CHIYODA CORPORATION
Consolidated Financial Results
for the Year Ended March 31, 2005

This document has been prepared as a guide to non-Japanese investors and contains forward-looking statements that are based on managements' estimates, assumptions and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations. This document is a translation of excerpts taken from the Japanese language original. All numbers are rounded down to the nearest unit in accordance with standard Japanese practice. Please be advised that the Company cannot accept responsibility for investment decisions made based on the information contained in this report.

CHIYODA CORPORATION

Summary of Financial Statements (Consolidated)
for the Year Ended March 31, 2005

Listed Exchanges	Tokyo
Head Office	Kanagawa, Japan
Stock Code	6366
President & CEO	Nobuo Seki
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Telephone	+81-45-506-9410
U.S. GAAP Accounting Principles	Not adopted

Consolidated Business Results for the Year Ended March 31, 2005

1) Consolidated Business Results

	Millions of Yen			
	Apr. 1, 2004– Mar. 31, 2005		Apr. 1, 2003 – Mar. 31, 2004	
		Change(%)		Change(%)
Construction Contracts	267,655	29.4	206,816	24.3
Operating Profit	11,077	88.4	5,881	279.8
Ordinary Profit	11,587	82.5	6,348	165.2
Net Profit	12,863	93.5	6,646	232.5
Net Profit per Share (¥)	68.62		35.91	
Fully Diluted Net Profit per Share (¥)	67.30		34.99	
Return on Equity (ROE)	43.1		33.7%	
Ratio of Ordinary Profit to Total Assets	7.1%		4.8%	
Ratio of Ordinary Profit to Construction Contracts	4.3%		3.1%	

(Notes) (1) Gain from investments in subsidiaries and affiliates accounted for by the equity method:
Year ended March 31, 2005: 152 million yen
Year ended March 31, 2004: 155 million yen
(2) Average number of outstanding shares (consolidated) during the period:
Year ended March 31, 2005: 187,450,203 shares
Year ended March 31, 2004: 185,100,716 shares
(3) Changes to accounting principles: Yes
Please refer to page 23 and 24.
(4) Percentages for construction contracts, operating profit, ordinary profit and net profit represent year-on-year changes.

2) Changes in Consolidated Financial Position

	Millions of Yen	
	Apr. 1, 2004– Mar. 31, 2005	Apr. 1, 2003– Mar. 31, 2004
Total Assets	182,893	142,859
Shareholders' Equity	36,873	22,766
Equity Ratio	20.2%	15.9%
Shareholders' Equity per Share (¥)	193.22	123.04

(Notes) Outstanding shares (consolidated) at the end of the period:
Year ended March 31, 2005: 190,837,167 shares
Year ended March 31, 2004: 185,040,675 shares

3) Consolidated Cash Flows

	Millions of Yen	
	Apr. 1, 2004– Mar. 31, 2005	Apr. 1, 2003 – Mar. 31, 2004
Net cash provided by operating activities..............	484	15,580
Net cash used in investing activities	(1,006)	(1,277)
Net cash provided by (used in) financing activities..	1,169	(8,254)
Cash and cash equivalents at end of period...........	41,594	40,902

4) Consolidated Subsidiaries and Affiliates Accounted for by the Equity Method

Number of consolidated subsidiaries:	18
Number of non-consolidated subsidiaries accounted for by the equity method:	0
Number of affiliates accounted for by the equity method:	5

5) Changes in the Scope of Consolidation and Affiliates Accounted for by the Equity Method

Consolidated subsidiaries:	
Newly included	0
Excluded	2
Affiliates accounted for by the equity method:	
Newly included	0
Excluded	0

Consolidated Operations Forecast for the Year Ending March 31, 2006

	Millions of Yen	
	Apr. 1, 2005 – Mar. 31, 2006	
	Interim period	***Full term***
Construction Contracts..	150,000	310,000
Ordinary Profit	6,000	14,000
Net Profit	6,500	14,500

(Note) Projected net income per share for the year ending March 31, 2006 75. 98 yen

(1) State of the Group

The Chiyoda Group of Companies consists of the parent company, 18 subsidiaries, and 5 equity method affiliates. As a comprehensive engineering services organization, the Group's central business is its expertise in providing the most efficient solutions based on an accurate understanding of customer needs. By using highly advanced technologies and achieving the optimal combination of the project execution skills of group companies, all group members work in unison to conduct business operations. Through this approach, the Group responds flexibly to the needs of today's markets, society and regions. The Group's business is divided into Engineering Businesses and Other Businesses, and the Group's structure is outlined below.

Business Flowchart

Clients

Chiyoda Corporation

Comprehensive engineering business, including consulting, planning, designing, procurement, construction, trial operation, maintenance and other services, for plants of all types

Engineering, Construction & Maintenance
*1 Chiyoda Kosho Co., Ltd.
Plant engineering, construction, and maintenance of energy and chemical plants
*1 Chiyoda Techno Ace Co., Ltd.
Engineering and construction of pharmaceutical factories, laboratories, and research centers
*1 Chiyoda Keiso Co., Ltd.
Construction related to facilities for industries of all types

Consulting
*1 U-Tech Consulting Co., Ltd.
Consulting for industrial and social, regional development

Advanced Engineering
*1 Chiyoda Advanced Solutions Corporation
Computer aided engineering analysis, plant life cycle engineering and risk management, utilization of space environment, etc.

Overseas construction bases
*1 C&E Corporation (Philippines)
*2 L&T Chiyoda Ltd. (India)

Global Engineering Satellites (GESs)
*1 Chiyoda Singapore (Pte) Limited
*1 PT. Chiyoda International Indonesia
*1 Chiyoda (Thailand) Limited
*1 Chiyoda Malaysia Sdn. Bhd.
*1 Chiyoda & Public Works Co., Ltd. (Myanmar)
*2 Chiyoda Petrostar Ltd. (Saudi Arabia)
Overseas design bases

Overseas sales bases
*1 Chiyoda International Corporation (USA)
*1 Chiyoda Nigeria Limited

Other businesses

Finance, Accounting, Tax
*1 Arrow Business Consulting Corporation
Consulting services for finance and accounting

Airfreight and Spare Parts Supply
*1 Arrowhead International Corporation
Travel and air cargo agent, spare parts supply

Information System Development
*2 IT Engineering Limited
IT solutions and software development

Human Resources Staffing and Training
*2 Arrow Mates Co., Ltd.
Staffing of human resources

Overseas Accounting and Finance
*1 Chiyoda Asia Pacific (Pte) Limited (Singapore)
Consulting on accounting and finance

**1: Consolidated subsidiary*
**2: Affiliated company accounted for by the equity method*

Direct Client Orders
Contracted Business, Entrusted Businesses

(2) Management Policies

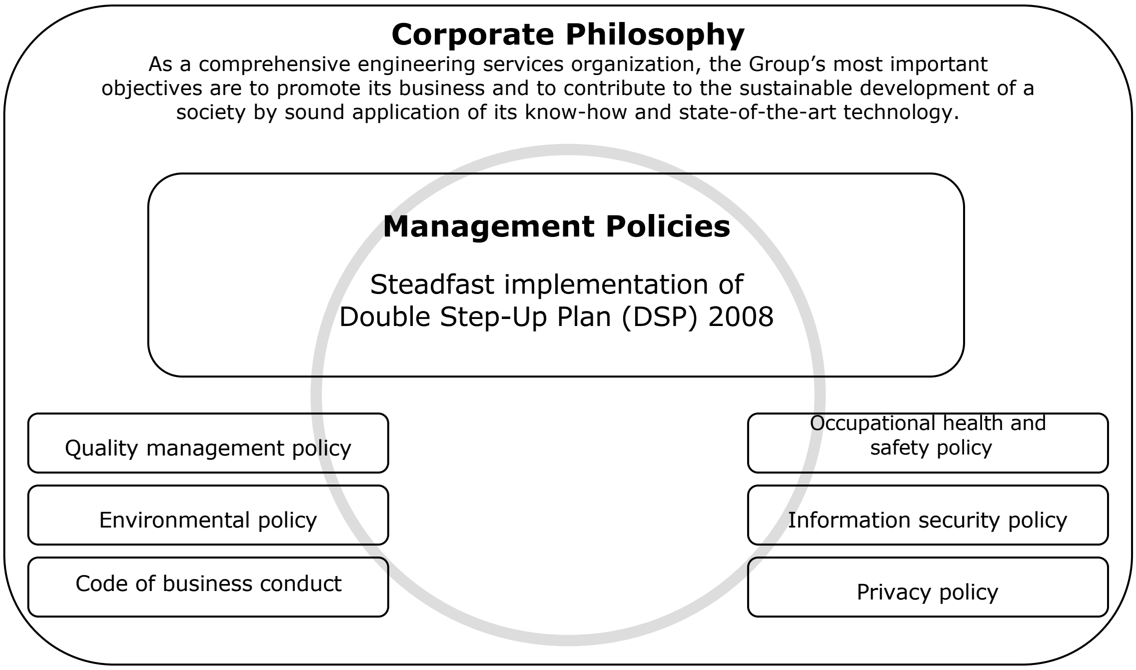
1. Basic Management Policies

The Chiyoda Group has formulated, and on February 17, 2005 announced, a medium-term management plan called "Double Step-Up Plan 2008" (DSP2008). The goal of the plan, which starts in fiscal 2005 (ends in March 2006) and ends in fiscal 2008 (ends in March 2009) is to enable the Group to consistently increase earnings.

The fundamental management policy is to achieve the targets of DSP2008 in order to achieve further gains in corporate value.

Management philosophy

The Chiyoda Group aims to conduct group management so as to earn the trust and understanding of shareholders, customers, suppliers, employees, communities and all other stakeholders.



2. Management Vision and Medium-Term Management Strategies

There are two fundamental elements of DSP 2008. The first is to resolutely retain the innovative thinking needed to "capitalize on change, and take on challenges posed by change" with the aim of becoming "the Reliability No.1 Project Company." The second is to aim to become "an Excellent Company that can increase earnings" through constant internal efforts.

In accordance with the above fundamental approaches, the Group has established medium- and long-term strategies. All Group employees from senior management on down are working as one to achieve management goals. To reach these goals, balance scorecards are used to facilitate comprehensive management of key targets for each strategy, action plans and the status of progress toward goals.

3. Targeted Performance Indicators

The management goal of DSP 2008 is to raise the return on equity to at least 30% by fiscal 2008 (ends in March 2009). The Group aims to further strengthen profitability through its own efforts and establish a permanently sound financial structure that can support the creation of next-generation businesses.

4. Fundamental Policy for Earnings Distributions

The Group has finally established a base capable of returning earnings to shareholders by eliminating its accumulated loss in fiscal 2004. Accordingly, the Group plans to pay a dividend of 6 yen per share. The Group plans to pay a consistent and stable dividend while increasing retained earnings to support the Group's continuous growth and improving employee remuneration based on operating results. The goal is to pay a dividend of at least 10 yen per share by fiscal 2008, the final year of DSP 2008.

5. Policy and Thinking Regarding Reduction in Investment Unit

The Group regards a change in the stock investment unit as an effective means of adding vitality to capital markets, and thus as an important management issue. Such actions will be taken based on a comprehensive evaluation of stock market trends, changes in Chiyoda's investment unit and other items.

6. Important Management Issues

Due to growth in the market for natural gas development, including LNG, activity is strong in the industrial plant market. Customers are demanding plants that are larger, able to perform more complex operations and have better reliability. The Chiyoda Group is now executing DSP 2008 as planned for the purpose of responding accurately to the demands of customers.

Measures to deal with business risk and other risks are explained later. The Group is taking actions to minimize the impact of risks by thoroughly analyzing all risks, including the sharp increase in the price of basic materials and other items, and exhaustively managing procurement methods, contract terms and other items.

7. Measures Concerning Corporate Governance

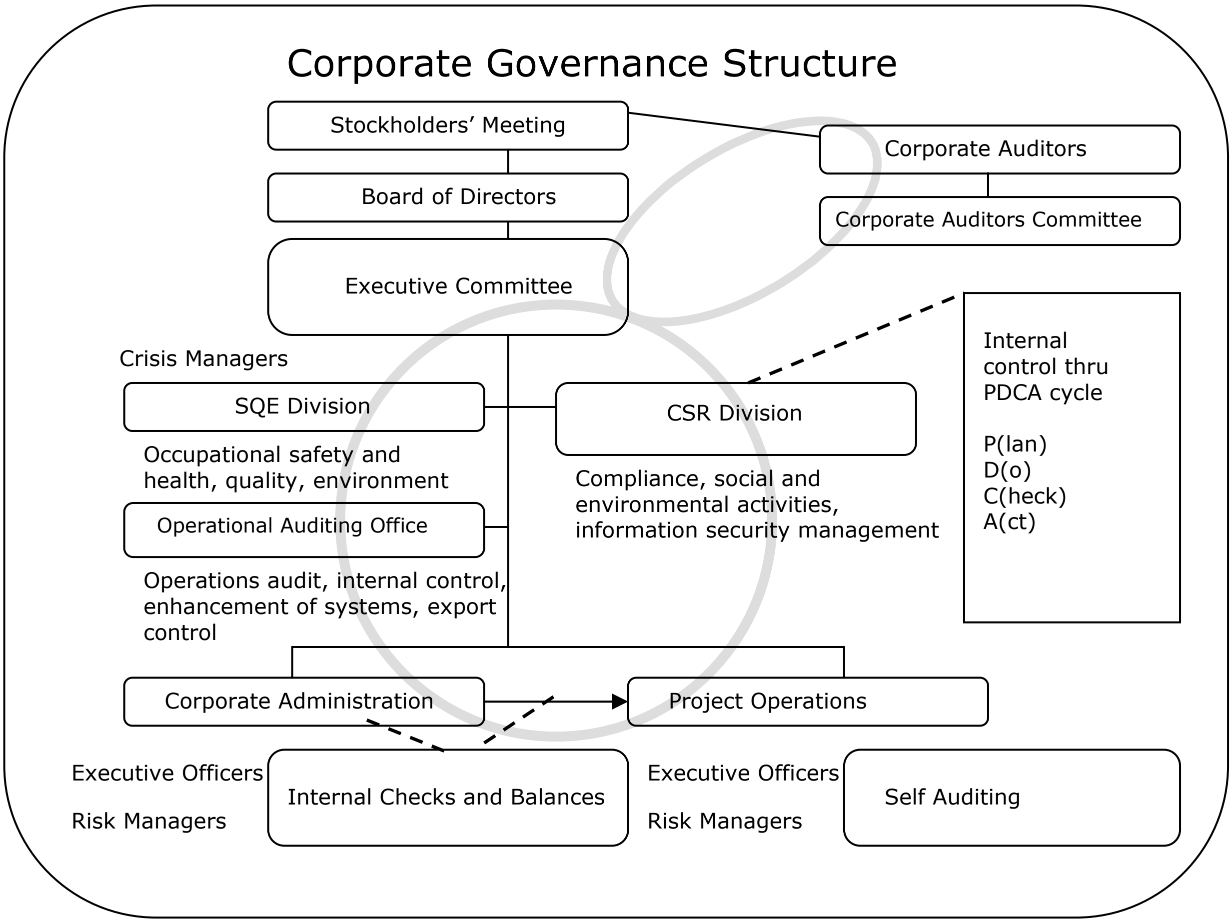
1) Fundamental thinking concerning Corporate Governance

The Group places priority on fulfilling its obligations as a corporate citizen, viewing Corporate Social Responsibility (CSR) management that can earn the trust and understanding of shareholders, customers and all other stakeholders as the basis for all corporate activities. The Group manages operations in a transparent and sound manner, maintains a system of fair internal checks that is appropriately operated, discloses suitable information at the proper time, and takes other steps to enhance Corporate Governance. In this manner, the Group strives to conduct CSR-oriented management.

2) Status of initiatives concerning Corporate Governance

i) Corporate Governance framework (enhancement of internal audit system)

The Group has newly established CSR Division and Operational Auditing Office for the purposes of enhancing the quality and transparency of management, better responding to the needs of stakeholders, complying with all laws and regulations, and strengthening risk management functions. Along with SQE Division (for workplace safety and hygiene and product quality management), there is an internal audit framework that is directly linked to management, thereby providing for the strengthening of this function.



ii) Measures to enhance Corporate Governance and actions during the past year

The Chiyoda Group has taken many actions to enhance Corporate Governance and achieve other goals for the purposes of clarifying the Group's management philosophy and making qualitative improvements in its CSR-oriented management.

(1) Execution of duties by directors, Executive Committee and executive officers

The Company has adopted the corporate auditor system and the executive officer system, under which the Board of Directors supervises the execution of business activities by the executive officers. By separating the functions of business execution and supervision, this framework strengthens management functions.

Regarding the execution of business activities, the Company has an Executive Committee made up of representative directors, and that serves as a preliminary deliberative body for the Board of Directors. This facilitates reaching accurate decisions with in response to rapid changes in the social and economic environment. Decisions involving the execution of business activities require unanimous approval of the committee. The corporate auditors attend meetings of the Executive Committee, stating their opinions as necessary. This system provides for a quick, transparent decision-making process.

The daily execution of business activities in accordance with decisions made by the Board of Directors and Executive Committee is entrusted by the board to the executive officers. These officers perform their duties while communicating as required with consulting attorneys and other external parties. The executive officers submit reports on their activities as required at meetings of the Board of Executive Officers, which are attended by directors and corporate auditors, and the Executive Committee.

During the past fiscal year, the Board of Directors met 13 times (deliberating on 45 subjects) and the Executive Committee met 54 times (deliberating on 130 subjects, and examining 54 proposals). These two bodies debated and reached decisions regarding fundamental management policies, legally prescribed items and other important management issues. The two bodies also supervised the execution of business activities, confirmed progress made with regard to management plans, and performed other duties. Total annual compensation paid to all directors was 150 million yen.

(2) Audits by the corporate auditors (Board)
The four corporate auditors, who meet the conditions for outside corporate auditors as provided for in Paragraph 1, Article 18 of the Law Concerning Special Measures Under the Commercial Code with Respect to Audit, etc., of Corporations (Kabushiki-kaisha), and the auditing company perform audits of the performance of duties by the directors and executive officers, determine resolutions submitted to the shareholders meeting concerning the election, dismissal and other matters concerning the financial auditor, demand a halt to illegal actions, audit consolidated financial statements, prepare audit reports and perform other duties.

During the past fiscal year, the Board of Auditors met 12 times (11 regular meetings and one extraordinary meeting). The corporate auditors (Board) and financial auditor maintain close coordination. The financial auditors submitted an annual audit plan, interim and fiscal year financial statements to the corporate auditors. Remuneration paid to the financial auditor was 45 million yen

(3) Financial Audit by Auditors
Names of engagement partners and the auditing firm who performed the audit:

Engagement partner	Auditing firm
Kazuo Ishibashi	Deloitte Touche Tohmatsu
Hiroki Kitakata	Deloitte Touche Tohmatsu

Engagement partner Kazuo Ishibashi has audited Chiyoda for 9 years.

Assistants involved in accounting audit (10): 5 certified public accountants, 3 assistant accountants and two other individuals
Remuneration paid for audits to auditors for the current fiscal year: 63 million yen

Breakdown of fees paid for audits etc.

Fees for legally prescribed audits	57 million yen (of which, applicable to the Company: 44 million yen, subsidiaries: 12 million yen)
Fees for other services	6 million yen

(4) Risk management system
The Group has established risk management and crisis management systems to deal with risks and crises, and a risk managers and crisis managers have been appointed. This provides an effective system for the constant oversight of preventive measures and, in the event of an incident, a proper response along with measures to minimize losses.

(5) Promotion of CSR management
For the purpose of conducting CSR management in a manner that is integrated with corporate-level management, the Chiyoda Group has created a new management framework incorporating CSR Division (established in April 2005), Compliance Management Office, Social Environment Office (established in April 2005), and Information Security Management Office.

With regard to compliance, the Group ensures strict adherence to laws and regulations in Japan and overseas, international rules and internal rules, and the corporate code of conduct to ensure that business activities are conform to social standards. Furthermore, handbooks providing behavior guidelines and other information concerning compliance and information security are made available to Group executives and employees on a real-time basis by using internal groupware.

Regarding environmental management, the Company in March 2001 became the first Japanese company specializing in engineering services to earn ISO14001 and JIS Q 14001 certification. The Group remains firmly committed to environmental management.

Regarding information security management, the Chiyoda Information Security Management System, which conforms to BS7799-Part II (2002) (an international standard prescribed by the UKAS for information security management systems), provides a clearly defined and organizational system for protecting and handling the various information resources that represent the nucleus of the Group's operations. In April 2005, the Group formulated a "Personal Information Protection Policy" and "Personal Information Protection Regulations" in response to the full-scale enactment of Japan's Personal Information Protection Law, thereby establishing a personal information protection framework at the group level.

(6) A rigorous SQE program
Preserving the enhancing the safety and health of everyone who works at the Group is the basis for future growth and a major premise for the construction of plants that can achieve a high degree of customer satisfaction. The Group takes suitable actions to train all employees in order to prevent accidents and fires. In this manner, the Group is constantly conducting programs aimed at preserving and improving workplace safety and hygiene.

With regard to occupational safety and hygiene, the Group has management systems that conform to OHSAS 18001 (standards for workplace safety and hygiene management systems established by an international consortium including the British Standards Institute, Japan Industrial Standards and similar organizations of other countries), the de facto world standard, and the standards announced by the Japanese Ministry of Health, Labour and Welfare. In fiscal 2004, the Group had an excellent safety record.

Regarding the quality management system, the Company has retained ISO9001 and JIS Q 9001 certification since 1994.

(7) Strengthening systems for internal checks and internal audits
In addition to conducting self-assessments of the status of existing internal checks, the Group in April 2005 established the Business Auditing Office to evaluate daily business activities from a neutral perspective in order to strengthen the system of internal checks. The primary function of the office is to conduct audits to verify that the overall structure of internal checks as well as all individual components are in place and being used. Audit reports are submitted to the Executive Committee.

When conducting internal audits, the Group aims to establish an integrated internal checking framework and operate a system for real-time monitoring by senior executives, thereby ensuring the transparency of information handled by internal auditing departments. Through reviews of all procedures and enhancement of internal systems through constant measures to achieve improvements, including in making documents more easily understandable, the Group plans to raise the transparency of its management.

To prevent internal transactions, an information management system that includes group companies has been established. By providing for a framework in which all important Group information is reported in a timely and proper manner to the Board of Directors and Executive Committee, the Group enables senior executives to monitor and manage information that can have a material effect on investment decisions. This provides a business execution framework that facilitates the timely and proper disclosure of such information.

During the past fiscal year, the Group disclosed information concerning operations to shareholders in a speedy and accurate manner through earnings announcement meetings, supplying more information through the investor relations section of its web site, and by other means. In addition, in accordance with disclosure regulations of the Tokyo Stock Exchange, a Group representative in February 2005 submitted an "Oath Concerning Timely Disclosure" in writing. Regarding the "Confirmation of Suitability of MOF Securities Report and other documents," the Group has a system under which, when this confirmation of suitability is submitted, business division confirmation documents are submitted by the directors responsible for each division and the CEOs of all group companies to the Company's president and representative director. By verifying that there are no fraudulent entries in reports and that no information is missing, the Company ensures that the confirmation of suitability has been properly prepared.

(8) Audits of individual projects
Operating divisions perform self-assessments of the risks and profitability of individual projects. In addition, a double-check is performed by a corporate administration division to provide an internal checking function, thereby enhancing the transparency of management.

This system is part of the process to ensure the rigorous application of the proper business cycle (plan, implement, confirm by management, execute countermeasures). Managers can confirm that divisions are properly monitoring activities and that the system of internal checks is functioning properly.

Beginning in the fiscal year that ended in March 2004, professional auditors from corporate administration have been conducting "project audits," which entail examining the suitability of project execution plans formulated by operating divisions. This is aimed at further enhancing the transparency of management transparency and strengthening internal checks.

iii) Personal, financial, business and other relationships with outside corporate auditors
The Company has four outside auditors: a former managing director of The Bank of Tokyo-Mitsubishi, Ltd., a former associate director of The Mitsubishi Trust and Banking Corp., a former executive officer of Mitsubishi Corporation, and an attorney. Regarding significant relationships, the Bank of Tokyo-Mitsubishi and Mitsubishi Trust and Banking are both major shareholders of the Company and providers of financial services. Mitsubishi Corporation is a major shareholder and business partner.

8. Items concerning parent company
Chiyoda has no parent company.

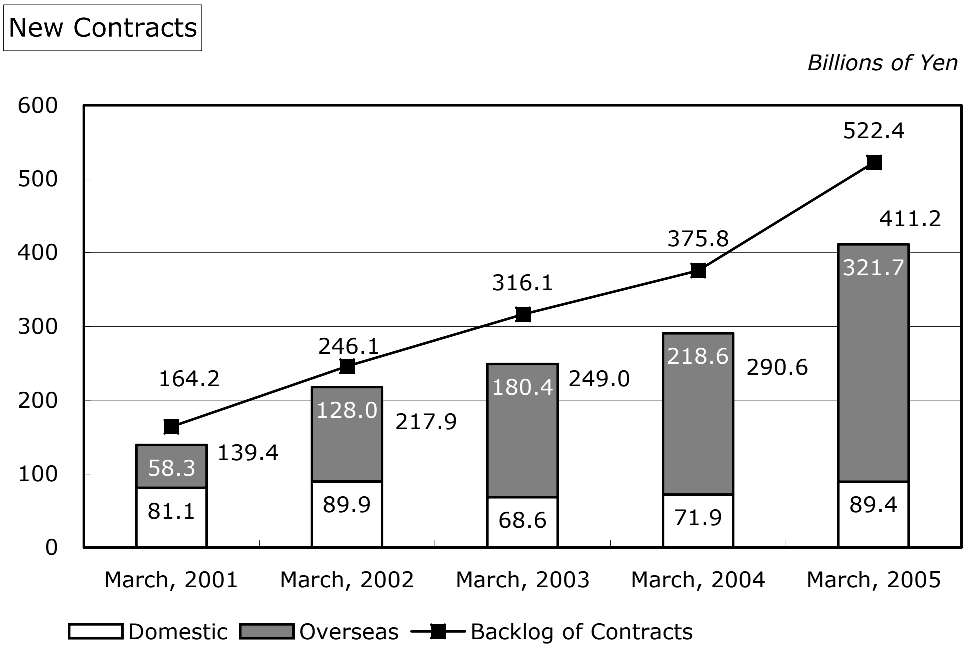
(3) Results of Operations and Financial Condition

(3) Results of Operations and Financial Condition

1. Consolidated Operating Results for the Year Ended March 31, 2005
During the past fiscal year, Japan's economy staged a gradual recovery backed by a big improvement in corporate earnings and continued growth in capital investment. Overseas, the global economy steadily recovered as the U.S. economy remained healthy and rapid economic growth continued in China.

With regard to the global plant market, the price of crude oil rose to a record high as global energy demand increased, and the price of natural gas remained high as well. Due in part to the implementation of the Kyoto Protocol to prevent global warming, there was an increase in the public's interest in natural gas, which has a low environmental impact. The result is a large volume of investments by gas-producing nations and the energy majors in natural gas development, production, liquefaction and transport. These investments are occurring in Asia, the Middle East, Africa and other gas-producing regions as well as in energy consuming nations like the U.S., India and China. As the cost of crude oil skyrocketed, the price of naphtha, the feedstock for ethylene, also climbed. Since global demand for ethylene continues to grow, the price of ethylene is holding steady at an extremely high level. In this environment, the Chiyoda Group, which has considerable experience in ethylene and its derivative products, recorded a strong performance in the oil and chemical plant markets.

Due to these factors, consolidated new contracts were 411,292 million yen, 41.5% higher than in the prior fiscal year. This was far higher than the Group's new contract forecast the fiscal year. New contracts in Japan totaled 89,496 million yen, up 24.3%, and overseas new contracts were 321,796 million yen, up 47.2%.



Construction contracts increased 29.4% to ¥267,655 million, exceeding the forecast for the fiscal year. This accomplishment was mainly a reflection of steady progress in the construction of ongoing projects and strong performances by group companies in Japan. Construction contracts totaled 89,612 million yen in Japan, up 41.4%, and 178,043 million yen overseas, up 24.1%.

Regarding earnings, gross profit on completed construction contracts rose 40.0% to 19,749 million yen due to growth in the volume of construction contracts and an improvement in gross margin on these contracts. In addition, selling, general and administrative expenses continued to decline relative to sales. The result was operating income of 11,077 million yen, up 88.4%. Ordinary profit increased 82.5% to 11,587 million yen due to higher interest and dividend income and other items. Net profit rose 93.5% to 12,863 million yen. Both ordinary profit and net income surpassed forecasts for the fiscal year.

Consolidated Results of Operations – Four-year Summary

Billions of Yen

Fiscal year ended March 31	Construction contracts	Gross profit on projects completed	Operating profit	Ordinary profit	Net profit
2001	128.6	(2.5)	(13.8)	(13.3)	(4.6)
2002	141.5	4.6	(5.1)	(3.3)	0.1
2003	166.3	10.4	1.5	2.3	1.9
2004	206.8	14.1	5.8	6.3	6.6
2005	267.6	19.7	11.0	11.5	12.8

On a non-consolidated basis, new contracts were up 50.4% to 368,290 million yen, which exceeded the fiscal year forecast. Domestic new contracts increased 30.1% to 57,602 million yen and overseas new contracts were up 54.9% to 310,688 million yen.

Construction contracts increased 31.8% to 223,809 million yen, meeting the target for the fiscal year. Domestic construction contracts rose 52.6% to 58,507 million yen and overseas construction contracts increased 25.7% to 165,302 million yen.

Regarding earnings, gross profit on construction contracts increased 59.0% to 15,134 million yen, mainly the result of growth in construction contracts and a 1.15 point improvement in the gross profit rate. The higher gross profit along with further progress in holding down selling, general and administrative expenses resulted in operating profit of 8,744 million yen, up 137.0%. Ordinary profit increased 129.3% to 9,194 million yen, partly due to lower interest expenses because of a reduction in interest-bearing debt. After inclusion of a gain on the reversal of the allowance for doubtful accounts due to the recovery of long-term delinquent receivables, net income totaled 11,877 million yen, up 179.1%. Both ordinary profit and net profit were higher than the targets for the fiscal year.

Results by Business Segment
The following is a summary of operating results by business segments.

Natural Gas & Electric Power
Overseas, global growth in demand for natural gas fueled substantial investments by gas-producing nations and large energy companies in gas development projects. The U.S., the world’s largest energy consumer, is certain to raise LNG imports because domestic gas and imports from Canada can no longer meet the nation’s growing demand. The U.K., where domestic gas reserves are declining, has switched to a net importer of natural gas. In Asia, India has joined the ranks of LNG importers that already include Japan, South Korea and Taiwan. China is expected to begin importing LNG sooner than had been expected. Due to these trends, there is no doubt that demand for LNG will remain strong.

In Japan, deregulation is tending to hold down large-scale capital expenditures for power generation facilities. At the same time, companies are using a greater diversity of energy sources, such as by shifting to natural gas, due to environmental considerations. There are also many new and expanded facilities in response to the removal of boundaries that separated the electricity and gas utility industries. Moreover, demand is emerging for plant lifecycle engineering projects that optimize a plant’s production expenses over many years.

Natural gas & electric power consolidated new contracts totaled 305,594 million yen, up 43.6%, and construction contracts increased 68.7% to 162,507 million yen.

Major new contracts
- LNG plant Train 4 & 5 of Qatar Liquefied Gas Company Limited (II) in Qatar
- LNG plant Train 5 for Ras Laffan Liquefied Natural Gas in Qatar
- FEED for the LNG plant Train 6 & 7 of Qatargas 3
- FEED for the LNG plant Train 6 & 7 of Ras Laffan Liquefied Natural Gas III in Qatar

Major completions (*) completed portion
- Sakhalin II LNG project in Russia (*)
- LNG plant Train 4 & 5 for Ras Laffan Liquefied Natural Gas in Qatar (*)
- LNG plant in Oman (*)
- Gas development project additional work for ExxonMobil in Qatar (*)
- Mizushima LNG terminal (*)
- Natural gas development in Indonesia (*)
- LPG storage terminals in Kamisu, Fukushima and Namikata (*)

Gas Chemicals
There are many large-scale ethylene centers being planned, mainly by the energy majors, that will use inexpensive gas feedstock. These facilities are to be constructed in Saudi Arabia, Qatar, Iran and other Middle East nations,

China, and Singapore. During the past fiscal year, new contracts were up 206.7% to 13,884 million yen and construction contracts fell 61.6% to 14,678 million yen.

Major new contracts
- Ethylene plant expansion in Saudi Arabia

Major completions (*) completed portion
- Fertilizer plant in Iran (*)
- Methanol plant in Saudi Arabia

Petroleum & Petrochemicals
In the petroleum sector, there were solid investments by Japanese oil companies, primarily for petrochemical-related projects and projects to conserve energy. Chiyoda completed on schedule a facility that removes sulfur from gasoline and kerosene to protect the environment and there was sales growth from maintenance projects performed by Group companies in Japan.

In the petrochemical sector, Japanese petrochemical companies continued to construct plants in China and elsewhere in Asia to make products sold to automobile and home appliance manufacturers more competitive.

New contracts totaled 52,227 million yen, up 16.0%, and construction contracts rose 48.7% to 57,018 million yen.

Major new contracts
- Lube oil/grease mixing and filling plant for Nippon Petroleum Refining
- Mixed xylene plant and refinery maintenance for Seibu Oil
- Tank terminal in Singapore
- Ethylene cracker for Mitsubishi Chemical Engineering and Mitsubishi Chemical

Major completions
- Expansion of Puerto La Cruz refinery in Venezuela
- Ultra low sulfur gasoline project for Showa Yokkaichi Sekiyu and Seibu Oil
- Maintenance project for TOA Oil
- Gasoline desulfurization plant for Idemitsu Kosan

General Chemicals & Industrial Machinery
In the chemicals sector, the scale of the market remained stable despite a brief upturn in capital expenditures caused by mergers of Japanese pharmaceuticals companies to become more globally competitive and the rapid entry in Japan of foreign pharmaceutical companies. In this environment, there was growth in the outsourcing of engineering work and an increase in outsourced manufacturing resulting from amendments to Japan's Pharmaceuticals Affairs Law.

New contracts totaled 29,026 million yen, up 59.8%, and construction contracts increased 32.6% to 21,791 million yen.

Major new contracts
- Synthesizing plant for clinical trial for Eisai

Major completions
- Pharmaceutical laboratory for Mitsubishi Pharma
- E-6 (Circuit Board Materials) Plant for Nippon Steel Chemical

Environment & Others
Regarding environmental projects, Chiyoda conducted sales activities for the CT-121 flue gas desulfurization technology developed by the Company as a means to meet increasingly strict global environmental restrictions involving energy sources. Technology was licensed to Southern Company Services for four flue gas desulfurization units at coal-fired power plants of Georgia Power, a subsidiary of the large U.S. electric utility Southern Company, and to Black and Veatch for five flue gas desulfurization plants to be used by Dayton Power and Light. Revenue from these licenses made a contribution to sales in the past fiscal year. New contracts decreased 1.8% to 6,439 million yen and construction contracts were down 45.7% to 7,540 million yen.

Major new contracts (Licensing of CT-121 technology for coal fired power station flue gas desulfurization)
- Licensing to Southern Company Services (U.S.A.) for Georgia Power (U.S.A.)
- Licensing to Black & Veatch Corporation (U.S.A.) for Dayton Power and Light (U.S.A.)

2. Financial Condition

1) Assets, Liabilities and Shareholders' Equity

Assets

Assets increased 40,033 million yen compared with the end of the prior fiscal year. Fixed assets decreased 1,422 million yen because of the collection of long-term delinquent receivables and other long-term receivables. There was a 41,455 million yen increase in current assets, chiefly the result of an increase in joint venture assets due to an increase in large-scale projects conducted as joint ventures.

Liabilities

Liabilities were 25,926 million yen more than one year earlier. This was mainly the net result of short- and long-term loan repayments of 101 million yen and increases of 7,322 million yen in advance receipts on construction contracts and 21,526 million yen in accounts payable for construction costs.

Shareholders' equity

Shareholders' equity increased 14,106 million yen compared to the end of the previous fiscal year, mainly the result of net profit. The equity ratio rose by 4.2 points to 20.2% at the end of the fiscal year.

Billions of Yen

FY ended March 31	2005	2004	Change		2005	2004	Change
Current Assets				**Current liabilities**			
Cash and time deposits	42.3	41.6	0.7	Short-term loans	10.1	0.1	10.0
Trade receivables and costs of construction contracts in progress	62.6	43.5	19.0	Trade payable and advance receipts on construction contracts	118.7	89.9	28.8
Jointly controlled assets of joint venture	49.9	28.4	21.5				
Other current assets	7.0	6.9	0.0	Other current liabilities	10.8	14.7	(3.9)
Fixed Assets				**Non-current Liabilities**			
Property, plant and equipment	6.7	6.9	(0.1)	Long-term debt	0.2	10.3	(10.1)
Intangible fixed assets	2.8	2.6	0.2	Other long-term liabilities (*)	6.0	4.9	1.0
Investments and other assets	11.2	12.7	(1.5)	**Shareholders' Equity**	36.8	22.7	14.1
Total Assets	182.8	142.8	40.0	**Liabilities and Shareholders' Equity**	182.8	142.8	40.0

** Includes minority interests*

2) Cash Flows

Operating activities

Net cash provided by operating activities was 484 million yen. Income before income taxes was 12,049 million yen and depreciation and amortization was 1,284 million yen. Net changes in operating assets and liabilities (total of changes in trade receivables, cost of construction contracts in process, trade payables, and advance receipts on construction contracts) provided net cash of 9,766 million yen. However, there was an increase of 21,540 million yen in joint venture assets due to an increase in large-scale projects conducted as joint ventures.

Jointly controlled assets of joint venture represent the share of the Company's interest in balance sheet items as shown in joint venture contracts associated with construction projects. In effect, these assets thus represents the Company's share of cash and cash equivalents held in the name of the joint venture. Taking this into consideration, effective net cash provided by operating activities was 22,024 million yen.

Investing activities

Net cash used in investing activities was 1,006 million yen. This was mainly attributable to proceeds from the collection of long-term loans receivable and purchases of property, plant and equipment of 1,891 million yen, including investments in IT-related software.

Financing activities
Net cash provided by financing activities was 1,169 million yen due to the issue of stock from the exercise of stock options.

The net result of the above items was a net increase of 691 million yen in cash and cash equivalents to 41,594 million yen as of March 31, 2005.

Change in Financial (Consolidated)

		Billions of Yen				
Fiscal year ended March 31		2001	2002	2003	2004	2005
Total Assets		137.0	129.3	120.2	142.8	182.8
Total Liabilities (*)		121.9	114.2	103.6	120.0	146.0
Shareholders' Equity		15.0	15.1	16.6	22.7	36.8
Net Cash provided by (used in):	Operating Activities	(15.3)	10.4	6.9	15.5	0.4
	Investing Activities	31.4	(0.2)	(0.8)	(1.2)	(1.0)
	Financing Activities	(16.0)	(5.8)	(9.5)	(8.2)	1.1
Balance of Cash and Cash Equivalents		33.9	38.6	34.9	40.9	41.5

** Includes minority interests.*

Cash Flow Indices

Fiscal year ended March 31	2001	2002	2003	2004	2005
Shareholders' Equity ratio (shareholders' equity divided by total assets)	11.0%	11.7%	13.9%	15.9%	20.2%
Years for Debt Redemption (interest-bearing debt divided by operating cash flow)	-	2.7 year (1.8 year)	2.7 year (2.5 year)	0.7 year (0.3 year)	21.3 year (0.5 year)
Interest Coverage Ratio (operating cash flow divided by interest expense)	-	17.5 times (26.7 times)	11.7 times (12.4 times)	42.4 times (96.1 times)	1.6 times (72.3 times)

Note: Figures in parentheses show years of debt redemption by real cash flow (adjusted for jointly controlled assets of joint ventures) provided by operating activities and interest coverage ratio.

3. Outlook for the Year Ending March 31, 2006 and Risk Factors
There are still concerns about the rising cost of crude oil and basic materials as well as trends in foreign exchange markets. However, due to the current gradual upturn in corporate earnings, there are hopes for a full-scale recovery of the Japanese recovery in the fiscal year ending in March 2006.

Overseas, global growth in demand for natural gas and ethylene is supporting steady growth in global investments in gas-related projects, including for gas development and other upstream projects by gas-producing nations and the energy majors. Chiyoda will continue to target new contracts in market sectors where growth is expected to continue, such as for LNG, gas chemical and petrochemical plants.

In Japan, solid capital expenditures by petroleum companies are expected to continue as these companies increase production of petrochemicals used as feedstock and invest in environmental facilities. In the pharmaceutical sector, Chiyoda is focusing on synthesis and drug production projects that utilize engineering tools developed by the Company for the production of many types of intermediates in small lots. In the industrial machinery sector, substantial capital expenditures are foreseen among companies that produce electronic materials for cell phones and liquid crystal displays. Chiyoda plans to select projects where its superior technologies can be used most effectively in order to capture new contracts while observing targeted profit margins.

The market for environmental facilities is expected to grow in the U.S., where restrictions targeting air pollution and other problems are being tightened, and in Europe as eastern European countries join the EU. One result is rising demand for flue gas desulfurization facilities at coal-fired power plants and other plants. Chiyoda offers partners licenses to utilize its CT-121 desulfurization technology. Chiyoda is now conducting full-scale sales activities for this technology, which represents a business model that, unlike conventional EPC (engineering, procurement and construction) projects, incorporates earnings from intellectual property using an internally developed technology.

Forecasts for the fiscal year ending in March 31, 2006 are based on the exchange rate of 100 yen to the U.S. dollar, which is the rate used in the DSP 2008 medium-term management plan announced in February 2005. For the fiscal year, Chiyoda is forecasting consolidated new contracts of 350,000 million yen, construction contracts of 310,000 million yen, ordinary profit of 14,000 million yen and net profit of 14,500 million yen.

On a non-consolidated basis, the forecasts are new contracts of 310,000 million yen, construction contracts of 270,000 million yen, ordinary profit of 12,500 million yen and net profit of 13,500 million yen. The projected year-end dividend is 8 yen per share.

Outlook for FY2006 Business Results

Billions of yen

	Consolidated			Non-consolidated		
FY to March 31	2006	2005	Change (%)	2006	2005	Change (%)
New contracts	350.0	411.2	(14.9)	310.0	368.2	(15.8)
Completed projects	310.0	267.6	15.8	270.0	223.8	20.6
Ordinary profit	14.0	11.5	20.8	12.5	9.1	35.9
Net profit	14.5	12.8	12.7	13.5	11.8	13.7

Presented below is a list of major items, including significant items concerning the Group's financial condition, operating results and cash flows, that may have a material effect on investment decisions. The Group is aware of these risks and is taking the greatest possible precautions to prevent their occurrence. The Group is also working on quickly responding in the event that a problem occurs to minimize its impact.

Risk factors listed below that involve future events represent items that the Company currently regards as important with regard to risk management.

1) Foreign exchange rate volatility
At overseas construction projects, foreign currencies are used for most payments received and purchases of equipment and materials. Consequently, the Company uses foreign exchange forward agreements and other means to minimize the impact of foreign exchange rate movements on earnings from ongoing construction projects.

2) Higher cost of basic materials and other items
At plant construction projects, there is a gap between the time estimates are prepared and the time materials and equipment are ordered and purchased. As a result, increases in the cost of labor, equipment, materials and other items following the receipt of an order can have an impact on earnings. Moreover, there may be an impact on earnings from higher prices of equipment and materials or in the event that completion of a project is delayed by the inability to procure equipment and materials on time due to insufficient supplies.

Presently, prices of basic materials are much higher and there are shortages of certain raw materials. Chiyoda is doing everything possible to avoid and minimize exposure to these risks. The Company is studying the diversification of suppliers, such as by making purchases in all areas of the world, and the placement of large orders, including provisions covering unusually large increases in prices when negotiating contracts with customers, and taking other actions.

3) Terrorism, hostilities in neighboring countries, strikes and anarchism
There could be an impact on earnings in the event that global terrorism or similar events directly affect the head office, construction sites and employees or cause the suspension of business operations, or that instability in client countries in the Middle East or elsewhere causes the medium- to long-term cancellation or postponement of capital expenditures. If any of these events occurs, there could be an impact on earnings if the Group is unable to pass on the resulting expenses to customers. The Group has a crisis management system that permits a quick initial response if an event of this nature occurs.

4) Accidents during transport, etc.
There is a risk of loss or damage of equipment and materials during transport due to inclement weather and other natural disasters. Although marine transport insurance and other precautions are taken, insurance does not normally cover losses caused by wars and hostilities that erupt without warning. Consequently, Chiyoda is temporarily exposed to the resulting risks. In the event that this type of problem occurs, the Company will quickly hold discussions with customers and other related parties to determine the best response.

5) Accidents at plants
There is a possibility of a variety of problems occurring due to some cause at plants under construction by the Group or at plants have been constructed by the Group. Such problems range from minor malfunctions of constituent components of a plant to a major accident like an explosion or fire that affects the entire plant. In the event that the Group is responsible for the cause of the accident, there could be an impact on earnings.

To prevent the occurrence of these accidents, the Group has established quality management, safety management and other risk management systems in order to maximize the safety of the plants it constructs. The Group will continue to take actions to strengthen these risk management systems.

Precautions regarding forward-looking statements
Forecasts for operating results contained in these materials are based on various assumptions concerning future events. Actual results may differ significantly from these forecasts due to a wide range of factors. Investors are therefore urged to refrain from reaching decisions based solely on these forecasts.

Financial Statements

1. Consolidated Balance Sheets

	Millions of Yen				
	As of Mar. 31, 2005		As of Mar. 31, 2004		Difference
		%		%	
Assets					
Current Assets					
Cash and time deposits	42,384		41,613		771
Notes and accounts receivable-trade	37,649		24,612		13,036
Costs of construction contracts in progress	24,977		18,918		6,059
Deferred tax assets	3,803		2,086		1,717
Jointly controlled asset of joint venture	49,953		28,413		21,540
Other	3,749		5,343		(1,594)
Allowance for doubtful accounts	(506)		(431)		(75)
Total Current Assets	**162,011**	**88.6**	**120,556**	**84.4**	**41,455**
Fixed Assets					
Property, plant and equipment					
Buildings and structures	6,302		6,352		
Accumulated depreciation	3,247		3,335		
Book value of buildings and structures	**3,054**		**3,017**		**36**
Machinery and equipment	685		870		
Accumulated depreciation	313		612		
Book value of machinery and equipment	**371**		**258**		**113**
Tools, furniture and fixtures	5,352		5,269		
Accumulated depreciation	3,954		4,151		
Book value of tools, furniture and fixtures	**1,398**		**1,118**		**279**
Land	1,955		2,526		(571)
Construction in progress	3		1		1
Total property, plant and equipment	**6,783**	**3.7**	**6,922**	**4.9**	**(139)**
Intangible fixed assets	**2,844**	**1.6**	**2,607**	**1.8**	**236**
Investments and other assets					
Investment securities	4,322		4,325		(2)
Long-term loans	643		701		(57)
Long-term accounts receivable	3,711		5,127		(1,416)
Long-term receivables	3,003		4,133		(1,130)
Deferred tax assets	112		82		30
Other investments	2,208		2,220		(11)
Allowance for doubtful accounts	(2,485)		(3,554)		1,068
Allowance for capital loss on investments	(263)		(263)		—
Total investments and other assets	**11,254**	**6.1**	**12,773**	**8.9**	**(1,518)**
Total Fixed Assets	**20,881**	**11.4**	**22,303**	**15.6**	**(1,422)**
Total Assets	**182,893**	**100.0**	**142,859**	**100.0**	**40,033**

	Millions of Yen				
	As of Mar. 31, 2005		As of Mar. 31, 2004		Difference
		%		%	
Liabilities and Shareholders' Equity					
Current Liabilities					
Notes and accounts payable-trade	74,414		52,888		21,526
Short-term loans	10,101		101		10,000
Income taxes payable	664		194		469
Advance receipts on construction contracts	44,384		37,061		7,322
Indemnity allowance for completed construction	759		1,079		(319)
Accrued bonuses	2,814		1,548		1,265
Allowance for contingency loss	—		200		(200)
Other	6,642		11,762		(5,119)
Total Current Liabilities	**139,781**	**76.4**	**104,836**	**73.4**	**34,944**
Non-Current Liabilities					
Long-term debt	214		10,316		(10,101)
Deferred tax liabilities	1		1		(0)
Liability for retirement benefits	5,167		4,128		1,038
Liability for retirement benefit to directors	425		378		46
Other liabilities	85		86		(1)
Total Non-Current Liabilities	**5,894**	**3.2**	**14,912**	**10.5**	**(9,017)**
Total Liabilities	**145,675**	**79.6**	**119,748**	**83.9**	**25,926**
Minority Interests	**345**	**0.2**	**344**	**0.2**	**0**
Shareholders' Equity					
Common stock	12,721	6.9	12,027	8.4	694
Additional paid-in capital	6,506	3.6	5,818	4.1	688
Retained earnings	18,622	10.2	5,800	4.0	12,821
Net unrealized loss on available-for-sale securities	31	0.0	26	0.0	5
Foreign currency translation adjustments	(759)	(0.4)	(766)	(0.5)	7
Treasury stock	(250)	(0.1)	(140)	(0.1)	(110)
Total Shareholders' Equity	**36,873**	**20.2**	**22,766**	**15.9**	**14,106**
Liabilities, Minority Interests and Shareholders' Equity	**182,893**	**100.0**	**142,859**	**100.0**	**40,033**

2. Consolidated Statements of Income

	Millions of Yen				
	Apr. 1, 2004 – Mar. 31, 2005		Apr. 1, 2003 – March 31, 2004		Difference
		%		%	
Construction Contracts	**267,655**	**100.0**	**206,816**	**100.0**	**60,838**
Cost of Construction Contracts	**247,905**	**92.6**	**192,709**	**93.2**	**55,195**
Gross profit	19,749	7.4	14,106	6.8	5,642
Selling, General and Administrative Expenses	8,671	3.3	8,225	4.0	446
Operating profit	11,077	4.1	5,881	2.8	5,196
Other Income					
Interest	723		360		
Dividend income	19		50		
Rent income	247		146		
Equity in earnings of associated companies	152		155		
Foreign exchange gain	—		294		
Other	141		170		
Total Other Income	**1,284**	**0.5**	**1,176**	**0.6**	**107**
Other Expenses					
Interest expense	304		374		
Cost of rent income	149		84		
Foreign exchange loss	102		—		
Other	218		250		
Total Other Expenses	**775**	**0.3**	**710**	**0.3**	**64**
Ordinary profit	11,587	4.3	6,348	3.1	5,239
Extraordinary Gain					
Reversal of allowance for doubtful accounts	1,073		485		
Reversal of allowance for contingency loss	200		600		
Other	34		112		
Total Extraordinary Gain	**1,308**	**0.5**	**1,198**	**0.6**	**109**
Extraordinary Loss					
Loss on sale of fixed assets	390		—		
Impairment loss	233		—		
Loss on removal of property, plant and equipment	98		—		
Loss on guarantee of construction performance in affiliated companies	—		1,679		
Other	124		497		
Total Extraordinary Loss	**846**	**0.3**	**2,176**	**1.1**	**(1,330)**
Profit before income taxes and minority interests	12,049	4.5	5,370	2.6	6,679
Income taxes current	931		667		
Income taxes deferred	(1,754)		(1,905)		
Total Tax	**(823)**	**(0.3)**	**(1,237)**	**(0.6)**	**414**
Minority interests in net profit	9	(0.0)	—	—	9
Minority interests in net loss	—	—	38	0.0	(38)
Net profit	**12,863**	**4.8**	**6,646**	**3.2**	**6,216**

3. Consolidated Statements of Retained Earnings

	Millions of Yen		
	Apr. 1, 2004 – Mar. 31, 2005	Apr. 1, 2003 – Mar. 31, 2004	Difference
Additional Paid-in Capital			
Additional Paid-in Capital at Beginning of Period	5,818	5,818	—
Increase in capital surplus			
Proceeds from new shares issued for the exercise of stock options	688	—	688
Additional Paid-in Capital at End of Period	**6,506**	**5,818**	**688**
Retained Earnings			
Retained Earnings at Beginning of Period	5,800	(496)	6,297
Increase in Retained Earnings			
From net profit	12,863	6,646	
From decrease in consolidated subsidiaries	—	12	
Total Increase in Retained Earnings	**12,863**	**6,659**	**6,204**
Decrease in Retained Earnings			
From consolidated subsidiaries	41	—	
Decrease due to exclusion of equity method affiliates	—	361	
Total Decrease in Retained Earnings	**41**	**361**	**(319)**
Retained Earnings at End of Period	**18,622**	**5,800**	**12,821**

4. Consolidated Statements of Cash Flow

	Millions of Yen		
	Apr. 1, 2004 – Mar. 31, 2005	Apr. 1, 2003 – Mar. 31, 2004	Difference
Cash Flow from Operating Activities			
Profit (loss) before income taxes and minority interests	12,049	5,370	6,679
Depreciation and amortization	1,284	1,205	78
Decrease in allowance for doubtful accounts	(993)	(1,128)	134
Interest and dividend income	(742)	(410)	(331)
Interest expense	304	374	(70)
Foreign exchange losses (gains)	(66)	650	(717)
Equity in earnings of associated companies	(152)	(155)	3
Loss on sales and disposal of property, plant and equipment	488	—	488
Impairment loss	233	—	233
Decrease (increase) in trade notes and accounts receivable	(13,064)	762	(13,826)
Decrease (incrase) in costs of construction contracts in progress	(6,059)	2,187	(8,246)
Increase in trade notes and accounts payable	21,568	6,376	15,191
Increase (decrease) in advance receipts on construction contracts	7,322	11,889	(4,566)
Increase in accrued bonuses	1,265	172	1,092
Increase in retirement benefits	1,038	1,217	(178)
Indemnity allowance for completed contracts	(319)	385	(704)
Decrease in allowance for investment loss	—	(0)	0
Decrease in allowance for contingency loss	(200)	(600)	400
Increase in jonitly controlled assets of joint ventures	(21,540)	(19,741)	(1,799)
Increase (decrease) in consumption taxes payable	183	645	(461)
Increase (decrease) in deposits received	(2,626)	4,125	(6,752)
Other	469	2,661	(2,192)
Subtotal	442	15,988	(15,546)
Interest and dividend income	754	665	89
Interest paid	(304)	(367)	62
Income taxes paid	(408)	(705)	296
Net Cash Provided by Operating Activities	**484**	**15,580**	**(15,096)**

4. Consolidated Statements of Cash Flow (Continued)

	Millions of Yen		
	Apr. 1, 2004 – Mar. 31, 2005	Apr. 1, 2003 – Mar. 31, 2004	Difference
Cash Flow from Investing Activities			
Payment for time deposits	(622)	(1)	(620)
Proceeds from refunds of time deposits with maturities	542	353	188
Payments for purchase of investment securities	(33)	(20)	(13)
Proceeds from sales of investment securities	222	11	211
Purchase of property, plant and equipment	(854)	(751)	(102)
Proceeds from sale of property, plant and equipment	65	8	57
Purchase of intangible fixed assets	(1,037)	(992)	(44)
Net decrease in short-term loans	39	10	29
Long-term loans	(20)	(144)	123
Proceeds from collections of long-term loans	689	249	439
Other	1	0	1
Net Cash Used in Investing Activities	**(1,006)**	**(1,277)**	**270**
Cash Flow from Financing Activities			
Net decrease in short-term bank loans	—	(7,904)	7,904
Repayments of long-term debt	(101)	(257)	156
Proceeds from issuance of new stock	1,382	—	1,382
Other	(110)	(92)	(18)
Net Cash Used in Financing Activities	**1,169**	**(8,254)**	**9,424**
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	**100**	**(78)**	**178**
Net Increase (Decrease) in Cash and Cash Equivalents	**747**	**5,970**	**(5,222)**
Cash and Cash Equivalents at Beginning of Period	**40,902**	**34,940**	**5,962**
Decrease in Cash and Cash Equivalents Elimination From Consolidation	**(56)**	**(7)**	**(48)**
Cash and Cash Equivalents at End of Period	**41,594**	**40,902**	**691**

<Appendix to Consolidated Financial Statements>

Changes in Accounting Principles

Current Fiscal Year (From April 1, 2004 to March 31, 2005)	Previous Fiscal Year (From April 1, 2003 to March 31, 2004)
Recognition of revenues on construction contracts in process In principle, revenues are recognized upon completion of construction contracts, except for the following contracts. The Company and its four significant domestic consolidated subsidiaries recognize revenues on construction contracts greater than 0.1 billion yen and having construction duration of more than 12 months by the percentage-of-completion method. Chiyoda Singapore (Pte) Ltd. (Singapore-based subsidiary), PT. Chiyoda International Indonesia (Indonesia-based subsidiary) and seven other subsidiaries recognize revenues by the percentage-of-completion method. Revenues on construction contracts recognized by the percentage-of-completion method totaled 186,399 million yen Changes in Accounting Policies In prior periods, the percentage-of-completion method had been applied to contract amounts greater than 5 billion yen and having construction duration of more than 18 months. However, the criteria for the application of this method have been revised. Effective from new contracts signed in the current fiscal year, revenues on construction contracts greater than 0.1 billion yen and having construction duration of more than 12 months are recognized by the percentage-of-completion method. Effective from new contracts signed in the current fiscal year, the three significant domestic consolidated subsidiaries have also changed criteria for the application of the percentage-of-completion method to maintain conformity with the criteria for the application of the percentage-of-completion method of the Company. The change in the accounting policy was made in consideration of the increasing number of small- to medium-size projects, more precise management of such projects made possible by enhanced corporate organization and to better reflect construction revenue in the period profit/loss in view of the recent trends in international accounting standards. As a result, gross profit on projects completed was 4,318 million yen higher, and gross profit, operating profit, ordinary profit and net profit were each 300 million yen each higher, compared to amounts that would have been reported if the previous method had been used consistently. The effect of this change on Segment Information is presented in Segment Information.	Recognition of revenues on construction contracts in process In principle, revenues are recognized upon completion of construction contracts, except for the following contracts. Revenues on construction contracts greater than 5 billion yen and having construction duration of more than 18 months are recognized by the percentage-of-completion method. Chiyoda Singapore (Pte) Ltd. (Singapore-based subsidiary), PT. Chiyoda International Indonesia (Indonesia-based subsidiary) and ten other subsidiaries recognize revenues by the percentage-of-completion method. Revenues on construction contracts recognized by the percentage-of-completion method totaled 146,073 million yen.

Current Fiscal Year (From April 1, 2004 to March 31, 2005)	Previous Fiscal Year (From April 1, 2003 to March 31, 2004)
<u>Accounting for impairment of property, plant and equipment</u> Effective the current consolidated fiscal year, the Company adopted the new standards for accounting for impairment of property, plant and equipment (Opinion on "Accounting Standards for Impairment of Fixed Assets," (ASBJ, August 9, 2002)) and Accounting Standard Implementation Guidance No. 6 ("Implementation Guidance on Accounting Standard for Impairment of Fixed Assets," (ASBJ, October 31, 2003)), effective the fiscal year ending on March 31, 2004. The effect of the adoption of the new accounting standard and the accounting standard implementation guidance was to decrease profit before income taxes by 233 million yen, compared to the amount that would have been reported if the previous standard had been applied consistently. In accordance with the revised Standards for the Preparation of Interim Consolidated Financial Statements, accumulated impairment losses are deducted directly from the carrying amounts of the respective fixed assets. The effect of this change on Segment Information is presented in Segment Information.	—

Current Fiscal Year (From April 1, 2004 to March 31, 2005)	Previous Fiscal Year (From April 1, 2003 to March 31, 2004)
With the implementation of the "Revision of the Local Tax Law (Legislation No. 9, 2003) on March 31, 2003 and the introduction from the fiscal year starting on and after April 1, 2004 of enterprise taxes which are based on the size of the enterprise, the Company has adopted the new accounting standard (ASBJ Accounting Standard Implementation Guidance No. 12 (February 13, 2004): "Implementation Guidance on Presentation of the Size-based Portion of Enterprise Taxes in Statements of Income." Accordingly, the amount of enterprise taxes that have a tax basis on the "amount of added value" and the "amount of capital" are presented as a component of selling, general and administrative expenses. The effect of this change was to increase selling, general and administrative expenses by 163 million yen and decrease operating income, ordinary income and income before income taxes by 163 million yen each. The effect of this change on Segment Information is presented in Segment Information.	—

Notes to consolidated financial statements

SECURITIES

Previous fiscal year

1. Information regarding marketable securities classified as "Other Securities" (As of March 31, 2004)

Millions of yen

	Security	Acquisition cost	Carrying value	Unrealized gain/loss
Securities whose carrying value exceeds their acquisition cost	Equity securities	48	93	44
Securities whose acquisition cost exceeds their carrying value	Equity securities	8	8	(0)
Total		57	101	44

2. Sales of securities classified as "Other Securities (April 1, 2003 – March 31, 2004)

Millions of yen

Sales amount	Aggregate gain	Aggregate loss
3	—	5

3. "Other Securities" without market value mainly consisted of the following. Their carrying values are summarized below. (As of March 31, 2004)

Other Securities

Millions of yen

Equity securities – unlisted (excluding OTC stock)	1,608
Subscription certificates	15

Current fiscal year

1. Information regarding marketable securities classified as "Other Securities" (As of March 31, 2005)

Millions of yen

	Security	Acquisition cost	Carrying value	Unrealized gain/loss
Securities whose carrying value exceeds their acquisition cost	Equity securities	57	111	53
Securities whose acquisition cost exceeds their carrying value	Equity securities	—	—	—
Total		57	111	53

2. Sales of securities classified as "Other Securities (April 1, 2004 – March 31, 2005)

Millions of yen

Sales amount	Aggregate gain	Aggregate loss
70	20	0

3. "Other Securities" without market value mainly consisted of the following. Their carrying values are summarized below. (As of March 31, 2005)

Other Securities

Millions of yen

Equity securities – unlisted (excluding OTC stock)	1,482
Subscription certificates	15

Allowance for Retirement Benefits

1. Accounting for retirement benefits

Previous fiscal year (April 1, 2003 – March 31, 2004) and Current fiscal year (April 1, 2004 – March 31, 2005)
The Company and its consolidated domestic subsidiaries provide qualified pension plans and lump sum severance payment plans for their defined benefit pension plans. In addition, the Company sometimes provides extra severance pay. Part of overseas subsidiaries also provides defined benefit plans. The company has been providing lump sum severance payment plans and qualified pension plans from 1980.

2. Retirement benefit obligations

	Millions of Yen	
	As of Mar. 31, 2005	As of Mar. 31, 2004
Projected benefit obligations	(33,587)	(34,025)
Fair value of plan assets	15,785	15,594
Obligation for unreserved retirement benefit	**(17,802)**	**(18,431)**
Unrecognized transitional obligation	8,082	8,890
Unrecognized actuarial loss	4,552	5,412
Reserve for retirement benefits (*1)	**(5,167)**	**(4,128)**

Note 1) The reserve for retirement benefits does not include extra severance payments of 27 million yen in the previous fiscal year. These payments are included in the other current liabilities.
2) The Group uses heuristic method for consolidating retirement obligations of its subsidiaries.

3. Retirement benefit costs

	Millions of Yen	
	Apr. 1, 2004 – Mar. 31, 2005	Apr. 1, 2003 – Mar. 31, 2004
Service cost	930	921
Interest cost	472	477
Expected return on plan assets	(214)	(195)
Amortization of transitional obligation	808	808
Recognized actuarial loss	664	782
Net periodic benefit cost	**2,661**	**2,795**

Note: According to heuristic method of consolidation of subsidiaries, subsidiary retirement benefit costs are recorded under the service cost.

4. Actuarial assumptions used to determine costs and benefit obligations for principal pension plans

	Apr. 1, 2004 – Mar. 31, 2005	Apr. 1, 2003 – Mar. 31, 2004
Allocation of projected benefit obligation	Equal amount over each period	Equal amount over each period
Discount rate	1.5%	1.5%
Expected rate of return on plan assets	1.5%	1.5%
Recognition period of actuarial gain/loss	10 years (depreciated with the straight line method over a fixed number of years within average employee working period in the fiscal year in which the loss occurred, and recognized in the following fiscal year)	10 years (depreciated with the straight line method over a fixed number of years within average employee working period in the fiscal year in which the loss occurred, and recognized in the following fiscal year)
Amortization period of transitional obligation	15 years	15 years

Tax Effect Accounting

1. Principle cause of deferred tax assets and liabilities

	Millions of Yen	
	As of Mar. 31, 2005	As of Mar. 31, 2004
Deferred tax assets		
Tax loss carry forward	3,483	6,679
Cost of construction contracts	3,625	3,632
Retirement benefits	2,010	1,506
Allowance for doubtful accounts	825	1,269
Loss on construction contracts due to application of progress percentage method	55	562
Loss on valuation of costs of construction contracts in progress	587	122
Loss on valuation of fixed assets	778	737
Other	2,339	2,872
Sub-total deferred tax assets	13,706	17,381
Valuation allowance	(8,608)	(15,196)
Total deferred tax assets	5,098	2,184
Deferred tax liabilities		
Equity in profit/loss of joint ventures	(1,161)	—
Unrealized gains on other securities	(21)	(17)
Other	(0)	(0)
Total deferred tax liabilities	(1,183)	(18)
Net deferred tax assets	3,914	2,166

Note: Net deferred tax assets for the current and the previous fiscal year are included in the consolidated balance sheets as follows:

	Millions of Yen	
	As of Mar. 31, 2005	As of Mar. 31, 2004
Current assets – Deferred tax assets	3,803	2,086
Fixed assets –Deferred tax assets	112	82
Non-current liabilities – Deferred tax liabilities	(1)	(1)

2. Principle items which caused differences between statutory effective tax rate and income tax rate charged after adoption of deferred tax accounting

	Percent %	
	As of Mar. 31, 2005	As of Mar. 31, 2004
	%	%
Normal effective statutory tax rate	40.6	42.0
Adjustments		
Non-deductible entertainment and other expenses	2.5	13.5
Non-taxable dividend and other income	(0.0)	(0.0)
Parity adjustment for inhabitance taxes	1.2	1.2
Foreign taxes	2.0	2.9
Valuation allowance	(53.4)	(74.8)
Equity in earnings of affiliated companies	(0.5)	(1.2)
Net loss of consolidated subsidiaries	(0.4)	(0.8)
Unrealized income	(0.0)	(5.4)
Other	(1.2)	(0.4)
Income tax rate charged after adoption of deferred tax accounting	(6.8)	(23.0)

Segment Information

1. Industry Segments

The Company's current fiscal year was from April 1, 2004 to March 31, 2005. The previous fiscal year was from April 1, 2003 to March 31, 2004. The main business of the Chiyoda Group is engineering that focuses on the planning, design, construction, and operations assistance of public- and private-sector facilities, as well as facilities for pollution prevention and environmental preservation and enhancement. In non-engineering businesses, there are no segments that account for 10% or more in terms of sales, operating profits or assets, and as such these segments have been omitted.

2. Geographic Segments

Current fiscal year (From April 1, 2004 to March 31, 2005)

	Millions of Yen						
	Japan	Asia	North America	Others	Total	Eliminations (Corporate)	Consolidated
Revenues							
Outside customers	257,380	10,274	–	–	**267,655**	–	**267,655**
Inter-segment	3	1,539	31	–	**1,574**	(1,574)	–
Total..........................	257,384	11,814	31	–	**269,229**	(1,574)	**267,655**
Operating expenses......	246,107	11,995	31	3	**258,138**	(1,561)	**256,577**
Operating Profit (Loss)	**11,276**	**(181)**	**(0)**	**(3)**	**11,091**	(13)	**11,077**
Assets	174,447	7,607	565	122	**182,742**	150	**182,893**

(Notes)

(1) Geographic segmentation is according to geographic proximity

(2) Countries included in regions other than Japan:

Asia: Indonesia, Singapore, Philippines, Myanmar, Malaysia and Thailand.
North America: U.S.A.
Other regions: Nigeria.

Effective the current fiscal year, Chiyoda Deustchland GMBH (Germany), a consolidated subsidiary in prior periods, is excluded from the consolidation due to liquidation in July 2003. Effective, the current fiscal year, Chiyoda International Limited (Britain), a consolidated subsidiary in prior periods, is excluded from the consolidation because of reduced materiality of impact in the context of the consolidated financial statements. Effective the current fiscal year, geographical segment information excludes Europe since there were no sales in that geographical segment..

(3) Within asset *Elimination (Corporate)* account, corporate assets accounted for 3,339 million yen, consisting mainly of long-term investments (investment securities).

(4) Changes in Accounting Principles:

1) As stated in Section 4 (d), Recognition of Revenues on Construction Contracts In Process (Changes in accounting policy), the Company and its three domestic consolidated subsidiaries have changed the policy for the recognition of revenues on construction contracts in process. Effective the current fiscal year, the Company and its three domestic consolidated subsidiaries recognize revenues on new construction contracts greater than 0.1 billion yen and having construction duration of more than 12 months by the percentage-of-completion method.
The effect of the adoption of the new accounting standard and the accounting standard was to increase construction contracts in the Japan segment from external customers by 4,318 million yen and operating profit by 300 million yen.
The adoption of the new accounting policy has no effect on other segments.

2) As stated in the section on "Changes in the Basis of Presenting Consolidated Financial Statements" (Accounting for Impairment of Property, Plant and Equipment), effective the current consolidated fiscal year, the Company adopted the new standards for accounting for impairment of property, plant and equipment (Opinion on "Accounting Standards for Impairment of Fixed Assets," and Accounting Standard Implementation Guidance).
The effect of the adoption of the new accounting standard and the accounting standard was to decrease assets in the Japan segment by 233 million yen.
The adoption of the new accounting policy has no effect on other segments.

3) With the implementation of enterprise taxes, which are based on the size of the enterprise, the Company has adopted the new accounting standard. Accordingly, effective from the current consolidated fiscal year, the amount of enterprise taxes that have a tax basis on the "amount of added value" and the "amount of capital" are presented as a component of selling, general and administrative expenses.
The effect of this change was to increase selling, general and administrative expenses in the Japan segment by 163 million yen and decrease operating profit, ordinary profit and income before income taxes by 163 million yen each.
The adoption of the new accounting policy has no effect on other segments.

Previous fiscal year (From April 1, 2003 to March 31, 2004)

	Japan	Asia	Europe	North America	Others	Total	Eliminations (Corporate)	Consolidated
	Millions of Yen							
Revenues								
Outside customers	196,523	10,239	53	–	–	**206,816**	–	**206,816**
Inter-segment	3	807	338	33	–	**1,182**	(1,182)	–
Total	196,526	11,047	391	33	–	**207,999**	(1,182)	**206,816**
Operating expenses........	190,560	11,162	383	33	11	**202,151**	(1,216)	**200,935**
Operating Profit (Loss) ...	**5,965**	**(114)**	**7**	**0**	**(11)**	**5,847**	33	**5,881**
Assets	139,232	6,487	244	577	124	**146,666**	(3,806)	**142,859**

(Notes)
(1) Geographic segmentation is according to geographic proximity
(2) Countries included in regions other than Japan:
Asia: Indonesia, Singapore, Philippines, Myanmar, Malaysia and Thailand.
Europe: U.K. and Germany
North America: U.S.A.
Other regions: Nigeria.
(3) Within asset *Elimination (Corporate)* account, corporate assets accounted for 3,015 million yen, consisting mainly of long-term investments (investment securities).
(4) Changes in Accounting Principles:
Starting from the current fiscal year, the Company has changed the fixed number of years for the processing of operating expenses for actuarial loss to 10 years, from the previous 12 years. This change will have only a slight effect on each segment.

3. Overseas Sales

Current fiscal year (April 1, 2004 to March 31, 2005)

	Asia	Middle East	Russia/ Central Asia	Other Regions	Total
	Millions of Yen				
Overseas sales...	28,083	96,132	49,817	4,010	178,043
Consolidated sales......................................					267,655
Ratio of overseas to consolidated sales (%)......	10.5	35.9	18.6	1.5	66.5

(Notes)
(1) Geographic segmentation is according to geographic proximity
(2) Countries and areas included in each region:
Asia: China, Indonesia and Thailand.
Middle East: Qatar, Oman, Saudi Arabia, Iran and United Arab Emirates
Russia/Central Asia: Russia
Other regions: Venezuela
(3) Overseas sales are those sales of the Company and its consolidated subsidiaries that take place in countries or regions other than Japan
(4) Reclassification of Geographical Segments
As stated in Section 4 (d), Recognition of Revenues on Construction Contracts In Process (Changes in accounting policy), the Company and its three domestic consolidated subsidiaries have changed the policy for the recognition of revenues on construction contracts in process. Effective the current fiscal year, the Company and its three domestic consolidated subsidiaries recognize revenues on new construction contracts greater than 0.1 billion yen and having construction duration of more than 12 months by the percentage-of-completion method.
The effect of this change was to increase construction contracts in the Asia segment by 190 million yen, in the Middle East segment by 678 million yen and in other regions segment by 53 million yen, respectively, compared to amounts that would have been reported if the previous method had been used consistently.

Previous fiscal year (April 1, 2003 to March 31, 2004)

	Millions of Yen				
	Asia	Middle East	Russia/ Central Asia	Other Regions	Total
Overseas sales	26,338	90,786	22,343	3,994	143,462
Consolidated sales					206,816
Ratio of overseas to consolidated sales (%)	12.74	43.90	10.80	1.93	69.37

(Notes)

(1) Geographic segmentation is according to geographic proximity

(2) Countries and areas included in each region:
Asia: China, Thailand and Indonesia
Middle East: Qatar, Saudi Arabia, Oman and Iran
Russia/Central Asia: Russia
Other regions: Venezuela

(3) Overseas sales are those sales of the Company and its consolidated subsidiaries that take place in countries or regions other than Japan

(4) Reclassification of Geographical Segments
Effective the current fiscal year, the "Russia and Central Asia" region, included as a component of "Other Regions" in prior years, is reclassified and presented as a separate line item ("Russia and Central Asia") since total sales in this region exceeded 10% of consolidated construction contracts.
Sales in the "Russia and Central Asia" region included in "Other Regions" totaled ¥685 million, which accounted for 0.4% of the overseas sales, in the previous consolidated fiscal year.

Production, Orders and Sales Situation

1. Orders

	Millions of Yen							
	Apr. 1, 2004 – Mar. 31, 2005				Apr. 1, 2003 – Mar. 31, 2004			
	New contracts		Backlog		New contracts		Backlog	
	Amt	%	Amt	%	Amt	%	Amt	%
Business Segment								
Engineering								
LNG plant…………………………	285,055 +76.1%	69.3	378,270 [3,455]	72.4	161,852	55.7	200,604 [-14,816]	53.4
Gas and power utilities ……….	20,539 -59.7%	5.0	68,433 [413]	13.1	50,943	17.5	99,143 [-1,777]	26.4
Gas chemicals…………………..	13,884 +206.7%	3.4	9,961 [166]	1.9	4,526	1.5	10,589 [-2,302]	2.8
Petroleum and petrochemicals …………………	52,227 +16.0%	12.7	35,090 [-762]	6.7	45,042	15.5	40,643 [-187]	10.8
General chemicals…………….	17,756 +13.3%	4.3	24,295 [-258]	4.7	15,665	5.4	17,367 [2,208]	4.6
Industrial machinery………….	11,270 +350.2%	2.7	2,858 [-9]	0.5	2,503	0.9	2,819 [1,025]	0.8
Environment and other ……….	6,439 -1.8%	1.6	3,534 [-51]	0.7	6,559	2.3	4,686 [-8,304]	1.2
Total Engineering	**407,173 +41.8%**	**99.0**	**522,444 [2,953]**	**100.0**	**287,094**	**98.8**	**375,854 [-24,155]**	**100.0**
Other……………………………..	4,119 +15.6%	1.0	– [–]	–	3.564	1.2	– [–]	–
Total……………………………..	**411,292 +41.5%**	**100.0**	**522,444 [2,953]**	**100.0**	**290,658**	**100.0**	**375,854 [-24,155]**	**100.0**

(Note)
Classification of business segment has been changed in accordance with Gas Value Chain business.

Breakdown of Domestic and Overseas Orders

	Millions of Yen							
	Apr. 1, 2004 – Mar. 31, 2005				Apr. 1, 2003 – Mar. 31, 2004			
	New contracts		Backlog		New contracts		Backlog	
	Amt	%	Amt	%	Amt	%	Amt	%
Domestic…………………………	89,496 +24.3%	21.8	91,092 [-204]	17.4	71,979	24.8	91,412 [-817]	24.3
Overseas…………………………	321,796 +47.2%	78.2	431,352 [3,157]	82.6	218,678	75.2	284,441 [-23,337]	75.7
Total……………………………..	**411,292 +41.5%**	**100.0**	**522,444 [2,953]**	**100.0**	**290,658**	**100.0**	**375,854 [-24,155]**	**100.0**

(Note)
Numbers in brackets [ ] under "Backlog of orders" indicate the total of increases or decreases accompanying foreign currency translation adjustments related to foreign currency business, increases resulting from adjustments for new contracts, and decreases resulting from contractual changes in orders received before the previous fiscal year.

2. Sales

Business Segment	Millions of Yen			
	Apr. 1, 2004 – Mar. 31, 2005		Apr. 1, 2003– Mar. 31, 2004	
	Amt	%	Amt	%
Engineering				
LNG plant	110,844 +46.5%	41.4	75,641	36.6
Gas and power utilities	51,662 +149.8%	19.3	20,683	10.0
Gas chemicals	14,678 -61.6%	5.5	38,250	18.5
Petroleum and petrochemicals	57,018 +48.7%	21.3	38,338	18.5
General chemicals	10,570 -0.8%	4.0	10,657	5.2
Industrial machinery	11,221 +94.1%	4.2	5,782	2.8
Environment and other	7,540 -45.7%	2.8	13,898	6.7
Total Engineering	**263,536 +29.7%**	**98.5**	**203,252**	**98.3**
Other	4,119 +15.6%	1.5	3,564	1.7
Total	**267,655 +29.4%**	**100.0**	**206,816**	**100.0**

(Note)
Classification of business segment has been changed in accordance with Gas Value Chain business.

Breakdown of Domestic and Overseas Sales

	Millions of Yen			
	Apr. 1, 2004 – Mar. 31, 2005		Apr. 1, 2003– Mar. 31, 2004	
	Amt	%	Amt	%
Domestic	89,612 +41.4%	33.5	63,353	30.6
Overseas	178,043 +24.1%	66.5	143,462	69.4
Total	**267,655 +29.4%**	**100.0**	**206,816**	**100.0**

(Notes)
(1) "Status of production" is not listed, because it is difficult to define production results for the Chiyoda Group.
(2) Sales results and percentages of total sales for main customers are shown below.

Millions of Yen					
Apr. 1, 2004– Mar. 31, 2005			Apr. 1, 2003 – Mar. 31, 2004		
Customer	Amt	%	Customer	Amt	%
Sakhalin Energy Investment Co., Ltd.	49,777	18.6	Ras Laffan LNG Co., Ltd.	28,110	13.6
Ras Laffan LNG Co., Ltd.	28,092	10.5	Sakhalin Energy Investment Co., Ltd.	22,343	10.8
			Qalhat LNG SA OC	22,025	10.7

(3) Amounts contained in these tables do not include consumption tax.