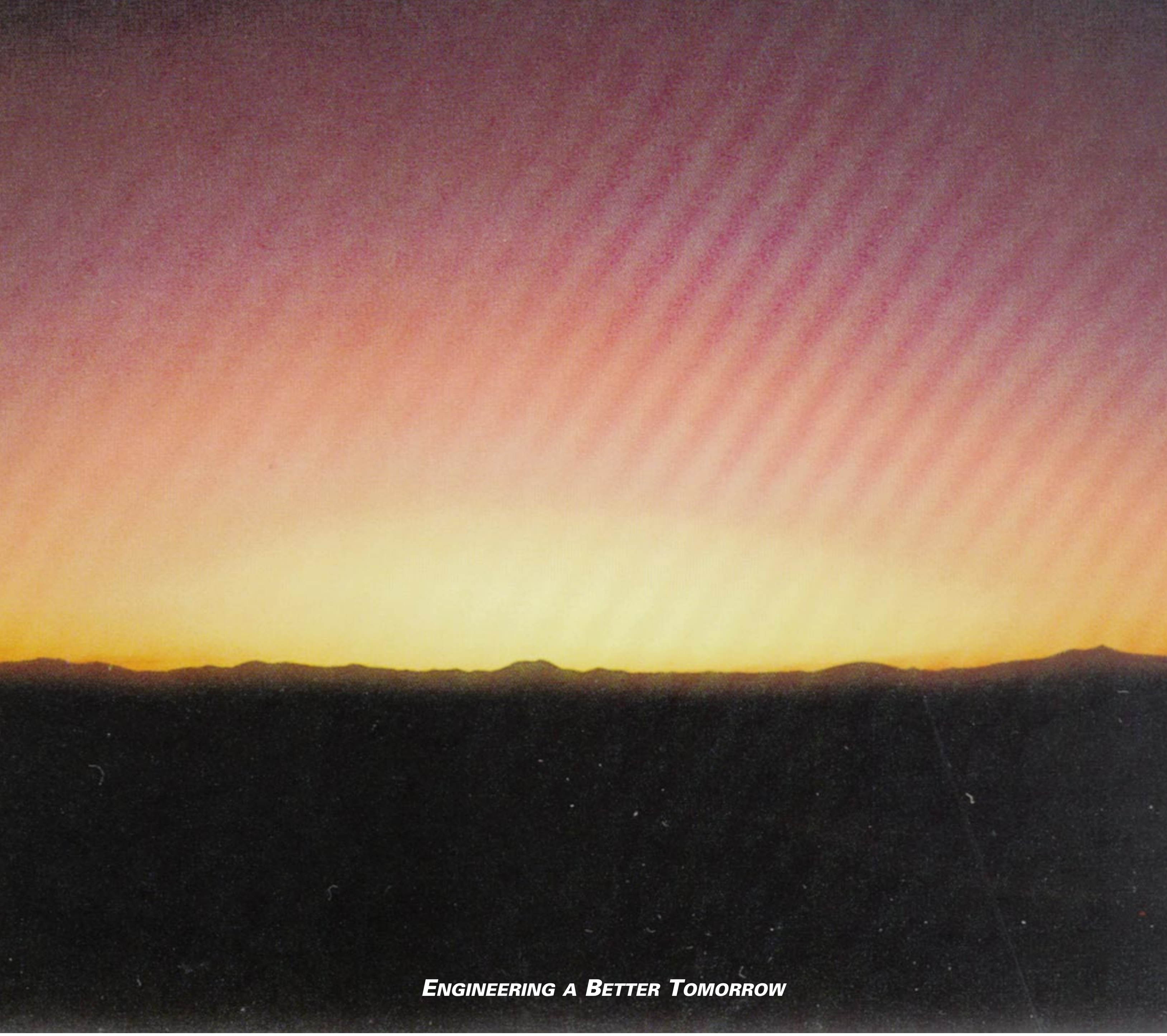


CHIYODA

ANNUAL REPORT 1998

Fiscal Year Ended March 31, 1998

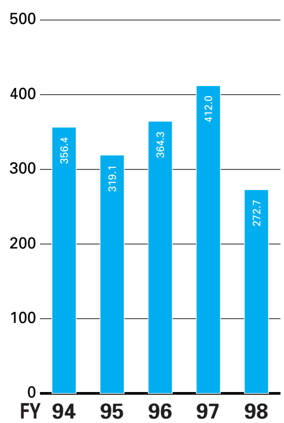
Non-Consolidated Financial Highlights

Chiyoda Corporation
Years ended March 31, 1998 and 1997

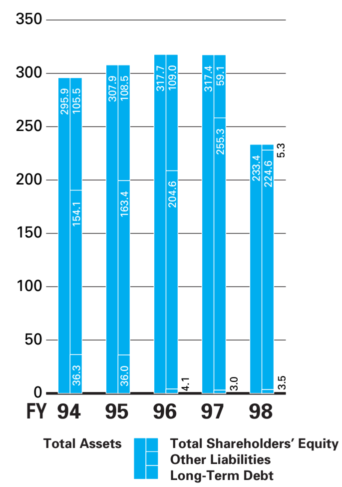
	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	**1998**
For the Year:			
Contracts awarded	**¥367,178**	¥327,600	**$2,781,652**
Revenue from construction contracts	**272,674**	411,976	**2,065,712**
Net loss	**(53,754)**	(48,265)	**(407,227)**
At Year-End:			
Total assets	**¥233,383**	¥317,403	**$1,768,053**
Long-term debt	**3,488**	3,019	**26,424**
Total shareholders' equity	**5,330**	59,084	**40,379**
Backlog of contracts	**517,318**	436,851	**3,919,076**
Per Common Share (Yen and U.S. Dollars):			
Net loss	**¥ (275)**	¥ (247)	**$ (2.08)**
Cash dividends applicable to the year	**0**	0	**0**

Note: The U.S. dollar amounts are given solely for convenience and have been calculated at the rate of ¥132 to US$1, the approximate rate of exchange prevailing at March 31, 1998.

Revenue from Construction Contracts
(Billions of Yen)



Composition of Total Capital Employed
(Billions of Yen)



Contents

Profile

Since its foundation in 1948, Chiyoda Corporation has earned a strong reputation as an international engineering company, with roots in the hydrocarbon processing industry. Leveraging its vast accumulated experience, Chiyoda has set its sights on becoming a comprehensive provider of engineering and construction services to customers around the world. The Company is now applying its technological and engineering expertise to such areas as environmental preservation, automotive plants, nonferrous metal processing, pharmaceutical manufacturing, food processing, factory automation, and theme park and aerospace development. To better serve globally competitive markets, Chiyoda is in the midst of an ongoing renewal process to develop its core strengths in engineering.

Our 50th Year

Over the past 50 years, Chiyoda has become a worldwide leader in hydrocarbon-related engineering, procurement, and construction, with growing capabilities in non-hydrocarbon fields. Chiyoda now stands ready to make more diversified, value-added contributions to its clients in every business domain. We firmly believe that the skills, knowledge, and track record built over our history will serve as the foundation for further advances in the 21st century.

1948 1958 1968 1978 1988 **1998**

1948 1958 1968 1978 **1988**

1948 1958 1968 **1978**

1948 1958 **1968**

1948 **1958**

1948

A Message from the Management

Masato Kitagawa
President

Dear shareholders and friends,

We believe that fiscal 1998, ended March 31, 1998, was a major turning point for Chiyoda. It was a year in which we reached a historic milestone—our 50th anniversary—but also one in which we set the course for a new Chiyoda. To be frank, however, our financial performance for the year was disappointing. We are determined to use the lessons learned from this recent phase of our history to shape tomorrow's Chiyoda, a company that will be stronger, more productive, and more profit-driven. And it is our core capability in engineering from which we will grow.

Reductions in capital expenditures in Japan and the effects of the Asian financial crisis created a tough environment for Chiyoda both at home and abroad. Nonetheless, we are pleased to report that new orders rose 12.1%, to ¥367.2 billion (US$2,782 million), of which domestic orders accounted for ¥152.4 billion (US$1,154 million) and overseas orders for ¥214.8 billion (US$1,627 million). We commend our employees for these results; this remarkable performance came under very adverse conditions. It is this spirit that will drive Chiyoda's growth in the future.

The good news, unfortunately, was not without the bad. Revenue from construction contracts during fiscal 1998 fell 55.4% in Japan, to ¥72.2 billion (US$547 million), and 19.9% overseas, to ¥200.5 billion (US$1,519 million). Projects booked several years ago that turned unprofitable once again hurt our bottom line. In addition, Chiyoda recognized a special loss of ¥13.7 billion (US$104 million) on loan provisions to subsidiaries and affiliates and the carrying forward of proceeds from the liquidation of assets. Consequently, Chiyoda recorded a net loss for the fiscal year of ¥53.8 billion (US$407 million). In light of these results, we regret that we will not pay cash dividends for the period.

Renewal for the Future

We are confident that the worst is behind us. All unprofitable projects are scheduled to be completed by the end of fiscal 1999. To assist our renewal process, we are receiving the support of

Mitsubishi Corporation and the Bank of Tokyo-Mitsubishi, Ltd. Members of these companies have been seconded to Chiyoda to help with management, sales, and other matters. We believe that with the support of these major shareholders, we are creating a stronger corporate structure that enables Chiyoda to capture opportunities emerging in globally competitive markets.

The consecutive losses we have recorded underscore the need for change. A team effort by all Chiyoda Group employees is essential to realize our vision of becoming a highly productive and profitable, fully integrated engineering company. To achieve this vision, we are implementing the strategies described below as part of a Groupwide restructuring program. We are confident that they will create a leaner Chiyoda, better able to serve the needs of our customers.

- We clarified the lines of accountability and ownership in our core businesses. The Hydrocarbon Processing Industry (HPI) Consolidated Division (petroleum-, petrochemical-, and gas-related industries), Non-Hydrocarbon (Non-HPI) Consolidated Division, and Technology, Engineering, and Logistics Division have been realigned with independent profit and loss responsibility and their own operations departments. These divisions are being led by senior Chiyoda executives who have been given a mandate to revitalize sales and manage projects more strategically, thus enhancing profitability.
- To improve the efficiency of project control and management and raise the profitability of projects, we are prioritizing initial project planning and front-end engineering works. We are also deploying the latest information technology and strengthening our technical competence to make our operations more cost-effective and productive. In fact, our efficiency of project implementation has already been greatly improved by these means.
- To secure profits, we have established a system to analyze, control, and manage the risks of projects awarded and we continuously monitor the financial status of current projects.
- Becoming more productive and strengthening our engineering capabilities will be accompanied by reductions in headquarters staff to 2,200 by March 2000. Subsidiaries and affiliates both in Japan and abroad will also undergo a thorough review, and steps toward restructuring and consolidation will be implemented where necessary. We believe that these cutbacks are inevitable if the Chiyoda Group is to remain globally competitive.
- We continue to promote alliances, partnerships, and joint ventures to enhance the global focus of our sales activities.

We strongly believe that it will not be long before these strategies take full effect and renew Chiyoda, making us more competitive than ever before.

Our renewal program will enable Chiyoda to provide services that exceed customer expectations, both now and in the future. Chiyoda will become an engineering company with the skills needed in a more information-intensive society. Through alliances and partnerships, we will work in cooperation with outstanding companies around the world. We will also apply the expertise in environmental engineering gained through our domestic operations to help create more ecologically sound facilities worldwide.

Change is never easy. It requires the support and understanding of our shareholders, partners, customers, and employees. We keep striving to reciprocate your commitment to Chiyoda by building a company that contributes to the development of society's core infrastructure, provides a stimulating and rewarding work environment for employees, and earns a reasonable profit for its shareholders.

March 31, 1998

PETROLEUM-, PETROCHEMICAL-, AND GAS-RELATED INDUSTRIES

HYDROCARBON SECTOR

Building on our leading technological and engineering expertise


A purified terephthalic acid (PTA) plant, built in Merak, Indonesia, by Chiyoda and PT. Chiyoda International Indonesia for PT AMOCO MITSUI PTA INDONESIA, was opened in September 1997.

In the year under review, the HPI Consolidated Division made significant strides toward a return to profitability. We clarified our core competencies with regard to how we may best serve the global hydrocarbon market and won significant orders with the cooperation of major Japanese trading companies. In Asia, a number of major projects were delayed, as the currency crisis hampered fund-raising activities in that region.

• Southeast Asia

The currency crisis that struck Southeast Asia starting in summer 1997 has made business difficult in the region. From a longer-term perspective, however, the growing population in Asia and the eventual recovery of economies in the region will continue to support rising demand for hydrocarbon-related projects. In October 1997, Chiyoda won a contract for an ethylene plant scheduled for completion by September 2000 from Exxon Chemical Singapore Private Ltd., a division of Esso Singapore Private Ltd., in a joint venture with the M. W. Kellogg Company, a U.S. engineering firm. The Chiyoda and Kellogg joint venture will build an 800,000 t/y ethylene plant on Jurong Island, Singapore. In the same month, Chiyoda signed a contract with China Petrochemical Development Corp. (CPDC), of Taiwan, to build one of the world's largest caprolactam plants, in Kaohsiung, Taiwan. Using the Dutch Stamicarbon process, the plant will have an annual capacity of 120,000 tons.

• Middle East

Chiyoda maintained its leading position in the Middle East amid tough market conditions brought on by the severe recession in Southeast Asian countries, downturns in the major Middle Eastern petroleum and petrochemical product markets, and a sharp decline in crude oil prices in the latter half of the fiscal year.


In November 1997, Chiyoda, in collaboration with IKPT, a leading Indonesian engineering contractor, completed the Bontang LNG Plant (Train G), which is the third liquefied natural gas (LNG) project in the Bontang region that Chiyoda has built for PERTAMINA, Indonesia's state-owned oil company.

In February 1998, Chiyoda signed a contract for the second-stage extension work on an ethylene glycol plant for Eastern Petrochemical Company (SHARQ) in Al-Jubail Industrial City, Saudi Arabia.

In February 1998, Chiyoda signed a contract for the second-stage extension work on an ethylene glycol plant for Eastern Petrochemical Company (SHARQ), in Al-Jubail Industrial City, Saudi Arabia. Also, in parallel with Chiyoda's engineering and procurement work, Chiyoda Petrostar Ltd., a Chiyoda affiliate, began the construction of a plant that will produce 480,000 t/y of benzene and 220,000 t/y of cyclohexane for Saudi Chevron Petrochemical Co. In addition, Chiyoda started work on a plant in Mesaieed, Qatar, that will manufacture 2,500 t/d of methanol and 1,830 t/d of methyl tertiary butyl ether (MTBE), an additive for methanol and gasoline, for Qatar Fuel Additives Company Limited (QAFAC).

• Other regions

In the CIS and Eastern Europe, development projects for petroleum and natural gas in Sakhalin, Siberia, and the Caspian Sea are proceeding on course. Chiyoda won a contract for the utility modernization of an ethylene plant in Sumgait, Azerbaijan. The Company is also expanding its business in Poland and other central European countries.

In Turkmenistan, Chiyoda continued work on a contract won with Gama Endüstri Tesisleri Ìmalât ve Montaj A.S., of Turkey, for a 750,000 t/y naphtha hydrotreater and reformer from the Ministry of Oil and Gas Industry and Mineral Resources of Turkmenistan.

• Japan

The protracted economic slump is restraining capital investment in Japan, particularly for large-scale projects. In addition, we are currently in a downturn in the investment cycle for hydrocarbon plants. A major growth area in the domestic market is in power generation plant facilities operated by independent power producers (IPPs). Chiyoda is working to capture business opportunities in this area. The Company has a growing business in helping Japanese chemical companies transfer competitive technologies to production facilities at overseas sites. We will continue to market our capabilities aggressively and work with alliance partners to win orders in Japan. Completed orders during the year included an LNG receiving terminal in Sendai for Tokyo Gas Engineering Co., Ltd.

The Third LNG Train for Qatar Liquefied Gas Company Limited is under construction in Ras Laffan, Qatar.

NON-HYDROCARBON SECTOR

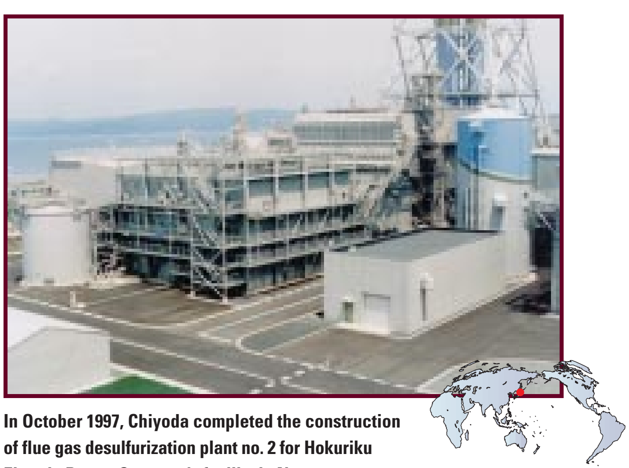
Exploring new opportunities in engineering

Chiyoda's Non-HPI Consolidated Division comprises a diverse range of businesses that leverage its core strengths in engineering. We have a strong record in building facilities in the electric power, automotive, copper smelting and mining, pharmaceutical, food processing, environmental preservation, and waste processing industries. In addition, Chiyoda has a strong reputation in engineering related to industrial facilities, amusement facilities, and infrastructure development projects. Through balanced growth in this sector, Chiyoda aims to have its Non-HPI Consolidated Division account for 50% of both total orders completed and gross sales profit by the fiscal year ending in March 2004.

• Environmental preservation

Chiyoda applied its experience in engineering for environmental preservation and energy-saving systems gained in Japan to the operations of overseas customers. The Company has a strong reputation for its pollution control technology for environmental preservation: the flue gas desulfurization process called "CT-121," plastic-recycling technology, biological wastewater treatment units, refuse-derived fuel generation facilities, and sludge processing technology. Projects in progress include a cogeneration system for the Tokyo Metropolitan Government's Toshima Ward Municipal Hospital and a flue gas desulfurization project in the Czech Republic.

Chiyoda completed the third phase of the Tokaichiba Municipal Housing Complex in Yokohama in August 1997.



In October 1997, Chiyoda completed the construction of flue gas desulfurization plant no. 2 for Hokuriku Electric Power Company's facility in Nanao, Ishikawa Prefecture.

Investment in environmental systems by electric power companies continued to be strong in Japan. Chiyoda was awarded several contracts for flue gas desulfurization facilities from Tohoku Electric Power Co., Inc., and other companies and entered negotiations for such facilities with several IPPs. Completed orders during the year included flue gas desulfurization equipment for the Nanao Power Station of Hokuriku Electric Power Company.

• Automotive plants

While continuing to support the operations of Isuzu Motors Ltd., Chiyoda is marketing its skills to automakers in the United States and Europe. During the year under review, Chiyoda was awarded a contract from Opel Polska Sp. Zo.o, for the engineering, procurement, and construction (EPC) of a new general assembly shop in Gliwice, Poland. The plant will have a capacity of 70,000 vehicles per year. Projects in progress include a casting plant for IC Engineering Corp. in Indonesia as well as a press body assembly shop for General Motors (Thailand) Ltd.

• Copper smelting and mining

In September 1997, Chiyoda signed a contract with Myanmar Ivanhoe Copper Company Ltd. (MICCL) to build a copper smelting plant in Monywa, Myanmar. The plant will use a new smelting process called Solvent Extraction–Electro Winning (SX-EW).

Projects in progress during the fiscal year included a 200,000 t/y copper smelting plant for P.T. Smelting Co., in Indonesia, a joint venture between Mitsubishi Materials Corp. and its Indonesian partner. The plant uses the Mitsubishi Continuous Smelting Method, which features high throughput with minimal environmental impact, and is expected to boost Chiyoda's profile in the market for non-ferrous smelting facilities.

• Pharmaceutical manufacturing and food processing

Pharmaceutical companies have been investing extensively to make their facilities compliant with the guidelines for Good Manufacturing Practices and Good Clinical Practices. In the food processing field, companies are investing in response to regulations related to the Product Liability Law. During the year, Chiyoda completed a factory for producing tablets for Shionogi & Co., Ltd.

The Niigata Plastic-to-Oil Conversion Center has the capacity to convert 6,000 t/y of waste plastic into oil for use as fuel in public facilities.

In February 1998, Chiyoda completed this logistics center for Fuji Coca-Cola Bottling Co., Ltd. The center has a capacity of 18,400 pallets and is fully automated for 24-hour operation.

• Industrial machinery

Chiyoda assists customers in the machine assembly, printing, and product distribution industries to upgrade and modernize their facilities. The Company is particularly active in lube oil blending plants (LOBPs) and liquefied petroleum gas (LPG) receiving terminals throughout the world. Projects under way include LOBPs for Esso (Tianjin) Co., Ltd., and Esso (Zhejiang) Co., Ltd., in China. In addition, we completed a logistics center for Fuji Coca-Cola Bottling Co., Ltd., in Japan.

• Other sectors

In theme park operations, Chiyoda received an order from Shima Spain Village Co., Ltd., for a theater attraction facility in Shima, Mie Prefecture.

In the area of space development, Chiyoda was awarded a contract from the National Space Development Agency of Japan (NASDA) for the preliminary design and prototypes of a cell culture unit for the Japanese Experimental Module. The facility will be used to conduct experiments on plant and animal cells under microgravity conditions.

PETROLEUM-, PETROCHEMICAL-, AND GAS-RELATED INDUSTRIES

HYDROCARBON SECTOR

NEW CONTRACTS

- **Eastern Petrochemical Company (SHARQ)**
  Project type: Ethylene glycol production plant
  Location: Al-Jubail Industrial City, The Kingdom of Saudi Arabia
  Capacity: 450,000 t/y
  Scheduled completion: August 2000

- **Exxon Chemical Singapore Private Ltd.**
  Project type: Ethylene plant
  Location: Chawan, Jurong Island, Singapore
  Capacity: 800,000 t/y
  Scheduled completion: September 2000

- **Seibu Oil Co., Ltd.**
  Project type: Sulfolane extraction unit
  Location: Yamaguchi, Japan
  Capacity: 453 t/d
  Scheduled completion: November 1998

- **Kashima-Kita Electric Power Corporation**
  Project type: Boiler flue gas desulfurization plant
  Location: Kashima, Ibaraki, Japan
  Capacity: 170 MW
  Scheduled completion: May 1999

- **Nippon Petroleum Refining Co., Ltd.**
  Project type: Diesel gas oil blending facility
  Location: Negishi, Yokohama, Japan
  Capacity: 2,000 kl/h
  Scheduled completion: June 1998

- **State Concern Azerchimia**
  Project type: Utility modernization of ethylene plant
  Location: Sumgait, Azerbaijan
  Scheduled completion: December 2000

- **China Petrochemical Development Corp. (CPDC)**
  Project type: Caprolactam plant
  Location: Kaohsiung, Taiwan
  Capacity: 120,000 t/y
  Scheduled completion: December 1999

BACKLOG OF CONTRACTS

- **China Petrochemical International Company**
  Project type: PTA plant
  Location: Luoyang, China
  Capacity: 225,000 t/y
  Scheduled completion: October 2000

- **Qatar Fuel Additives Company Limited (QAFAC)**
  Project type: Methanol/MTBE plant
  Location: Mesaieed, Qatar
  Capacity: 2,500 t/d (methanol), 1,830 t/d (MTBE)
  Scheduled completion: June 1999

- **Malaysian Refining Company Sdn Bhd (MRC)**
  Project type: Petroleum refinery
  Location: Melaka, Malaysia
  Capacity: 100,000 BPSD
  Scheduled completion: August 1998

- **Oman LNG L.L.C.**
  Project type: LNG plant
  Location: Qalhat, Oman
  Capacity: 3,300,000 t/y x 2
  Scheduled completion: May 2000

- **Qatar Liquefied Gas Company Limited**
  Project type: LNG plant
  Location: Ras Laffan, Qatar
  Capacity: 2,000,000 t/y (3rd train)
  Scheduled completion: November 1998

- **Shoseki Engineering & Construction Co., Ltd./ Showa Yokkaichi Sekiyu Co., Ltd.**
  Project type: Benzene reduction plant
  Location: Mie, Japan
  Capacity: Bensat 471 t/d, Sulfolane revamp 971 t/d
  Scheduled completion: June 1998

- **Ministry of Oil and Gas Industry and Mineral Resources of Turkmenistan**
  Project type: Naphtha hydrotreater, reformer with continous catalytic reforming (CCR), and utilities and off-site facilities
  Location: Turkmenbashi, Turkmenistan
  Capacity: 750,000 t/y (naphtha hydrotreater), 750,000 t/y (reformer with CCR)
  Scheduled completion: August 1999

- **Chevron Chemical (Far East) Pte. Ltd.**
  Project type: Lubricant additives manufacturing plant
  Location: Pulau Sakra, Singapore
  Capacity: More than 100,000 t/y
  Scheduled completion: September 1998

- **Tokyo Gas Co., Ltd.**
  Project type: Piping system for LNG receiving terminal (marine and machinery yard)
  Location: Ohgishima, Kanagawa, Japan
  Scheduled completion: September 1998

- **Saudi Chevron Petrochemical Co.**
  Project type: Benzene plant and cyclohexane plant
  Location: Al-Jubail Industrial City, The Kingdom of Saudi Arabia
  Capacity: 480,000 t/y (benzene plant), 220,000 t/y (cyclohexane plant)
  Scheduled completion: May 1999

PROJECTS COMPLETED

- **Petromin Lubricating Oil Refining Company**
  Project type: Lube oil production plant
  Location: Madinat Yambu-Al-Sinaiyah, The Kingdom of Saudi Arabia
  Capacity: 2.0 MM BPY
  Completion: December 1997

- **Perusahaan Pertambangan Minyak Dan Gas Bumi Negara (PERTAMINA)**
  Project type: LNG plant
  Location: Bontang, Indonesia
  Capacity: 2,700,000 t/y
  Completion: November 1997

- **Abu Dhabi National Oil Company (ADNOC)**
  Project type: Utility plant
  Location: Ruwais, U.A.E.
  Capacity: 38 MW GTG' with WHRB/13,000 m^3/D MSF/ desalination unit/water tanks/ refurbishment of the existing DCS system
  Completion: April 1997

- **PT AMOCO MITSUI PTA INDONESIA**
  Project type: PTA plant
  Location: Merak, Indonesia
  Capacity: 350,000 t/y
  Completion: July 1997

- **Tonen Corporation**
  Project type: Bottom desulfurization cracker unit (H-OIL)
  Location: Kawasaki, Japan
  Capacity: 25,000 BPSD
  Completion: July 1997

- **Mitsubishi Chemical Corporation**
  Project type: Bisphenol-A manufacturing plant
  Location: Kashima, Ibaraki, Japan
  Completion: November 1997

- **P.T. Teijin Indonesia Fiber Corporation/CII**
  Project type: Polyester polymerization, staple fiber, and filament plant
  Location: Tangerang, Indonesia
  Completion: September 1997

- **Tokyo Gas Engineering Co., Ltd.**
  Project type: LNG receiving terminal
  Location: Sendai, Japan
  Completion: July 1997

Non-Hydrocarbon Sector

NEW CONTRACTS

- **Opel Polska Sp. Zo.o**
  Project type: EPC of new general assembly shop
  Location: Gliwice, Poland
  Capacity: 70,000 vehicles/y
  Scheduled completion: November 1998

- **Isuzu Motors Polska Sp. Zo.o**
  Project type: Procurement and installation for new diesel engine plant
  Location: Tychy, Poland
  Capacity: 300,000 units/y
  Scheduled completion: October 1998

- **SK POWER COMPANY, DENMARK**
  Project type: Flue gas desulfurization for Stigsnæs P/S unit II
  Location: Skælskør, Denmark
  Capacity: 1 x 250 MW
  Scheduled completion: December 1999

- **Kirin Kunpeng (China) Bio-Pharmaceutical Co., Ltd.**
  Project type: Construction of pharmaceutical plant
  Location: Pudong, Shanghai, China
  Scheduled completion: September 2000

- **Gujarat Pipavav Port Limited**
  Project type: Construction of ship-breaking yard
  Location: Pipavav, Gujarat, India
  Capacity: 8 VLCC/y
  Scheduled completion: October 1999

- **Myanmar Ivanhoe Copper Company Ltd. (MICCL)**
  Project type: SX-EW plant (for copper)
  Location: Monywa, Myanmar
  Capacity: 25,000 t/y
  Scheduled completion: December 1998

- **Yokohama City**
  Project type: Building (assembly hall & protective institution)
  Location: Yokohama, Japan
  Capacity: 2,815 m^2 (2 floors)
  Scheduled completion: June 1999

- **Shima Spain Village Co., Ltd.**
  Project type: Theater attraction (theme park)
  Location: Shima-gun, Mie, Japan
  Capacity: 2,600 persons/1 show
  Scheduled completion: February 1999

- **National Space Development Agency of Japan (NASDA)**
  Project type: Preliminary design and prototypes of cell culture unit
  Location: Ibaraki, Japan
  Scheduled completion: July 1999

BACKLOG OF CONTRACTS

- **Korean Electric Power Corporation**
  Project type: Flue gas desulfurization for Ulsan P/S units nos. 4, 5, and 6
  Location: Ulsan, South Korea
  Capacity: 3 x 400 MW
  Scheduled completion: June 1999

- **Tohoku Electric Power Co., Inc.**
  Project type: Flue gas desulfurization for Haramachi P/S unit II
  Location: Haramachi, Japan
  Capacity: 1 x 1,000 MW
  Scheduled completion: July 1998

- **General Motors (Thailand) Ltd.**
  Project type: EPC of press body assembly shop
  Location: Rayong, Thailand
  Capacity: 90,000 vehicles/y
  Scheduled completion: February 1999

- **Isuzu Autoparts Manufacturing Company**
  Project type: EPC of new transmission plant
  Location: Laguna, Philippines
  Capacity: 60,000 units/y
  Scheduled completion: July 1998

- **Tokyo Metropolitan Government**
  Project type: Cogeneration system for Toshima Ward Municipal Hospital
  Location: Tokyo, Japan
  Capacity: 600 kw x 3
  Scheduled completion: March 1999

- **P.T. Smelting Co.**
  Project type: EPC of copper smelter and refinery
  Location: Gresilk, Indonesia
  Capacity: 200,000 t/y
  Scheduled completion: August 1998

- **Esso (Tianjin) Co., Ltd.**
  Project type: EPC of LOBP
  Location: Tianjin, China
  Capacity: 250,000 t/y
  Scheduled completion: Mid-1998

- **Esso (Zhejiang) Co., Ltd.**
  Project type: EPC of LOBP
  Location: Ningbo, China
  Capacity: 270,000 t/y
  Scheduled completion: Late 1998

- **CĚZ, a.s.**
  Project type: Flue gas desulfurization plant
  Location: Tusimice, Czech Republic
  Capacity: 200,000 kw x 4 units
  Scheduled completion: November 1997

- **IC Engineering Corp.**
  Project type: Casting plant
  Location: Karawan Industrial City, Indonesia
  Scheduled completion: August 1998

PROJECTS COMPLETED

- **Societe Anonyme Renault**
  Project type: Basic engineering of general assembly for Brazil new plant
  Location: Douai, France
  Capacity: 80,000 vehicles/y
  Completion: December 1997

- **Automobile Foundry Co., Ltd.**
  Project type: EP of new foundry project
  Location: Iwate, Japan
  Capacity: 40,000 t/y
  Completion: October 1997

- **Rekisei Koyu K.K./Plastic Waste Management Institute**
  Project type: Plastic waste oil recovery plant
  Location: Niigata, Japan
  Capacity: 6,000 t/y
  Completion: September 1997

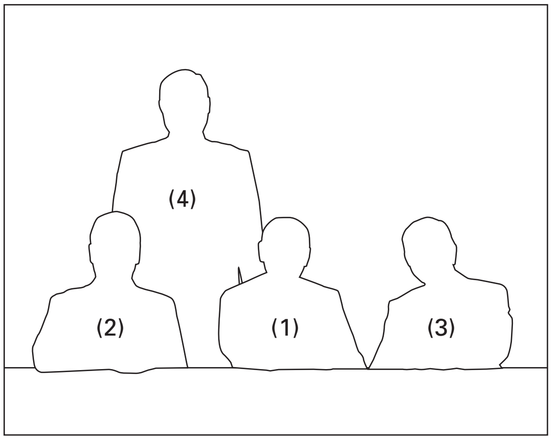
- **Yokohama City Housing Authority**
  Project type: Public housing
  Location: Yokohama, Japan
  Capacity: 3,954 m^2 (7 floors)
  Completion: August 1997

- **Fuji Coca-Cola Bottling Co., Ltd.**
  Project type: Logistics center
  Location: Kanagawa, Japan
  Capacity: 18,400 pallets
  Completion: February 1998

- **Shionogi & Co., Ltd.**
  Project type: Construction of pharmaceutical plant
  Location: Kitakami, Iwate, Japan
  Capacity: 100 million tablets/y
  Completion: March 1998

- **Hokuriku Electric Power Company**
  Project type: Flue gas desulfurization plant no. 2
  Location: Nanao, Ishikawa, Japan
  Capacity: 700 MW
  Completion: October 1997

Board of Directors

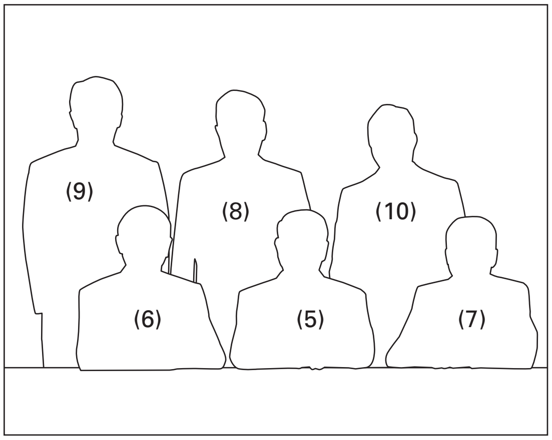


President
Masato Kitagawa* (1)

Executive Vice Presidents
Kiyomitsu Nishio* (2)
Naoyoshi Uehara* (3)

Senior Managing Director
Toshikuni Hirai* (4)

*Representative Director



Managing Directors

Hiromi Mitsutake	(5)
Youichi Satoh	(6)
Munekazu Nakamura	(7)
Hiroshi Ohtsuka	(8)
Minoru Matsushima	(9)
Nobuo Seki	(10)

Directors

Naotake Naritomi
Masayuki Ishikura
Shiro Oshikawa
Shoei Kaneko
Hiroshi Sasaki
Ken Suzuki
Yoshihiro Shirasaki
Takashi Kubota

Corporate Auditors

Michihiko Kawana
Hisatomi Uga
Kazuo Takayanagi
Tsuneyoshi Kajiwara

(As of June 26, 1998)

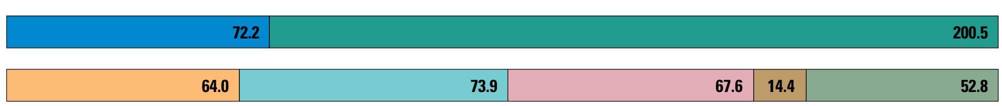
Financial Section
Non-Consolidated Five-Year Financial Summary

Chiyoda Corporation
Years ended March 31

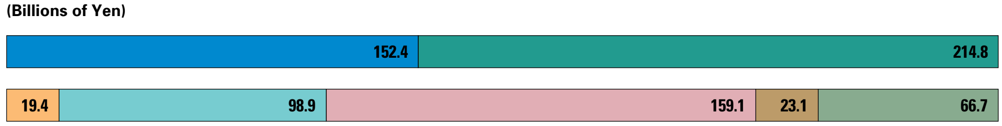
	Millions of Yen				
	1998	1997	1996	1995	1994
For the Year:					
Revenues	**¥277,311**	¥418,199	¥370,384	¥322,836	¥361,302
Costs and expenses	**329,632**	465,330	366,337	313,199	348,194
Income (loss) before income taxes	**(52,321)**	(47,131)	4,047	9,637	13,108
Net income (loss)	**(53,754)**	(48,265)	2,170	4,750	4,303
At Year-End:					
Total assets	**¥233,383**	¥317,403	¥317,680	¥307,952	¥295,856
Total shareholders’ equity	**5,330**	59,084	109,031	108,543	105,475
Working capital	**(31,248)**	19,626	70,562	104,963	102,497
Current ratio (%)	**85.6**	108.0	136.1	167.8	170.3
Long-term debt	**3,488**	3,019	4,089	36,039	36,329
Per Common Share (Yen):					
Net income (loss)	**¥ (275)**	¥ (247)	¥ 11	¥ 24	¥ 22
Cash dividends applicable to the year	**0**	0	8	8	8
Shareholders’ equity	**27**	303	558	556	540
Other Statistics:					
Contracts awarded	**¥367,178**	¥327,600	¥274,699	¥358,345	¥443,802
Backlog of contracts*	**517,318**	436,851	538,328	628,681	613,693
Number of shares outstanding* (thousands)	**195,224**	195,224	195,224	195,224	195,224
Number of shareholders*	**12,532**	9,461	9,336	9,624	10,680
Number of employees*	**2,825**	2,954	2,960	2,952	2,909

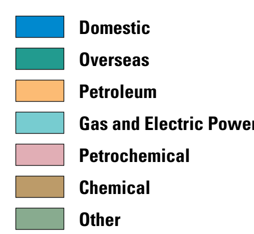
*At year-end

Revenue from Construction Contracts in Fiscal 1998
(Billions of Yen)



Contracts Awarded in Fiscal 1998
(Billions of Yen)





Non-Consolidated Financial Review

Operating Results

In fiscal 1998, ended March 31, 1998, revenues on a non-consolidated basis totaled ¥277,311 million (US$2,101 million), a decrease of 33.7% from the previous fiscal year. Revenue from construction contracts accounted for ¥272,674 million (US$2,066 million), or 98.3%, of the total. Domestic construction contracts amounted to ¥72,221 million (US$547 million), and overseas construction contracts totaled ¥200,453 million (US$1,519 million). For further information on overall revenue from construction contracts by sector during the period, see the graphs on page 12.

Revenue from construction contracts dropped ¥139,302 million (US$1,055 million), or 33.8%, from the previous term, and the cost of construction contracts decreased 33.1%, to ¥298,256 million (US$2,260 million).

As a result, loss before income taxes increased ¥5,190 million (US$39 million), to ¥52,321 million (US$396 million), and net loss grew ¥5,489 million (US$42 million), to ¥53,754 million (US$407 million).

Net loss per common share increased ¥28 (US$0.21) per share from the previous period, to ¥275 (US$2.08). Thus, the Company decided to forgo the payment of dividends for fiscal 1998.

During the term, the Company was awarded a total of ¥367,178 million (US$2,782 million) in contracts. Overseas contracts accounted for ¥214,798 million (US$1,627 million), or 58.5% of the total, with domestic contracts making up the remaining ¥152,380 million (US$1,154 million). For further information on contracts awarded by sector during the period, see the graphs on page 12.

The backlog of contracts at fiscal year-end stood at ¥517,318 million (US$3,919 million), with domestic contracts accounting for ¥195,791 million (US$1,483 million) of the total and overseas contracts for ¥321,527 million (US$2,436 million).

Financial Position

At the end of the fiscal year, total assets amounted to ¥233,383 million (US$1,768 million), ¥84,020 million (US$637 million) lower than a year earlier. This decline centered on costs and estimated earnings on long-term construction contracts, which decreased ¥41,658 million (US$316 million), and notes and accounts receivable—trade, which were down ¥23,757 million (US$180 million).

Total current liabilities decreased ¥29,975 million (US$227 million), to ¥216,663 million (US$1,641 million), mainly because of a ¥37,748 million (US$286 million) drop in notes and accounts payable—trade.

As a result, the current ratio fell 22.4 percentage points, to 85.6%, compared with the previous year-end.

Total shareholders' equity decreased ¥53,754 million (US$407 million), to ¥5,330 million (US$40 million). The shareholders' equity ratio was 2.3%, down 16.3 percentage points from a year earlier.

Cash Flows

Net cash used in operating activities totaled ¥6,192 million (US$47 million), comprising ¥39,917 million (US$302 million) in net loss and other non-cash items and ¥33,725 million (US$255 million) provided by net changes in operating assets and liabilities.

Net cash provided by investing activities amounted to ¥15,823 million (US$120 million), as ¥18,864 million (US$143 million) in cash inflows, comprised of proceeds from sales of marketable securities—net and sales of property, plant and equipment—net more than offset ¥3,041 million (US$23 million) in cash outflows, including payment for long-term loans—net, proceeds from investments in subsidiaries and associated companies—net, and proceeds from investments in investment securities—net.

Net cash used in financing activities totaled ¥5,218 million (US$40 million), comprising cash outflows for the repayment of short-term bank loans and the repayment of long-term debt.

As a result, cash, end of year, increased ¥4,413 million (US$33 million), to ¥31,439 million (US$238 million).

Non-Consolidated Balance Sheets

Chiyoda Corporation
March 31, 1998 and 1997

ASSETS	Millions of Yen 1998	Millions of Yen 1997	Thousands of U.S. Dollars (Note 1) 1998
Current Assets:			
Cash	**¥ 28,515**	¥ 15,841	**$ 216,023**
Time deposits	**2,924**	11,185	**22,152**
Marketable securities (Notes 5 and 6)	**42,899**	63,813	**324,992**
Notes and accounts receivable—trade (Notes 3 and 6)	**57,506**	81,263	**435,652**
Costs and estimated earnings on long-term construction contracts (Note 4)	**21,469**	63,127	**162,644**
Allowance for doubtful notes and accounts	**(316)**	(518)	**(2,394)**
Costs of construction contracts in process (Note 4)	**20,386**	19,530	**154,439**
Prepaid expenses and other (Note 3)	**12,032**	12,023	**91,151**
Total current assets	**185,415**	266,264	**1,404,659**
Property, Plant and Equipment (Note 6):			
Land	**6,143**	6,584	**46,538**
Buildings and structures	**23,245**	23,610	**176,099**
Machinery and equipment	**9,638**	10,452	**73,015**
Construction in progress	**37**	69	**280**
Total	**39,063**	40,715	**295,932**
Accumulated depreciation	**(21,201)**	(21,210)	**(160,614)**
Net property, plant and equipment	**17,862**	19,505	**135,318**
Investments and Other Assets:			
Investment securities:			
Subsidiaries and associated companies	**10,160**	11,420	**76,970**
Other (Note 5)	**2,472**	4,441	**18,727**
Total investment securities	**12,632**	15,861	**95,697**
Long-term loans (Note 3)	**4,307**	8,845	**32,629**
Long-term receivables (Note 3)	**7,357**	569	**55,735**
Other	**5,888**	6,410	**44,606**
Allowance for doubtful accounts	**(78)**	(51)	**(591)**
Total investments and other assets	**30,106**	31,634	**228,076**
Total	**¥233,383**	¥317,403	**$1,768,053**

See notes to non-consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	1998	1997	**1998**
Current Liabilities:			
Short-term bank loans (Note 6)	**¥111,145**	¥114,905	**$ 842,007**
Current portion of long-term debt (Note 6)	**543**	1,470	**4,114**
Notes and accounts payable—trade (Note 3)	**63,222**	100,970	**478,954**
Advance receipts on construction contracts	**28,444**	15,546	**215,485**
Provision for financial support to subsidiaries	**4,239**		**32,114**
Accrued expenses and other	**9,070**	13,747	**68,712**
Total current liabilities	**216,663**	246,638	**1,641,386**
Non-Current Liabilities:			
Long-term debt (Note 6)	**3,488**	3,019	**26,424**
Retirement benefits (Note 7)	**7,690**	8,445	**58,258**
Other non-current liabilities	**212**	217	**1,606**
Total non-current liabilities	**11,390**	11,681	**86,288**
Contingent Liabilities (Notes 3, 12 and 13)			
Shareholders' Equity (Note 8):			
Common stock, ¥50 par value— authorized, 600,000 thousand shares; issued and outstanding, 195,224 thousand shares	**14,753**	14,753	**111,765**
Additional paid-in capital	**18,022**	18,022	**136,530**
Legal reserve	**2,815**	2,815	**21,326**
(Deficit) retained earnings	**(30,260)**	23,494	**(229,242)**
Total shareholders' equity	**5,330**	59,084	**40,379**
Total	**¥233,383**	¥317,403	**$1,768,053**

Non-Consolidated Statements of Operations

Chiyoda Corporation
Years ended March 31, 1998 and 1997

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	1998	1997	**1998**
Revenues:			
Construction contracts (Note 3)	**¥272,674**	¥411,976	**$2,065,712**
Interest and dividend income (Note 3)	**2,055**	3,300	**15,568**
Exchange gain—net	**817**	2,297	**6,190**
Other (Note 10)	**1,765**	626	**13,371**
Total revenues	**277,311**	418,199	**2,100,841**
Costs and Expenses:			
Construction contracts	**298,256**	446,001	**2,259,515**
Selling, general and administrative	**13,899**	16,166	**105,296**
Interest	**1,847**	1,254	**13,992**
Provision for doubtful accounts	**5,637**	173	**42,705**
Provision for financial support to subsidiaries	**4,239**		**32,114**
Other (Note 11)	**5,754**	1,736	**43,590**
Total costs and expenses	**329,632**	465,330	**2,497,212**
Loss before Income Taxes	**(52,321)**	(47,131)	**(396,371)**
Income Taxes (Note 9)	**1,433**	1,134	**10,856**
Net Loss	**¥ (53,754)**	¥ (48,265)	**$ (407,227)**
	Yen		U.S. Dollars (Note 1)
Net Loss per Common Share (Note 15)	**¥ (275)**	¥ (247)	**$ (2.08)**

See notes to non-consolidated financial statements.

Non-Consolidated Statements of Shareholders' Equity

Chiyoda Corporation
Years ended March 31, 1998 and 1997

	Thousands	Millions of Yen			
	Shares of Common Stock	Common Stock	Additional Paid-in Capital	Legal Reserve	(Deficit) Retained Earnings
Balance, April 1, 1996	195,224	¥14,753	¥18,022	¥2,646	¥ 73,610
Net loss					(48,265)
Transfer to legal reserve				169	(169)
Cash dividends, ¥8 per share (Note 8)					(1,562)
Bonuses to directors					(120)
Balance, March 31, 1997	195,224	14,753	18,022	2,815	23,494
Net loss					**(53,754)**
Balance, March 31, 1998	**195,224**	**¥14,753**	**¥18,022**	**¥2,815**	**¥(30,260)**

	Thousands of U.S. Dollars (Note 1)			
	Common Stock	Additional Paid-in Capital	Legal Reserve	(Deficit) Retained Earnings
Balance, March 31, 1997	$111,765	$136,530	$21,326	$ 177,985
Net loss				**(407,227)**
Balance, March 31, 1998	**$111,765**	**$136,530**	**$21,326**	**$(229,242)**

See notes to non-consolidated financial statements.

Non-Consolidated Statements of Cash Flows

Chiyoda Corporation
Years ended March 31, 1998 and 1997

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	1998	1997	1998
Operating Activities:			
Net loss	¥(53,754)	¥(48,265)	$(407,227)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	2,058	2,233	15,591
Loss (gain) on disposal of property, plant and equipment—net	(1,071)	330	(8,114)
Loss (gain) on sales of marketable securities—net	1,799	(35)	13,629
Loss on devaluation of marketable securities	1,672		12,667
Reversal of retirement benefits—net	(755)	(200)	(5,720)
Provision for allowance for doubtful accounts—net	5,637	220	42,705
Provision for financial support to subsidiaries	4,239		32,114
Provision for (reversal of) loss on investment in subsidiaries and associated companies and investment securities	1,326	(115)	10,045
Other—net	(1,068)	(1,735)	(8,091)
Changes in operating assets and liabilities:			
(Increase) decrease in notes and accounts receivable and costs and estimated earnings on long-term construction contracts	63,389	(31,267)	480,220
(Increase) decrease in costs of construction contracts in process	(856)	4,782	(6,485)
Increase in other assets	(276)	(433)	(2,091)
Increase (decrease) in trade notes and accounts payable	(37,748)	14,857	(285,970)
Increase (decrease) in advance receipts on construction contracts	12,898	(22,910)	97,712
Decrease in other liabilities	(3,682)	(51)	(27,894)
Net cash used in operating activities	(6,192)	(82,589)	(46,909)
Investing Activities:			
Proceeds from sales of marketable securities—net	17,443	6,668	132,144
Proceeds from sales of (purchases of) property, plant and equipment—net	1,421	(1,391)	10,765
Proceeds from sales of (investments in) subsidiaries and associated companies—net	(66)	8	(500)
Proceeds from sales of (investments in) investment securities—net	(31)	460	(235)
Payment for long-term loans—net	(2,944)	(3,518)	(22,303)
Net cash provided by investing activities	15,823	2,227	119,871
Financing Activities:			
Proceeds from (repayment of) short-term bank loans	(3,760)	90,000	(28,485)
Repayment of long-term debt	(1,458)	(31,916)	(11,045)
Payment of dividends		(1,562)	
Net cash (used in) provided by financing activities	(5,218)	56,522	(39,530)
Net Increase (Decrease) in Cash	4,413	(23,840)	33,432
Cash, Beginning of Year	27,026	50,866	204,743
Cash, End of Year	¥ 31,439	¥ 27,026	$ 238,175
Additional Cash Flow Information:			
Interest paid	¥ 1,945	¥ 1,483	$ 14,735
Income taxes paid	1,435	1,199	10,871

See notes to non-consolidated financial statements.

1. Basis of Presenting Non-Consolidated Financial Statements

The accompanying non-consolidated financial statements have been prepared from the accounts maintained by Chiyoda Corporation (the "Company") in accordance with the provisions set forth in the Commercial Code of Japan (the "Code") and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. The non-consolidated statements of cash flows are not required as part of the basic financial statements in Japan but are presented herein as additional information.

In preparing these non-consolidated financial statements, certain reclassifications and rearrangements have been made to the Company's financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. Also, certain reclassifications have been made to the 1997 financial statements in order for them to conform to the classifications used in 1998.

The non-consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and principally operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥132 to $1, the approximate rate of exchange at March 31, 1998. 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. Construction Contracts

Income on contracts in the amount of more than ¥5 billion and having a construction duration of more than 18 months is recognized on the percentage-of-completion method in the ratio that costs incurred bear to total estimated costs. Under this method, related costs and estimated earnings in excess of progress billings are presented as a current asset.

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

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

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

b. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Company considers all time deposits to be cash equivalents. Time deposits have original maturities of one year or less and can be withdrawn on demand with no diminution of principal.

c. Foreign Currency Translations

Short-term receivables and payables (including the current portion of long-term debt) denominated in foreign currencies are translated into Japanese yen at rates prevailing at the respective balance sheet dates.

Long-term receivables and payables denominated in foreign currencies are translated into Japanese yen at rates prevailing at the transaction dates except for those which are translated using the exchange rate set forth in the applicable forward exchange contract.

Foreign exchange gains and losses are recognized in the fiscal periods in which they occur.

d. Marketable and Investment Securities

Marketable securities and other investment securities are stated at cost as determined by the moving-average method. However, where the market value declines to less than half of the carrying value and such decline is deemed to be other than temporary, the value of the securities is written down to market.

Certain securities with a cost of ¥8,377 million ($63,462 thousand) had market values of approximately half the carrying value but were carried at cost since the decline was deemed temporary as of March 31, 1998.

Investments in subsidiaries and associated companies (companies in which the Company's ownership is from 20% to 50%) are stated at cost as determined by the moving-average method.

e. Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is computed using the declining-balance method based on the estimated useful lives of the assets.

f. Leases

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

g. Income Taxes
Income taxes are provided for amounts currently payable for each year. The tax effect of temporary differences between financial and tax reporting has not been recognized in the non-consolidated financial statements.

h. Retirement Benefits
The provision for employees' retirement benefits is calculated to state the liability at the actuarially computed present value of severance payment costs for employees eligible for severance payments at each balance sheet date, less the amount funded in the pension plan.

The amounts contributed to the fund, including prior service costs, are charged to income when paid.

Retirement benefits to directors and corporate auditors are provided at the amount which would be required based on the Company's regulations, if all directors and corporate auditors terminated their offices at the end of each period.

3. Transactions with Subsidiaries and Associated Companies

Significant transactions with and balances due from/(to) subsidiaries and associated companies at March 31, 1998 and 1997, are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	**1998**
Transactions:			
Construction contract revenues	**¥41,020**	¥19,817	**$310,758**
Interest and cash dividend income	**566**	1,442	**4,288**
Due from/(to):			
Notes and accounts receivable—trade	**5,239**	2,699	**36,689**
Short-term loans included in "Prepaid expenses and other"	**4,451**	5,676	**33,720**
Long-term loans	**987**	6,029	**7,477**
Long-term receivables	**8,744**		**66,242**
Notes and accounts payable	**(3,343)**	(6,256)	**(25,326)**

The Company has guaranteed the indebtedness of certain subsidiaries and associated companies in the amount of ¥30,347 million ($229,902 thousand) at March 31, 1998.

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, 1998 and 1997, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	**1998**
Costs and estimated earnings	**¥217,034**	¥230,367	**$1,644,197**
Amounts billed	**(195,565)**	(167,240)	**(1,481,553)**
Total	**¥ 21,469**	¥ 63,127	**$ 162,644**

Costs of construction contracts in process which are accounted for by the completed-contract method at March 31, 1998 and 1997, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	**1998**
Costs incurred	**¥42,716**	¥36,250	**$323,606**
Amounts billed	**(22,330)**	(16,720)	**(169,167)**
Total	**¥20,386**	¥19,530	**$154,439**

5. Marketable and Investment Securities

Marketable and investment securities as of March 31, 1998 and 1997, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	**1998**
Current:			
Marketable equity securities	**¥42,393**	¥48,807	**$321,159**
Government and corporate bonds	**506**	15,006	**3,833**
Total	**¥42,899**	¥63,813	**$324,992**
Non-current:			
Unquoted securities	**¥ 2,455**	¥ 2,424	**$ 18,598**
Corporate bonds and other	**17**	2,017	**129**
Total	**¥ 2,472**	¥ 4,441	**$ 18,727**

The carrying amounts of marketable securities, debt securities and the related aggregate market values excluding certain securities for which market information was not available and without any risk of market price fluctuation at March 31, 1998 and 1997, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	**1998**
Carrying amount	**¥42,398**	¥48,813	**$321,197**
Aggregate market value	**40,564**	52,078	**307,303**
Net unrealized gain (loss)	**¥ (1,834)**	¥ 3,265	**$ (13,894)**

6. Short-Term Bank Loans and Long-Term Debt

Short-term bank loans at March 31, 1998, bear interest principally at 1.6% per annum.

Long-term debt at March 31, 1998 and 1997, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	**1998**
Long-term loans from banks and insurance companies, maturing serially through 2010, with interest rates at 2.10% to 7.70%:			
Collateralized	**¥2,715**	¥3,089	**$20,568**
Uncollateralized	**1,316**	1,400	**9,970**
Total	**4,031**	4,489	**30,538**
Current portion	**(543)**	(1,470)	**(4,114)**
	¥3,488	¥3,019	**$26,424**

Annual maturities of long-term loans from banks and insurance companies are as follows:

Years Ending March 31,	Millions of Yen	Thousands of U.S. Dollars
1999	¥ 543	$ 4,114
2000	606	4,591
2001 and thereafter	2,882	21,833
Total	¥4,031	$30,538

The following assets were pledged as collateral for long-term loans at March 31, 1998:

	Millions of Yen	Thousands of U.S. Dollars
Marketable securities	¥2,789	$21,129
Notes and accounts receivable—trade	1,684	12,758
Property, plant and equipment	1,635	12,386
Total	¥6,108	$46,273

7. Retirement and Pension Plan

Employees who terminate their services with the Company are, under most circumstances, entitled to receive lump-sum retirement benefits based upon their rate of pay at the time of termination, years of service and certain other factors.

However, an employee who terminates at the age of over 50 years old 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.

Retirement benefits at March 31, 1998, include retirement benefits to directors and corporate auditors in the amount of ¥914 million ($6,924 thousand). The retirement benefits to directors and corporate auditors are paid subject to the approval of the shareholders.

The assets of the fund as of March 31, 1998, totaled ¥8,224 million ($62,303 thousand).

Severance and pension expenses aggregated ¥2,113 million ($16,008 thousand) and ¥2,026 million for the years ended March 31, 1998 and 1997, respectively.

8. Shareholders' Equity

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

Under the Code, amounts equal to at least 10% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each fiscal period must be set aside as a legal reserve until such reserve equals 25% of stated capital. This reserve is not available for dividends but may be used to reduce a deficit or may be transferred to stated capital.

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

9. Income Taxes

The Company is subject to a corporate tax, inhabitants tax and enterprise tax, all based on income, which in the aggregate resulted in a normal effective statutory tax rate of approximately 52% for the years ended March 31, 1998 and 1997.

Under the current Japanese tax regulations, a net operating loss can be carried forward for five years and deducted from any taxable income. The Company has a net operating loss carryforward of approximately ¥54,230 million ($410,833 thousand) at March 31, 1998.

The net operating loss carryforwards, if not utilized, will expire as follows:

Years Ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2002	¥35,381	$268,038
2003	18,849	142,795
Total	¥54,230	$410,833

Foreign income taxes of ¥1,383 million ($10,477 thousand) are included in "Income Taxes" for the year ended March 31, 1998.

10. Revenues—Other

Revenues—other consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	**1998**
Gain on sales of property, plant and equipment	**¥1,387**		**$10,507**
Other	**378**	¥626	**2,864**
Total	**¥1,765**	¥626	**$13,371**

11. Costs and Expenses—Other

Costs and expenses—other consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	**1998**
Loss on sales of marketable securities—net	**¥1,799**		**$13,629**
Loss on devaluation of marketable securities	**1,672**		**12,666**
Provision for loss on investment in subsidiaries and associated companies and investment securities	**1,326**		**10,045**
Additional retirement benefits paid to employees	**462**		**3,500**
Loss on disposal of fixed assets	**316**	¥ 330	**2,394**
Damage settlement		1,200	
Other	**179**	206	**1,356**
Total	**¥5,754**	¥1,736	**$43,590**

12. Leases

The Company leases certain machinery, computer equipment, office space and other assets. Total rental expenses under the above leases were ¥688 million ($5,212 thousand) and ¥823 million for the years ended March 31, 1998 and 1997, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance lease, depreciation expense and interest expense of 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, 1998 and 1997, was as follows:

Year Ended March 31, 1998	Millions of Yen		
	Machinery and Equipment	Other	Total
Acquisition cost	**¥2,952**	**¥72**	**¥3,024**
Accumulated depreciation	**2,076**	**59**	**2,135**
Net leased property	**¥ 876**	**¥13**	**¥ 889**

	Thousands of U.S. Dollars		
	Machinery and Equipment	Other	Total
Acquisition cost	**$22,364**	**$545**	**$22,909**
Accumulated depreciation	**15,727**	**447**	**16,174**
Net leased property	**$ 6,637**	**$ 98**	**$ 6,735**

Obligations under finance leases:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	**¥402**	**$3,046**
Due after one year	**487**	**3,689**
Total	**¥889**	**$6,735**

Year Ended March 31, 1997	Millions of Yen		
	Machinery and Equipment	Other	Total
Acquisition cost	¥3,356	¥62	¥3,418
Accumulated depreciation	1,906	43	1,949
Net leased property	¥1,450	¥19	¥1,469

Obligations under finance leases:

	Millions of Yen
Due within one year	¥ 700
Due after one year	769
Total	¥1,469

Depreciation expense which is not reflected in the accompanying statements of operations, computed by the straight-line method, was ¥688 million ($5,212 thousand) and ¥823 million for the years ended March 31, 1998 and 1997, respectively.

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

13. Derivatives

The Company enters into foreign exchange forward contracts and currency option contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. It is the Company policy to use derivatives only for the purpose of reducing market risks associated with 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 Financing Department. Each derivative transaction is periodically reported to the Accounting Department and management.

Forward exchange contracted amounts which are assigned to associated assets or liabilities and are reflected on the balance sheet at year end are not subject to the disclosure of market value information.

The total of forward exchange contracted amounts which were not reflected on the non-consolidated balance sheet and currency option contracts as of March 31, 1998 and 1997, were as follows:

Year Ended March 31, 1998		Millions of Yen	
	Amount of Foreign Currency	Amount in Equivalent of Yen Valued at Forward Exchange Rate	Amount in Equivalent of Yen Valued at Forward Exchange Rate as of March 31, 1998
Foreign exchange forward contracts:			
Buying forward:			
U.S. dollars	**181,680 thousand**	**¥21,490**	**¥23,333**
German marks	**85,478 thousand**	**5,893**	**6,023**
Singapore dollars	**40,315 thousand**	**3,331**	**3,204**
Other		**7,886**	**7,658**
Total		**¥38,600**	**¥40,218**
Selling forward:			
U.S. dollars	**276,894 thousand**	**¥34,356**	**¥36,074**
Other		**3,107**	**3,111**
Total		**¥37,463**	**¥39,185**

	Millions of Yen	
	Contract Amount	Fair Value
Currency options contracts:		
Call:		
U.S. dollars	**¥5,211**	
(Option premiums on balance sheet)	**(213)**	**¥410**
German marks	**1,460**	
(Option premiums on balance sheet)	**(42)**	**23**
Total	**¥6,671**	**¥433**
Put:		
U.S. dollars	**¥4,400**	
(Option premiums on balance sheet)	**(213)**	**¥ 95**

Year Ended March 31, 1997	Amount of Foreign Currency	Millions of Yen	
		Amount in Equivalent of Yen Valued at Forward Exchange Rate	Amount in Equivalent of Yen Valued at Spot Rate as of March 31, 1997
Foreign exchange forward contracts:			
Buying forward:			
U.S. dollars	105,209 thousand	¥11,526	¥13,056
German marks	36,532 thousand	2,296	2,698
Dutch guilders	30,879 thousand	2,043	2,028
Other		3,318	3,381
Total		¥19,183	¥21,163
Selling forward:			
U.S. dollars	276,894 thousand	¥41,604	¥45,333
Other		1,343	1,409
Total		¥42,947	¥46,742

14. Subsequent Event

The following proposed disposition of accumulated deficit at March 31, 1998, was approved at the shareholders' meeting held on June 26, 1998:

	Millions of Yen	Thousands of U.S. Dollars
Balance of accumulated deficit at March 31, 1998	¥30,260	$229,242
Accumulated deficit to be carried forward	30,260	229,242

15. Per Common Share Information

Net loss per common share is based upon the weighted average number of shares outstanding during each year. The average number of common shares used in the computation was 195,224 thousand shares for 1998 and 1997.

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

Deloitte Touche Tohmatsu

Independent Auditors' Report

To the Board of Directors and Shareholders of Chiyoda Corporation:

We have examined the non-consolidated balance sheets of Chiyoda Corporation as of March 31, 1998 and 1997, and the related non-consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards generally accepted in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the non-consolidated financial statements referred to above present fairly the financial position of Chiyoda Corporation as of March 31, 1998 and 1997, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in Japan applied on a consistent basis.

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

Deloitte Touche Tohmatsu

June 26, 1998

Deloitte Touche
Tohmatsu
International

Consolidated Balance Sheets

Chiyoda Corporation and Consolidated Subsidiaries
March 31, 1998 and 1997

ASSETS

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	1998	1997*	1998
Current Assets:			
Cash	¥ 32,812	¥ 20,742	$ 248,576
Time deposits	7,237	19,399	54,826
Marketable securities (Notes 5 and 6)	46,454	70,289	351,924
Notes and accounts receivable—trade (Notes 3 and 6)	59,285	86,479	449,129
Costs and estimated earnings on long-term construction contracts (Note 4)	26,161	63,620	198,189
Allowance for doubtful notes and accounts	(413)	(692)	(3,129)
Costs of construction contracts in process (Note 4)	20,784	21,491	157,455
Prepaid expenses and other (Note 3)	13,337	14,363	101,038
Total current assets	205,657	295,691	1,558,008
Property, Plant and Equipment (Note 6):			
Land	6,883	7,331	52,144
Buildings and structures	31,492	30,815	238,576
Machinery and equipment	19,441	20,736	147,280
Construction in progress	37	271	280
Total	57,853	59,153	438,280
Accumulated depreciation	(31,482)	(31,390)	(238,500)
Net property, plant and equipment	26,371	27,763	199,780
Investments and Other Assets:			
Investment securities:			
Non-consolidated subsidiaries and associated companies	4,964	5,319	37,606
Other (Note 5)	2,917	4,843	22,098
Total investment securities	7,881	10,162	59,704
Long-term loans—net (Note 3)	4,309	8,070	32,644
Long-term receivables—net (Note 3)	6,322	569	47,894
Other investments (Note 6)	7,012	7,640	53,121
Allowance for doubtful accounts	(78)	(52)	(591)
Translation adjustments	272	694	2,061
Total investments and other assets	25,718	27,083	194,833
Total	¥257,746	¥350,537	$1,952,621

*Reclassified to conform to 1998 classifications.
See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 1998	Millions of Yen 1997*	Thousands of U.S. Dollars (Note 1) 1998
Current Liabilities:			
Short-term bank loans (Note 6)	**¥111,725**	¥115,155	**$ 846,402**
Current portion of long-term debt (Note 6)	**1,844**	2,771	**13,970**
Notes and accounts payable—trade (Note 3)	**75,870**	120,462	**574,773**
Advance receipts on construction contracts	**32,544**	21,121	**246,545**
Provision for financial support to a subsidiary	**1,481**		**11,220**
Accrued expenses and other	**11,817**	15,237	**89,522**
Total current liabilities	**235,281**	274,746	**1,782,432**
Non-Current Liabilities:			
Long-term debt (Note 6)	**7,569**	8,401	**57,341**
Retirement benefits (Note 7)	**8,541**	9,219	**64,705**
Other non-current liabilities	**156**	171	**1,181**
Total non-current liabilities	**16,266**	17,791	**123,227**
Contingent Liabilities (Notes 3 and 12)			
Minority Interest	**268**	239	**2,030**
Shareholders' Equity (Note 8):			
Common stock, ¥50 par value— authorized, 600,000 thousand shares; issued and outstanding, 195,224 thousand shares	**14,753**	14,753	**111,765**
Additional paid-in capital	**18,022**	18,022	**136,530**
Legal reserve	**2,903**	2,895	**21,992**
(Deficit) retained earnings	**(29,746)**	22,092	**(225,348)**
Treasury stock	**(1)**	(1)	**(7)**
Total shareholders' equity	**5,931**	57,761	**44,932**
Total	**¥257,746**	¥350,537	**$1,952,621**

Consolidated Statements of Operations

Chiyoda Corporation and Consolidated Subsidiaries
Years ended March 31, 1998 and 1997

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	1998	1997*	1998
Revenues:			
Construction contracts (Note 3)	**¥303,476**	¥445,350	**$2,299,061**
Interest and dividend income	**2,198**	2,458	**16,652**
Exchange gain—net	**2,743**	3,143	**20,780**
Other (Note 10)	**1,900**	696	**14,393**
Total revenues	**310,317**	451,647	**2,350,886**
Costs and Expenses:			
Construction contracts	**329,446**	478,031	**2,495,803**
Selling, general and administrative	**16,589**	20,674	**125,674**
Interest	**1,845**	1,266	**13,977**
Provision for doubtful accounts	**4,413**	173	**33,432**
Other (Note 11)	**6,391**	1,808	**48,417**
Total costs and expenses	**358,684**	501,952	**2,717,303**
Loss before Income Taxes and Other Items	**(48,367)**	(50,305)	**(366,417)**
Income Taxes (Note 9)	**1,967**	1,509	**14,901**
Loss before Minority Interest and Equity in Loss of Associated Companies	**(50,334)**	(51,814)	**(381,318)**
Minority Interest in Net Income (Loss) of Associated Companies	**(32)**	48	**(242)**
Equity in Loss of Associated Companies	**(1,429)**	(1,554)	**(10,826)**
Net Loss	**¥ (51,795)**	¥ (53,320)	**$ (392,386)**
	Yen		U.S. Dollars (Note 1)
Net Loss per Common Share (Note 15)	**¥ (265)**	¥ (273)	**$ (2.01)**

*Reclassified to conform to 1998 classifications.
See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Chiyoda Corporation and Consolidated Subsidiaries
Years ended March 31, 1998 and 1997

	Thousands	Millions of Yen				
	Shares of Common Stock	Common Stock	Additional Paid-in Capital	Legal Reserve	(Deficit) Retained Earnings	Treasury Stock
Balance, April 1, 1996	195,224	¥14,753	¥18,022	¥2,715	¥ 77,329	¥(2)
Net loss					(53,320)	
Decrease due to consolidation of subsidiaries not consolidated in the previous year					(44)	
Increase due to additional application of equity method					21	
Transfer to legal reserve				180	(180)	
Cash dividends, ¥8 per share (Note 8)					(1,562)	
Bonuses to directors and corporate auditors					(152)	
Decrease in treasury stock						1
Balance, March 31, 1997	195,224	14,753	18,022	2,895	22,092	(1)
Net loss					**(51,795)**	
Transfer to legal reserve				**8**	**(8)**	
Bonuses to directors and corporate auditors					**(35)**	
Balance, March 31, 1998	**195,224**	**¥14,753**	**¥18,022**	**¥2,903**	**¥(29,746)**	**¥(1)**

	Thousands of U.S. Dollars (Note 1)				
	Common Stock	Additional Paid-in Capital	Legal Reserve	(Deficit) Retained Earnings	Treasury Stock
Balance, March 31, 1997	$111,765	$136,530	$21,932	$ 167,364	$(7)
Net loss				**(392,386)**	
Transfer to legal reserve			**60**	**(60)**	
Bonuses to directors and corporate auditors				**(266)**	
Balance, March 31, 1998	**$111,765**	**$136,530**	**$21,992**	**$(225,348)**	**$(7)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	1998	1997	**1998**
Operating Activities:			
Net loss	**¥(51,795)**	¥(53,320)	**$(392,386)**
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	**3,767**	3,972	**28,538**
Loss (gain) on sales and disposal of property, plant and equipment—net	**(1,132)**	264	**(8,576)**
Loss (gain) on sales of marketable securities—net	**1,799**	(38)	**13,629**
Loss on devaluation of marketable securities	**1,672**		**12,667**
Reversal of retirement benefits—net	**(678)**	(131)	**(5,136)**
Provision for allowance for doubtful accounts—net	**4,257**	219	**32,250**
Provision for financial support to a subsidiary	**1,481**		**11,220**
Provision for (reversal of) loss on investment in subsidiaries and associated companies and investment securities	**530**	(115)	**4,015**
Other—net	**1,372**	(1,783)	**10,393**
Changes in operating assets and liabilities:			
(Increase) decrease in notes and accounts receivable and costs and estimated earnings on long-term construction contracts	**62,627**	(28,566)	**474,447**
Decrease in costs of construction contracts in process	**707**	6,363	**5,356**
Increase in other operating assets	**(2,191)**	(2,236)	**(16,598)**
Increase (decrease) in trade notes and accounts payable	**(44,592)**	14,060	**(337,818)**
Increase (decrease) in advance receipts on construction contracts	**11,423**	(19,065)	**86,538**
Increase (decrease) in other operating liabilities	**(3,435)**	251	**(26,023)**
Net cash used in operating activities	**(14,188)**	(80,125)	**(107,484)**
Investing Activities:			
Proceeds from sales of marketable securities—net	**20,364**	6,316	**154,273**
Purchases of property, plant and equipment—net	**(358)**	(2,654)	**(2,712)**
Net (increase) decrease in investments in non-consolidated subsidiaries and associated companies	**(175)**	1,146	**(1,326)**
Net (increase) decrease in investment securities	**(74)**	442	**(561)**
Net increase in long-term loans	**(472)**	(2,736)	**(3,576)**
Net cash provided by investing activities	**19,285**	2,514	**146,098**
Financing Activities:			
Proceeds from (repayment of) short-term bank loans	**(3,430)**	89,150	**(25,985)**
Repayment of long-term debt	**(1,759)**	(31,455)	**(13,326)**
Payment of dividends		(1,562)	
Net cash (used in) provided by financing activities	**(5,189)**	56,133	**(39,311)**
Net Decrease in Cash	**(92)**	(21,478)	**(697)**
Cash and Cash Equivalents, Beginning of Year	**40,141**	61,619	**304,099**
Cash and Cash Equivalents, End of Year	**¥ 40,049**	¥ 40,141	**$ 303,402**
Additional Cash Flow Information:			
Interest paid	**¥ 1,946**	¥ 1,593	**$ 14,742**
Income taxes paid	**1,894**	2,237	**14,348**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Chiyoda Corporation and Consolidated Subsidiaries
Years ended March 31, 1998 and 1997

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the regulations concerning consolidated financial statements issued by the Ministry of Finance and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. The consolidated statements of cash flows are not required as part of the basic financial statements in Japan but are presented herein as additional information.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. Also, certain reclassifications have been made to the 1997 financial statements in order for them to conform to the classifications used in 1998. In addition, the accompanying notes include certain information which is not required under accounting principles and practices generally accepted in Japan but is presented herein as additional information.

The consolidated financial statements include the accounts of Chiyoda Corporation (the "Company") and all of its significant subsidiaries. Significant intercompany transactions and accounts have been eliminated.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and principally operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥132 to $1, the approximate rate of exchange at March 31, 1998. 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 include the accounts of the Company and its significant 12 majority-owned subsidiaries (together, the "Companies") in 1998 and 1997.

Investments in 3 associated companies (companies owned 20% to 50%) are accounted for by the equity method. Investments in other subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

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

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profits included in assets resulting from transactions within the Companies are eliminated.

b. Construction Contracts

Income on contracts in the amount of more than ¥5 billion and having a construction duration of more than 18 months is recognized on the percentage-of-completion method in the ratio that costs incurred bear to total estimated costs. Under this method, related costs and estimated earnings in excess of progress billings are presented as a current asset.

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

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

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

c. Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Company considers all time deposits to be cash equivalents, effective April 1, 1997. Time deposits have original maturities of one year or less and can be withdrawn on demand with no diminution of principal. Reclassifications have been made to the consolidated statement of cash flows for 1997 to conform to classifications used in 1998.

d. Allowance for Doubtful Accounts

Long-term loans and long-term receivables are presented net of specific reserves for doubtful accounts provided for individual customers in the amounts of ¥4,296 million ($32,546 thousand) and ¥1,512 million for the years ended March 31, 1998 and 1997, respectively.

An additional allowance for doubtful accounts is provided as a general reserve for possible losses arising from non-collection of notes, accounts and loans receivable and is calculated based on the maximum amount allowable for tax purposes.

e. Foreign Currency Translations

Short-term receivables and payables (including the current portion of long-term debt) denominated in foreign currencies are translated into Japanese yen at rates prevailing at the respective balance sheet dates.

Long-term receivables and payables denominated in foreign currencies are translated into Japanese yen at rates prevailing at the transaction dates except for those which are translated using the exchange rates set forth in the applicable forward exchange contract.

Foreign exchange gains and losses are recognized in the fiscal periods in which they occur.

The financial statements of foreign subsidiaries and associated companies are translated into Japanese yen at the exchange rates in effect at their respective balance sheet dates in compliance with Japanese accounting practices. "Translation adjustments" in the consolidated financial statements result from such accounting practices.

f. Marketable and Investment Securities

Marketable securities and other investment securities are, in principle, stated at cost as determined by the moving-average method. However, where the market value declines to less than half of the carrying value and such decline is deemed to be other than temporary, the value of the securities is written down to market. Major investments in associated companies (20% to 50% ownership interests) are accounted for by the equity method.

g. Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is computed using the declining-balance method except for leased property owned by a certain leasing subsidiary which is computed using the straight-line method, based on the estimated useful lives of the assets.

h. Leases

All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's consolidated financial statements. The disclosure requirements of these new standards are being applied on a step-by-step basis beginning with the fiscal year starting on April 1, 1997, with full implementation expected for the fiscal year starting on April 1, 1998.

i. Income Taxes

Income taxes are provided for amounts currently payable for each year. The tax effect of temporary differences between financial and tax reporting has not been recognized in the consolidated financial statements.

j. Retirement Benefits

The Company's provision for employees' retirement benefits is calculated to state the liability at the actuarially computed present value of severance payment costs for employees eligible for severance payments at each balance sheet date, less the amount funded in the pension plan.

The amounts contributed to the fund, including prior service costs, are charged to income when paid.

Retirement benefits to directors and corporate auditors are provided at the amount which would be required based on the Company's regulations, if all directors and corporate auditors terminated their offices at the end of each period.

3. Transactions with Non-Consolidated Subsidiaries and Associated Companies

Significant transactions with and balances due from/(to) non-consolidated subsidiaries and associated companies at March 31, 1998 and 1997, are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	**1998**
Transactions—construction contract revenues	**¥39,243**	¥17,091	**$297,295**
Due from/(to):			
Notes and accounts receivable—trade	**2,122**	1,415	**16,076**
Short-term loans included in "Prepaid expenses and other"	**4,421**	6,643	**33,492**
Long-term loans	**987**	5,247	**7,477**
Long-term receivables	**6,484**		**49,121**
Notes and accounts payable—trade	**(971)**	(1,998)	**(7,356)**

The Company has guaranteed the indebtedness of certain non-consolidated subsidiaries and associated companies in the amount of ¥23,625 million ($178,977 thousand) at March 31, 1998.

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, 1998 and 1997, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	**1998**
Costs and estimated earnings	**¥226,707**	¥230,860	**$1,717,477**
Amounts billed	**(200,546)**	(167,240)	**(1,519,288)**
Total	**¥ 26,161**	¥ 63,620	**$ 198,189**

Costs of construction contracts in process which are accounted for by the completed-contract method at March 31, 1998 and 1997, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	**1998**
Costs incurred	**¥43,172**	¥38,866	**$327,061**
Amounts billed	**(22,388)**	(17,375)	**(169,606)**
Total	**¥20,784**	¥21,491	**$157,455**

5. Marketable and Investment Securities

The carrying amounts of marketable securities, debt securities and the related aggregate market values excluding certain securities for which market information was not available and without any risk of market price fluctuation at March 31, 1998 and 1997, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	**1998**
Current:			
Carrying amount	**¥42,539**	¥49,300	**$322,265**
Aggregate market value	**40,829**	52,704	**309,311**
Net unrealized gain (loss)	**¥ (1,710)**	¥ 3,404	**$ (12,954)**
Non-current:			
Carrying amount	**¥ 5**	¥ 5	**$ 38**
Aggregate market value	**2**	5	**15**
Net unrealized gain (loss)	**¥ (3)**	¥ 0	**$ (23)**

6. Short-Term Bank Loans and Long-Term Debt

Short-term bank loans at March 31, 1998, bear interest principally at 1.6% per annum.

Long-term debt at March 31, 1998 and 1997, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	**1998**
Long-term loans from banks and insurance companies, maturing serially through 2010, with interest rates at 1.87% to 7.70%:			
Collateralized	**¥3,055**	¥ 3,429	**$23,144**
Uncollateralized	**6,358**	7,743	**48,167**
Total	**9,413**	11,172	**71,311**
Current portion	**(1,844)**	(2,771)	**(13,970)**
Total	**¥7,569**	¥ 8,401	**$57,341**

Annual maturities of long-term loans from banks and insurance companies are as follows:

Years Ending March 31,	Millions of Yen	Thousands of U.S. Dollars
1999	¥1,844	$13,970
2000	2,271	17,205
2001 and thereafter	5,298	40,136
Total	¥9,413	$71,311

The following assets were pledged as collateral for long-term loans at March 31, 1998:

	Millions of Yen	Thousands of U.S. Dollars
Marketable securities	¥2,788	$21,121
Notes and accounts receivable—trade	1,684	12,758
Property, plant and equipment	1,635	12,386
Other assets	339	2,568
Total	¥6,446	$48,833

7. Retirement and Pension Plan

Employees who terminate their services with the Company are, under most circumstances, entitled to receive lump-sum retirement benefits based upon their rate of pay at the time of termination, years of service and certain other factors.

However, an employee who terminates at the age of over 50 years old with service of at least 20 years is entitled to receive an annuity from the trustee under the pension plan which covers such employees. If the annuity does not reach the level of total retirement benefits due, the remainder would be paid by the Company.

Certain consolidated subsidiaries also have severance payment and pension plans similar to those of the Company.

Retirement benefits at March 31, 1998, include retirement benefits to directors and corporate auditors in the amount of ¥1,226 million ($9,288 thousand). The retirement benefits to directors and corporate auditors are paid subject to the approval of the shareholders.

The assets of the fund as of March 31, 1998, totaled ¥8,457 million ($64,068 thousand).

Severance and pension expenses aggregated ¥2,277 million ($17,250 thousand) and ¥2,225 million for the years ended March 31, 1998 and 1997, respectively.

8. Shareholders' Equity

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

Under the Code, amounts equal to at least 10% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each fiscal period must be set aside as a legal reserve until such reserve equals 25% of stated capital. This reserve is not available for dividends but may be used to reduce a deficit or may be transferred to stated capital.

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

9. Income Taxes

The Company and its domestic consolidated subsidiaries are subject to a corporate tax, inhabitants tax and enterprise tax, all based on income, which in the aggregate resulted in a normal effective statutory tax rate of approximately 52% for the years ended March 31, 1998 and 1997.

Foreign subsidiaries are subject to income taxes of the countries in which they operate.

The effective tax rates in the consolidated statements of operations differ from the normal effective statutory tax rates primarily due to the effect of timing differences and the effect of permanently non-deductible expenses.

Under the current Japanese tax regulations, a net operating loss can be carried forward for five years and deducted from any taxable income. The Company has a net operating loss carryforward of approximately ¥54,230 million ($410,833 thousand) at March 31, 1998.

The net operating loss carryforwards, if not utilized, will expire as follows:

Years Ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2002	¥35,381	$268,038
2003	18,849	142,795
Total	¥54,230	$410,833

10. Revenues—Other

Revenues—other consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	**1998**
Gain on sales of property, plant and equipment	**¥1,388**		**$10,515**
Other	**512**	¥696	**3,878**
Total	**¥1,900**	¥696	**$14,393**

11. Costs and Expenses—Other

Costs and expenses—other consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	**1998**
Loss on sales of marketable securities—net	**¥1,799**		**$13,629**
Loss on devaluation of marketable securities	**1,672**		**12,667**
Provision for financial support to a subsidiary	**1,481**		**11,220**
Damage settlement		¥1,200	
Other	**1,439**	608	**10,901**
Total	**¥6,391**	¥1,808	**$48,417**

12. Leases

Income from equipment leases for the years ended March 31, 1998 and 1997, was ¥475 million ($3,598 thousand) and ¥583 million, respectively.

The Company leases certain machinery, computer equipment, office space and other assets, and a certain subsidiary has a leasing operation. Total rental expenses under the above leases were ¥232 million ($1,758 thousand) and ¥380 million for the years ended March 31, 1998 and 1997, respectively.

Pro forma information as lessor and lessee 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 year ended March 31, 1998, was as follows:

	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	¥ 398	¥33	$3,015	$250
Due after one year	909	7	6,886	53
Total	¥1,307	¥40	$9,901	$303

The amounts of unearned lease income and obligations under finance leases include the imputed interest income portion and interest expense portion, respectively.

13. Segment Information

Japanese accounting standards on the disclosure of segment information are applied on a step-by-step basis beginning with fiscal years starting on or after April 1, 1995, with full implementation expected for fiscal years starting on or after April 1, 1997. Retroactive restatement is not required.

Information about foreign operations and sales to foreign customers of the Company and consolidated subsidiaries for the years ended March 31, 1998 and 1997, was as follows:

(1) Foreign Operations

	Millions of yen						
Year Ended March 31, 1998	Japan	Asia	Europe	North America	Subtotal	Eliminations (Corporate)	Consolidated
Construction contract revenue:							
Outside customers	**¥287,979**	**¥11,794**	**¥ 62**	**¥3,641**	**¥303,476**		**¥303,476**
Intersegment	**29,958**	**2,486**	**2,861**	**281**	**35,586**	**¥(35,586)**	
Total	**317,937**	**14,280**	**2,923**	**3,922**	**339,062**	**(35,586)**	**303,476**
Operating expenses	**357,456**	**17,001**	**2,908**	**3,761**	**381,126**	**(35,091)**	**346,035**
Operating profit (loss)	**¥ (39,519)**	**¥ (2,721)**	**¥ 15**	**¥ 161**	**¥ (42,064)**	**¥ (495)**	**(42,559)**
Other income and expenses—net							**(5,808)**
Loss before income taxes and other items							**¥ (48,367)**
Assets	**¥271,078**	**¥ 6,217**	**¥ 363**	**¥2,761**	**¥280,419**	**¥ (286)**	**¥280,133**

	Thousands of U.S. Dollars						
Year Ended March 31, 1998	Japan	Asia	Europe	North America	Subtotal	Eliminations (Corporate)	Consolidated
Construction contract revenue:							
Outside customers	**$2,181,659**	**$ 89,349**	**$ 470**	**$27,583**	**$2,299,061**		**$2,299,061**
Intersegment	**226,955**	**18,833**	**21,674**	**2,129**	**269,591**	**$(269,591)**	
Total	**2,408,614**	**108,182**	**22,144**	**29,712**	**2,568,652**	**(269,591)**	**2,299,061**
Operating expenses	**2,708,000**	**128,796**	**22,030**	**28,492**	**2,887,318**	**(265,841)**	**2,621,477**
Operating profit (loss)	**$ (299,386)**	**$ (20,614)**	**$ 114**	**$ 1,220**	**$ (318,666)**	**$ (3,750)**	**(322,416)**
Other income and expenses—net							**(44,001)**
Loss before income taxes and other items							**$ (366,417)**
Assets	**$2,053,621**	**$ 47,098**	**$ 2,750**	**$20,917**	**$2,124,386**	**$ (2,166)**	**$2,122,220**

Notes: 1. The Company and consolidated subsidiaries are summarized in four segments by geographic area based on the countries where the Companies are located.
The segments consisted of the following countries:
Asia: Indonesia, Singapore
Europe: United Kingdom
North America: United States of America
2. Corporate assets mainly consist of long-term loans and investment securities of the Company. Corporate assets as of March 31, 1998, were ¥12,656 million ($95,879 thousand).

	Millions of Yen				
Year Ended March 31, 1997	Domestic	Overseas	Subtotal	Eliminations (Corporate)	Consolidated
Construction contract revenue:					
Outside customers	¥429,880	¥15,470	¥445,350		¥445,350
Intersegment	46,029	7,083	53,112	¥(53,112)	
Total	475,909	22,553	498,462	(53,112)	445,350
Operating expenses	525,949	24,668	550,617	(51,912)	498,705
Operating loss	¥ (50,040)	¥ (2,115)	¥ (52,155)	¥ (1,200)	(53,355)
Other income and expenses—net					3,050
Loss before income taxes and other items					¥ (50,305)
Assets	¥343,684	¥ 9,836	¥353,520	¥ (2,983)	¥350,537

(2) Sales to Foreign Customers

	Millions of Yen			
Year Ended March 31, 1998	Asia	The Near and Middle East	Other	Total
Overseas sales (A)	**¥97,983**	**¥101,580**	**¥14,965**	**¥214,528**
Consolidated sales (B)				**303,476**
(A)/(B)	**32.29%**	**33.47%**	**4.93%**	**70.69%**

	Thousands of U.S. Dollars			
Year Ended March 31, 1998	Asia	The Near and Middle East	Other	Total
Overseas sales (A)	**$742,295**	**$769,546**	**$113,371**	**$1,625,212**
Consolidated sales (B)				**2,299,061**

Note: The Company and consolidated subsidiaries are summarized in three segments by geographic area based on the countries where the Companies are located.
The segments consist of the following countries:
Asia: Indonesia, Singapore, Malaysia, etc.
The Near and Middle East: Qatar, Oman, Saudi Arabia, etc.
Other: Turkmenistan, Slovakia, etc.

Year Ended March 31, 1997	Millions of Yen
Overseas sales (A)	¥265,168
Consolidated sales (B)	445,350
(A)/(B)	59.56%

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 the related regulations.

14. Subsequent Event

The following proposed disposition of accumulated deficit of the Company at March 31, 1998, was approved at the shareholders' meeting held on June 26, 1998:

	Millions of Yen	Thousands of U.S. Dollars
Balance of accumulated deficit at March 31, 1998	¥30,260	$229,242
Accumulated deficit to be carried forward	30,260	229,242

15. Per Common Share Information

Net loss per common share is based upon the weighted average number of shares outstanding during each year. The average number of common shares used in the computation was 195,224 thousand shares for 1998 and 1997.

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

Opinion of Independent Public Accountants

Deloitte Touche Tohmatsu

Independent Auditors' Report

To the Board of Directors and Shareholders of Chiyoda Corporation:

We have examined the consolidated balance sheets of Chiyoda Corporation and consolidated subsidiaries as of March 31, 1998 and 1997, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards generally accepted in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Chiyoda Corporation and consolidated subsidiaries as of March 31, 1998 and 1997, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan applied on a consistent basis.

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

Deloitte Touche Tohmatsu

June 26, 1998

Deloitte Touche
Tohmatsu
International

Corporate Directory

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Fax: 95-1-579870

Kellogg-Chiyoda Service Ltd.
c/o W.S. Walker & Company,
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P.O. Box 265G George Town,
Grand Cayman, Cayman Island

(As of August 1, 1998)

Corporate Data

Established
January 20, 1948

Number of Employees
2,825

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

Paid-in Capital
¥14,753,322,890

Capital Stock Issued
195,224,059 shares

Number of Shareholders
12,532

Stock Exchange Listings
Tokyo, Osaka

Transfer Agent of Common Stock
The Mitsubishi Trust and Banking Corporation
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(As of March 31, 1998)

CHIYODA CORPORATION

Printed in Japan