CHIYODA CORPORATION
Consolidated Financial Results
for the Six-Month Period Ended September 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 the Six-Month Period Ended September 30, 2005

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

Consolidated Business Results
for the Six-Month Period Ended September 30, 2005

1) Consolidated Business Results

	Millions of Yen					
	Apr. 1, 2005– Sep. 30, 2005		Apr. 1, 2004– Sep. 30, 2004		Apr. 1, 2004– Mar. 31, 2005	
		Change (%)		*Change (%)*		*Change (%)*
Net Sales..	165,515	42.2	116,371	31.2	267,655	—
Operating Profit	8,218	72.9	4,752	90.4	11,077	—
Ordinary Profit	9,029	75.2	5,153	71.1	11,587	—
Net Profit	10,622	108.5	5,095	135.6	12,863	—
Net Profit per Share (¥)	55.55		27.44		68.62	
Fully Diluted Net Profit per Share (¥)	55.20		26.74		67.30	

(Notes) (1) Gain from investments in subsidiaries and affiliates accounted for by the equity method:

Six-month period ended September 30, 2005:		51 million yen
Six-month period ended September 30, 2004:		98 million yen
Year ended March 31, 2005:	0,	152 million yen

(2) Average number of outstanding shares (consolidated) during the period:

Six-month period ended September 30, 2005:	191,218,401 shares
Six-month period ended September 30, 2004:	185,701,353 shares
Year ended March 31, 2005:	187,450,203 shares

(3) Changes to accounting principles: No

(4) Percentages for net sales, operating profit, ordinary profit and net profit represent year-on-year changes.

2) Changes in Consolidated Financial Position

	Millions of Yen		
	Apr. 1, 2005– Sep. 30, 2005	Apr. 1, 2004– Sep. 30, 2004	Apr. 1, 2004– Mar. 31, 2005
Total Assets....................................... ..	214,462	160,454	182,893
Shareholders' Equity	46,579	28,488	36,873
Equity Ratio....................................... ..	21.7%	17.8%	20.2%
Shareholders' Equity per Share (¥)	243.10	151.79	193.22

(Notes) Outstanding shares (consolidated) at the end of the period:

Six-month period ended September 30, 2005:	191,602,061 shares
Six-month period ended September 30, 2004:	187,684,027 shares
Year ended March 31, 2005:	190,837,167 shares

3) Consolidated Cash Flows

	Millions of Yen		
	Apr. 1, 2005– Sep. 30, 2005	Apr. 1, 2004– Sep. 30, 2004	Apr. 1, 2004– Mar. 31, 2005
Net cash provided by (used in) operating activities	(2,814)	(2,683)	484
Net cash provided by (used in) investing activities	1,757	(1,541)	(1,006)
Net cash provided by (used in) financing activities	(1,160)	552	1,169
Cash and cash equivalents at end of period	39,511	37,200	41,594

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	0
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
Net Sales	360,000
Ordinary Profit	20,000
Net Profit	17,500

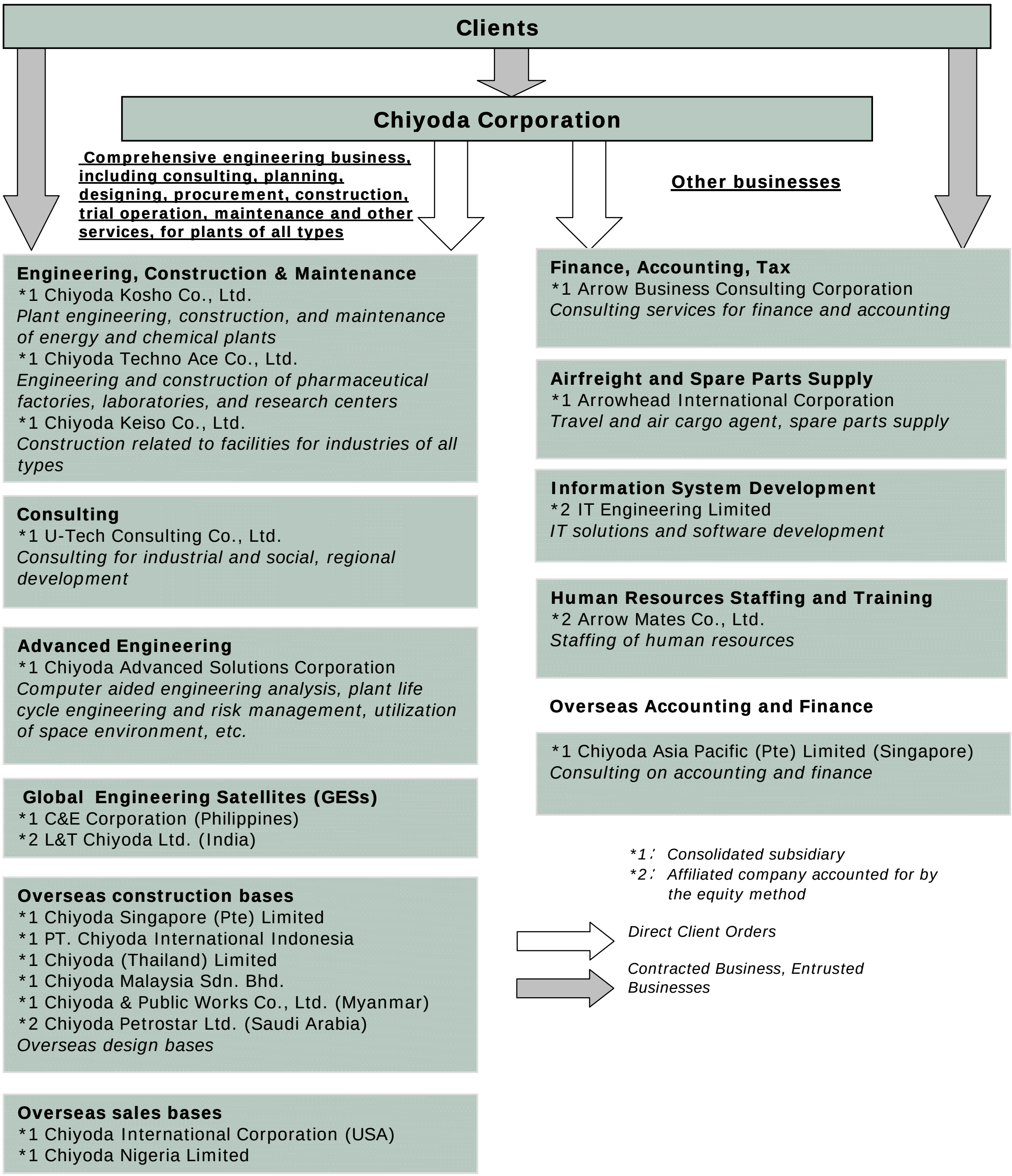
(Note) Projected net profit per share for the year ending March 31, 2006: 91.34 yen

CHIYODA CORPORATION

(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



(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.

Corporate Philosophy

As a comprehensive engineering services organization, the Group's most important objectives are to promote its business and to contribute to the sustainable development of a society by sound application of its know-how and state-of-the-art technology.

Management Policies

Steadfast implementation of Double Step-Up Plan (DSP) 2008

- Quality management policy
- Environmental policy
- Code of business conduct
- Occupational health and safety policy
- Information security policy
- Privacy policy

2. Management Vision and Medium-Term Management Strategies

Medium-Term Management Plan

Double Step-Up Plan (DSP) 2008

Management Vision

• Step up to become the Reliability No.1 Project Company.

• Step up to become an Excellent Company able to sustain earnings growth.

Medium-Term Management Strategies

S1 Conduct business operations based on superior technologies, establishing relationships as a highly trusted partner for our clients.

S2 Further upgrade project execution skills through Smart EPC that utilizes the Group's collective strengths.

S3 Establish a consistently sound financial position able to support the creation of next-generation businesses that can sustain earnings growth.

S4 Create an energetic organization and refine employee skills to provide a pleasant and rewarding workplace.

Place priority on Corporate Social Responsibility (CSR) programs

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 2005. A dividend of 6 yen per share was paid in June 2005. 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

Execution on schedule of the DPS 2008 medium-term management plan

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. Fundamental stance concerning Corporate Governance

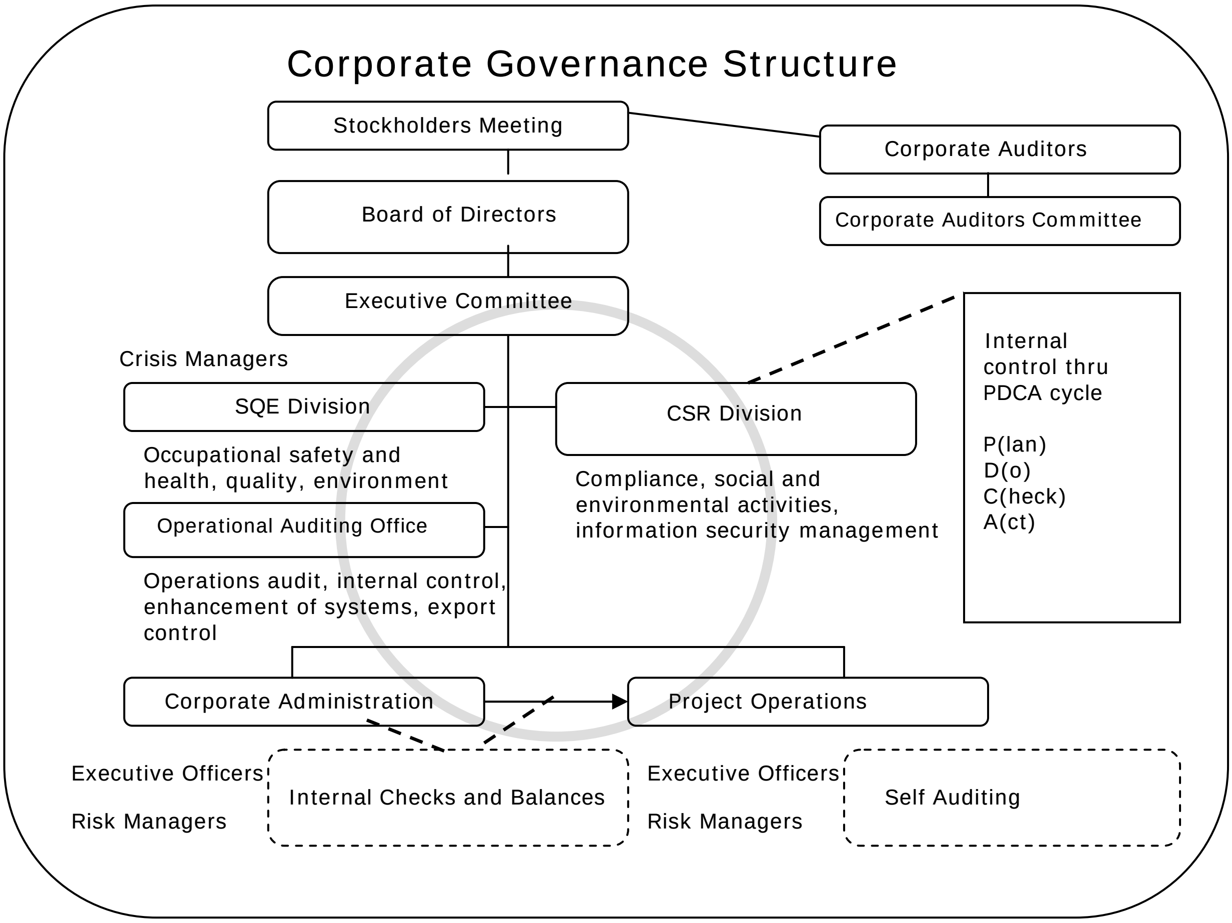
1) Fundamental thinking concerning Corporate Governance

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

The Group has newly established CSR Division and Operational Auditing Office in April 2005 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. In July 2005, the Company strengthened its CSR and internal control frameworks by establishing the CSR Division and appointing a vice president who is solely in charge of overseeing internal control systems. The Group will work with the SQE Division (which is responsible for workplace safety and hygiene and product quality management) to place emphasis on CSR management by building effective internal controls that are linked directly to management.



ii) Status of measures to improve Corporate Governance (first half of FY05)

(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 important meetings, including Board of Directors and 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 first half of the fiscal year under review, the Board of Directors met 7 times (deliberating on 25 subjects) and the Executive Committee met 25 times (deliberating on 65 subjects, and examining 32 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.

(2) Audits by the corporate auditors (Board)
The Board of Auditors comprises two statutory auditors and two outside auditors. These include three auditors as provided for in Paragraph 1, Article 18 of the Law Concerning Special Measures Under Commercial Code with Respect to Audit, etc., of Corporations (Kabushiki Kaisha).

The audit policy places emphasis on creating a corporate governance system worthy of the confidence that society has placed in the Company by achieving sound and sustainable growth through audits of the performance of duties by directors. The two core policy objectives are as follows:

(1) Assure strict adherence to due professional care practice in corporate decision making by the directors
(2) Constantly supervise the operation of the internal control system and provide counsel and advice for the improvement of its functions

During the first half of the fiscal year under review, the Board of Auditors met 6 times (5 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 financial statements to the corporate auditors.

(3) Status of 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.

(4) Promotion of CSR management
For the purpose of conducting CSR management that is integrated with corporate-level management, the Chiyoda Group aggressively conducts CSR management through the CSR Division (established in April 2005), which oversees the Compliance Management Office, Social Environment Office (established in April 2005) and Information Security Management Office.

Compliance
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.

In April 2004, a group dedicated exclusively to export management was established in the Operational Auditing Office in order to conduct the strict management needed to ensure compliance with all laws and regulations associated with exports.

Environment management
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.

In August 2005, the Group released its 2005 environmental report, which includes environmental activities conducted by the entire Group, and placed the report on the Chiyoda web site. In addition, the Group is an active participant in Team Minus 6%, a citizens project in Japan aimed at preventing global warming.

Information security 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.

(5) 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.

(6) 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 Operational Auditing Office is a new unit established for the purpose of planning and executing audits that verify the proper structure and operation of the various elements required for an effective system of internal checks. Measures will be taken to further strengthen the Group's internal control framework to prepare for the planned release of a report on internal checks.

During the first half of the fiscal year under review, 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.

(7) 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 three outside auditors: a former managing director of The Bank of Tokyo-Mitsubishi, Ltd., a former associate director of Mitsubishi UFJ Trust and Banking Corporation and an attorney. Regarding significant relationships, the Bank of Tokyo-Mitsubishi and Mitsubishi UFJ Trust and Banking Corporation are both major shareholders of the Company and providers of financial services. Mitsubishi Corporation is a major shareholder and business partner.

iv) Financial auditing
Names of engagement partners and the auditing firm who performed the audit:

Engagement partner	Auditing firm
Yoshio Aoki	Deloitte Touche Tohmatsu
Hiroki Kitakata	Deloitte Touche Tohmatsu

Note: Certified public accountant Yoshio Aoki was assigned to audit the Company for the first time in the current fiscal year.

For the fiscal year-end financial audit, the engagement partners will be assisted by five certified public accountants, four assistant accountants and one other individual.

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

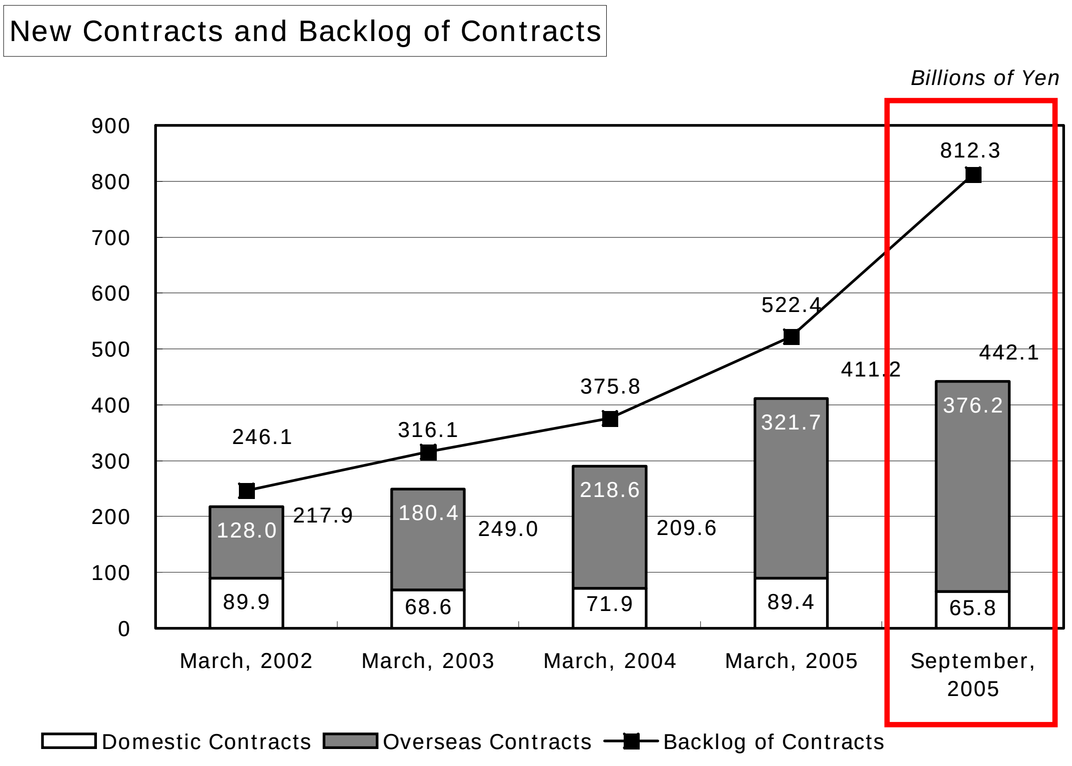
(3) Results of Operations and Financial Condition

1. Consolidated Operating Results for the Six Months Ended September 30, 2005
During the first half of the fiscal year, Japan's economy staged a gradual recovery despite the higher cost of basic materials due to the sharp increase in the price of crude oil. Fueling the recovery is growth in capital expenditures backed by a substantial improvement in corporate earnings. Outside Japan, the U.S. economy remains healthy despite the effects of hurricanes and the higher cost of crude oil.

In the Japanese industrial plant market, there is a very large volume of capital spending by Japanese oil companies for facilities that manufacture feedstock for petrochemicals. As a result, Chiyoda received orders during the first half for new petrochemical facilities and the expansion of existing ones. Chiyoda also received orders for studies concerning the future expansion of these facilities. In the petrochemical industry, Japanese chemical companies are seeing earnings improve as they gain confidence in their ability to raise prices to reflect the higher cost of crude oil. The result is a growing desire among these companies to increase capital expenditures. Japanese chemical companies are making substantial investments in China and elsewhere in Asia for facilities to produce value-added derivatives and competitive exclusive products.

In the overseas industrial plant market, the shift to natural gas among energy-consuming nations is gaining momentum as crude oil prices remain high. India started importing LNG in 2004 and China began purchasing LNG. Rising demand is creating an increasingly larger volume of gas development projects in the Middle East, Asia and Africa.

In the first half of the fiscal year, consolidated new contracts were 442,110 million yen, 264.1% higher than one year earlier. New contracts included an order received in September to build two enormous LNG trains in Qatar, each with an output of 7.8 million tons per annum. Chiyoda has thus surpassed in the first half its full-year consolidated new contract forecast of ¥350,000 million. New contracts in Japan totaled 65,813 million yen, up 39.3%, and overseas new contracts were 376,297 million yen, up 407.3%.



Consolidated net sales from construction contracts increased 42.2% to 165,515 million yen, exceeding the 150,000 million yen forecast for the first half by 10.3% as construction work advanced as planned. Net sales totaled 42,416 million yen in Japan, up 23.4%, and 123,098 million yen overseas, up 50.1%.

Regarding earnings, gross profit on completed construction contracts rose 43.0% to 12,660 million yen due to growth in the volume of completed 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 a 72.9% increase in operating profit to 8,218 million yen. Ordinary profit increased 75.2% to 9,029 million yen due to the growth in operating profit, higher interest income as joint venture assets increased, and other items. Net profit rose 108.5%

to 10,622 million yen. This includes a gain on the reversal of the allowance for doubtful accounts due to the recovery of long-term receivables.

Consolidated Results of Operations – Four-year Summary

Billions of Yen

Six months ended September 30	New contracts	Construction contracts	Gross profit on projects completed	Operating profit	Ordinary profit	Net profit
2002	101.2	69.3	5.4	1.0	1.6	2.4
2003	241.5	88.6	6.5	2.4	3.0	2.1
2004	124.1	116.3	8.8	4.7	5.1	5.0
2005	442.1	165.5	12.6	8.2	9.0	10.6
Pct. YoY change	264.1%	42.2%	43.0%	72.9%	75.2%	108.5%
(reference) Year ended March 31, 2005	411.2	267.6	19.7	11.0	11.5	12.8

On a non-consolidated basis, first half new contracts increased 301.2% to 415,053 million yen, well above the fiscal-year new contract forecast of ¥310,000 million announced at the start of the fiscal year. Domestic new contracts increased 44.2% to 44,531 million yen and overseas new contracts were up 410.6% to ¥370,521 million.

Net sales from construction contracts increased 45.5% to 141,187 million yen, exceeding by 8.6% the 130,000 million yen forecast for the first half. Net sales from domestic construction contracts were up 24.0% to 25,669 million yen and net sales from overseas construction contracts increased 51.3% to ¥115,517 million.

Regarding earnings, operating profit increased 124.0% to 7,626 million yen, ordinary profit increased 135.8% to 8,910 million yen, and net profit increased 106.1% to 9,655 million yen.

Major new contracts overseas
- LNG plant Trains 6 & 7 of Ras Laffan Liquefied Natural Gas III in Qatar
- Expansion of LNG plant Train 4 & 5 of Qatar Liquefied Gas Company Limited (II) in Qatar

Major completions overseas (*) 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 (*)

Major new contracts in Japan
- No. 8 cooling tower and related facilities for Fuji Oil Co., Ltd.
- BTX (benzene, toluene and xylene) plant expansion for Taiyo Oil Co., Ltd.

Major completions in Japan (*) completed portion
- LPG storage terminals in Fukushima (*)
- Waste heat recovery power generation system for Fuji Oil Co., Ltd
- Mixed xylene plant for Seibu Oil (*)
- Lube oil/grease mixing and filling plant for Nippon Petroleum Refining

2. Financial Condition

1) Assets, Liabilities and Shareholders' Equity

Assets

Assets increased 31,569 million yen compared with the end of the previous fiscal year. Fixed assets were down 1,954 million yen, mainly the net result of capital expenditures in IT and other fields and the recovery of long-term receivables and long-term accounts receivable. Current assets increased 33,523 million yen. Although there was a 1,011 million yen decrease in cost of construction contracts in progress, there was a 13,874 million yen increase in trade notes and accounts receivable and a ¥19,787 million increase in joint venture assets due to an increase in large-scale projects conducted as joint ventures.

Liabilities

Liabilities were 21,906 million yen more than at the end of the previous fiscal year. This was mainly attributable to a 14,550 million yen increase in advance receipts on construction contracts and a 8,541 million yen increase in notes and accounts payable.

Shareholders' equity

Shareholders' equity increased 9,706 million yen compared to the end of the previous fiscal year due to first half net profit. The equity ratio rose by 1.5 point to 21.7%.

Billions of Yen

FY ended March 31	Sep. 30, 2005	Mar. 31, 2005	Change		Sep. 30, 2005	Mar. 31, 2005	Change
Current Assets				**Current liabilities**			
Cash and time deposits	39.6	42.3	(2.7)	Short-term loans	10.0	10.1	(0.1)
Trade receivables and costs of construction contracts in progress	75.4	62.6	12.8	Trade payable and advance receipts on construction contracts	141.8	118.7	23.1
Jointly controlled assets of joint venture	69.7	49.9	19.8				
Other current assets	10.6	7.0	3.6	Other current liabilities	9.3	10.8	(1.5)
Fixed Assets				**Non-current Liabilities**			
Property, plant and equipment	6.9	6.7	0.2	Long-term debt	0.2	0.2	0.0
Intangible fixed assets	2.9	2.8	0.1	Other long-term liabilities (*)	6.4	6.0	0.4
Investments and other assets	9.1	11.2	(2.1)	**Shareholders' Equity**	46.5	36.8	9.7
Total Assets	214.4	182.8	31.6	**Liabilities and Shareholders' Equity**	214.4	182.8	31.6

* *Includes minority interests*

2) Cash Flows

Operating activities

Net cash used in operating activities was 2,814 million yen. Profit before income taxes and minority interests was 10,197 million yen and depreciation and amortization was 686 million yen. Net changes in current 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 10,229 million yen. However, there was an increase of 19,787 million yen in jointly controlled assets of joint ventures due to an increase in large-scale projects conducted as joint ventures.

Joint venture assets represent the share of the Company's interest in balance sheet items as shown in joint venture contracts associated with construction contracts. 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 16,972 million yen.

Investing activities

Net cash provided by investing activities was 1,757 million yen. Purchases of property, plant and equipment, including the investments in IT-related software, totaled 808 million yen. However, there were proceeds of 1,902 million yen from collections of long-term loans and proceeds of 654 million yen from maturities of time deposits of more than three months.

Financing activities
Net cash used in financing activities was 1,160 million yen. There were proceeds of 202 million yen from the exercise of stock options but cash was used for dividend payments and other items.

The result of the above items was a net decrease of 2,083 million yen in cash and cash equivalents compared with the end of the previous fiscal year to 39,511 million yen as of September 30, 2005.

Change in Financial (Consolidated)

		Billions of Yen				
Fiscal year ended March 31		2002	2003	2004	2005	Six-month ended Sep. 30, 2005
Total Assets		129.3	120.2	142.8	182.8	214.4
Total Liabilities (*)		114.2	103.6	120.0	146.0	167.8
Shareholders' Equity		15.1	16.6	22.7	36.8	46.5
Net Cash provided by (used in):	Operating Activities	6.9	15.5	0.4	15.5	(2.8)
	Investing Activities	(0.8)	(1.2)	(1.0)	(1.2)	1.7
	Financing Activities	(9.5)	(8.2)	1.1	(8.2)	(1.1)
Balance of Cash and Cash Equivalents		38.6	34.9	40.9	41.5	39.5

* *Includes minority interests.*

Cash Flow Indices

Fiscal year ended March 31	2002	2003	2004	2005	Six-month ended Sep. 30, 2005
Shareholders' Equity ratio (shareholders' equity divided by total assets)	11.7%	13.9%	15.9%	20.2%	21.7%
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)	— (0.6 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)	— (113.0 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
The economic recovery in Japan is expected to continue despite concerns associated with the direction of the Chinese economy and the much higher cost crude oil.

Overseas, the United States, the world's largest consumer of energy, is expected to become increasingly dependent on LNG imports. As a result, there are a large number of LNG plants in the planning stages in the Middle East, particularly Qatar, Nigeria and other west African countries, and Russia. In the crude oil field, refineries in the United States and Europe are operating at more than 90% of capacity. This is creating a situation in which any tightening in the supply-demand balance can produce sudden price increases and even product shortages. The Chiyoda Group will target new contracts mainly in market sectors where the Group can fully utilize its superior technologies. Targeted sectors include LNG, a market where growth is expected to continue.

In Japan, oil companies are expected to make substantial investments. These investments will target not only petrochemical projects, but also projects to prepare for future shifts in demand as well as to respond to the widening gap between the prices of heavy and light oil products. The Group thus expects a continuation in the current favorable environment for capturing new orders.

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. The Group received orders for 12 of these desulfurization facilities during the previous fiscal year and the first half of the current fiscal year, and continues to conduct sales activities to capture more contracts.

Forecasts for the fiscal year ending in March 2006 are based on the exchange rate of 110 yen to the U.S. dollar compared with the 100 yen rate used at the beginning of the fiscal year. For the fiscal year, Chiyoda has increased its forecast for consolidated new contracts from 350.0 billion yen to 600.0 billion yen. The ordinary profit forecast has been raised from 14.0 billion yen to 20.0 billion yen and the net profit forecast from 14.5 billion yen to 17.5 billion yen. On a non-consolidated basis, the forecasts are new contracts of 550.0 billion yen, up from 310.0 billion yen, net sales from completed contracts of 310.0 billion yen, up from 270.0 billion yen, ordinary profit of 19.0 billion yen, up from 12.5 billion yen, and net profit of 16.5 billion yen, up from 13.5 billion yen. The projected year-end dividend per share has been raised from 8 yen to 10 yen.

Outlook for FY2005 Business Results

Billions of yen

	Consolidated			Non-consolidated		
FY to March 31	2006	2005	Change (%)	2006	2005	Change (%)
New contracts	600.0	411.2	45.9	550.0	368.2	49.4
Completed projects	360.0	267.6	34.5	310.0	223.8	38.5
Ordinary profit	20.0	11.5	73.9	19.0	9.1	108.8
Net profit	17.5	12.8	36.7	16.5	11.8	39.8

4. Risk factors

Presented below is a list of major items, including significant items concerning the Group's operating results and financial condition 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, operating results are vulnerable to the effects of unexpected exchange rate movements. 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					
	Apr. 1, 2005– Sep. 30, 2005		Apr. 1, 2004– Sep. 30, 2004		Apr. 1, 2004– Mar. 31, 2005	
		%		%		%
Assets						
Current Assets						
Cash and time deposits	39,656		38,931		42,384	
Notes and accounts receivable-trade	51,523		28,031		37,649	
Costs of construction contracts in progress	23,966		28,206		24,977	
Deferred tax assets	4,080		2,792		3,803	
Jointly controlled asset of joint venture	69,741		37,196		49,953	
Other	6,917		3,366		3,749	
Allowance for doubtful accounts	(350)		(326)		(506)	
Total Current Assets	**195,535**	**91.2**	**138,198**	**86.1**	**162,011**	**88.6**
Fixed Assets						
Property, plant and equipment						
Buildings and structures	6,410		6,205		6,302	
Accumulated depreciation	3,338		3,166		3,247	
Book value of buildings and structures	**3,072**		**3,038**		**3,054**	
Machinery and equipment	813		726		685	
Accumulated depreciation	315		311		313	
Book value of machinery and equipment	**498**		**415**		**371**	
Tools, furniture and fixtures	5,482		5,231		5,352	
Accumulated depreciation	4,039		3,904		3,954	
Book value of tools, furniture and fixtures	**1,442**		**1,327**		**1,398**	
Land	1,904		1,962		1,955	
Construction in progress	1		0		3	
Total property, plant and equipment	**6,919**		**6,744**		**6,783**	
Intangible fixed assets	**2,901**		**2,620**		**2,844**	
Investments and other assets						
Investment securities	4,392		4,332		4,322	
Long-term loans	597		665		643	
Long-term accounts receivable	1,911		5,105		3,711	
Long-term receivables	—		4,166		3,003	
Deferred tax assets	756		126		112	
Other investments	3,200		2,179		2,208	
Allowance for doubtful accounts	(1,490)		(3,421)		(2,485)	
Allowance for capital loss on investments	(263)		(263)		(263)	
Total investments and other assets	**9,105**		**12,891**		**11,254**	
Total Fixed Assets	**18,926**	**8.8**	**22,256**	**13.9**	**20,881**	**11.4**
Total Assets	**214,462**	**100.0**	**160,454**	**100.0**	**182,893**	**100.0**

	Millions of Yen					
	Apr. 1, 2005– Sep. 30, 2005	%	Apr. 1, 2004– Sep. 30, 2004	%	Apr. 1, 2004– Mar. 31, 2005	%
Liabilities and Shareholders' Equity						
Current Liabilities						
Notes and accounts payable-trade	82,955		55,820		74,414	
Short-term loans	10,061		115		10,101	
Income taxes payable	388		264		664	
Advance receipts on construction contracts	58,934		47,717		44,384	
Indemnity allowance for completed construction	934		1,148		759	
Accrued bonuses	2,480		1,551		2,814	
Allowance for contingency loss	—		200		—	
Other	5,524		9,463		6,642	
Total Current Liabilities	**161,279**	**75.2**	**116,281**	**72.5**	**139,781**	**76.4**
Non-Current Liabilities						
Long-term debt	203		10,265		214	
Deferred tax liabilities	0		0		1	
Liability for retirement benefits	5,598		4,595		5,167	
Liability for retirement benefit to directors	363		374		425	
Other liabilities	136		86		85	
Total Non-Current Liabilities	**6,303**	**2.9**	**15,322**	**9.5**	**5,894**	**3.2**
Total Liabilities	**167,582**	**78.1**	**131,604**	**82.0**	**145,675**	**79.6**
Minority Interests	**301**	**0.2**	**362**	**0.2**	**345**	**0.2**
Shareholders' Equity						
Common stock	12,823	6.0	12,342	7.7	12,721	6.9
Additional paid-in capital	6,607	3.1	6,131	3.8	6,506	3.6
Retained earnings	28,100	13.1	10,854	6.8	18,622	10.2
Net unrealized loss on available-for-sale securities	39	0.0	27	0.0	31	0.0
Foreign currency translation adjustments	(587)	(0.3)	(689)	(0.4)	(759)	(0.4)
Treasury stock	(405)	(0.2)	(178)	(0.1)	(250)	(0.1)
Total Shareholders' Equity	**46,579**	**21.7**	**28,488**	**17.8**	**36,873**	**20.2**
Liabilities, Minority Interests and Shareholders' Equity	**214,462**	**100.0**	**160,454**	**100.0**	**182,893**	**100.0**

2. Consolidated Statements of Income

	Millions of Yen					
	Apr. 1, 2005– Sep. 30, 2005	(%)	Apr. 1, 2004– Sep. 30, 2004	(%)	Apr. 1, 2004– Mar. 31, 2005	(%)
Construction Contracts	**165,515**	**100.0**	**116,371**	**100.0**	**267,655**	**100.0**
Cost of Construction Contracts	**152,854**	**92.4**	**107,518**	**92.4**	**247,905**	**92.6**
Gross profit	12,660	7.6	8,852	7.6	19,749	7.4
Selling, General and Administrative Expenses	**4,441**	**2.6**	**4,099**	**3.5**	**8,671**	**3.3**
Operating profit	8,218	5.0	4,752	4.1	11,077	4.1
Other Income						
Interest	863		274		723	
Dividend income	17		7		19	
Equity in earnings of associated companies	51		98		152	
Rent income	138		121		247	
Foreign exchange gain	3		63		—	
Other	46		124		141	
Total Other Income	**1,120**	**0.7**	**690**	**0.6**	**1,284**	**0.5**
Other Expenses						
Interest expense	150		153		304	
Cost of rent income	89		84		149	
Foreign exchange loss	—		—		102	
Other	70		51		218	
Total Other Expenses	**310**	**0.2**	**289**	**0.3**	**775**	**0.3**
Ordinary profit	9,029	5.5	5,153	4.4	11,587	4.3
Extraordinary Gain						
Reversal of allowance for doubtful accounts	1,167		282		1,073	
Reversal of allowance for contingency loss	—		—		200	
Other	3		10		34	
Total Extraordinary Gain	**1,170**	**0.7**	**292**	**0.3**	**1,308**	**0.5**
Extraordinary Loss						
Loss on sale of fixed assets	—		388		390	
Impairment loss	—		233		233	
Loss on removal of fixed assets	—		99		98	
Other	2		70		124	
Total Extraordinary Loss	**2**	**0.0**	**791**	**0.7**	846	0.3
Profit before income taxes and minority interests	10,197	6.2	4,654	4.0	12,049	4.5
Income taxes current	478		291		931	
Income taxes deferred	(925)		(754)		(1,754)	
Total Tax	**(446)**	**(0.2)**	**(462)**	**(0.4)**	**(823)**	**(0.3)**
Minority interests in net profit	21	(0.0)	22	(0.0)	9	(0.0)
Net profit	**10,622**	**6.4**	**5,095**	**4.4**	**12,863**	4.8

3. Consolidated Statements of Retained Earnings

	Millions of Yen		
	Apr. 1, 2005– Sep. 30, 2005	Apr. 1, 2004– Sep. 30, 2004	Apr. 1, 2004– Mar. 31, 2005
Additional Paid-in Capital			
Additional Paid-in Capital at Beginning of Period	**6,506**	**5,818**	**5,818**
New stock issue associated with exercise of stock options	100	312	688
Additional Paid-in Capital at End of Period	6,607	6,131	6,506
Retained Earnings			
Retained Earnings at Beginning of Period	18,622	5,800	5,800
Increase in Retained Earnings			
From net profit	10,622	5,095	12,863
Total Increase in Retained Earnings	**10,622**	**5,095**	**12,863**
Decrease in Retained Earnings			
From cash dividends paid	1,145	—	—
From decrease in consolidated subsidiaries	—	41	41
Total Decrease in Retained Earnings	**1,145**	**41**	**41**
Retained Earnings at End of Period	**28,100**	**10,854**	**18,622**

4. Consolidated Statements of Cash Flow

	Millions of Yen		
	Apr. 1, 2005– Sep. 30, 2005	Apr. 1, 2004– Sep. 30, 2004	Apr. 1, 2004– Mar. 31, 2005
Cash Flow from Operating Activities			
Profit before income taxes and minority interests	10,197	4,654	12,049
Depreciation and amortization	686	624	1,284
Impairment loss	—	233	233
Decrease in allowance for doubtful accounts	(1,152)	(238)	(993)
Interest and dividend income	(880)	(281)	(742)
Interest expense	150	153	304
Foreign exchange losses (gains)	(89)	(225)	(66)
Equity in earnings of associated companies	(51)	(98)	(152)
Loss on sales and disposal of property, plant and equipment	—	487	488
Decrease (increase) in trade notes and accounts receivable	(13,874)	(3,446)	(13,064)
Decrease (increase) in costs of construction contracts in progress	1,011	(9,288)	(6,059)
Increase (decrease) in trade notes and accounts payable	8,541	2,973	21,568
Increase in advance receipts on construction contracts	14,550	10,655	7,322
Increase (decrease) in accrued bonuses	(334)	3	1,265
Increase in retirement benefits	431	467	1,038
Indemnity allowance for completed contracts	174	69	(319)
Decrease in allowance for investment loss	—	—	(200)
Increase in jonitly controlled assets of joint ventures	(19,787)	(8,782)	(21,540)
Increase (decrease) in consumption taxes payable	(755)	304	183
Other	(878)	(903)	(2,157)
Subtotal	(2,060)	(2,636)	442
Interest and dividend income	299	322	754
Interest paid	(150)	(153)	(304)
Income taxes paid	(903)	(216)	(408)
Net Cash Provided by Operating Activities	**(2,814)**	**(2,683)**	**484**

4. Consolidated Statements of Cash Flow (Continued)

	Millions of Yen		
	Apr. 1, 2005– Sep. 30, 2005	Apr. 1, 2004– Sep. 30, 2004	Apr. 1, 2004– Mar. 31, 2005
Cash Flow from Investing Activities			
Payment for time deposits	—	(1,016)	(622)
Proceeds from refunds of time deposits with maturities	654	—	542
Purchase of property, plant and equipment	(239)	(375)	(854)
Proceeds from sale of property, plant and equipment	49	23	65
Purchase of intangible fixed assets	(568)	(452)	(1,037)
Payments for purchase of investment securities	(24)	(0)	(33)
Proceeds from sales of investment securities	—	155	222
Net decrease in short-term loans	1	1	39
Long-term loans	(19)	(6)	(20)
Proceeds from collections of long-term loans	1,902	129	689
Other	0	—	1
Net Cash Used in Investing Activities	**1,757**	**(1,541)**	**(1,006)**
Cash Flow from Financing Activities			
Net increase in short-term bank loans	—	14	—
Repayments of long-term debt	(50)	(50)	(101)
Proceeds from new stock issue	202	627	1,382
Cash dividends paid	(1,138)	—	—
Cash dividends paid to minority shareholders	(19)	—	—
Other	(154)	(38)	(110)
Net Cash Used in Financing Activities	**(1,160)**	**552**	**1,169**
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	**135**	**25**	**100**
Net Increase (Decrease) in Cash and Cash Equivalents	**(2,083)**	**(3,646)**	**747**
Cash and Cash Equivalents at Beginning of Period	**41,594**	**40,902**	**40,902**
Decrease in Cash and Cash Equivalents Elimination From Consolidation	**—**	**(56)**	**(56)**
Cash and Cash Equivalents at End of Period	**39,511**	**37,200**	**41,594**

Changes in Accounting Principles

Latest Consolidated Six-Month Period (Apr. 1, 2005–Sep. 30, 2005)	Previous Consolidated Six-Month Period (Apr. 1, 2004–Sep. 30, 2004)	Previous Fiscal Year (Apr. 1, 2004–Mar. 31, 2005)
Allowances for retirement benefits Same as on the left	Allowances for retirement benefits To provide for employee retirement benefits, an allowance for retirement benefits is provided in the amount deemed to have accrued at the end of the interim period, based on the estimated retirement benefit obligations and pension assets at the end of the current fiscal year. The transitional obligation of 12,123 million yen is being amortized by the straight-line method and charged to income over 15 years. An amount equivalent to 50% of the annual obligation is charged to income at the end of the current interim period. The Company amortizes and charges to income accrual gain or loss from the year following the year in which the gain or loss is recognized primarily by the straight-line method over a period of 10 years, which falls within the average remaining years of service of the employees.	Allowances for retirement benefits To provide for employee retirement benefits, an allowance for retirement benefits is provided in the amount based on the estimated retirement benefit obligations and pension assets at the end of the fiscal year. The transitional obligation of 12,123 million yen is being amortized using the straight-line method and charged to income over 15 years. The Company amortizes and charges to income accrual gain or loss from the year following the year in which the gain or loss is recognized primarily by the straight-line method over a period of 10 years, which falls within the average remaining years of service of the employees.

Latest Consolidated Six-Month Period (Apr. 1, 2005–Sep. 30, 2005)	Previous Consolidated Six-Month Period (Apr. 1, 2004–Sep. 30, 2004)	Previous Fiscal Year (Apr. 1, 2004–Mar. 31, 2005)
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 132,432 million yen	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 six other subsidiaries recognize revenues by the percentage-of-completion method. Revenues on construction contracts recognized by the percentage-of-completion method totaled 87,205 million yen Changes in Accounting Policies In prior periods, the percentage-of-completion method had been applied	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 six-month period 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 six-month period, 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 633 million yen higher, and gross profit, operating profit, ordinary profit and net profit were each 63 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.	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.

Latest Consolidated Six-Month Period (Apr. 1, 2005–Sep. 30, 2005)	Previous Consolidated Six-Month Period (Apr. 1, 2004–Sep. 30, 2004)	Previous Fiscal Year (Apr. 1, 2004–Mar. 31, 2005)
—	<u>Accounting for impairment of property, plant and equipment</u> Effective the current six-month period 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, 2002)), effective the fiscal year ending on 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, 2002)), 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 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.

Changes in accounting practice

Latest Consolidated Six-Month Period (Apr. 1, 2005–Sep. 30, 2005)	Previous Consolidated Six-Month Period (Apr. 1, 2004–Sep. 30, 2004)
(Consolidated interim statements of income) Effective from the current interim period, "Long-term Receivables" presented as a separate line item in prior periods, is reclassified and included in "Other Investments" under "Investments and Other Assets" since the item has reduced impact on total assets as of the end of the current interim period following the collection of all outstanding receivables from National Nigerian Petroleum Corporation (Notes to Consolidated Interim Balance Sheets, #4). Long-term receivables as of the end of the current interim period were 991 million yen.	(Consolidated interim statements of income) Effective from the current interim period, "Real Estate Revenue," included in "Other-Net" under "Other Income (Expenses)-Net" in prior periods, is reclassified and presented as a separate line item since the amount of "Real Estate Revenue" exceeded 10/100 of the total ""Other Income (Expenses)-Net." "Real Estate Revenue" in the previous interim period was 86 million yen.

Notes for consolidated balance sheets

Latest Consolidated Six-Month Period (Apr. 1, 2005–Sep. 30, 2005)	Previous Consolidated Six-Month Period (Apr. 1, 2004–Sep. 30, 2004)	Previous Fiscal Year (Apr. 1, 2004–Mar. 31, 2005)
#4 The Company as of the end of the current interim period collected the balance of outstanding receivables from Nigerian National Petroleum Corporation.	#4 Long-term receivables include receivables of 3,114 million yen from Nigerian National Petroleum Corporation (NNPC). Regarding the above long-term receivables, due to economic and political circumstances in Nigeria, payments, in accordance with the negotiated repayment schedule, were in arrears for an extended period. In February 2000, NNPC reconfirmed the amount of the claim and 848 million yen was collected in the previous fiscal year. Of the above long-term receivables, 269 million yen was collected on October 26, 2004 but the repayment schedule for the remaining balance has yet to be determined.	#4 Long-term receivables include receivables of 1,976 million yen from Nigerian National Petroleum Corporation (NNPC). Regarding the above long-term receivables, due to economic and political circumstances in Nigeria, payments, in accordance with the negotiated repayment schedule, were in arrears for an extended period. In February 2000, NNPC reconfirmed the claim and 1,125 million yen was also collected in the current fiscal year. The repayment schedule for the remaining balance has yet to be determined.
#5 The Company also has the following receivables and other assets from KAFCO, a Bangladesh company, and KAFCO Japan Investment Co., Ltd., its related investment firm in Japan (an investment firm in Japan), as follows:	#5 The Company also has the following receivables and other assets from KAFCO, a Bangladesh company, KAFCO International Co., Ltd. and KAFCO Japan Investment Co., Ltd., its related investment firm in Japan (an investment firm in Japan), as follows:	#5 The Company also has the following receivables and other assets from KAFCO, a Bangladesh company, KAFCO International Co., Ltd. and KAFCO Japan Investment Co., Ltd., its related investment firm in Japan (an investment firm in Japan), as follows:

In March 2001, KAFCO, its shareholders and banks reached an agreement about financial restructuring under the supervision of the Bangladesh government and KAFCO has started making payments based on the schedule defined in the financial restructuring plan agreed to in July 2001. Collection was on schedule as of the end of the current interim period. Millions of yen Investment securities: 1,346 Long-term receivables: 1,874 Total: 3,221	In March 2001, KAFCO, its shareholders and banks reached an agreement about financial restructuring under the supervision of the Bangladesh government and KAFCO has started making payments based on the schedule defined in the financial restructuring plan agreed to in July 2001. Collection was on schedule as of the end of the current interim period. Millions of yen Accounts receivable - other: 45 (Current assets) Investment securities: 1,346 Long-term receivables: 5,040 Total: 6,432	In March 2001, KAFCO, its shareholders and banks reached a basic agreement about financial restructuring under the supervision of the Bangladesh government and KAFCO has started making payments based on the schedule defined in the financial restructuring plan agreed to in July 2001. Collection was on schedule as of the end of the current fiscal period. Millions of yen Accounts receivable - other: 45 (Current assets) Investment securities: 1,346 Long-term receivables: 3,661 Total: 5,054

SECURITIES

Previous six-month period (As of September 30, 2004)

1. Information regarding marketable securities classified as "Other Securities"

Millions of yen

	Acquisition cost	Carrying value	Unrealized gain/loss
Equity securities	57	102	45

2. "Other Securities" without market value mainly consisted of the following.

Millions of yen

Item	Aggregate gain
Other securities	
1) Equity securities – unlisted	1,574
2) Subscription certificates	15

Previous six-month period (As of September 30, 2005)

1. Information regarding marketable securities classified as "Other Securities"

Millions of yen

	Acquisition cost	Carrying value	Unrealized gain/loss
Equity securities	58	124	66

2. "Other Securities" without market value mainly consisted of the following.

Millions of yen

Item	Aggregate gain
Other securities	
1) Equity securities – unlisted	1,500
2) Subscription certificates	15

Previous fiscal year (As of March 31, 2005)

1. Information regarding marketable securities classified as "Other Securities"

Millions of yen

	Acquisition cost	Carrying value	Unrealized gain/loss
Equity securities	57	111	53

2. "Other Securities" without market value mainly consisted of the following.

Millions of yen

Item	Aggregate gain
Other securities	
1) Equity securities – unlisted	1,481
2) Subscription certificates	15

Segment Information

1. Industry Segments

The Company's latest six-month period was from April 1, 2005 to September 30, 2005. The previous six-month period was from April 1, 2004 to September 30, 2004. The previous fiscal year was from April 1, 2004 to March 31, 2005. 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

Latest Six-Month Period (From April 1, 2005 to September 30, 2005)

	Millions of Yen						
	Japan	Asia	North America	Other	Total	Eliminations (Corporate)	Consolidated
Net sales							
Outside customers	158,107	7,408	—	—	**165,515**	—	**165,515**
Inter-segment	766	368	16	—	**1,151**	(1,151)	—
Total	158,873	7,776	16	—	**166,666**	(1,151)	**165,515**
Operating expenses........	149,535	8,892	16	6	**158,451**	(1,155)	**157,296**
Operating Profit (Loss) ..	**9,338**	**(1,116)**	**(0)**	**(6)**	**8,214**	4	**8,218**

(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: America.
Other: Nigeria.

3. Overseas Sales

Latest Six-Month Period (From April 1, 2005 to September 30, 2005)

	Millions of Yen				
	Asia	Middle East	Russia/ Central Asia	Other	Total
Overseas sales..	21,223	73,087	28,306	480	**123,098**
Consolidated sales.......................................					165,515
Ratio of overseas to consolidated sales (%)......	12.8	44.2	17.1	0.3	**74.4**

(Notes)
(1) Geographic segmentation is according to geographic proximity
(2) Countries and areas included in each region:
Asia: China, Indonesia and Singapore
Middle East: Qatar, Oman , Iran and Saudi Arabia
Russia/Central Asia: Russia
Other: America
(3) Overseas sales are those sales of the Company and its consolidated subsidiaries that take place in countries or regions other than Japan

Segment Information

1. Industry Segments

The Company's latest six-month period was from April 1, 2005 to September 30, 2005. The previous six-month period was from April 1, 2004 to September 30, 2004. The previous fiscal year was from April 1, 2004 to March 31, 2005. 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

Latest Six-Month Period (From April 1, 2005 to September 30, 2005)

	Millions of Yen						
	Japan	Asia	North America	Other	Total	Eliminations (Corporate)	Consolidated
Net sales							
Outside customers	158,107	7,408	—	—	**165,515**	—	**165,515**
Inter-segment	766	368	16	—	**1,151**	(1,151)	—
Total	158,873	7,776	16	—	**166,666**	(1,151)	**165,515**
Operating expenses........	149,535	8,892	16	6	**158,451**	(1,155)	**157,296**
Operating Profit (Loss) ..	**9,338**	**(1,116)**	**(0)**	**(6)**	**8,214**	4	**8,218**

(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: America.
 Other: Nigeria.

3. Overseas Sales

Latest Six-Month Period (From April 1, 2005 to September 30, 2005)

	Millions of Yen				
	Asia	Middle East	Russia/ Central Asia	Other	Total
Overseas sales..	21,223	73,087	28,306	480	**123,098**
Consolidated sales.......................................					165,515
Ratio of overseas to consolidated sales (%)......	12.8	44.2	17.1	0.3	**74.4**

(Notes)
(1) Geographic segmentation is according to geographic proximity
(2) Countries and areas included in each region:
 Asia: China, Indonesia and Singapore
 Middle East: Qatar, Oman , Iran and Saudi Arabia
 Russia/Central Asia: Russia
 Other: America
(3) Overseas sales are those sales of the Company and its consolidated subsidiaries that take place in countries or regions other than Japan

Production, Orders and Sales Situation

1. Orders

	Millions of Yen											
	Apr. 1, 2005– Sep. 30, 2005				Apr. 1, 2004– Sep. 30, 2004				Apr. 1, 2004 – Mar. 31, 2005			
	New contracts		Backlog		New contracts		Backlog		New contracts		Backlog	
	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%
Business Segment												
Engineering	**439,743 +268.0%**	**99.5**	**812,354 [13,314]**	**100.0**	**119,480**	**98.4**	**392,871 [11,959]**	**100.0**	**407,173**	**99.0**	**522,444 [2,953]**	**100.0**
LNG plant	366.595 +542.8%	82.9	671,634 [13,311]	82.7	57,028	47.0	220,057 [9,908]	56.0	285,055	69.3	378,270 [3,455]	72.4
Gas and power utilities	7,906 +53.5%	1.8	52,788 [664]	6.5	5,151	4.2	82,020 [1,860]	20.9	20,539	5.0	68,433 [413]	13.1
Gas chemicals	257 -98.0%	0.1	4,853 [40]	0.6	13,207	10.9	16,687 [-243]	4.2	13,884	3.4	9,961 [166]	1.9
Petroleum and petrochemicals	53,194 +101.6%	12.0	60,691 [330]	7.5	26,386	21.7	40,537 [227]	10.3	52,227	12.7	35,090 [-762]	6.7
General chemicals	4,915 -9.2%	1.1	14,537 [-508]	1.8	5,414	4.5	19,088 [89]	4.9	17,756	4.3	24,295 [-258]	4.7
Industrial machinery	3,005 -70.2%	0.7	3,614 [—]	0.4	10,090	8.3	10,034 [-6]	2.6	11,270	2.7	2,858 [-9]	0.5
Environment and other	3,869 +75.8%	0.9	4,234 [-523]	0.5	2,200	1.8	4,445 [123]	1.1	6,439	1.6	3,534 [-51]	0.7
Other	**2,367 +21.5%**	**0.5**	**— [—]**	**—**	**1,948**	**1.6**	**— [—]**	**—**	**4,119**	**1.0**	**— [—]**	**—**
Total	**442,110 +264.1%**	**100.0**	**812,354 [13,314]**	**100.0**	**121,429**	**100.0**	**392,871 [11,959]**	**100.0**	**411,292**	**100.0**	**522,444 [2,953]**	**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, 2005– Sep. 30, 2005				Apr. 1, 2004– Sep. 30, 2004				Apr. 1, 2004 – Mar. 31, 2005			
	New contracts		***Backlog***		***New contracts***		***Backlog***		***New contracts***		***Backlog***	
	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%
Domestic.....	65,813 +39.3%	14.9	113,505 [-983]	14.0	47,258	38.9	104,187 [-104]	26.5	89,496	21.8	91,092 [-204]	17.4
Overseas.....	376,297 +407.3%	85.1	698,849 [14,297]	86.0	74,170	61.1	288,684 [12,064]	73.5	321,796	78.2	431,352 [3,157]	82.6
Total..........	**442,110 +264.1%**	**100.0**	**812,354 [13,314]**	**100.0**	**121,429**	**100.0**	**392,871 [11,959]**	**100.0**	**411,292**	**100.0**	**522,444 [2,953]**	**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

	Millions of Yen					
	Apr. 1, 2005 – Sep. 30, 2005		Apr. 1, 2004 – Sep. 30, 2004		Apr. 1, 2004 – Mar. 31, 2005	
Business Segment	***Amt***	***%***	***Amt***	***%***	***Amt***	***%***
Engineering	**163,148 +42.6%**	**98.6**	**114,422**	**98.3**	**263,536**	**98.5**
LNG plant	86,541 +82.3%	52.3	47,484	40.8	110,844	41.4
Gas and power utilities	24,216 +0.3%	14.6	24,135	20.7	51,662	19.3
Gas chemicals	5,406 -21.3%	3.3	6,865	5.9	14,678	5.5
Petroleum and petrochemicals.....	27,924 +4.5%	16.9	26,720	23.0	57,018	21.3
General chemicals	14,164 +274.5%	8.5	3,782	3.2	10,570	4.0
Industrial machinery	2,249 -21.6%	1.4	2,869	2.5	11,221	4.2
Environment and other...............	2,646 +3.2%	1.6	2,564	2.2	7,540	2.8
Other	**2,367 +21.5%**	**1.4**	**1,948**	**1.7**	**4,119**	**1.5**
Total	**165,515 +42.2%**	**100.0**	**116,371**	**100.0**	**267,655**	**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, 2005 – Sep. 30, 2005		Apr. 1, 2004– Sep. 30, 2004		Apr. 1, 2004 – Mar. 31, 2005	
	Amt	***%***	***Amt***	***%***	***Amt***	***%***
Domestic	42,416 +23.4%	25.6	34,378	29.5	89,612	33.5
Overseas	123,098 +50.1%	74.4	81,992	70.5	178,043	66.5
Total	**165,515 +42.2%**	**100.0**	**116,371**	**100.0**	**267,655**	**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, 2005 – Sep. 30, 2005			Apr. 1, 2004 – Sep. 30, 2004			Apr. 1, 2004 – Mar. 31, 2005		
Customer	***Amt***	***%***	***Customer***	***Amt***	***%***	***Customer***	***Amt***	***%***
Sakhalin Energy Investment Co., Ltd.	28,306	17.1	Qalhat LNG SA OC	18,610	16.0	Sakhalin Energy Investment Co., Ltd.	49,777	18.6
Qatar Liquefied Gas Co., Ltd. II	25,829	15.6	Sakhalin Energy Investment Co., Ltd.	15,793	13.6	Ras Laffan LNG Co., Ltd.	28,092	10.5
Ras Laffan LNG Co., Ltd.	24,921	15.1	Ras Laffan LNG Co., Ltd.	11,616	10.0			

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