ENGINEERING A BETTER TOMORROW

CHIYODA CORPORATION

ANNUAL REPORT 1999

Fiscal Year Ended March 31, 1999

Consolidated Financial Highlights

Chiyoda Corporation and Consolidated Subsidiaries
Years ended March 31, 1999 and 1998

	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	**1999**
For the Year:			
Revenue from construction contracts	**¥312,234**	¥303,476	**$2,601,950**
Net loss	**11,623**	51,795	**96,858**
At Year-End:			
Total assets	**¥213,920**	¥257,746	**$1,782,666**
Long-term debt	**13,518**	7,569	**112,650**
Total shareholders' equity	**6,208**	5,931	**51,733**
Per Common Share (Yen and U.S. Dollars):			
Net loss	**¥ 58**	¥ 265	**$ 0.48**

Note: The U.S. dollar amounts are given solely for convenience and have been calculated at the rate of ¥120 to US$1, the approximate rate of exchange prevailing at March 31, 1999.

Contents

Since its foundation in 1948, Chiyoda Corporation has earned a strong reputation as a global engineering company, with roots in the hydrocarbon processing industry. Leveraging its vast accumulated experience, Chiyoda has set its sights on becoming an integrated 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 systems, pharmaceutical manufacturing, food processing, factory automation, automotive plants, theme parks, and aerospace development. To better serve globally competitive markets, Chiyoda believes in continuous renewal to realize its mission of becoming the engineering company of choice for customers worldwide.

The Year in Review

For Chiyoda, fiscal 1999, ended March 31, 1999, was characterized by major strides toward a fresh start in the 21st century. Chiyoda completed virtually all unprofitable large-scale projects and continued to streamline operations by trimming its headquarters' functions and enhancing efficiency across its value chain.

The Company became profitable in completed projects for the first time in two fiscal years and set the stage for growth in the 21st century. Among other notable developments, KBR-MC Investment, a joint venture between Mitsubishi Corporation and Kellogg Brown & Root, Inc. (KBR), became an equity partner in Chiyoda and will join Mitsubishi Corporation and the Bank of Tokyo-Mitsubishi, Ltd., in implementing Chiyoda's ongoing renewal program.

Naoyoshi Uehara
Chairman (left),

Kiyomitsu Nishio
President

Chiyoda is on a clear path toward becoming the engineering and construction company of choice, with globally recognized capabilities, and the Company is bringing all its resources into alignment with this vision.

Dear shareholders, employees, and friends,

I succeeded Masato Kitagawa as president of Chiyoda Corporation on May 1, 1999. In addition to looking back over the past year's performance, I would like to convey our vision of a new Chiyoda that has the competitive edge to succeed in the next millennium.

I am pleased to report that we made notable progress in several key areas toward restoring Chiyoda's financial soundness during fiscal 1999, ended March 31, 1999. In brief, our objectives were:

- To complete unprofitable large-scale projects
- To implement appropriate provisions for the amortization of nonperforming assets
- To reinforce sound managerial principles in our subsidiaries and affiliates
- To implement the necessary measures to streamline the headquarters' operations

In summary, our goal was to provide a fresh start for fiscal 2000 and not carry forward the burdens of the past.

I believe that we have accomplished most of our objectives; however, the process has not come without some bitter medicine. We have had to sell off certain major assets and realize losses on our investment securities. Although we recorded revenues of ¥278.0 billion from completed projects and became profitable in completed projects for the first time in two fiscal years, I am by no means satisfied with these results. We posted a net loss of ¥11.6 billion for fiscal 1999, and I regret to inform our shareholders that once again we will not be paying dividends for the year.

Looking forward, the continued weakness in the domestic market, and in Asian markets in general, presents a significant challenge for new orders in fiscal 2000.

Project cancellations, postponements, and reduced capital spending by our clients have characterized our primary markets for the last three years. This trend looks to continue through fiscal 2000. Our challenge will be to produce opportunities through innovative contracting arrangements and technology.

In consideration of the prevailing conditions described above and to support operations during fiscal 2000, we have received a capital increase from third parties of ¥11.3 billion. Allow me to express my sincere gratitude to Mitsubishi Corporation, the Bank of Tokyo-Mitsubishi, Ltd., and other shareholders for supporting us with additional capital during these difficult times. In addition, Chiyoda has received equity participation from KBR-MC Investment, a joint venture between Mitsubishi Corporation and Kellogg Brown & Root, Inc. (KBR). I am pleased to report that KBR will join Mitsubishi Corporation and the Bank of Tokyo-Mitsubishi in helping Chiyoda continue its renewal process.

There are many challenges facing the new Chiyoda. As president, I have prioritized our goals as follows:

- To post net positive income on a non-consolidated basis during fiscal 2000
- To stress client satisfaction at all levels of the organization to foster customer loyalty
- To provide differentiation through a technology- and market-oriented focus that aggressively acquires and leverages technology
- To build a dynamic organization and develop employees with the skill sets to compete in global markets
- To put in place an effective and motivated management team that will ensure the continuity and success of the Company
- To make an enterprisewide effort to raise our participation in environmental protection projects

Our goal is to become the engineering and construction company of choice, with globally recognized capabilities. We are bringing all our resources into alignment with this vision. We have reinforced the importance of strengthening the capabilities of all employees, leveraging our technology portfolio, and acquiring new technologies with global potential. At the same time, we are fostering closer relationships with customers to better understand their requirements and thus improve our ability to serve those needs more accurately and faster. This proactive approach to our business is at the core of the dynamic organization we are becoming.

Meanwhile, finding solutions to environmental problems is a key issue both in Japan and around the world. It is Chiyoda's social responsibility as a leading engineering and construction company to answer these needs. I am proud to note that Chiyoda boasts a number of superior technologies, and we are now realigning our sales network to have "One face to the customer" in addressing such evolving market requirements.

I would like to take this opportunity to comment on our Y2K readiness. With reference to Japanese government Y2K compliance guidelines, we have created a task force to address the Y2K challenge and formulated appropriate countermeasures. These countermeasures have been designed to ensure Y2K readiness in all internal systems and prevent Y2K-related problems in plant equipment and current projects. We have already attained Y2K compliance in all internal systems and are working toward fulfillment of the remaining countermeasures.

In closing, I would like to express my appreciation to our shareholders and employees for your support and understanding. The road ahead will be difficult; however, with your continued support I am confident that we can establish Chiyoda as a global leader in the 21st century.

July 1999

Kiyomitsu Nishio
President

Chiyoda's HPI Consolidated Division is leveraging its distinctive competence in engineering to be a long-term partner to its customers by participating in projects in petroleum and other industries from the earliest phases of project development.

Petroleum-, Petrochemical-, and Gas-Related Industries

Hydrocarbon Sector

In Ras Laffan, Qatar, Chiyoda completed the third train at an LNG plant operated by Qatar Liquefied Gas Company Limited, which granted provisional acceptance to Chiyoda on January 31, 1999. LNG produced at this plant will be exported to four electric power and three gas companies in Japan.

In the HPI Consolidated Division, Southeast Asian markets continued to suffer the effects of financial and economic crises precipitated by the currency depreciations that began in late 1997. Investment in new projects has been delayed throughout the region as well in Latin America and the CIS region, while slack demand has led to a drop in crude oil prices. In our key markets of the Middle East and Southeast Asia, capital tie-ups between major petrochemical companies in the United States and Europe have led to a revision of several large projects.

To strengthen our competitive edge under such difficult conditions, Chiyoda has been applying Engineering Procurement Consumption Management (EPCM) guidelines to our hydrocarbon business. EPCM has already proven successful in the Non-HPI Consolidated Division and will help create a business structure that is resistant to any fluctuation in market conditions. At the same time, we will be further enhancing our cost-competitiveness by deploying low-cost engineering methodologies.

• Asia and China

Despite the inhospitable market environment in Asia, including China, Chiyoda recorded several noteworthy accomplishments during fiscal 1999. In Malaysia, for example, a large-scale grass-roots oil refinery built for Malaysian Refining Company Sdn Bhd (MRC) in Melaka began commercial production during the year under review. The refinery has a capacity of 100,000 barrels per day.

In Singapore, we won a contract to provide a condensate splitting unit to Shell Eastern Petroleum Pte. Ltd. and Petrochemical Corporation of Singapore.

On March 31, 1999, Chiyoda received provisional acceptance of a grass-roots petroleum refinery from Malaysian Refining Company Sdn Bhd (MRC). With a daily capacity of 100,000 barrels, the conversion-complex refinery consists of 16 units, including a hydrocracker and a delayed coker.

We also completed construction of a Singapore manufacturing plant for Chevron Chemical (Far East) Private Ltd. in October 1998.

In India, we intend to increase our profile in LNG bases for receiving-infrastructure energy and other key areas.

In China, a number of major projects have been postponed or canceled. We are thus focusing on projects in underdeveloped areas of the country.

• Middle East and Africa

Chiyoda has several major projects under way in the Middle East, which remains a strategic area for the Company in terms of business volume. During the year under review, Chiyoda completed the third train with an annual processing capacity of two million tons for an LNG plant built for Qatar Liquefied Gas Company Limited in Ras Laffan, Qatar.

Among other noteworthy developments, we completed a paraxylene and benzene manufacturing facility for Arabian Industrial Fibers Company in Yanbu, Saudi Arabia. The facility's annual capacities of paraxylene and benzene are 375,000 tons and 349,000 tons, respectively.

• Other Regions

In Bratislava, Slovakia, Chiyoda completed a petroleum refinery for Slovnaft A.S. The facility is equipped with a vacuum gas oil hydrotreater that can process 22,000 barrels per day and a 924,000NM^3 per day hydrogen plant. We have received 11 orders for feasibility studies from NEDO, the Ministry of International Trade and Industry, and the Plant Association. Chiyoda will cooperate with its clients to convert the most feasible projects into engineering contracts. In addition, we are encouraged by the prospects of winning orders for natural gas projects in Sakhalin and other parts of Russia.

• Japan

We completed several significant projects in Japan, despite a business climate characterized by a reluctance to invest in new plant and equipment. In the petroleum sector, we completed facilities for the storage and transfer of kerosene and gasoline for Nisseki Engineering Co., Ltd., and a benzene-reduction facility for Shoseki Engineering Co., Ltd. In addition, we completed a capacity expansion project for a chemical plant owned by Kureha Chemical Industry Co., Ltd.

Furthermore, we completed two projects in Ohgishima, in Kawasaki. The first was a pipe-laying contract at a Tokyo Gas Co., Ltd., equipment yard and the other was for uptake pipe facilities for an NKK Corp. factory.

• Outlook and Strategies

Chiyoda is upgrading its capabilities to serve the needs of oil-producing nations, leading petroleum companies, and major chemical companies. We are honing our competitiveness in projects for debottlenecking and upgrading existing facilities as well as upstream contracts for crude oil and natural gas field development. We are moving up the value chain and participating in our clients' projects in petroleum and other industries from the earliest planning phases.

Changes to regulations in Japan concerning the inspection of facilities are creating new opportunities for Chiyoda to provide consulting on effective strategies for facilities management and maintenance. Our approach to business in the future will be to leverage our distinctive competence in engineering to be a partner in the long-term business planning of our customers.

• Technology Spotlight

Chiyoda's skills in the engineering and construction of bisphenol plants using CT-BISA processes and acetic acid plants using Acetica processes are a key differentiator for the Company. With signs of recovery apparent in Southeast Asia, Chiyoda posted a number of successes during the year under review. In addition, we were contracted to expand the SHELL ADIP process capacity at the Sendai Refinery of Tohoku Oil Co., Ltd., and were awarded orders for pilot plants from public- and private-sector customers. Our outlook for this business is also bright. We are confident that we will be able to win orders for such plants in Korea, China, Taiwan, and the Middle East in the near future.

In January 1999, Chiyoda completed the construction of a benzene reduction facility at the Yamaguchi Refinery of Seibu Oil Company Limited.

NON-HYDROCARBON SECTOR

Chiyoda's Non-HPI Consolidated Division is refocusing its project portfolio on high-value-added businesses. The Company will offer innovative solutions in environmental systems while solidifying its base in automotive plants, theme parks, and other sectors.

Chiyoda completed "Lost Legend," the first live show attraction of its type in Japan, at the Shima Spain Village theme park. A festive demonstration was held to celebrate the opening in February 1999.

During fiscal 1999, Chiyoda's Non-HPI Consolidated Division recorded healthy growth in orders for theme park construction. Developers are striving to keep pace with diversifying consumer needs by refurbishing existing facilities and are thus creating new and multipurpose entertainment and shopping complexes. However, real estate development as a whole continued to be lackluster.

Meanwhile, the worldwide restructuring of the automotive industry has fostered a resurgence in investment in Asia for global-scale manufacturing facilities. Also, Chiyoda posted firm results from manufacturers of pharmaceuticals and food products.

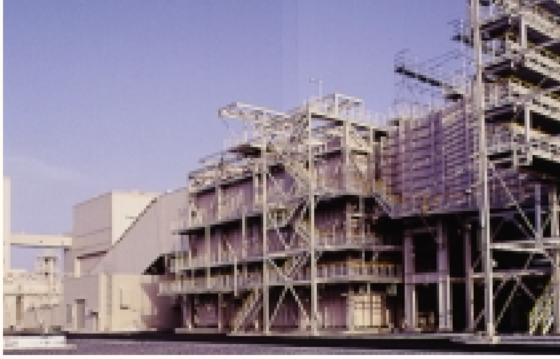
• Environmental Systems

In April 1999, a major plant to convert waste plastic into oil for Rekisei Koyu K.K., in Niigata Prefecture, went into commercial operation, the first of its kind in Japan. Chiyoda intends to leverage this experience to win new contracts in the future. A new law regarding receptacle recycling will come into effect in Japan from April 2000 and should boost demand for facilities to recycle plastic into oil. Regarding activities related to electric power and energy-related fields, Chiyoda is working to win new contracts for emissions and ash processing facilities at thermal power plants. Many existing facilities are over 25 years old and thus Chiyoda is encouraged by the strong latent demand in this area.

• Automotive Plants

In contrast to the exceptionally difficult conditions in the manufacturing sector as a whole, capital investment among automakers has experienced a mild upward trend. By region, rising investment in Europe compensated for the recent sluggishness in Asia. During the year under review,

In April 1999, Chiyoda completed Esso (Zhejiang) Co., Ltd.'s second lubrication oil blending plant in China.



Chiyoda completed construction of the one-million-kilowatt Haramachi thermal power station no. 2 unit for Tohoku Electric Power Co., Inc. The Company constructed and installed Chiyoda Thoroughbred 121 flue gas desulfurization units, gas-gas heaters, and desulfurization fans.

however, the Asian markets outside Japan showed signs of recovery as investment projects in Thailand and other parts of Southeast Asia, China, and India came closer to launch.

Megamergers and capital tie-ups are reshaping the competitive landscape in the automotive industry. We believe that such developments will create opportunities regarding investments to maximize the return on R&D expenditures and enhance the environment-friendliness of vehicles. Apart from the move toward the standardization of vehicle platforms, we do not expect the industry consolidation to have a negative impact on the engineering of vehicle and engine production lines.

During fiscal 1999, Chiyoda received orders from General Motors (Thailand) Ltd. for a mono-cab die plant, from General Motors India Ltd. for a body shop plant, and from Opel Polska Sp. Zo.o for a general assembly plant in Poland.

• Theme Parks and Other Sectors

Although the recession in Japan has hurt theme parks in regional markets, investment in major theme park projects has been robust. Most notably, Chiyoda was awarded a contract for the design, construction, and installation of rides at a major theme park complex being built in Japan. Investments in other major projects are also expected to create a favorable environment for Chiyoda.

We aim to compensate for eventual downturns in the investment cycle by winning contracts for renewing and enhancing theme parks. A number of large amusement complexes are being planned in Southeast Asia, China, and the Middle East. We anticipate that such projects will be launched in tandem with economic recovery in those regions.

During the year under review, we were awarded a contract by the Department of Foreign Affairs and International Trade to build housing facilities for the Canadian embassy in Japan.

• Pharmaceuticals and Fine Chemicals

Pharmaceutical companies have been investing intensively to make their facilities compliant with global standards for safety. Chiyoda is at the forefront of these developments and is meeting client needs for the design and construction of new plants that conform to the trend toward the international harmonization of regulatory standards.

In the fine chemical area, capital investment by producers of monomers and other bulk chemicals in Asian markets outside Japan was down as a result of general economic malaise. However, capital expenditures are rising in higher-value-added fine chemicals, particularly in Japan. We expect that stronger companies will continue to invest aggressively and boost the number of orders awarded to Chiyoda.

During fiscal 1999, Chiyoda received six orders for medium-sized projects for pharmaceuticals as well as a contract to build a factory in Hyogo Prefecture for Unitika, Ltd.

• Space Development

In the area of space development, Chiyoda is providing equipment for the Japanese Experimental Module of an international space station to the National Space Development Agency of Japan (NASDA). The station is scheduled to become operational in 2001. We expect to generate modest, but stable, orders for facilities in which experiments will be conducted on plant and animal cells under microgravity conditions.

• Technology Spotlight

The expanding market for products with environment-friendly features is attracting attention in both business communities and local governments. Chiyoda has been riding this trend to win orders for its CT-121 desulfurization and anti-emission equipment, Bio Finer water processing equipment, and CTG construction methods.

Chiyoda has transferred its CT-121 technologies to contractors in Europe and Korea, which will generate royalty income in the future. We are optimistic about securing a contract for the basic design and licensing of CT-121 in Europe in fiscal 2000. In a related area, we are developing technologies to decompose dioxins during refuse processing.

In August 1998, Chiyoda completed the first copper smelting plant in Indonesia and handed it over to P.T. Smelting Company, a subsidiary of Mitsubishi Materials Corp. Equipped with the latest technologies, the plant has an annual output of 200,000 metric tons.

As of March 31, 1999

PETROLEUM-, PETROCHEMICAL-, AND GAS-RELATED INDUSTRIES

HYDROCARBON SECTOR

NEW CONTRACTS

- **Shell Eastern Petroleum Pte. Ltd.**
  Project type: Condensate Splitter Unit
  Location: Bukom, Singapore
  Capacity: 70,000 BPSD
  Scheduled completion: June 2000

- **Kureha Chemical Industry Co., Ltd.**
  Project type: Petrochemical plant
  Location: Fukushima, Japan
  Capacity: Capacity-up 5,000 t/y
  Scheduled completion: October 1999

- **Tokyo Electric Power Company**
  Project type: LNG receiving terminal
  Location: Chiba, Japan
  Scheduled completion: July 2001

- **Mitsubishi Heavy Industries Ltd./ Toho Gas Co., Ltd.**
  Project type: LNG process piping work
  Location: Aichi, Japan
  Scheduled completion: October 2001

- **BG plc**
  Project type: Front-end engineering design for LNG receiving terminal
  Location: Pipavav, India
  Capacity: 2.5 million t/y
  Scheduled completion: September 1998

BACKLOG OF CONTRACTS

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

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

- **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

- **State Concern Azerchimia**
  Project type: Utility modernization of ethylene plant
  Location: Sumgait, Azerbaijan
  Scheduled completion: March 2001

- **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

- **Ministry of Oil and Gas Industry and Mineral Resources**
  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 hydro-treater), 750,000 t/y (reformer with CCR)
  Scheduled completion: December 1999

- **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

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

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

- **Teijin Polycarbonate Singapore Pte. Ltd.**
  Project type: Polycarbonate plant
  Location: Sakra, Singapore
  Capacity: 60,000 t/y
  Scheduled completion: 1999

- **Fuji Oil Co., Ltd.**
  Project type: Air pre-heater unit
  Location: Chiba, Japan
  Capacity: Flue gas 53,500 kg/h, air 47,200 kg/h
  Scheduled completion: June 1999

- **Oita LNG Co., Inc.**
  Project type: Piping facilities expansion
  Location: Oita, Japan
  Capacity: 140,000 kl (storage)
  Scheduled completion: June 1999

PROJECTS COMPLETED

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

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

- **Chevron Chemical (Far East) Private Ltd.**
  Project type: Lubricant additives manufacturing plant
  Location: Pulau Sakra, Singapore
  Capacity: More than 100,000 t/y
  Completion: August 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
  Completion: June 1998

- **Seibu Oil Company Limited**
  Project type: Sulfolane extraction unit
  Location: Yamaguchi, Japan
  Capacity: 453 t/d
  Completion: November 1998

- **Nippon Steel Corporation/Nihonkai LNG Co., Ltd.**
  Project type: Piping work for LNG
  Location: Niigata, Japan
  Completion: August 1998

NON-HYDROCARBON SECTOR

NEW CONTRACTS

- **Sumika Fine Chemicals Co., Ltd.**
  Project type: Bulk pharmaceutical plant
  Location: Okayama, Japan
  Scheduled completion: November 1999

- **Central Glass Co., Ltd.**
  Project type: Bulk pharmaceutical plant
  Location: Yamaguchi, Japan
  Capacity: 800 t/y
  Scheduled completion: March 2000

- **Konica Corporation**
  Project type: Electronic device products plant
  Location: Hyogo, Japan
  Scheduled completion: November 1999

- **Oriental Land Co., Ltd.**
  Project type: Ride attractions (theme park)
  Location: Chiba, Japan
  Scheduled completion: August 2001

- **Opel Polska Sp. Zo.o**
  Project type: G/A shop
  Location: Gliwice, Poland
  Capacity: 54,000 vehicles/y
  Scheduled completion: January 2000

- **General Motors (Thailand) Ltd.**
  Project type: Die/Body & G/A shop
  Location: Rayong, Thailand
  Capacity: 45,000 vehicles/y
  Scheduled completion: May 2000

- **General Motors India Ltd.**
  Project type: Body shop
  Location: Halol, India
  Capacity: 14,000 vehicles/y
  Scheduled completion: December 1999

- **Department of Foreign Affairs and International Trade**
  Project type: Canadian embassy staff quarters
  Location: Tokyo, Japan
  Capacity: 4,950 m^2 (total floor area)
  Scheduled completion: February 2000

BACKLOG OF CONTRACTS

- **Kirin Kunpeng (China) Bio-Pharmaceutical Co., Ltd.**
  Project type: Parenteral drug facility
  Location: Pudong new area, Shanghai, China
  Scheduled completion: September 1999

- **Dainippon Pharmaceutical Co., Ltd.**
  Project type: Solid dosage formulation facility
  Location: Mie, Japan
  Scheduled completion: April 1999

- **Kuraray Co., Ltd.**
  Project type: Multipurpose organic synthesis plant
  Location: Niigata, Japan
  Scheduled completion: November 1998

- **Hokuriku Electric Power Company**
  Project type: Expansion of water treatment facilities
  Location: Fukui, Japan
  Capacity: 1,200 m^3/d
  Scheduled completion: October 2000

- **Comany (Nanjing) Industries Co., Ltd.**
  Project type: Paint facility for partition wall
  Location: Nanjing, China
  Scheduled completion: September 1999

- **Japan Nuclear Fuel Ltd.**
  Project type: Utility facility
  Location: Aomori, Japan
  Scheduled completion: January 2003

- **Sumitomo Metal Mining Co., Ltd.**
  Project type: Installation of vessels for separation facility
  Location: Aomori, Japan
  Scheduled completion: August 2001

- **DMAX Ltd.**
  Project type: Greenfield engine plant
  Location: Moraine, Ohio, U.S.A.
  Capacity: 200,000 units/y
  Scheduled completion: December 1998

- **National Space Development Agency of Japan (NASDA)**
  Project type: Development of image processing unit
  Location: Japan
  Scheduled completion: August 2000

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

- **Kaihatsu Denki Co., Ltd.**
  Project type: Ash handing facility
  Location: Kanagawa, Japan
  Scheduled completion: August 2002

PROJECTS COMPLETED

- **Tohoku Electric Power Co., Inc.**
  Project type: Boiler flue gas desulfurization plant
  Location: Fukushima, Japan
  Capacity: 1,000 MW
  Completion: July 1998

- **Esso (Tianjin) Co., Ltd.**
  Project type: LOBP
  Location: Tianjin, China
  Capacity: 250,000 t/y
  Completion: September 1998

- **Esso (Zhejiang) Co., Ltd.**
  Project type: LOBP
  Location: Ningbo, China
  Capacity: 270,000 t/y
  Completion: November 1998

- **P.T. Smelting Company**
  Project type: Copper smelter and refinery complex
  Location: Gresik, East Java, Indonesia
  Capacity: 200,000 metric tons of cathode copper/y
  Completion: August 1998

- **Myanmar Ivanhoe Copper Company Ltd.**
  Project type: SX-EW process copper plant
  Location: Monywa, Myanmar
  Capacity: 25,000 metric tons of cathode copper/y
  Completion: November 1998

- **Teijin Limited**
  Project type: Pharmaceutical research center
  Location: Yamaguchi, Japan
  Completion: October 1998

- **Teijin Limited**
  Project type: Biological research center
  Location: Tokyo, Japan
  Completion: August 1998

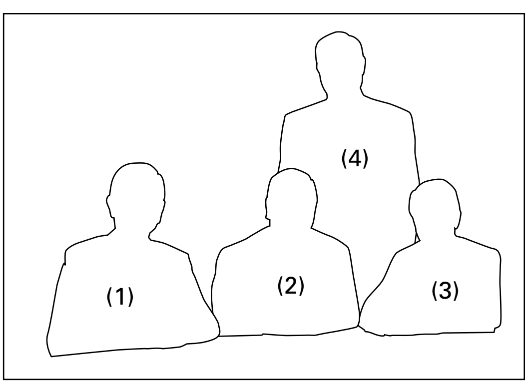
- **Shima Spain Village Co., Ltd.**
  Project type: Theater attraction
  Location: Mie, Japan
  Capacity: 2,600 persons/1 show
  Completion: February 1999

- **Opel Polska Sp. Zo.o**
  Project type: G/A shop
  Location: Gliwice, Poland
  Capacity: 70,000 vehicles/y
  Completion: September 1998

- **Isuzu Motors Polska Sp. Zo.o**
  Project type: Procurement service of engine plant
  Location: Tychy, Poland
  Capacity: 300,000 units/y
  Completion: January 1999

- **P.T. Astra Isuzu Casting Corporation**
  Project type: Casting factory
  Location: Karawang, Indonesia
  Capacity: 12,000 t/y
  Completion: June 1998

- **Shonan Unitech Corporation**
  Project type: Stamping factory
  Location: Fukushima, Japan
  Completion: June 1998



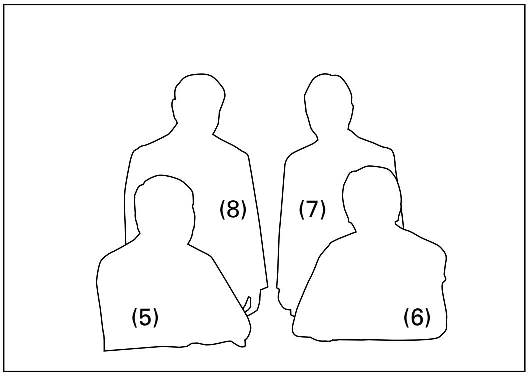
Chairman
Naoyoshi Uehara* (1)

President
Kiyomitsu Nishio* (2)

Executive Vice President
Nicholas C. Gallinaro* (3)

Senior Managing Director
Toshikuni Hirai* (4)

*Representative Director



Managing Directors

Hiroshi Ohtsuka	(5)
Minoru Matsushima	(6)
Nobuo Seki	(7)
Naotake Naritomi	(8)

Directors
Albert J. Stanley
Shoei Kaneko
Ken Suzuki
Yoshihiro Shirasaki
Takashi Kubota
Yoshio Ishiwata
Akira Kadoyama
Yosuke Norimitsu
Hiroshi Kobayashi
Masato Miyamori

Corporate Auditors
Michihiko Kawana
Hisatomi Uga
Kazuo Takayanagi
Tsuneyoshi Kajiwara

(As of June 29, 1999)

Financial Section
Consolidated Five-Year Financial Summary

Chiyoda Corporation and Consolidated Subsidiaries
Years ended March 31

	Millions of Yen				
	1999	1998	1997	1996	1995
For the Year:					
Revenues	**¥330,456**	¥308,888	¥451,647	¥395,874	¥346,603
Costs and expenses	**340,990**	358,684	501,952	392,425	337,475
Income (loss) before income taxes and other items	**(10,534)**	(49,796)	(50,305)	3,449	9,128
Net income (loss)	**(11,623)**	(51,795)	(53,320)	1,597	3,813
At Year-End:					
Total assets	**¥213,920**	¥257,746	¥350,537	¥352,913	¥336,422
Total shareholders' equity	**6,208**	5,931	57,761	112,817	112,771
Working capital	**(22,942)**	(29,624)	20,945	74,019	104,795
Current ratio (%)	**87.7**	87.4	107.6	133.4	159.2
Long-term debt	**13,518**	7,569	8,401	8,936	37,081
Per Common Share (Yen):					
Net income (loss)	**¥ (58)**	¥ (265)	¥ (273)	¥ 8	¥ 20
Shareholders' equity	**25**	30	296	578	578
Other Statistics:					
Number of shares outstanding* (thousands)	**248,357**	195,224	195,224	195,224	195,224

*At year-end

Operating Results

In fiscal 1999, ended March 31, 1999, total revenues on a consolidated basis reached ¥330,456 million (US$2,754 million), an increase of 7.0% from the previous fiscal year. Revenue from construction contracts rose ¥8,758 million, or 2.9%, from the previous term, to ¥312,234 million (US$2,602 million), and accounted for 94.5% of total revenues.

The cost of construction contracts decreased 6.3%, to ¥308,703 million (US$2,573 million). The cost of construction contracts as a percentage of construction contract revenues was 98.9%, an improvement of 9.7 percentage points from the previous fiscal year due to the completion of a number of unprofitable projects. Thanks to efforts to streamline operations, selling, general and administrative expenses, at ¥16,480 million (US$137 million), were slightly below the previous year, despite an increase in business volume. As a result, loss before income taxes and other items decreased ¥39,262 million, to ¥10,534 million (US$88 million), and net loss fell ¥40,172 million, to ¥11,623 million (US$97 million). Net loss per common share decreased ¥207 per share from the previous period, to ¥58 (US$0.48). In light of this performance, the Company decided to forgo the payment of dividends for fiscal 1999.

During the term, the Company was awarded a total of ¥83,462 million (US$696 million) in contracts. Overseas contracts accounted for ¥35,347 million (US$295 million), or 42.4% of the total, with domestic contracts making up the remaining ¥48,115 million (US$401 million). The backlog of contracts at March 31, 1999, stood at ¥238,722 million (US$1,989 million), with domestic contracts accounting for ¥115,981 million (US$967 million) of the total and overseas contracts for ¥122,741 million (US$1,023 million).

Financial Position

As of March 31, 1999, total assets amounted to ¥213,920 million (US$1,783 million), ¥43,826 million lower than a year earlier. Underpinning this decline was a ¥42,137 million fall in total current assets, to ¥163,520 million (US$1,363 million). The fall in total current assets was due mainly to a ¥22,169 million downturn in notes and accounts receivable—trade, to ¥37,116 million (US$309 million), and a ¥16,493 million contraction in costs and estimated earnings on long-term construction contracts, to ¥9,668 million (US$81 million). Meanwhile, total investments and other assets rose ¥10,099 million, to ¥35,817 million (US$298 million), primarily from an upswing in long-term receivables—net.

On the other side of the balance sheet, total current liabilities decreased ¥48,819 million, to ¥186,462 million (US$1,554 million), mainly because of reductions in short-term bank loans and notes and accounts payable—trade. As a result, the current ratio was up slightly from the previous fiscal year-end, to 87.7%.

Total shareholders' equity rose ¥277 million, to ¥6,208 million (US$52 million), reflecting a capital increase received during the fiscal year. The shareholders' equity ratio was 2.9%, up slightly from a year earlier.

Cash Flows

Net cash used in operating activities totaled ¥9,508 million (US$79 million), comprising ¥11,623 million (US$97 million) in net loss and ¥4,294 million (US$36 million) in outflows from non-cash adjustments as well as ¥6,409 million (US$53 million) provided by net changes in operating assets and liabilities.

Net cash provided by investing activities amounted to ¥29,951 million (US$250 million), up ¥10,666 million, due primarily to proceeds from sales of property, plant and equipment—net of ¥24,197 million (US$202 million).

Net cash used in financing activities totaled ¥11,362 million (US$95 million), comprising cash outflows for the repayment of short-term bank loans and the repayment of long-term debt, which offset inflows from proceeds from long-term debt and proceeds from the issuance of common stock.

As a result, cash and cash equivalents, end of year, increased ¥9,081 million, to ¥49,130 million (US$409 million).

Consolidated Balance Sheets

Chiyoda Corporation and Consolidated Subsidiaries
March 31, 1999 and 1998

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	1999	1998*	1999
Current Assets:			
Cash	¥ 37,936	¥ 32,812	$ 316,133
Time deposits	11,194	7,237	93,283
Marketable securities (Notes 5 and 6)	40,278	46,454	335,650
Notes and accounts receivable—trade (Notes 3 and 6)	37,116	59,285	309,300
Costs and estimated earnings on long-term construction contracts (Note 4)	9,668	26,161	80,567
Allowance for doubtful accounts	(177)	(413)	(1,475)
Costs of construction contracts in process (Note 4)	18,211	20,784	151,758
Prepaid expenses and other (Note 3)	9,294	13,337	77,450
Total current assets	163,520	205,657	1,362,666
Property, Plant and Equipment (Note 6):			
Land	4,089	6,883	34,075
Buildings and structures	11,022	31,492	91,850
Machinery and equipment	17,342	19,441	144,517
Construction in progress	10	37	83
Total	32,463	57,853	270,525
Accumulated depreciation	(17,880)	(31,482)	(149,000)
Net property, plant and equipment	14,583	26,371	121,525
Investments and Other Assets:			
Investment securities:			
Non-consolidated subsidiaries and associated companies	2,630	4,964	21,917
Other (Note 5)	2,393	2,917	19,942
Total investment securities	5,023	7,881	41,859
Long-term loans—net (Note 3)	3,986	4,309	33,216
Long-term receivables—net (Note 3)	18,501	6,322	154,175
Other investments (Note 6)	8,406	7,012	70,050
Allowance for doubtful accounts	(99)	(78)	(825)
Translation adjustments		272	
Total investments and other assets	35,817	25,718	298,475
Total	¥213,920	¥257,746	$1,782,666

*Reclassified to conform to 1999 classifications
See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	1999	1998*	**1999**
Current Liabilities:			
Short-term bank loans (Note 6)	**¥ 81,311**	¥111,725	**$ 677,592**
Current portion of long-term debt (Note 6)	**3,683**	1,844	**30,692**
Notes and accounts payable—trade	**59,664**	75,870	**497,200**
Advance receipts on construction contracts	**28,216**	32,544	**235,133**
Allowance for financial support to subsidiaries	**2,997**	1,481	**24,975**
Accrued expenses and other	**10,591**	11,817	**88,258**
Total current liabilities	**186,462**	235,281	**1,553,850**
Non-Current Liabilities:			
Long-term debt (Note 6)	**13,518**	7,569	**112,650**
Retirement benefits (Note 7)	**6,952**	8,541	**57,933**
Other non-current liabilities	**62**	156	**517**
Translation adjustments	**34**		**283**
Total non-current liabilities	**20,566**	16,266	**171,383**
Contingent Liabilities (Notes 3 and 11)			
Minority Interest	**684**	268	**5,700**
Shareholders' Equity (Note 8):			
Common stock, ¥50 par value—authorized, 780,000 thousand shares in 1999 and 600,000 thousand shares in 1998; issued and outstanding, 248,357 thousand shares in 1999 and 195,224 thousand shares in 1998	**20,385**	14,753	**169,875**
Additional paid-in capital	**23,654**	18,022	**197,116**
Deficit	**(37,831)**	(26,843)	**(315,258)**
Treasury stock		(1)	
Total shareholders' equity	**6,208**	5,931	**51,733**
Total	**¥213,920**	¥257,746	**$1,782,666**

Consolidated Statements of Operations

Chiyoda Corporation and Consolidated Subsidiaries
Years ended March 31, 1999 and 1998

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	1999	1998*	**1999**
Revenues:			
Construction contracts (Note 3)	**¥312,234**	¥303,476	**$2,601,950**
Interest and dividend income (Note 3)	**1,689**	2,198	**14,075**
Foreign exchange gain—net	**316**	2,743	**2,633**
Gain on sales of property, plant and equipment	**14,663**	1,388	**122,192**
Equity in earnings (loss) of associated companies	**711**	(1,429)	**5,925**
Other	**843**	512	**7,025**
Total revenues	**330,456**	308,888	**2,753,800**
Costs and Expenses:			
Construction contracts	**308,703**	329,446	**2,572,525**
Selling, general and administrative	**16,480**	16,589	**137,333**
Interest	**1,935**	1,845	**16,125**
Provision for doubtful accounts	**1,769**	4,413	**14,742**
Loss on sales of marketable securities	**3,233**	1,799	**26,942**
Provision for loss on investment in subsidiaries and associated companies and investment securities	**1,437**	532	**11,975**
Provision for financial support to subsidiaries	**1,515**	1,481	**12,625**
Additional retirement benefits paid to employees	**3,693**	462	**30,775**
Other (Note 10)	**2,225**	2,117	**18,541**
Total costs and expenses	**340,990**	358,684	**2,841,583**
Loss before Income Taxes and Other Items	**10,534**	49,796	**87,783**
Income Taxes (Note 9)	**1,151**	1,967	**9,592**
Loss before Minority Interest and Equity in Loss of Associated Companies	**11,685**	51,763	**97,375**
Minority Interest in Net Income (Loss) of Associated Companies	**62**	(32)	**517**
Net Loss	**¥ 11,623**	¥ 51,795	**$ 96,858**
	Yen		U.S. Dollars (Note 1)
Net Loss per Common Share (Note 14)	**¥ 58**	¥ 265	**$ 0.48**

*Reclassified to conform to 1999 classifications
See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Chiyoda Corporation and Consolidated Subsidiaries
Years ended March 31, 1999 and 1998

	Thousands	Millions of Yen			
	Shares of Common Stock	Common Stock	Additional Paid-in Capital	(Deficit) Retained Earnings*	Treasury Stock
Balance, April 1, 1997	195,224	¥14,753	¥18,022	¥24,987	¥(1)
Net loss				(51,795)	
Bonuses to directors and corporate auditors				(35)	
Balance, March 31, 1998	195,224	14,753	18,022	(26,843)	(1)
Issuance of common stock (issued on March 30, 1999, at the price of ¥212 per share)	**53,133**	**5,632**	**5,632**		
Net loss				**(11,623)**	
Bonuses to directors and corporate auditors				**(7)**	
Adjustment of retained earnings for newly consolidated subsidiaries				**642**	
Decrease in treasury stock					**1**
Balance, March 31, 1999	**248,357**	**¥20,385**	**¥23,654**	**¥(37,831)**	**¥ 0**

	Thousands of U.S. Dollars (Note 1)			
	Common Stock	Additional Paid-in Capital	Deficit*	Treasury Stock
Balance, March 31, 1998	$122,942	$150,183	$(223,692)	$(8)
Issuance of common stock (issued on March 30, 1999, at the price of $1.77 per share)	**46,933**	**46,933**		
Net loss			**(96,858)**	
Bonuses to directors and corporate auditors			**(58)**	
Adjustment of retained earnings for newly consolidated subsidiaries			**5,350**	
Decrease in treasury stock				**8**
Balance, March 31, 1999	**$169,875**	**$197,116**	**$(315,258)**	**$ 0**

*Reclassified to conform to 1999 classification
See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Chiyoda Corporation and Consolidated Subsidiaries
Years ended March 31, 1999 and 1998

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	1999	1998	**1999**
Operating Activities:			
Net loss	**¥(11,623)**	¥(51,795)	**$ (96,858)**
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	**3,126**	3,767	**26,050**
Reversal of retirement benefits—net	**(1,589)**	(678)	**(13,242)**
Provision for allowance for doubtful accounts—net	**356**	4,257	**2,966**
Provision for financial support to subsidiaries	**1,515**	1,481	**12,625**
Provision for loss on investment in subsidiaries and associated companies and investment securities	**1,437**	530	**11,975**
Gain on sales of property, plant and equipment—net	**(14,626)**	(1,132)	**(121,883)**
Loss on sales of marketable securities—net	**3,233**	1,799	**26,942**
Loss on devaluation of marketable securities	**990**	1,672	**8,250**
Other—net	**1,264**	1,372	**10,533**
Changes in operating assets and liabilities:			
Decrease in notes and accounts receivable and costs and estimated earnings on long-term construction contracts	**20,001**	62,627	**166,675**
Decrease in costs of construction contracts in process	**2,573**	707	**21,442**
Increase in other assets	**(1,456)**	(2,191)	**(12,133)**
Decrease in notes and accounts payable—trade	**(9,061)**	(44,592)	**(75,508)**
Increase (decrease) in advance receipts on construction contracts	**(4,328)**	11,423	**(36,067)**
Decrease in other liabilities	**(1,320)**	(3,435)	**(11,000)**
Net cash used in operating activities	**(9,508)**	(14,188)	**(79,233)**
Investing Activities:			
Proceeds from sales of marketable securities—net	**1,953**	20,364	**16,275**
Proceeds from sales of (purchases of) property, plant and equipment—net	**24,197**	(358)	**201,641**
Net (increase) decrease in investment securities	**1,421**	(249)	**11,842**
Net increase in long-term loans	**(221)**	(472)	**(1,842)**
Net decrease in long-term receivables	**2,601**		**21,675**
Net cash provided by investing activities	**29,951**	19,285	**249,591**
Financing Activities:			
Repayment of short-term bank loans	**(30,414)**	(3,430)	**(253,450)**
Proceeds from long-term debt	**10,000**		**83,333**
Repayment of long-term debt	**(2,212)**	(1,759)	**(18,433)**
Proceed from issuance of common stock	**11,264**		**93,866**
Net cash used in financing activities	**(11,362)**	(5,189)	**(94,684)**
Net Increase (Decrease) in Cash and Cash Equivalents	**9,081**	(92)	**75,674**
Cash and Cash Equivalents, Beginning of Year	**40,049**	40,141	**333,742**
Cash and Cash Equivalents, End of Year	**¥ 49,130**	¥ 40,049	**$ 409,416**
Additional Cash Flow Information:			
Interest paid	**¥ 1,995**	¥ 1,946	**$ 16,625**
Income taxes paid	**1,199**	1,894	**9,992**

See notes to consolidated financial statements.

Chiyoda Corporation and Consolidated Subsidiaries
Years ended March 31, 1999 and 1998

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. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. Also, certain reclassifications have been made to the 1998 financial statements in order for them to conform to the classifications used in 1999. 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 ¥120 to $1, the approximate rate of exchange at March 31, 1999. 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 29 (12 in 1998) majority-owned subsidiaries (together, the “Companies”).

Investments in two (three in 1998) 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.

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

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

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

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

c. Cash and Cash Equivalents

For the 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.

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 ¥5,743 million ($47,858 thousand) and ¥4,296 million for the years ended March 31, 1999 and 1998, 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 the buildings owned by the Company and leased property owned by a certain leasing subsidiary which are computed using the straight-line method, based on the estimated useful lives of the assets. Effective April 1, 1998, the Company adopted the straight-line method of depreciation for the buildings, which, previously, had been depreciated by the declining-balance method. This change was made to provide a more accurate allocation of the cost of the buildings.

The effects of this change were to decrease depreciation by ¥271 million and to decrease income before income taxes by ¥18 million for the year ended March 31, 1999.

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, 1996, with full implementation 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, 1999 and 1998, are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	**1999**
Transactions—construction contract revenues	**¥63,180**	¥39,243	**$526,500**
—interest and dividend income	**195**	416	**1,625**
Due from/(to):			
Notes and accounts receivable—trade	**6,043**	2,122	**50,358**
Short-term loans included in "Prepaid expenses and other"	**1,183**	4,421	**9,858**
Long-term loans	**540**	987	**4,500**
Long-term receivables	**1,410**	6,484	**11,750**
Notes and accounts payable—trade	**(911)**	(971)	**(7,592)**

The Company has guaranteed the indebtedness of certain non-consolidated subsidiaries and associated companies in the amount of ¥16,144 million ($134,533 thousand) at March 31, 1999.

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, 1999 and 1998, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	**1999**
Costs and estimated earnings	**¥161,532**	¥226,707	**$1,346,100**
Amounts billed	**(151,864)**	(200,546)	**(1,265,533)**
Total	**¥ 9,668**	¥ 26,161	**$ 80,567**

Costs of construction contracts in process which are accounted for by the completed-contract method at March 31, 1999 and 1998, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	**1999**
Costs incurred	**¥28,882**	¥43,172	**$240,683**
Amounts billed	**(10,671)**	(22,388)	**(88,925)**
Total	**¥18,211**	¥20,784	**$151,758**

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, 1999 and 1998, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	**1999**
Current:			
Carrying amount	**¥38,950**	¥42,539	**$324,583**
Aggregate market value	**38,541**	40,829	**321,175**
Net unrealized loss	**¥ 409**	¥ 1,710	**$ 3,408**
Non-current:			
Carrying amount	**¥ 9**	¥ 5	**$ 75**
Aggregate market value	**7**	2	**58**
Net unrealized loss	**¥ 2**	¥ 3	**$ 17**

6. Short-Term Debt and Long-Term Debt

Short-term debt at March 31, 1999, bears interest principally at 1.4% per annum.

Short-term debt at March 31, 1999, consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
Collateralized	¥31,434	$261,950
Uncollateralized	49,877	415,642
Total	¥81,311	$677,592

Long-term debt at March 31, 1999 and 1998, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	**1999**
Long-term loans from banks and insurance companies, maturing serially through 2010, with interest rates at 1.87% to 7.70%:			
Collateralized	**¥ 2,220**	¥3,055	**$ 18,500**
Uncollateralized	**14,981**	6,358	**124,842**
Total	**17,201**	9,413	**143,342**
Current portion	**(3,683)**	(1,844)	**(30,692)**
Total	**¥13,518**	¥7,569	**$112,650**

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
2000	¥ 3,683	$ 30,692
2001	1,874	15,617
2002	481	4,008
2003	10,272	85,600
2004 and thereafter	891	7,425
Total	¥17,201	$143,342

The following assets were pledged as collateral for short-term debt at March 31, 1999:

	Millions of Yen	Thousands of U.S. Dollars
Marketable securities	¥32,447	$270,392

The following assets were pledged as collateral for long-term loans at March 31, 1999:

	Millions of Yen	Thousands of U.S. Dollars
Notes and accounts receivable—trade	¥1,322	$11,017
Property, plant and equipment	2,065	17,208
Other investments	340	2,833
Total	¥3,727	$31,058

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 rates 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, 1999, include retirement benefits to directors and corporate auditors in the amount of ¥878 million ($7,317 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, 1999, totaled ¥7,587 million ($63,225 thousand).

Severance and pension expenses aggregated ¥2,711 million ($22,592 thousand) and ¥2,277 million for the years ended March 31, 1999 and 1998, respectively.

8. Shareholders' Equity

At March 31, 1999, the authorized number of shares was 700,000 thousand shares of common stock with a par value of ¥50 per share and 80,000 thousand shares of non-voting, non-cumulative preferred stock without par value. At March 31, 1998, the authorized number of shares was 600,000 thousand shares of common stock with a par value of ¥50 per share.

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

Under the Code, amounts equal to at least 10% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each fiscal period must be set aside as a legal reserve until such reserve equals 25% of stated capital. This reserve amount, which is included in deficit, totals ¥2,927 million ($24,392 thousand) and ¥2,903 million as of March 31, 1999 and 1998, respectively, and is not available for dividends but may be used to reduce a deficit or may be transferred to stated capital.

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

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 normal statutory effective tax rates of approximately 48% and 52% for the years ended March 31, 1999 and 1998, respectively.

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 statutory effective tax rates primarily due to the effect of temporary 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 future taxable income. The Company has a net operating loss carryforward of approximately ¥94,675 million ($788,958 thousand) at March 31, 1999.

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	¥18,849	$157,075
2003	35,395	294,958
2004	40,431	336,925
Total	¥94,675	$788,958

Foreign income taxes of ¥711 million ($5,925 thousand) are included in "Income Taxes" for the year ended March 31, 1999.

10. Costs and Expenses—Other

Costs and expenses—other consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	**1999**
Loss on devaluation of marketable securities	**¥ 990**	¥1,672	**$ 8,250**
Other	**1,235**	445	**10,291**
Total	**¥2,225**	¥2,117	**$18,541**

11. Leases

Income from equipment leases for the years ended March 31, 1999 and 1998, was ¥323 million ($2,692 thousand) and ¥475 million, respectively.

The Company leases certain machinery, computer equipment, office space and other assets, and a certain subsidiary has leasing operations. Total rental expenses under the above leases were ¥41 million ($342 thousand) and ¥232 million for the years ended March 31, 1999 and 1998, respectively.

Pro forma information of leased property under finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 1999 and 1998, was as follows:

	For Lessor					
	Millions of Yen			Thousands of U.S. Dollars		
Year Ended March 31, 1999	Machinery and Equipment	Other	Total	Machinery and Equipment	Other	Total
Acquisition cost	**¥1,494**	**¥166**	**¥1,660**	**$12,450**	**$1,383**	**$13,833**
Accumulated depreciation	**1,201**	**89**	**1,290**	**10,008**	**742**	**10,750**
Net leased property	**¥ 293**	**¥ 77**	**¥ 370**	**$ 2,442**	**$ 641**	**$ 3,083**

	For Lessee					
	Millions of Yen			Thousands of U.S. Dollars		
	Machinery and Equipment	Other	Total	Machinery and Equipment	Other	Total
Acquisition cost	**¥208**	**¥18**	**¥226**	**$1,733**	**$150**	**$1,883**
Accumulated depreciation	**159**	**15**	**174**	**1,325**	**125**	**1,450**
Net leased property	**¥ 49**	**¥ 3**	**¥ 52**	**$ 408**	**$ 25**	**$ 433**

	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	**¥279**	**¥24**	**$2,325**	**$200**
Due after one year	**563**	**29**	**4,692**	**242**
Total	**¥842**	**¥53**	**$7,017**	**$442**

	Millions of Yen	
Year Ended March 31, 1998	Unearned Lease Income (As Lessor)	Obligations under Finance Lease (As Lessee)
Due within one year	¥ 398	¥33
Due after one year	909	7
Total	¥1,307	¥40

Depreciation expense for lessor, which is reflected in the accompanying consolidated statements of operations, computed by the straight-line method was ¥215 million ($1,792 thousand) for the year ended March 31, 1999.

Depreciation expense for lessee, which is not reflected in the accompanying consolidated statements of operations, computed by the straight-line method was ¥41 million ($342 thousand) for the year ended March 31, 1999.

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

12. Segment Information

Information about foreign operations and sales to foreign customers of the Company and consolidated subsidiaries for the years ended March 31, 1999 and 1998, was as follows:

(1) Foreign Operations

	Millions of yen							
Year Ended March 31, 1999	Japan	Asia	Europe	North America	Other	Subtotal	Eliminations (Corporate)	Consolidated
Construction contract revenue:								
Outside customers	**¥296,288**	**¥10,562**	**¥ 145**	**¥5,202**	**¥ 37**	**¥312,234**		**¥312,234**
Intersegment	**19,465**	**995**	**6,750**	**412**	**7**	**27,629**	**¥(27,629)**	
Total	**315,753**	**11,557**	**6,895**	**5,614**	**44**	**339,863**	**(27,629)**	**312,234**
Operating expenses	**326,781**	**13,782**	**6,890**	**5,213**	**60**	**352,726**	**(27,543)**	**325,183**
Operating profit (loss)	**¥ (11,028)**	**¥ (2,225)**	**¥ 5**	**¥ 401**	**¥(16)**	**¥ (12,863)**	**¥ (86)**	**(12,949)**
Other income and expenses—net								**2,415**
Loss before income taxes and other items								**¥ (10,534)**
Assets	**¥215,470**	**¥ 4,013**	**¥ 471**	**¥1,707**	**¥ 25**	**¥221,686**	**¥ (7,766)**	**¥213,920**

	Thousands of U.S. Dollars							
Year Ended March 31, 1999	Japan	Asia	Europe	North America	Other	Subtotal	Eliminations (Corporate)	Consolidated
Construction contract revenue:								
Outside customers	**$2,469,067**	**$ 88,017**	**$ 1,208**	**$43,350**	**$ 308**	**$2,601,950**		**$2,601,950**
Intersegment	**162,208**	**8,292**	**56,250**	**3,433**	**58**	**230,241**	**$(230,241)**	
Total	**2,631,275**	**96,309**	**57,458**	**46,783**	**366**	**2,832,191**	**(230,241)**	**2,601,950**
Operating expenses	**2,723,175**	**114,850**	**57,417**	**43,442**	**500**	**2,939,384**	**(229,526)**	**2,709,858**
Operating profit (loss)	**$ (91,900)**	**$(18,541)**	**$ 41**	**$ 3,341**	**$(134)**	**$ (107,193)**	**$ (715)**	**(107,908)**
Other income and expenses—net								**20,125**
Loss before income taxes and other items								**$ (87,783)**
Assets	**$1,795,583**	**$ 33,442**	**$ 3,925**	**$14,225**	**$ 208**	**$1,847,383**	**$ (64,717)**	**$1,782,666**

Year Ended March 31, 1998	Millions of Yen 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	¥248,691	¥ 6,217	¥ 363	¥2,761	¥258,032	¥ (286)	¥257,746

Notes: 1. The Company and consolidated subsidiaries are summarized in five (four in 1998) segments by geographic area based on the countries where the Companies are located.

The segments consisted of the following countries in 1999 and 1998, respectively:

Year Ended March 31, 1999		Year Ended March 31, 1998	
Asia:	*Indonesia, Singapore, Philippines, Myanmar*	*Asia:*	*Indonesia, Singapore*
Europe:	*United Kingdom, Germany*	*Europe:*	*United Kingdom*
North America:	*United States of America*	*North America:*	*United States of America*
Other:	*Australia*		

2. Corporate assets mainly consist of long-term loans and investment securities of the Company. Corporate assets as of March 31, 1999 and 1998, were ¥5,691 million ($47,425 thousand) and ¥12,656 million, respectively.

3. Accounting Change—Effective April 1, 1998, the Company adopted the straight-line method of depreciation based on tax regulations for all the buildings of the Company, which, previously, had been depreciated by the declining-balance method. The effect of this change was to decrease depreciation and operating losses in the segment of Japan by ¥236 million for the year ended March 31, 1999.

(2) Sales to Foreign Customers

	Millions of Yen			
Year Ended March 31, 1999	Asia	The Near and Middle East	Other	Total
Overseas sales (A)	**¥86,742**	**¥112,127**	**¥27,950**	**¥226,819**
Consolidated sales (B)				**312,234**
(A)/(B)	**27.78%**	**35.91%**	**8.95%**	**72.64%**

	Thousands of U.S. Dollars			
Year Ended March 31, 1999	Asia	The Near and Middle East	Other	Total
Overseas sales (A)	**$722,850**	**$934,392**	**$232,916**	**$1,890,158**
Consolidated sales (B)				**2,601,950**

	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%

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, Myanmar, etc.
The Near and Middle East: Qatar, Oman, Saudi Arabia, etc.
Other: Poland, Turkmenistan, Slovakia, United States of America, Canada, etc.

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.

13. Subsequent Event

The following proposed disposition of accumulated deficit of the Company at March 31, 1999, was approved at the shareholders meeting held on June 29, 1999:

	Millions of Yen	Thousands of U.S. Dollars
Balance of accumulated deficit at March 31, 1999	¥42,285	$352,375
Accumulated deficit to be carried forward	42,285	352,375

14. 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 199,652 thousand shares and 195,224 thousand shares for 1999 and 1998, respectively.

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 consolidated balance sheets of Chiyoda Corporation and consolidated subsidiaries as of March 31, 1999 and 1998, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Chiyoda Corporation and consolidated subsidiaries as of March 31, 1999 and 1998, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis except for the change, with which we concur, in the accounting for depreciation as discussed in Note 2.

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 29, 1999

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

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(As of August 1, 1999)

Established
January 20, 1948

Number of Employees
2,334

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
¥20,385,420,890

Capital Stock Issued
248,357,059 shares

Number of Shareholders
18,125

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Tokyo, Osaka

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(As of March 31, 1999)

CHIYODA CORPORATION

Printed in Japan