

Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2011

Company name: **CHIYODA CORPORATION**
 Listing: First Section of the Tokyo Stock Exchange
 Stock code: 6366
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(Millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated performance for the second quarter of the fiscal year ending March 31, 2011 (from April 1, 2010 to September 30, 2010)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2Q ended September 30, 2010	111,916	(32.0)	5,329	-	3,024	-	2,886	-
2Q ended September 30, 2009	164,658	(31.6)	(2,382)	-	(380)	-	(1,745)	-

	Net income per share	Fully diluted net income per share
	Yen	Yen
2Q ended September 30, 2010	11.14	-
2Q ended September 30, 2009	(6.73)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2010	308,995	150,637	48.6	579.15
As of March 31, 2010	328,174	149,253	45.3	573.61

Reference: Equity As of September 30, 2010: 150,109 million yen As of March 31, 2010: 148,683 million yen

2. Cash dividends

Record date	Cash dividends per share				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2010	-	-	-	3.50	3.50
Fiscal year ending March 31, 2011	-	-			
Fiscal year ending March 31, 2011 (Forecast)			-	5.00	5.00

Note: Revision of the forecast in the second quarter of the fiscal year ending March 31, 2011: None

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2011 (from April 1, 2010 to March 31, 2011)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2011	240,000	(23.3)	16,000	840.0	13,000	168.7	4,000	35.4	15.43

Note: Revision of the forecasts in the second quarter of the fiscal year ending March 31, 2011: Yes

4. Others

- (1) Significant changes in subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Application of simplified accounting as well as specific accounting for preparing the quarterly consolidated financial statements: None
- (3) Changes in accounting policies, procedures, and methods of presentation for preparing the quarterly consolidated financial statements (changes described in the section of "Changes in significant matters forming the basis of preparing the quarterly consolidated financial statements")
 - a. Changes due to revisions to accounting standards: Yes
 - b. Changes due to other reasons: None

- (4) Number of issued shares (common stock)
- | | | |
|----|---|--------------------|
| a. | Total number of issued shares at the end of the period (including treasury stock) | |
| | As of September 30, 2010 | 260,324,529 shares |
| | As of March 31, 2010 | 260,324,529 shares |
| b. | Number of treasury stock at the end of the period | |
| | As of September 30, 2010 | 1,134,872 shares |
| | As of March 31, 2010 | 1,117,239 shares |
| c. | Average number of shares during the period (cumulative from the beginning of the fiscal year) | |
| | For the second quarter of the fiscal year ending March 31, 2011 | 259,196,265 shares |
| | For the second quarter of the fiscal year ended March 31, 2010 | 259,340,373 shares |

* Proper use of earnings forecasts, and other special directions

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Actual business and other results may differ substantially due to a number of factors.

5. Qualitative Information related to Consolidated Performance

(1) Analysis Results

During the cumulative second quarter of the current consolidated fiscal year, the market environment surrounding the Chiyoda Group was characterized by the realization of large-scale investment projects in various locales against the backdrop of growth in future oil and gas demand. At the same time, however, business was affected by the continuing appreciation of yen, and the Group was exposed to increasingly sharp competition from Korean and European contractors.

Given these circumstances, the Chiyoda Group continued to focus on activities aimed at securing orders for projects that enable the Group to take maximum advantage of its technological superiority, and worked to execute backlog projects, including construction work on Qatargas LNG (Liquefied Natural Gas) Plant Trains 6 and 7, and on an LNG plant in Papua New Guinea.

Consolidated New Contracts for the cumulative second quarter of the current consolidated fiscal year amounted to ¥124.283 billion (year-on-year increase of 69.7%), while the consolidated Backlog amounted to ¥523.553 billion (year-on-year increase of 59.6%). The main new contracts received were for construction of a polycrystalline silicon plant in Malaysia and a domestic LNG receiving terminal. Consolidated Revenues amounted to ¥111.916 billion (year-on-year decrease of 32.0%), Operating Income amounted to ¥5.329 billion (compared with an Operating Loss of ¥2.382 billion for the same cumulative quarter in the prior consolidated fiscal year) and Ordinary Income amounted to ¥3.024 billion (compared with an Ordinary Loss of ¥380 million for the same period one year earlier). Net Income for the cumulative consolidated second quarter amounted to ¥2.886 billion (compared with a cumulative Net Loss of ¥1.745 billion for the same period one year earlier).

A summary of the operating results for the engineering business, which is the Chiyoda Group's main business segment, is provided below.

(Natural Gas, Electric Power)

Overseas, the Chiyoda Group continued to execute EPC (Engineering/Procurement/Construction) activities for an LNG plant in Papua New Guinea and LNG/gas processing plants in Qatar, plus basic design services for a floating LNG plant in Brazil and for multiple other projects. In addition, the Group's subsidiary in Qatar is providing EPCm (Engineering/Procurement/Construction management) activities under a long-term service contract for remodeling and renovation projects at the LNG/gas processing plants constructed by the Chiyoda Group, and developing business operations to provide similar services for other LNG/gas processing plants in Qatar.

Domestically, the Chiyoda Group received contracts for a project related to CO₂ separation and capture facilities and several study works related to reduction of CO₂ for the coming low-carbon society. The Group also proceeded smoothly with the execution of existing contracts, including construction work for a newly awarded LNG receiving terminal project in addition to three similar projects under construction in Niigata Prefecture and Okayama Prefecture.

(Petroleum, Petrochemicals, Gas Chemicals)

Overseas, the Chiyoda Group directed its concerted efforts toward investment plans for refinery projects in the Middle East and Southeast Asia. We engaged ourselves in diligently executing an EPC project for a heavy oil cracking unit in Saudi Arabia and a basic design work for a desulfurization plant in Singapore, and also initiating tank terminal EPC activities. We aim to drive our global operations by strengthening the group companies through execution of these projects.

On the domestic front, the movement for refinery restructuring is accelerating which follows the law enacted last year entitled "Sophisticated Methods of Energy Supply Structures" for enhancement of energy supply systems. Therefore, projects for reinforcing heavy oil cracking capacities and facilities integration and/or demolition are undertaken. Against this background, the Group is developing business operations for projects following clients' needs for enhancement of efficiency and competitiveness of refineries, and the reduction of energy consumption. In addition, from an execution perspective the Group proceeded as planned with efforts such as RFCC (Resid Fluid Catalytic Cracking) unit construction work, HS-FCC (High Severity Fluid Catalytic Cracking) semi-commercial unit construction work (for fiscal year 2010) and a cooperative project within an industrial complex for hydrogen.

(General Chemicals, Industrial Machinery, Environment, and Other)

In the General Chemicals, Industrial Machinery and Environment sector the Chiyoda Group concentrated its business activities on the low-carbon technology field, and successfully linked this to the receipt of orders for a plant to produce polycrystalline silicon, a basic material for photovoltaic cells, and for a facility related to lithium ion batteries for electric vehicles and hybrid automobiles.

In the pharmaceutical field, there has been an increase in investment plans for highly bioactive pharmaceuticals such as antibody drugs and anti cancer drugs, and the Group aggressively pursued sales activities in response to these increasing demands.

(Note) See Page10 for more information about segment New Orders, Revenues, and Contract Backlog.

6. Consolidated quarterly financial statements

(1) Consolidated balance sheets

(Millions of yen)

	As of September 30, 2010	As of March 31, 2010 (Summary)
Assets		
Current assets		
Cash and deposits	27,971	43,002
Notes receivable, accounts receivable from completed construction contracts	49,112	51,318
Short-term investment securities	89,841	96,841
Costs on uncompleted construction contracts	12,346	7,283
Jointly controlled assets of joint venture	70,504	69,917
Other	22,882	22,357
Allowance for doubtful accounts	(3)	(2)
Total current assets	272,656	290,719
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	7,884	8,042
Land	11,938	11,938
Other, net	1,237	1,468
Total property, plant and equipment	21,061	21,450
Intangible assets	4,840	5,142
Investments and other assets		
Investment securities	7,385	7,855
Other	3,385	3,339
Allowance for doubtful accounts	(333)	(333)
Total investments and other assets	10,437	10,861
Total noncurrent assets	36,339	37,454
Total assets	308,995	328,174

(Millions of yen)

	As of September 30, 2010	As of March 31, 2010 (Summary)
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts	83,844	89,523
Current portion of long-term loans payable	-	4
Income taxes payable	808	4,675
Advances received on uncompleted construction contracts	40,206	48,168
Provision for warranties for completed construction	4,345	4,486
Provision for loss on construction contracts	2,946	4,427
Provision for bonuses	2,999	3,252
Other	9,720	11,421
Total current liabilities	144,870	165,960
Noncurrent liabilities		
Long-term loans payable	10,162	10,000
Provision	2,428	2,428
Other	896	532
Total noncurrent liabilities	13,487	12,960
Total liabilities	158,358	178,921
Net assets		
Shareholders' equity		
Capital stock	43,396	43,396
Capital surplus	37,112	37,112
Retained earnings	72,739	70,759
Treasury stock	(1,228)	(1,215)
Total shareholders' equity	152,019	150,053
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(349)	102
Deferred gains or losses on hedges	101	(156)
Foreign currency translation adjustment	(1,662)	(1,315)
Total valuation and translation adjustments	(1,910)	(1,369)
Minority interests	527	569
Total net assets	150,637	149,253
Total liabilities and net assets	308,995	328,174

(2) Consolidated statement of income

(Millions of yen)

	Second quarter ended September 30, 2009 (From April 1, 2009 to September 30, 2009)	Second quarter ended September 30, 2010 (From April 1, 2010 to September 30, 2010)
Net sales of completed construction contracts	164,658	111,916
Cost of sales of completed construction contracts	161,056	100,196
Gross profit on completed construction contracts	3,601	11,719
Selling, general and administrative expenses	5,983	6,390
Operating income (loss)	(2,382)	5,329
Non-operating income		
Interest income	633	307
Dividends income	51	51
Equity in earnings of affiliates	104	10
Real estate rent	71	67
Foreign exchange gains	1,257	-
Other	97	166
Total non-operating income	2,215	603
Non-operating expenses		
Interest expenses	126	126
Foreign exchange losses	-	2,692
Rent expenses on real estates	49	48
Other	38	41
Total non-operating expenses	213	2,907
Ordinary income (loss)	(380)	3,024
Extraordinary income		
Surrender value of insurance	-	109
Total extraordinary income	-	109
Extraordinary loss		
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	146
Total extraordinary losses	-	146
Income (loss) before income taxes and minority interests	(380)	2,987
Income taxes-current	2,656	832
Income taxes-deferred	(1,329)	(704)
Total income taxes	1,327	128
Income before minority interests	-	2,859
Minority interests in income (loss)	37	(27)
Net income (loss)	(1,745)	2,886

(3) Consolidated statement of cash flows

(Millions of yen)

	Second quarter ended September 30, 2009 (From April 1, 2009 to September 30, 2009)	Second quarter ended September 30, 2010 (From April 1, 2010 to September 30, 2010)
Net cash provided by (used in) operating activities		
Income (loss) before income taxes and minority interests	(380)	2,987
Depreciation and amortization	1,011	1,047
Interest and dividends income	(684)	(359)
Decrease (increase) in notes and accounts receivable-trade	(18,946)	2,089
Decrease (increase) in costs on uncompleted construction contracts	(468)	(5,067)
Increase (decrease) in notes and accounts payable-trade	11,074	(5,523)
Increase (decrease) in advances received on uncompleted construction contracts	(4,093)	(7,906)
Decrease (increase) in jointly controlled asset of joint venture	19,825	(586)
Other, net	(3,074)	(1,828)
Subtotal	4,263	(15,148)
Interest and dividends income received	317	133
Interest expenses paid	(132)	(125)
Income taxes paid	(5,826)	(4,734)
Net cash provided by (used in) operating activities	(1,377)	(19,873)
Net cash provided by (used in) investing activities		
Payments into time deposits	-	(29)
Purchase of property, plant and equipment	(553)	(653)
Purchase of intangible assets	(483)	(373)
Other, net	(1)	4
Net cash provided by (used in) investing activities	(1,038)	(1,052)
Net cash provided by (used in) financing activities		
Proceeds from long-term loans payable	-	162
Repayment of long-term loans payable	(14)	(4)
Proceeds from issuance of common stock	7	-
Cash dividends paid	(1,937)	(904)
Cash dividends paid to minority shareholders	(7)	(9)
Other, net	(15)	(20)
Net cash provided by (used in) financing activities	(1,967)	(776)
Effect of exchange rate change on cash and cash equivalents	285	(359)
Net increase (decrease) in cash and cash equivalents	(4,097)	(22,061)
Cash and cash equivalents at beginning of period	135,536	139,790
Increase in cash and cash equivalents from newly consolidated subsidiary	290	-
Cash and cash equivalents at end of period	131,729	117,728

7. Production, Contracts and Sales (Consolidated)

<i>Millions of Yen</i>						
Apr. 1, 2010 — September. 30, 2010						
	<i>New contracts</i>		<i>Net sales</i>		<i>Backlog of contracts</i>	
	<i>Amt</i>	<i>%</i>	<i>Amt</i>	<i>%</i>	<i>Amt</i>	<i>%</i>
Business Segment						
Engineering						
LNG plants	13,691	11.0	34,787	31.1	253,897	48.5
Gas and power utilities	36,726	29.5	21,052	18.8	138,232	26.4
Gas chemicals	107	0.1	54	0.1	637	0.1
Petroleum and petrochemicals...	24,483	19.7	31,231	27.9	46,626	8.9
General chemicals	34,767	28.0	8,105	7.2	42,420	8.1
Industrial machinery	8,695	7.0	11,989	10.7	18,557	3.6
Environment and other	2,843	2.3	1,835	1.6	22,629	4.3
Total Engineering	121,316	97.6	109,056	97.4	522,999	99.9
Other	2,966	2.4	2,859	2.6	553	0.1
Domestic	69,231	55.7	61,024	54.5	176,972	33.8
Overseas	55,051	44.3	50,892	45.5	346,580	66.2
Total	124,283	100.0	111,916	100.0	523,553	100.0

<i>Millions of Yen</i>						
Apr. 1, 2009 - September. 30, 2009						
	<i>New contracts</i>		<i>Net sales</i>		<i>Backlog of contracts</i>	
	<i>Amt</i>	<i>%</i>	<i>Amt</i>	<i>%</i>	<i>Amt</i>	<i>%</i>
Business Segment						
Engineering						
LNG plants	6,333	8.7	55,814	33.9	83,746	25.5
Gas and power utilities	9,320	12.7	28,141	17.1	148,279	45.2
Gas chemicals	47	0.1	194	0.1	698	0.2
Petroleum and petrochemicals...	44,891	61.3	53,695	32.6	74,775	22.8
General chemicals	7,273	9.9	14,810	9.0	13,435	4.1
Industrial machinery	936	1.3	423	0.3	2,301	0.7
Environment and other	2,049	2.8	9,052	5.5	4,064	1.3
Total Engineering	70,854	96.8	162,132	98.5	327,301	99.8
Other	2,363	3.2	2,525	1.5	712	0.2
Domestic	36,462	49.8	79,490	48.3	172,387	52.6
Overseas	36,755	50.2	85,167	51.7	155,626	47.4
Total	73,218	100.0	164,658	100.0	328,014	100.0

Note: The backlog of contracts for the six months ended September 30, 2010 includes a decrease due to changes in construction contracts acquired in prior fiscal years, an increase due to adjustments in new contract amounts, and an increase due to foreign exchange translation adjustments.