

CHIYODA CORPORATION
Financial Results
for Fiscal 2005 First Quarter Ended June 30, 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.

Summary of Financial Statements (Consolidated) for Fiscal 2005 First Quarter

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1. Notes on presentation of three-month operating results

- (1) Application of the simple method: Yes
(See Page 8 of Attachments)
- (2) Changes in accounting treatment from the most recent consolidated fiscal year: No
- (3) Changes in the scope of the consolidation and the application of the equity method: No

2. Results of operation for the three-month period ended June 2005 (April 1, 2005–June 30, 2005)

1) Consolidated Business Results

	<i>Millions of Yen</i>			
	Apr. 1, 2005 — Jun. 30, 2005			(reference) Apr. 1, 2004 — Mar. 31, 2005
		<i>Change (%)</i>		<i>Change (%)</i>
Net Sales	68,261	—	—	267,655
Operating Profit	3,814	—	—	11,077
Ordinary Profit	4,141	—	—	11,587
Net Profit	4,832	—	—	12,863
Net Profit per Share (¥)	25.30			68.62
Fully Diluted Net Profit per Share (¥)	25.12			67.30

(Notes) Previous fiscal year three-month data and year-on-year comparisons are not presented since this is the first three-month financial report for Chiyoda.

2) Changes in Consolidated Financial Position

	<i>Millions of Yen</i>		
	Apr. 1, 2005 — Jun. 30, 2005	Apr. 1, 2004 — Jun. 30, 2004	(reference) Apr. 1, 2004 — Mar. 31, 2005
Total Assets	192,296	—	182,893
Shareholders' Equity	40,745	—	36,873
Equity Ratio	21.2%	—	20.2%
Shareholders' Equity per Share (¥)	213.14	—	193.22

(Notes) Previous fiscal year three-month data and year-on-year comparisons are not presented since this is the first three-month financial report for Chiyoda.

3) Consolidated Cash Flows

	<i>Millions of Yen</i>		
	Apr. 1, 2005 — Jun. 30, 2005	Apr. 1, 2004 — Jun. 30, 2004	(reference) Apr. 1, 2004 — Mar. 31, 2005
Net cash provided by operating activities	1,195	—	484
Net cash used in investing activities	(80)	—	(1,006)
Net cash provided by (used in) financing activities ...	(947)	—	1,169
Cash and cash equivalents at end of period	40,766	—	41,594

(Notes) Previous fiscal year three-month data and year-on-year comparisons are not presented since this is the first three-month financial report for Chiyoda.

3. Consolidated Operations Forecast for the Year Ending March 31, 2006

	<i>Millions of Yen</i>	
	Apr. 1, 2005 – Mar. 31, 2006	
	<i>Interim period</i>	<i>Full term</i>
Net sales	150,000	310,000
Ordinary Profit	6,000	14,000
Net Profit	6,500	14,500

(Note) Projected net profit per share for the year ending June 30, 2006

75.85 yen

Results of Operations and Financial Condition for FY06 First Quarter

1. Consolidated Results of Operations

In the first quarter of the current fiscal year ended June 2005, although prices of raw materials, such as steel and petroleum products, rose on the back of higher oil prices, private sector capital investment increased, reflecting recovery in corporate profit and nudging the Japanese economy toward gradual recovery. Led by in China, overseas economies, including other Asian countries and the U.S., showed strong growth.

In the global plant market, increasing energy demand drove the price of crude oil to record highs, stimulating a clear shift to gas. Next year, following in India's footsteps, China will become a major LNG importing nation. The result of this is a large volume of investments by gas-producing nations in Asia, the Middle East, Africa and elsewhere.

In Japan, rising profits have made oil refiners more willing to make capital investments. New investment can be anticipated in facilities for the manufacture of petrochemical feed stock to meet growing demand in Asia, particularly in China. Chiyoda also expects to see a steady flow of orders for upgrades and expansion of existing facilities, and for related maintenance and consulting work.

On the strength of these and other factors, Chiyoda recorded consolidated new contracts with a value of 95,791 million yen, a 27.8% increase from the first quarter of the previous fiscal year. Major contracts included additional orders related to expansion of LNG Plant Train 4 & 5 of Qatar Liquefied Gas Company Limited (II).

Consolidated ordinary profit was 4,141 million yen on net sales of 68,261 million yen, a result of smooth execution of construction projects. Net profit for the quarter was 4,832 million yen.

2. Financial Condition

Shareholders' equity increased by 3,872 million yen, rising by 1.0 percentage point from the previous fiscal year-end to 21.2%.

Net cash provided by operating activities, including Chiyoda's share of jointly controlled assets on the balance sheets of construction contracts of joint ventures for project executions, was 1,195 million yen. Net cash provided by operating activities, after adjustment for cash and cash equivalents of joint ventures, was 11,028 million yen.

3. Outlook for the Year Ending March 31, 2006

First-quarter operating results were largely on a par with forecasts. However, Chiyoda has not revised its first-half and full-year consolidated and non-consolidated forecasts released on May 18, 2005. For the fiscal year ending March 31, 2006, the Company forecasts consolidated new contracts of 350,000 million yen and non-consolidated new contracts of 310,000 million yen. The forecasts are based on an exchange rate of 100 yen to the U.S. dollar, as assumed in the Mid-term Management Plan announced in February. Management is projecting a dividend of 8 yen per share.

Forward Looking Statements

Chiyoda expects to smoothly implement ongoing projects. However, project completions may be pushed back by substantial increases in prices of materials and equipment or delays in the delivery of materials and equipment caused by shortages or other factors. Regarding future projects, any substantial increases in equipment and material prices and foreign exchange rate movements may significantly affect the Group's operating results.

1. Summary of Consolidated Balance Sheets

	<i>Millions of Yen</i>			
	1Q FY2005 As of Jun. 30, 2005	%	FY2004 As of Mar. 31, 2005	%
Assets				
Current Assets				
Cash and time deposits	41,325		42,384	
Notes and accounts receivable-trade	30,594		37,649	
Costs of construction contracts in progress	31,260		24,977	
Deferred tax assets.....	3,803		3,803	
Jointly controlled asset of joint venture	59,786		49,953	
Other	5,354		3,749	
Allowance for doubtful accounts.....	(202)		(506)	
Total Current Assets	171,922	89.4	162,011	88.6
Fixed Assets				
Property, plant and equipment.....	6,947		6,783	
Intangible fixed assets	2,752		2,844	
Investments and other assets	12,787		14,002	
Reserves.....	(2,114)		(2,748)	
Total investments and other assets	10,673		11,254	
Total Fixed Assets.....	20,373	10.6	20,881	11.4
Total Assets	192,296	100.0	182,893	100.0
Liabilities and Shareholders' Equity				
Current Liabilities				
Notes and accounts payable-trade	77,152		74,414	
Current portion of long-term debt	10,094		10,101	
Income taxes payable	294		664	
Advance receipts on construction contracts.....	48,942		44,384	
Reserves	2,207		3,573	
Other	6,270		6,642	
Total Current Liabilities	144,961	75.4	139,781	76.4
Non-Current Liabilities				
Long-term debt	209		214	
Deferred tax liabilities	0		1	
Liability for retirement benefits.....	5,925		5,592	
Other liabilities	87		85	
Total Non-Current Liabilities	6,222	3.2	5,894	3.2
Total Liabilities	151,184	78.6	145,675	79.6
Minority Interests	366	0.2	345	0.2
Shareholders' Equity				
Common stock	12,765	6.6	12,721	6.9
Additional paid-in capital	6,549	3.4	6,506	3.6
Retained earnings.....	22,310	11.6	18,622	10.2
Net unrealized loss on available-for-sale securities..	33	0.0	31	0.0
Foreign currency translation adjustments	(616)	(0.3)	(759)	(0.4)
Treasury stock.....	(296)	(0.1)	(250)	(0.1)
Total Shareholders' Equity	40,745	21.2	36,873	20.2
Liabilities, Minority Interests and Shareholders' Equity.....	192,296	100.0	182,893	100.0

2. Summary of Consolidated Statements of Income

	<i>Millions of Yen</i>			
	1Q FY2005 Apr. 1, 2005 — Jun. 30, 2005		FY2004 Apr. 1, 2004 — Mar. 31, 2005	
		%		%
Construction Contracts	68,261	100.0	267,655	100.0
Cost of Construction Contracts	62,139	91.0	247,905	92.6
Gross profit	6,121	9.0	19,749	7.4
Selling, General and Administrative Expenses	2,307	3.4	8,671	3.3
Operating profit	3,814	5.6	11,077	4.1
Other Income				
Interest	375		723	
Dividend income	16		19	
Equity in earnings of associated companies...	—		152	
Other	108		389	
Total Other Income	500	0.7	1,284	0.5
Other Expenses				
Interest expense	72		304	
Equity in losses of associated companies	3		—	
Other	96		470	
Total Other Expenses	172	0.2	775	0.3
Ordinary income	4,141	6.1	11,587	4.3
Extraordinary Gain				
Reversal of allowance for doubtful accounts ..	947		1,073	
Reversal of allowance for contingency loss....	—		200	
Other	1		34	
Total Extraordinary Gain	949	1.4	1,308	0.5
Extraordinary Loss				
Loss on sale of fixed assets	—		390	
Impairment loss	—		233	
Loss on removal of fixed assets	—		98	
Other	—		124	
Total Extraordinary Loss	—	—	846	0.3
Profit before income taxes and minority interests	5,091	7.5	12,049	4.5
Total tax	249	0.4	(823)	(0.3)
Minority interests in net profit (loss)	8	(0.0)	9	(0.0)
Net profit	4,832	7.1	12,863	4.8

3. Summary of Consolidated Statements of Cash Flow

	<i>Millions of Yen</i>	
	1Q FY2005 Apr. 1, 2005 — Jun. 30, 2005	FY2004 Apr. 1, 2004 — Mar. 31, 2005
Cash Flow from Operating Activities		
Profit before income taxes and minority interests.....	5,091	12,049
Depreciation and amortization.....	327	1,284
Impairment loss	—	233
Decrease (increase) in trade notes and accounts receivable...	7,054	(13,064)
Decrease (increase) in costs of construction contracts in progress.....	(6,282)	(6,059)
Increase in trade notes and accounts payable	2,737	21,568
Increase in advance receipts on construction contracts.....	4,558	7,322
Increase in jointly controlled assets of joint ventures	(9,832)	(21,540)
Other	(1,954)	(1,351)
Subtotal	1,698	442
Interest and dividend income	70	754
Interest paid	(73)	(304)
Income taxes paid	(500)	(408)
Net Cash Provided by Operating Activities	1,195	484
Cash Flow from Investing Activities		
Payment for time deposits	—	(622)
Proceeds from refunds of time deposits with maturities.....	250	542
Purchase of fixed assets	(361)	(1,891)
Other	30	964
Net Cash Used in Investing Activities .	(80)	(1,006)
Cash Flow from Financing Activities		
Repayments of long-term debt	(12)	(101)
Proceeds from new stock issue	86	1,382
Cash dividends paid	(974)	—
Other	(46)	(110)
Net Cash Provided by (Used in) Financing Activities.....	(947)	1,169
Foreign Currency Translation Adjustments on Cash and Cash Equivalents.....	(995)	100
Net Increase (Decrease) in Cash and Cash Equivalents	(828)	747
Cash and Cash Equivalents at Beginning of Period.....	41,594	40,902
Decrease in Cash and Cash Equivalents Elimination From Consolidation	—	(56)
Cash and Cash Equivalents at End of Period	40,766	41,594

4. Basis of presenting the consolidated financial statements for the three-month period ended June 2005 (April 1, 2005–June 30, 2005)

(1) Matters concerning significant accounting policies

The Company applies the simple method for the calculation of certain items while assuring compliance with the Standards for Preparation of Quarterly Financial Statements and avoiding material misrepresentation of information that would affect the judgment of interested parties, including investors.

Scope of application of the simple method

The Company calculates its tax liabilities on the basis of the estimated annual tax rate, calculated by the simple method using the effective tax rate. The Company also uses the simple method for calculating certain expense items.

(2) Recognition of significant reserves

The following reserves are included in the summary (consolidated nine-month) balance sheets:

Three months ended Jun. 2005 (As of Jun. 30, 2005)		Three months ended Jun. 2004 (As of Jun. 30, 2004)	
	Millions of Yen		Millions of Yen
Fixed assets		Fixed assets	
Allowance for doubtful accounts	(1,851)	Allowance for doubtful accounts	(2,485)
Allowance for capital loss on investments	(263)	Allowance for capital loss on investments	(263)
Current liabilities		Current liabilities	
Indemnity allowance for completed construction	782	Indemnity allowance for completed construction	759
Accrued bonuses	1,425	Accrued bonuses	2,814
Long-term liabilities		Long-term liabilities	
Liability for retirement benefits	5,595	Liability for retirement benefits	5,167
Liability for retirement benefits to directors	330	Liability for retirement benefits to directors	425

(3) Other significant accounting policies

The Company has engaged Deloitte Touche Tohmatsu as its advisor on matters concerning the disclosure of quarterly financial information.

5. Production, Orders and Sales Situation (Consolidated)

<i>Millions of Yen</i>						
1Q FY2005 Apr. 1, 2005 — Jun. 30, 2005						
	<i>New contracts</i>		<i>Construction Contracts</i>		<i>Backlog</i>	
		%		%		%
Business Segment						
Engineering						
LNG plant	71,575	74.7	38,487	56.4	417,672	75.1
Gas and power utilities	1,997	2.1	9,292	13.6	61,557	11.1
Gas chemicals	73	0.1	3,669	5.4	6,402	1.1
Petroleum and petrochemicals	14,272	14.9	9,714	14.2	39,834	7.2
General chemicals	2,335	2.4	4,068	6.0	22,537	4.0
Industrial machinery	2,562	2.7	810	1.2	4,610	0.8
Environment and other	1,781	1.9	1,026	1.5	3,850	0.7
Total Engineering	94,599	98.8	67,069	98.3	556,465	100.0
Other	1,191	1.2	1,191	1.7	—	—
Domestic	19,493	20.4	14,554	21.3	95,565	17.2
Overseas	76,297	79.6	53,707	78.7	460,899	82.8
Total	95,791	100.0	68,261	100.0	556,465	100.0

<i>Millions of Yen</i>						
FY2004 Apr. 1, 2004 — Mar. 31, 2005						
	<i>New contracts</i>		<i>Construction Contracts</i>		<i>Backlog</i>	
		%		%		%
Business Segment						
Engineering						
LNG plant	285,055	69.3	110,844	41.4	378,270	72.4
Gas and power utilities	20,539	5.0	51,662	19.3	68,433	13.1
Gas chemicals	13,884	3.4	14,678	5.5	9,961	1.9
Petroleum and petrochemicals	52,227	12.7	57,018	21.3	35,090	6.7
General chemicals	17,756	4.3	10,570	4.0	24,295	4.7
Industrial machinery	11,270	2.7	11,221	4.2	2,858	0.5
Environment and other	6,439	1.6	7,540	2.8	3,534	0.7
Total Engineering	407,173	99.0	263,536	98.5	522,444	100.0
Other	4,119	1.0	4,119	1.5	—	—
Domestic	89,496	21.8	89,612	33.5	91,092	17.4
Overseas	321,796	78.2	178,043	66.5	431,352	82.6
Total	411,292	100.0	267,655	100.0	522,444	100.0

(Note) The amount of the backlog of contracts as of the end of the three-month period is adjusted for any decreases in contract amounts due to changes in contracts and increases due to adjustments in contracts booked before the previous fiscal year and the effect of foreign currency translation adjustments on foreign currency-denominated contracts.

1. Summary of Non-consolidated Balance Sheets

	Millions of Yen			
	1Q FY2005 As of Jun. 30, 2005	%	FY2004 As of Mar. 31, 2005	%
Assets				
Current Assets				
Cash and time deposits	32,385		31,523	
Notes receivable-trade	251		592	
Accounts receivable-trade	20,725		25,171	
Costs of construction contracts in progress	22,043		19,533	
Jointly controlled asset of joint venture	59,786		49,953	
Other	8,348		7,201	
Allowance for doubtful accounts.....	(167)		(392)	
Total Current Assets	143,374	87.3	133,582	86.3
Fixed Assets				
Property, plant and equipment.....	4,250		4,092	
Intangible fixed assets	2,697		2,793	
Investments and other assets	17,244		18,452	
Reserves.....	(3,405)		(4,050)	
Total investments and other assets	13,838		14,401	
Total Fixed Assets.....	20,786	12.7	21,287	13.7
Total Assets	164,160	100.0	154,869	100.0
Liabilities and Shareholders' Equity				
Current Liabilities				
Notes payable-trade.....	5,412		5,040	
Accounts payable-trade	55,625		50,882	
Current portion of long-term debt	10,050		10,050	
Advance receipts on construction contracts	44,046		40,287	
Reserves	1,769		2,555	
Other	8,486		10,851	
Total Current Liabilities	125,390	76.4	119,666	77.3
Non-Current Liabilities				
Long-term debt	161		161	
Reserves	4,806		4,452	
Other liabilities	84		83	
Total Non-Current Liabilities	5,052	3.1	4,696	3.0
Total Liabilities	130,442	79.5	124,363	80.3
Shareholders' Equity				
Common stock	12,765	7.8	12,721	8.2
Additional paid-in capital	6,549	4.0	6,506	4.2
Retained earnings.....	14,699	8.9	11,528	7.5
Treasury stock.....	(296)	(0.2)	(250)	(0.2)
Total Shareholders' Equity.....	33,718	20.5	30,506	19.7
Liabilities and Shareholders' Equity	164,160	100.0	154,869	100.0

2. Summary of Non-consolidated Statements of Income

	<i>Millions of Yen</i>			
	1Q FY2005 Apr. 1, 2005 — Jun. 30, 2005		FY2004 Apr. 1, 2004 — Mar. 31, 2005	
		%		%
Construction Contracts	60,347	100.0	223,809	100.0
Cost of Construction Contracts	55,730	92.3	208,675	93.2
Gross profit	4,616	7.7	15,134	6.8
Selling, General and Administrative Expenses	1,734	2.9	6,390	2.9
Operating profit	2,881	4.8	8,744	3.9
Other Income	747	1.2	1,163	0.5
Other Expenses	140	0.2	713	0.3
Ordinary profit	3,488	5.8	9,194	4.1
Extraordinary Gain	870	1.4	1,306	0.6
Extraordinary Loss	—	—	349	0.2
Profit before income taxes and minority interests	4,358	7.2	10,152	4.5
Total tax	42	0.0	(1,725)	(0.8)
Net profit	4,316	7.2	11,877	5.3
Retained earnings brought forward	5,183		—	
Deficit brought forward	—		349	
Unappropriated retained earnings as of the end of period	9,499		11,528	

3. Production, Orders and Sales Situation (Non-consolidated)

<i>Millions of Yen</i>						
1Q FY2005 Apr. 1, 2005 — Jun. 30, 2005						
	<i>New contracts</i>		<i>Construction Contracts</i>		<i>Backlog</i>	
		%		%		%
Business Segment						
LNG plant	71,575	87.5	38,487	63.8	417,672	79.2
Gas and power utilities	1,228	1.5	7,915	13.1	56,539	10.7
Gas chemicals	0	0.0	3,452	5.7	6,294	1.2
Petroleum and petrochemicals	5,638	6.9	6,471	10.7	24,292	4.6
General chemicals	692	0.8	2,835	4.7	16,390	3.1
Industrial machinery	2,380	2.9	729	1.2	4,296	0.8
Environment and other	305	0.4	454	0.8	1,846	0.4
Domestic	9,525	11.6	9,738	16.1	77,497	14.7
Overseas	72,295	88.4	50,608	83.9	449,835	85.3
Total	81,821	100.0	60,347	100.0	527,332	100.0

<i>Millions of Yen</i>						
FY2004 Apr. 1, 2004 — Mar. 31, 2005						
	<i>New contracts</i>		<i>Construction Contracts</i>		<i>Backlog</i>	
		%		%		%
Business Segment						
LNG plant	285,055	77.4	110,844	49.5	378,270	75.7
Gas and power utilities	15,873	4.3	42,969	19.2	62,888	12.6
Gas chemicals	13,042	3.6	13,014	5.8	9,716	2.0
Petroleum and petrochemicals	29,110	7.9	36,098	16.1	25,107	5.0
General chemicals	11,567	3.1	7,055	3.2	18,528	3.7
Industrial machinery	10,004	2.7	9,064	4.1	2,645	0.5
Environment and other	3,636	1.0	4,762	2.1	2,433	0.5
Domestic	57,602	15.6	58,507	26.1	78,136	15.6
Overseas	310,688	84.4	165,302	73.9	421,453	84.4
Total	368,290	100.0	223,809	100.0	499,589	100.0

(Note) The amount of the backlog of contracts as of the end of the three-month period is adjusted for any decreases in contract amounts due to changes in contracts booked before the previous fiscal year and the effect of foreign currency translation adjustments on foreign currency-denominated contracts.