majority of research and development expenses.

c Financial strategy

Chiyoda meets its funding needs for working capital, capital investments and other requirements through internal liquidity and bank loans. For working capital, Chiyoda has a ¥14.0 billion short-term credit facility to be prepared for any future demand for funds.

Current plans for capital investments primarily involve investments in IT systems. These expenditures will be financed internally.

Based on the current volume of orders received, financial position, ability to generate operating cash flows and unused portion of the short-term credit facility, Chiyoda believes that it has adequate access to the funds required to support growth.

Business Risk and Other Risks

The following is a list of major items, and Chiyoda's responses to those items, that may have a significant bearing on the decisions of investors with regard to the Chiyoda Group's financial position, operating results, cash flows and other important factors concerning risks associated with an investment. The Group is aware of the possibility that these problems may occur and is exercising extreme care to take preventive measures. The Group also strives to respond quickly to any problem to minimize its effect.

Certain items below concern risks that may occur in the future. These items represent risks that the Company believes are significant with regard to its risk management activities as of June 24, 2005, the date when the Company submitted its MOF securities report (Yuka Shoken Hokokusho).

1. FOREIGN EXCHANGE RATE MOVEMENTS

At overseas construction projects, a large share of payments received and payments to procure materials and equipment is in foreign currencies. Consequently, operating results are vulnerable to unexpected changes in foreign exchange rates. The Company uses foreign exchange forward agreements and takes many other steps to minimize the effect of foreign exchange movements on earnings at overseas projects.

2. SUDDEN INCREASES IN PRICES OF MATERIALS AND OTHER ITEMS

At plant construction projects, there is a gap between the time when estimates are prepared and orders are placed for materials and equipment. Consequently, earnings at a project are vulnerable to sudden increases in the cost of labor, materials and equipment following the submission of a bid. Furthermore, a project's completion could be delayed due to substantial increases in the cost of materials and equipment, or delays in the delivery of materials and equipment caused by shortages or other factors. Such delays could affect earnings at a project.

Presently, the cost of basic materials is extremely high and there are shortages of certain raw materials. The Group is making a concerted effort to shield itself from the resulting risks. For example, the Group diversifies sources of supply, such as by using suppliers located in all areas of the world, considers making purchases in large quantities, and works on negotiating contracts with customers that include supplementary terms that address the possibility of an unusual price increase.

3. TERRORISM, POLITICAL UNREST IN NEARBY COUNTRIES, STRIKES AND LACK OF GOVERNMENT CONTROLS

Global terrorism could directly harm the Company's head office, construction sites or employees, cause the suspension of ongoing business activities, or reduce the volume of capital expenditures over the medium and long terms due to instability in the client countries in the Middle East and elsewhere. Such events could affect earnings. In addition, there could be an impact on earnings if the Group is unable to have customers pay for the additional expenses caused by these events. The Group has established a crisis management system that facilitates a quick initial response if a problem occurs.

4. ACCIDENTS DURING TRANSPORT OF MATERIALS AND EQUIPMENT

Materials and equipment may be damaged during transport due to inclement weather or other natural disasters. While goods are insured during transport, insurance is not normally available to cover damage resulting from the sudden breakout of hostilities or a war. The Group is thus temporarily exposed to this risk when goods are transported. In the event of an accident during the transport of materials and equipment, the Group will quickly hold discussions with customers and other related parties to determine the best course of action.

5. PLANT ACCIDENTS

A variety of problems may occur for whatever reason at plants the Group is constructing or has completed in the past. These problems range from minor malfunctions of the devices that make up these plants to a major accident such as an explosion or fire. In the event that the Group is responsible for the cause of an accident, earnings may be affected. To prevent an accident from occurring, the Group has quality management, safety management and other risk management systems in order to be certain of the safety of newly constructed plants. However, the Group is continuing to take actions to reinforce its management systems.

Consolidated Balance Sheets

Chiyoda Corporation and Consolidated Subsidiaries
March 31, 2005 and 2004

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
CURRENT ASSETS:			
Cash and cash equivalents	¥ 41,594	¥ 40,903	$ 388,729
Time deposits	790	710	7,383
Notes and accounts receivable—trade (Note 3)	33,927	18,881	317,075
Allowance for doubtful accounts	(507)	(432)	(4,738)
Costs and estimated earnings on long-term construction contracts (Note 4)	3,722	5,732	34,785
Costs of construction contracts in process	24,978	18,918	233,439
Accounts receivable—other (Notes 3 and 9)	1,787	2,101	16,701
Jointly controlled assets of joint venture	49,954	28,414	466,860
Deferred tax assets (Note 13)	3,804	2,086	35,551
Prepaid expenses and other (Note 16)	1,963	3,243	18,345
Total current assets	162,012	120,556	1,514,130
PROPERTY, PLANT AND EQUIPMENT (Notes 7 and 10)**:**			
Land	1,956	2,527	18,280
Buildings and structures	6,302	6,353	58,897
Machinery and equipment	685	870	6,403
Tools, furniture and fixtures	5,353	5,270	50,028
Construction in progress	3	2	28
Total	14,299	15,022	133,636
Accumulated depreciation	(7,516)	(8,099)	(70,243)
Net property, plant and equipment	6,783	6,923	63,393
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 5 and 10)	1,609	1,726	15,037
Investments in and advances to unconsolidated subsidiaries and associated companies (Notes 6 and 9)	3,755	3,794	35,093
Long-term loans (Note 8)	629	686	5,879
Long-term receivables (Note 9)	5,425	7,819	50,701
Software	2,771	2,532	25,897
Deferred tax assets (Note 13)	112	82	1,047
Other investments	2,283	2,296	21,337
Allowance for doubtful accounts (Note 9)	(2,486)	(3,554)	(23,234)
Total investments and other assets	14,098	15,381	131,757
TOTAL	¥182,893	¥142,860	$1,709,280

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
CURRENT LIABILITIES:			
Current portion of long-term debt (Note 10)	¥ 10,102	¥ 102	$ 94,411
Notes and accounts payable—trade (Note 3)	74,414	52,888	695,458
Advance receipts on construction contracts	44,384	37,062	414,804
Income taxes payable	664	195	6,206
Deposits received (Note 3)	2,615	5,245	24,439
Allowance for warranty costs for completed works	759	1,079	7,093
Allowance for contingent loss		200	
Accrued expenses and other (Note 16)	6,843	8,066	63,953
Total current liabilities	139,781	104,837	1,306,364
NON-CURRENT LIABILITIES:			
Long-term debt (Note 10)	215	10,316	2,009
Liability for retirement benefits (Note 11)	5,593	4,507	52,271
Deferred tax liabilities (Note 13)	1	2	9
Other liabilities	85	87	795
Total non-current liabilities	5,894	14,912	55,084
MINORITY INTERESTS	345	344	3,225
CONTINGENT LIABILITIES (Notes 3, 15, 16 and 17)			
SHAREHOLDERS' EQUITY (Notes 12 and 19)**:**			
Common stock—authorized, 570,000 thousand shares; issued, 191,361 thousand shares in 2005 and 185,429 thousand shares in 2004	12,722	12,028	118,897
Preferred stock—authorized, 80,000 thousand shares			
Additional paid-in capital	6,507	5,819	60,813
Retained earnings	18,622	5,801	174,037
Unrealized gain on available-for-sale securities	32	26	299
Foreign currency translation adjustments	(759)	(767)	(7,093)
Treasury stock—at cost, 523,362 shares in 2005 and 387,854 shares in 2004	(251)	(140)	(2,346)
Total shareholders' equity	36,873	22,767	344,607
TOTAL	¥182,893	¥142,860	$1,709,280

Consolidated Statements of Income

Chiyoda Corporation and Consolidated Subsidiaries
Years Ended March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	**2005**
CONSTRUCTION CONTRACTS (Notes 3 and 4)	**¥267,655**	¥206,817	**$2,501,449**
COSTS OF CONSTRUCTION CONTRACTS (Notes 3 and 4)	**247,905**	192,710	**2,316,870**
Gross profit	**19,750**	14,107	**184,579**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 3 and 14)	**8,672**	8,226	**81,046**
Operating income	**11,078**	5,881	**103,533**
OTHER INCOME (EXPENSES):			
Interest and dividend income (Note 3)	**743**	411	**6,944**
Interest expense	**(305)**	(375)	**(2,850)**
Equity in earnings of associated companies	**153**	156	**1,430**
Foreign exchange (loss) gain	**(103)**	294	**(963)**
Loss on impairment of long-lived assets (Note 7)	**(233)**		**(2,178)**
Loss on performance guarantee for an associated company		(1,680)	
Reversal of provision for contingent loss	**200**	600	**1,869**
Reversal of allowance for doubtful accounts	**1,074**	486	**10,037**
Other—net	**(557)**	(403)	**(5,205)**
Other income (expenses)—net	**972**	(511)	**9,084**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**12,050**	5,370	**112,617**
INCOME TAXES (Note 13)**:**			
Current	**931**	668	**8,701**
Deferred	**(1,754)**	(1,906)	**(16,393)**
Total	**(823)**	(1,238)	**(7,692)**
MINORITY INTERESTS IN NET INCOME	**10**	(39)	**94**
NET INCOME	**¥ 12,863**	¥ 6,647	**$ 120,215**
	Yen		U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (2.s and 18)**:**			
Basic net income	**¥68.62**	¥35.91	**$0.64**
Diluted net income	**67.30**	34.99	**0.63**
Cash dividends applicable to the year	**6.00**		**0.06**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Chiyoda Corporation and Consolidated Subsidiaries
Years Ended March 31, 2005 and 2004

	Thousands	Millions of Yen					
	Outstanding Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, APRIL 1, 2003	185,199	¥12,028	¥5,819	¥ (497)	¥10	¥(642)	¥ (48)
Net income				6,647			
Purchase of treasury stock	(158)						(92)
Increase in retained earnings due to exclusion from consolidation of consolidated subsidiaries				12			
Decrease in retained earnings due to exclusion from equity method accounting of associated companies				(361)			
Net increase in unrealized gain on available-for-sale securities					16		
Net change in foreign currency translation adjustments						(125)	
BALANCE, MARCH 31, 2004	185,041	12,028	5,819	5,801	26	(767)	(140)
Net income				**12,863**			
Issuance of common stock by stock option plan (Note 12)	**5,932**	**694**	**688**				
Purchase of treasury stock	**(136)**						**(111)**
Decrease in retained earnings due to exclusion from consolidation of consolidated subsidiaries				**(42)**			
Net increase in unrealized gain on available-for-sale securities					**6**		
Net change in foreign currency translation adjustments						**8**	
BALANCE, MARCH 31, 2005	**190,837**	**¥12,722**	**¥6,507**	**¥18,662**	**¥32**	**¥(759)**	**¥(251)**

	Thousands of U.S. Dollars (Note 1)					
	Common Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, MARCH 31, 2004	$112,411	$54,383	$ 54,215	$243	$(7,168)	$(1,309)
Net income			**120,215**			
Issuance of common stock by stock option plan (Note 12)	**6,486**	**6,430**				
Purchase of treasury stock						**(1,037)**
Decrease in retained earnings due to exclusion from consolidation of consolidated subsidiaries			**(393)**			
Net increase in unrealized gain on available-for-sale securities				**56**		
Net change in foreign currency translation adjustments					**75**	
BALANCE, MARCH 31, 2005	**$118,897**	**$60,813**	**$174,037**	**$299**	**$(7,093)**	**$(2,346)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Chiyoda Corporation and Consolidated Subsidiaries
Years Ended March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥12,050	¥ 5,370	$112,617
Adjustments for:			
Income taxes paid	(408)	(705)	(3,813)
Depreciation and amortization	1,284	1,205	12,000
Loss on impairment of long-lived assets	233		2,178
Reversal of allowance for doubtful accounts—net	(994)	(1,128)	(9,290)
Reversal of contingent loss	(200)	(600)	(1,869)
(Reversal of) provision for warranty costs for completed works	(320)	385	(2,991)
Provision for retirement benefits—net	1,086	1,325	10,150
Foreign exchange (gain) loss—net	(66)	651	(617)
Equity in earnings of associated companies	(153)	(156)	(1,430)
Changes in operating assets and liabilities:			
(Increase) decrease in trade notes and accounts receivable, and costs and estimated earnings on long-term construction contracts	(13,064)	762	(122,093)
(Increase) decrease in costs of construction contracts in process	(6,060)	2,187	(56,636)
Increase in jointly controlled asset of joint venture	(21,540)	(19,742)	(201,308)
Decrease in interest and dividend receivable	12	255	112
Increase in trade notes and accounts payable	21,568	6,377	201,570
Increase in advance receipts on construction contracts	7,322	11,890	68,430
(Decrease) increase in deposits received	(2,630)	4,125	(24,579)
Other—net	2,364	3,380	22,092
Total adjustments	(11,566)	10,211	(108,094)
Net cash provided by operating activities	484	15,581	4,523
INVESTING ACTIVITIES:			
Payment for time deposits	(623)		(5,822)
Proceeds from refunds of fixed deposits	543	354	5,075
Purchase of investment securities	(33)	(20)	(308)
Proceeds from sales of investment securities	222		2,075
Purchases of property, plant and equipment	(854)	(751)	(7,981)
Purchase of intangible assets	(1,038)	(993)	(9,701)
Disbursements for originating long-term loans	(21)	(144)	(196)
Proceeds from collections of long-term loans	689	250	6,439
Other—net	108	27	1,008
Net cash used in investing activities	(1,007)	(1,277)	(9,411)
FINANCING ACTIVITIES:			
Net decrease in short-term bank loans		(7,904)	
Repayments of long-term debt	(102)	(258)	(953)
Proceeds from issuance of common stock	1,382		12,916
Other—net	(110)	(93)	(1,028)
Net cash provided by (used in) financing activities	1,170	(8,255)	10,935
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	101	(78)	944
NET INCREASE IN CASH AND CASH EQUIVALENTS	748	5,971	6,991
CASH AND CASH EQUIVALENTS OF EXCLUSION OF CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR	(57)	(8)	(533)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	40,903	34,940	382,271
CASH AND CASH EQUIVALENTS, END OF YEAR	¥41,594	¥40,903	$388,729

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Chiyoda Corporation and Consolidated Subsidiaries
Years Ended March 31, 2005 and 2004

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 generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications and rearrangements have been made in the 2004 financial statements in order for them to conform to classifications and presentations used in 2005.

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 ¥107 to $1, the approximate rate of exchange at March 31, 2005. 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, 2005 include the accounts of the Company and its 18 (20 in 2004) significant subsidiaries (together, the "Group"). Under the control or influence concept, those companies in which the Company, directly or indirectly, has a control over operations are fully consolidated and those companies over which the Group has a significant influence are accounted for by the equity method.

Investments in five (five in 2004) associated companies are accounted for by the equity method. Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

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

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

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

Previously, the Company and its three major domestic subsidiaries applied the percentage-of-completion method to construction contracts greater than ¥5 billion and having construction duration of more than 18 months. However, beginning with new orders received during the year ended March 31, 2005, the Company and its three major domestic consolidated subsidiaries increase the application of the percentage-of-completion method as discussed above.

This change was made because of the trend toward the increase of small and medium-sized construction contracts, the improvement of accuracy of accounting management and the trend of the international standards of accounting. The Company and its three major domestic consolidated subsidiaries believe that the increased application of the percentage-of-completion method will provide a more accurate view of the Company's performance.

The effect of this change was to increase construction contracts by ¥4,318 million ($40,355 thousand) and to increase income before income taxes and minority interests by ¥300 million ($2,804 thousand) for the year ended March 31, 2005.

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 current liabilities.

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

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

d. 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 by 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, at rates based on the estimated useful lives of the assets. The range of useful lives is from 11 to 57 years for buildings and structures, from 4 to 13 years for machinery and equipment and from 2 to 15 years for tools, furniture and fixtures.

g. Long-Lived Assets
In August 2002, the Business Accounting Council issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets," and in October 2003 the Accounting Standards Board of Japan ("ASB") issued ASB Guidance No. 6, "Guidance for Accounting Standard for Impairment of Fixed Assets." These new pronouncements are effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004.

The Group adopted the new accounting standard for impairment of fixed assets as of April 1, 2004.

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

The effect of adoption of the new accounting standard for impairment of fixed assets was to decrease income before income taxes and minority interests for the year ended March 31, 2005 by ¥233 million ($2,178 thousand).

h. 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 (five years at the maximum).

i. Allowance for Warranty Costs for Completed Works
The allowance for warranty costs for completed works is provided at the amounts of warranty costs based on the past experience rates.

j. 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.

k. 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 ($113,229 thousand), determined as of April 1, 2000, is being amortized and charged to income over 15 years and presented as an 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.

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

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

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

The Group has filed a tax return under the consolidated corporate-tax system from the fiscal year ended March 31, 2003, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries. Under the consolidated corporate-tax system, a surcharge tax of 2% of taxable income is levied in addition to the national corporate income tax rate up to the fiscal year ended March 31, 2004, but such surcharge tax is no longer levied for the fiscal year ended March 31, 2005.

o. Appropriations of Retained Earnings
Appropriations of retained earnings are reflected in the financial statements for the following year upon shareholders' approval.

p. 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.

q. 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 the balance sheet date.

r. Derivative Financial Instruments
The Company uses a variety of derivative financial instruments, including foreign currency forward exchange 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, with gains or losses recognized in the income statement and (b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

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

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.

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

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

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

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
	2005	2004	**2005**
Transactions for the Year Ended March 31			
Construction contract revenues	**¥ 24**	¥ 71	**$ 224**
Costs of construction contracts	**(5,213)**	(3,793)	**(48,720)**
Selling, general and administrative expenses	**(1,359)**	(1,452)	**(12,701)**
Interest and dividend income	**112**	57	**1,047**
Balances at March 31			
Notes and accounts receivable—trade	**2**	34	**19**
Accounts receivable—other	**38**	34	**355**
Notes and accounts payable—trade	**(485)**	(396)	**(4,533)**
Deposits received	**(1,112)**	(4,234)	**(10,393)**

The Company has guaranteed the indebtedness of certain unconsolidated subsidiaries and associated companies in the amount of ¥4,055 million ($37,897 thousand) and ¥4,405 million at March 31, 2005 and 2004, 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, 2005 and 2004, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Costs and estimated earnings	**¥143,816**	¥143,734	**$1,344,075**
Amounts billed	**(140,094)**	(138,002)	**(1,309,290)**
Net	**¥ 3,722**	¥ 5,732	**$ 34,785**

5. INVESTMENT SECURITIES

Investment securities at March 31, 2005 and 2004, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Equity securities	**¥1,609**	¥1,726	**$15,037**

The carrying amounts and aggregate fair values of investment securities with readily determinable fair values at March 31, 2005 and 2004, were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2005				
Available-for-sale—Equity securities	**¥58**	**¥53**		**¥111**
March 31, 2004				
Available-for-sale—Equity securities	57	44		101

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2005				
Available-for-sale—Equity securities	**$542**	**$495**		**$1,037**

Available-for-sale securities whose fair value is not readily determinable at March 31, 2005 and 2004, were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Equity securities	**¥1,498**	¥1,625	**$14,000**

Proceeds from sales of available-for-sale securities for the year ended March 31, 2005, were ¥70 million ($654 thousand). Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥20 million ($187 thousand) and ¥1 million ($9 thousand), respectively, for the year ended March 31, 2005.

Proceeds from sales of available-for-sale securities for the year ended March 31, 2004, were ¥4 million and gross realized losses on these sales, computed on the moving average cost basis, were ¥6 million.

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

Investments in and advances to unconsolidated subsidiaries and associated companies at March 31, 2005 and 2004, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Investments	**¥2,713**	¥2,600	**$25,355**
Allowance for investment loss	**(263)**	(263)	**(2,458)**
Advances	**1,305**	1,457	**12,196**
Total	**¥3,755**	¥3,794	**$35,093**

7. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of the year ended March 31, 2005 and, as a result, recognized an impairment loss of ¥233 million ($2,178 thousand) as other expense for certain idle assets group due to continuous decline in land prices and other reason. The recoverable amount was measured at its net selling price by referring to the published land evaluation prices and the price examples of similar transactions.

8. LONG-TERM LOANS

Long-term loans to employees are included in long-term loans in the amounts of ¥625 million ($5,841 thousand) and ¥683 million at March 31, 2005 and 2004, respectively.

9. LONG-TERM RECEIVABLES

Long-term receivables at March 31, 2005 and 2004, include receivables of ¥1,977 million ($18,477 thousand) and ¥3,101 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 has collected ¥1,125 million ($10,514 thousand) and ¥849 million during the years ended March 31, 2005 and 2004, respectively, but the repayment schedule for the remaining balance has yet to be determined due to the economic and political circumstances in Nigeria.

The Company also has gross receivables and other assets in the amount of ¥5,055 million ($47,243 thousand) and ¥6,464 million at March 31, 2005 and 2004, 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
	2005	2004	**2005**
Accounts receivable—other	**¥ 46**	¥ 40	**$ 430**
Investments in and advances to unconsolidated subsidiaries and associated companies	**2,637**	2,789	**24,645**
Allowance for investment loss	**(263)**	(263)	**(2,458)**
Long-term receivables	**2,372**	3,635	**22,168**
Allowance for doubtful accounts	**(543)**	(1,065)	**(5,075)**
Total	**¥4,249**	¥5,136	**$39,710**

10. LONG-TERM DEBT

Long-term debt at March 31, 2005 and 2004, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Long-term loans from banks, maturing serially through 2010, with interest rates ranging from 1.9% to 5.8% (2005) and from 1.7% to 5.8% (2004):			
Collateralized	¥ 317	¥ 417	$ 2,962
Uncollateralized	10,000	10,001	93,458
Total	10,317	10,418	96,420
Less current portion	(10,102)	(102)	(94,411)
Long-term debt, less current portion	¥ 215	¥10,316	$ 2,009

Subordinated loans in the amount of ¥10,000 million ($93,458 thousand) from The Bank of Tokyo-Mitsubishi, Ltd. were included in 'Uncollateralized' at March 31, 2005 and 2004.

Annual maturities of long-term debt at March 31, 2005, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2006	¥10,102	$94,411
2007	76	710
2008	72	673
2009	45	420
2010 and thereafter	22	206
Total	¥10,317	$96,420

Commitment-line contracts at March 31, 2005, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Commitment-line contracts	¥14,000	$130,841
Used commitments		
Unused commitments	¥14,000	$130,841

The following assets were pledged as collateral for long-term debt at March 31, 2005:

	Millions of Yen	Thousands of U.S. Dollars
Land	¥ 695	$ 6,495
Buildings and structures—net of accumulated depreciation	658	6,150
Tools, furniture and fixtures—net of accumulated depreciation	5	47
Investment securities	4	37
Total	¥1,362	$12,729

11. 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.

Liability for retirement benefits include retirement benefits to directors, officers and corporate auditors in the amount of ¥426 million ($3,981 thousand) and ¥379 million for the years ended March 31, 2005 and 2004, 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, 2005 and 2004, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Projected benefit obligation	¥33,588	¥34,026	$313,906
Fair value of plan assets	(15,785)	(15,594)	(147,523)
Unrecognized transitional obligation	(8,083)	(8,891)	(75,542)
Unrecognized actuarial loss	(4,553)	(5,413)	(42,551)
Net liability	¥ 5,167	¥ 4,128	$ 48,290

The components of net periodic benefit costs for the years ended March 31, 2005 and 2004, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Service cost	¥ 931	¥ 922	$ 8,701
Interest cost	473	478	4,421
Expected return on plan assets	(214)	(196)	(2,000)
Amortization of transitional obligation	808	808	7,551
Recognized actuarial loss	664	783	6,206
Net periodic benefit costs	¥2,662	¥2,795	$24,879

Assumptions used for the years ended March 31, 2005 and 2004, are set forth as follows:

	2005	2004
Discount rate	1.5%	1.5%
Expected rate of return on plan assets	1.5%	1.5%
Recognition period of actuarial gain/loss	10 years	10 years
Amortization period of transitional obligation	15 years	15 years

12. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Japanese Commercial Code (the "Code").

The Code requires that all shares of common stock are 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, which is included in capital surplus. 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 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 Code allows Japanese companies to repurchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The repurchased amount of treasury stock cannot exceed the amount available for future dividends 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 shareholders meeting.

In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends. The amount of retained earnings available for dividends under the Code was ¥11,279 million ($105,411 thousand) as of March 31, 2005, based on the amount recorded in the Company's general books of account.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable.

The Company has a stock option plan which provides for granting options to the Company's directors, officers and key employees to purchase an aggregate 7,820 thousand shares of the Company's stock until June 30, 2009. The options will be granted at an exercise price of ¥233 ($2.18) per share.

The exercise price will be adjusted by stock splits and other certain circumstances.

As a result of the exercise of the stock option plan, the Company received the gross proceed of ¥1,382 million ($12,916 thousand) from the issuance of 5,932 thousand shares at a price of ¥233 ($2.18) per share, of which ¥688 million ($6,430 thousand) was transferred to the additional paid-in capital account in accordance with the Code for the year ended March 31, 2005.

The granting options at March 31, 2005 was 1,888 thousand shares.

13. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 41% and 42% for the years ended March 31, 2005 and 2004, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2005 and 2004, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Deferred tax assets:			
Tax loss carryforwards	**¥ 3,483**	¥ 6,679	**$ 32,552**
Cost of construction contracts	**3,626**	3,633	**33,888**
Retirement benefits	**2,010**	1,506	**18,785**
Allowance for doubtful accounts	**826**	1,269	**7,720**
Loss on long-term construction contracts	**55**	562	**514**
Loss on write-down of costs of construction contracts in process	**588**	122	**5,495**
Loss on write-down of property, plant and equipment	**779**	737	**7,280**
Other	**2,339**	2,873	**21,860**
Less valuation allowance	**(8,608)**	(15,197)	**(80,449)**
Total	**5,098**	2,184	**47,645**
Deferred tax liabilities	**1,183**	18	**11,056**
Net deferred tax assets	**¥ 3,915**	¥ 2,166	**$ 36,589**

Net deferred tax assets as of March 31, 2005 and 2004, were recorded in the accompanying consolidated balance sheets as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Deferred tax assets—current	**¥ 3,804**	¥ 2,086	**$ 35,551**
Deferred tax assets—non-current	**112**	82	**1,047**
Deferred tax liabilities—non-current	**(1)**	(2)	**(9)**

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2005 and 2004, is as follows:

	2005	2004
Normal effective statutory tax rate	**41%**	42%
Expenses not deductible for income tax purposes	**3**	14
Inhabitant taxes per capita levy	**1**	1
Foreign income taxes	**2**	3
Decrease in valuation allowance for deferred tax assets	**(53)**	(75)
Equity in earnings of associated companies	**(1)**	(1)
Lower income tax rates applicable to income		(1)
Unrealized profit		(5)
Other—net		(1)
Actual effective tax rate	**(7)%**	(23)%

Under the current Japanese tax regulations, a net operating loss can be carried forward for five years for losses incurred up to March 31, 2001 and seven years for losses incurred after April 1, 2001 and deducted from any future taxable income. The Company and consolidated subsidiaries have a net operating loss carryforward of approximately ¥8,571 million ($80,103 thousand) and ¥16,438 million at March 31, 2005 and 2004, respectively.

14. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥692 million ($6,467 thousand) and ¥653 million for the years ended March 31, 2005 and 2004, respectively.

15. LEASES

Income from equipment leases held by a subsidiary for the years ended March 31, 2005 and 2004, was ¥8 million ($75 thousand) and ¥21 million, respectively.

The Company and a subsidiary lease certain machinery, computer equipment, office space and other assets. Total lease payments under finance leases were ¥267 million ($2,495 thousand) and ¥192 million for the years ended March 31, 2005 and 2004, 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, 2005 and 2004, was as follows:

Year Ended March 31, 2005

	As Lessor					
	Millions of Yen			Thousands of U.S. Dollars		
	Machinery and Equipment	Tools, Furniture and Fixtures	Total	Machinery and Equipment	Tools, Furniture and Fixtures	Total
Acquisition cost	**¥83**	**¥60**	**¥143**	**$776**	**$560**	**$1,336**
Accumulated depreciation	**83**	**59**	**142**	**776**	**551**	**1,327**
Net leased property		**¥ 1**	**¥ 1**		**$ 9**	**$ 9**

	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	**¥57**	**¥843**	**¥95**	**¥995**	**$533**	**$7,879**	**$887**	**$9,299**
Accumulated depreciation	**15**	**414**	**36**	**465**	**140**	**3,870**	**336**	**4,346**
Net leased property	**¥42**	**¥429**	**¥59**	**¥530**	**$393**	**$4,009**	**$551**	**$4,953**

	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	**¥1**	**¥230**	**$ 9**	**$2,150**
Due after one year	**1**	**300**	**9**	**2,803**
Total	**¥2**	**¥530**	**$18**	**$4,953**

Year Ended March 31, 2004

	Millions of Yen						
	As Lessor			As Lessee			
	Machinery and Equipment	Tools, Furniture and Fixtures	Total	Machinery and Equipment	Tools, Furniture and Fixtures	Other	Total
Acquisition cost	¥175	¥81	¥256	¥24	¥775	¥91	¥890
Accumulated depreciation	174	78	252	12	336	26	374
Net leased property	¥ 1	¥ 3	¥ 4	¥12	¥439	¥65	¥516

	Millions of Yen	
	Unearned Lease Income (As Lessor)	Obligations under Finance Lease (As Lessee)
Due within one year	¥2	¥208
Due after one year	2	308
Total	¥4	¥516

Depreciation expense as lessor, which is reflected in the accompanying consolidated statements of income, computed by the straight-line method was ¥2 million ($19 thousand) and ¥12 million for the years ended March 31, 2005 and 2004, respectively.

Depreciation expense as lessee, which is not reflected in the accompanying consolidated statements of income, computed by the straight-line method was ¥267 million ($2,495 thousand) and ¥192 million for the years ended March 31, 2005 and 2004, 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.

16. DERIVATIVES

The Company enters into foreign currency forward exchange 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.

The Group had the following foreign currency forward exchange contracts outstanding at March 31, 2005 and 2004:

	Millions of Yen			Thousands of U.S. Dollars		
	2005			2005		
	Contract Amount	Fair Value	Unrealized Gain/Loss	Contract Amount	Fair Value	Unrealized Gain/Loss
Buying:						
U.S.$	**¥ 33**	**¥ 34**	**¥ 1**	**$ 308**	**$ 317**	**$ 9**
Euro	**132**	**144**	**12**	**1,234**	**1,346**	**112**
Selling U.S.$	**10,976**	**10,980**	**(4)**	**102,579**	**102,616**	**(37)**

	2004		
	Contract Amount	Fair Value	Unrealized Gain/Loss
Buying:			
U.S.$	¥ 758	¥ 691	¥(67)
Euro	194	217	23
Other	7	7	
Selling U.S.$	5,781	5,784	(3)

Derivative contracts which qualify for hedge accounting for the years ended March 31, 2005 and 2004, are excluded from the disclosure of market value information.

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

17. CONTINGENT LIABILITIES

At March 31, 2005, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees and similar items for bank loans	**¥5,190**	**$48,505**

18. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2005 and 2004, is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2005	Net Income	Weighted-Average Shares	EPS	
Basic EPS—Net income available to common shareholders	**¥12,863**	**187,450**	**¥68.62**	**$0.64**
Effect of dilutive securities—Stock option		**3,696**		
Diluted EPS—Net income for computation	**¥12,863**	**191,146**	**¥67.30**	**$0.63**

	Millions of Yen	Thousands of Shares	Yen
Year Ended March 31, 2004	Net Income	Weighted-Average Shares	EPS
Basic EPS—Net income available to common shareholders	¥6,647	185,101	¥35.91
Effect of dilutive securities—Stock option		4,852	
Diluted EPS—Net income for computation	¥6,647	189,953	¥34.99

19. SUBSEQUENT EVENT

The following appropriation of retained earnings at March 31, 2005 was approved at the Company's shareholders meeting held on June 23, 2005:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥6.00 ($0.06) per share	¥1,145	$10,701

20. SEGMENT INFORMATION

Information about geographical segments and sales to foreign customers of the Company and consolidated subsidiaries for the years ended March 31, 2005 and 2004, was as follows:

(1) Geographical Segments

	Millions of Yen						
Year Ended March 31, 2005	Japan	Asia	North America	Other	Subtotal	Eliminations (Corporate)	Consolidated
Construction contract revenue:							
Outside customers	**¥257,381**	**¥10,274**			**¥267,655**		**¥267,655**
Intersegment	**3**	**1,540**	**¥ 31**		**1,574**	**¥(1,574)**	
Total	**257,384**	**11,814**	**31**		**269,229**	**(1,574)**	**267,655**
Operating expenses	**246,108**	**11,996**	**31**	**¥ 3**	**258,138**	**(1,561)**	**256,577**
Operating income (loss)	**¥ 11,276**	**¥ (182)**		**¥ (3)**	**¥ 11,091**	**¥ (13)**	**¥ 11,078**
Assets	**¥174,447**	**¥ 7,608**	**¥565**	**¥122**	**¥182,742**	**¥ 151**	**¥182,893**

	Thousands of U.S. Dollars						
Year Ended March 31, 2005	Japan	Asia	North America	Other	Subtotal	Eliminations (Corporate)	Consolidated
Construction contract revenue:							
Outside customers	**$2,405,430**	**$ 96,019**			**$2,501,449**		**$2,501,449**
Intersegment	**28**	**14,392**	**$ 290**		**14,710**	**$(14,710)**	
Total	**2,405,458**	**110,411**	**290**		**2,516,159**	**(14,710)**	**2,501,449**
Operating expenses	**2,300,075**	**112,112**	**290**	**$ 28**	**2,412,505**	**(14,589)**	**2,397,916**
Operating income (loss)	**$ 105,383**	**$ (1,701)**		**$ (28)**	**$ 103,654**	**$ (121)**	**$ 103,533**
Assets	**$1,630,346**	**$ 71,103**	**$5,280**	**$1,140**	**$1,707,869**	**$ 1,411**	**$1,709,280**

	Millions of Yen						
Year Ended March 31, 2004	Japan	Asia	North America	Other	Subtotal	Eliminations (Corporate)	Consolidated
Construction contract revenue:							
Outside customers	¥196,523	¥10,240		¥ 54	¥206,817		¥206,817
Intersegment	4	808	¥ 33	338	1,183	¥(1,183)	
Total	196,527	11,048	33	392	208,000	(1,183)	206,817
Operating expenses	190,561	11,162	33	396	202,152	(1,216)	200,936
Operating income (loss)	¥ 5,966	¥ (114)		¥ (4)	¥ 5,848	¥ 33	¥ 5,881
Assets	¥139,233	¥ 6,487	¥577	¥370	¥146,667	¥(3,807)	¥142,860

Notes: 1. The Company and consolidated subsidiaries operate within four geographic segments based on the countries where the companies are located.
The segments consisted of the following countries in 2005 and 2004:
Asia: Indonesia, Singapore, Philippines, Myanmar, Malaysia and Thailand
North America: United States of America
Other: Nigeria and others
2. Corporate assets mainly consist of long-term loans and investment securities of the Company. Corporate assets as of March 31, 2005 and 2004 were ¥3,339 million ($31,206 thousand) and ¥3,015 million, respectively.
3. The effect of the change on the scope of application of the percentage-of-completion method described in Note 2.b was to increase construction contract revenue and operating income of Japan for the year ended March 31, 2005 by ¥4,318 million ($40,355 thousand) and ¥300 million ($2,804 thousand), respectively.
4. The effect of adoption of the new accounting standard for impairment of fixed assets described in Note 2.g was to decrease assets of Japan for the year ended March 31, 2005 by ¥233 million ($2,178 thousand).

(2) Sales to Foreign Customers

	Millions of Yen				
Year Ended March 31, 2005	Asia	The Middle and Near East	Russia and Central Asia	Other	Total
Overseas sales (A)	**¥28,083**	**¥96,133**	**¥49,817**	**¥4,010**	**¥178,043**
Consolidated sales (B)					**267,655**
(A)/(B)	**10.49%**	**35.92%**	**18.61%**	**1.50%**	**66.52%**

	Thousands of U.S. Dollars				
Year Ended March 31, 2005	Asia	The Middle and Near East	Russia and Central Asia	Other	Total
Overseas sales (A)	**$262,458**	**$898,439**	**$465,579**	**$37,477**	**$1,663,953**
Consolidated sales (B)					**2,501,449**
(A)/(B)	**10.49%**	**35.92%**	**18.61%**	**1.50%**	**66.52%**

	Millions of Yen				
Year Ended March 31, 2004	Asia	The Middle and Near East	Russia and Central Asia	Other	Total
Overseas sales (A)	¥26,338	¥90,787	¥22,343	¥3,995	¥143,463
Consolidated sales (B)					206,817
(A)/(B)	12.74%	43.90%	10.80%	1.93%	69.37%

Notes: 1. The Company and consolidated subsidiaries are summarized into four segments by geographic area based on the countries where the companies are located.
The segments consisted of the following countries in 2005 and 2004:

Asia:	China, Indonesia and others
The Middle and Near East:	Qatar, Oman, Saudi Arabia and others
Russia and Central Asia:	Russia
Other:	Venezuela

2. The effect of the change on the scope of application of the percentage-of-completion method described in Note 2.b was to increase overseas sales of Asia, the Middle and Near East and Other for the year ended March 31, 2005 by ¥190 million ($1,776 thousand), ¥678 million ($6,336 thousand) and ¥53 million ($495 thousand), respectively.

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.

Deloitte.

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

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

Independent Auditors' Report

To the Board of Directors and Shareholders of Chiyoda Corporation:

We have audited the accompanying consolidated balance sheets of Chiyoda Corporation and consolidated subsidiaries as of March 31, 2005 and 2004, 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 generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Chiyoda Corporation and consolidated subsidiaries as of March 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 2.b to the consolidated financial statements, the Company and its three major domestic consolidated subsidiaries changed the scope of application of the percentage-of-completion method as of April 1, 2004.

As discussed in Note 2.g to the consolidated financial statements, the Group adopted the new accounting standard for impairment of fixed assets as of April 1, 2004.

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 23, 2005

Global Network

(As of July 31, 2005)

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
Tel: (81) 45-441-9132
Fax: (81) 45-441-9728

OVERSEAS NETWORK

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

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

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

Middle East Headquarters
Doha Office
Al Mana Tower
Airport Road, Doha
Qatar, P.O. Box 20243
Tel: (974) 4622-875/6
Fax: (974) 4622-716

Hague Office
President Kennedylaan 19
2517 JK The Hague, The Netherlands
Tel: (31) 70-385-9453
Fax: (31) 70-346-3779

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

Shanghai Representative Office
29F-Room F, Pufa Tower,
No.588 Pudong Rd. (s),
Pu Dong New Area,
Shanghai, 200120, China
Tel: (86) 21-5877-6266
Fax: (86) 21-5877-6366

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

Tehran Office
2nd Floor, No. 16, Mahtab St. Aftab St.
Vanak Avenue, Tehran, 19949, Iran
Tel: (98) 21-8803-6391, 8805-8592
Fax: (98) 21-8805-8967

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

Chiyoda Asia Pacific (Pte) Ltd.
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, Indonesia
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. B2C Plot 137
Ibb Way, Adetokunbo Ademola Crescent
Wuse II, Abuja, Nigeria
Tel: (234) 9-4130961
Fax: (234) 9-4130961
•Lagos Office
Plot PC-43 (2nd 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 Rooms 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 Insurance Service

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

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

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

U-Tech Consulting Co., Ltd.
Consulting for Industrial, Social and 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 Mates Co., Ltd.
Human Resources Supply and Training

Board of Directors, Corporate Auditors and Executive Officers

(As of June 1, 2005)

BOARD OF DIRECTORS

PRESIDENT &
CHIEF EXECUTIVE OFFICER

Nobuo Seki*

EXECUTIVE VICE PRESIDENTS

Nobuyasu Kamei*

Hiroshi Shibata*

Hiroshi Kobayashi*

MANAGING DIRECTORS

Atsuo Minamoto

Takashi Kubota

Yoshihiro Shirasaki

Kinnosuke Hashimoto

CORPORATE AUDITORS

Michihiko Kawana

Akira Kadoyama

Hideaki Fujioka

Yukihiro Imadegawa

*Notes: 1) * Members of Executive Committee*

2) All board members are also executive officers.

EXECUTIVE OFFICERS

SENIOR EXECUTIVE OFFICERS

Fumio Nagata

Takaharu Saegusa

EXECUTIVE OFFICERS

Madoka Koda

Takashi Yamamoto

Sumio Nakashima

Satoru Yokoi

Hidehiro Shinohara

Takeo Kawase

Masahiko Mochizuki

Tsuyoshi Kakizaki

Hiroshi Ogawa

Corporate Information

(As of March 31, 2005)

Established:	January 20, 1948
Paid-in Capital:	¥12,722 million
Number of Employees:	2,531 (Consolidated)
Annual Fiscal Close:	March 31
Shareholders Meeting:	June
Number of Shares per Unit:	1,000
Stock Code:	ISIN: JP3528600004 SEDOL 1: 6191704 JP TSE: 6366
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:	191,360,529
Number of Shareholders:	14,098

Major Shareholders:

	Status of investors	
	Number of shares (thousands)	Percentage of total (%)
Mitsubishi Corporation	19,851	10.4
The Master Trust Bank of Japan, Ltd. (Trust Account)	9,819	5.1
Japan Trustee Services Bank, Ltd. (Trust Account)	9,652	5.0
The Mitsubishi Trust and Banking Corporation	9,034	4.7
The Bank of Tokyo-Mitsubishi, Ltd.	9,033	4.7
State Street Bank and Trust Company 505103	5,167	2.7
The Chase Manhattan Bank N.A. London	4,319	2.3
Investors Bank and Trust Company	3,736	2.0
State Street Bank and Trust Company	3,684	1.9
Mellon Bank Treaty Clients Omnibus	2,795	1.5

Breakdown by Share (thousands)

Stock Price