CHIYODA CORPORATION
Consolidated Financial Results
for the Six-Month Period Ended Sep. 30, 2006

CHIYODA CORPORATION

Summary of Financial Statements (Consolidated)
for the Six-Month Period Ended September 30, 2006

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U.S.GAAP Accounting Principles	Not adopted

1. Results of operation for the six-month period ended Sep. 2006 (April 1, 2006–September 30, 2006)

1) Consolidated Business Results

	Millions of Yen				
	Apr. 1, 2006 – Sep. 30, 2006		Apr. 1, 2005 – Sep. 30, 2005		(reference) Apr. 1, 2005 – Mar. 31, 2006
		Change (%)		Change (%)	
Revenues	210,981	27.5%	165,515	42.2%	390,875
Operating Income	13,490	64.1%	8,218	72.9%	20,729
Ordinary Income	16,697	84.9%	9,029	75.2%	23,161
Net Income	11,173	5.2%	10,622	108.5%	19,400
Net Income per Share (¥)	58.14	-	55.55	-	101.27
Fully Diluted Net Income per Share (¥)	58.06	-	55.20	-	100.80

(Notes) 1. Percentage change figures are comparisons with the same half year of the previous fiscal year.
2. Previous fiscal year six-month data and year-on-year comparisons are not presented since this is the first six-month financial report for Chiyoda.

2) Changes in Consolidated Financial Position

	Millions of Yen		
	As of Sep. 30, 2006	As of Sep. 30, 2005	(reference) As of Mar. 31, 2006
Total Assets	388,912	214,462	279,721
Net Assets	64,593	46,579	55,508
Equity Ratio	16.5%	21.7%	19.8%
Net Assets per Share(¥)	334.13	243.10	288.88

3) Consolidated Cash Flows

	Millions of Yen		
	Apr. 1, 2006 – Sep. 30, 2006	Apr. 1, 2005 – Sep. 30, 2005	(reference) Apr. 1, 2005 – Mar. 31, 2006
Net cash provided by operating activities	5,941	(2,814)	5,237
Net cash used in investing activities	(2,038)	1,757	1,051
Net cash used in financing activities	(2,006)	(1,160)	(1,338)
Cash and cash equivalents at end of period	48,721	39,511	46,878

3. Consolidated Operations Forecast for the Year Ending March 31, 2007

	Millions of Yen
	Apr. 1, 2006 – Mar. 31, 2007
	Full term
Revenues	420,000
Ordinary Income	28,000
Net Income	16,500

(Note) Projected net income per share for the year ending March 31, 2007 85.83yen

(1) State of the Group

The Chiyoda Group of Companies consists of the parent company, 17 subsidiaries, and 5 equity method affiliates. As a comprehensive engineering services organization, the Group's central business is its expertise in providing the most efficient solutions based on an accurate understanding of customer needs. By using highly advanced technologies and achieving the optimal combination of the project execution skills of group companies, all group members work in unison to conduct business operations. Through this approach, the Group responds flexibly to the needs of today's markets, society and regions. The Group's business is divided into Engineering Businesses and Other Businesses, and the Group's structure is outlined below.

Business Flowchart

Clients

Chiyoda Corporation

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

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

Consulting
*1 Chiyoda U-Tech Consulting Co., Ltd.
Consulting services of total engineering solutions for a variety of industriies/ temporary help service

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

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

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

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

Other businesses

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

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

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

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

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

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

Direct Client Orders (white arrow)
Contracted Business, Entrusted Businesses (grey arrow)

(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

Step Up DSP2008

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 able to Sustain Earnings Growth 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 is committed to being an organization able to perpetually grow and develop as well as to increase sales and earnings. Accordingly, the fundamental earnings distribution policy is to further increase retained earnings in order to maintain the consistently sound financial base needed to create next-generation businesses, to improve remuneration for employees based on operating results, and to pay a consistent and stable dividend. Based on this standpoint, Chiyoda plans to pay an annual dividend of 10 yen per share.

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

One central issue is to build a solid base for the DSP2008 medium-term management plan by executing as planned LNG projects now under way. Of particular importance is contracts received in the past and prior fiscal years for construction of the world's largest LNG facilities in Qatar. The Group is dedicated to making steady progress concerning DSP2008 with the aim of reinforcing the Group's reputation for reliability by accurately responding to customers' demands with regard to increasingly large and complex plant projects.

In addition, the Group must accommodate a variety of risks involving business activities and other items as well as respond appropriately to revisions in laws and regulations. Through this stance, the Group is determined to be a responsible corporate citizen.

7. Items concerning parent company

Chiyoda has no parent company.

(3) Results of Operations and Financial Conditions

1. Consolidated Interim Operating Results for the Year ending March 2007

As to the business market environment the Chiyoda Group during the first six months of the current fiscal year, gas-producing countries and international energy majors maintained a high level of investments in gas-related development projects including upstream activities to cope with growing energy demand on a global basis. As a result, the Group was able to accumulate results in the field of the gas value chain.

Looking to the domestic business environment, the Group was awarded multiple contracts mainly for desulfurizers of oil refineries and heavy oil crackers, as Japanese oil companies continued to invest in large-scale upgrading projects associated with refineries to enhance competitiveness. Such investments include production facilities of petrochemical products targeting Asian markets, measures responding to the increasing price disparity between heavy and light grades of oil, and large-scale energy conservation projects.

Against such a backdrop, consolidated new contracts declined to 371.840 million yen (down 15.9 % year-on-year), with overseas new contracts decreasing 20.0 % to 300.954 million yen (down 20.0 % year-on-year) and domestic new contracts increasing to 70.885 million yen (up 7.7 % year-on-year).

Billions of yen

Changes in new contracts, on a consolidated basis (Years from April 1 to March 31)	New contracts			Backlog
	Overseas	Domestic	Total	
2002	180.4	68.6	249.0	316.1
2003	218.6	71.9	290.6	375.8
2004	321.7	89.4	411.2	522.4
2005	691.5	112.7	804.2	960.5
Interim results for 2006 (as of September 30)	300.9	70.8	371.8	1130.9

Major New Contracts

Overseas	・Al Khaleej Gas Phase 2 Project for ExxonMobil in Qatar ・Feed gas preparation works of Pearl GTL project for Royal Dutch Shell in Qatar ・Integrated tank terminal (Phase 2) in Singapore (Chiyoda Singapore (Pte) Limited)
Domestic	・Fuji Oil Co., Ltd. expansion of No. 7 naphtha hydrodesulfurization plant ・Fuji Oil Co., Ltd. off-site construction of No. 2 fluid catalytic cracker ・Maruho Co., Ltd. Hikone Plant, construction of No. 4 unit (Chiyoda TechnoAce Co., Ltd.)

Revenues from completed contracts increased to 210,981 million yen (a 27.5 % year-on-year increase), thanks to steady progress of the on-going constructions and strong performances by group companies in Japan. Revenues from overseas contracts amounted to 166,324 million yen (a 35.1% year-on-year increase) and those from domestic contracts rose to 44,657 million yen (a 5.3% year-on-year increase).

Major Completed Construction (*) Completed portion

Overseas	・Al Khaleej Gas Phase 1 project for ExxonMobil in Qatar ・LNG plant Train 5 of Ras Laffan Liquefied Natural Gas Co., Ltd. (2) in Qatar (*) ・LNG plant Trains 4 & 5 for Qatar Liquefied Gas Company Limited (II) in Qatar (*) ・LNG plant Trains 6 & 7 of Ras Laffan Liquefied Natural Gas (3) in Qatar (*) ・LNG plant Trains 6 & 7 of Qatar Liquefied Gas Company Limited (3) & (4) in Qatar (*) ・Sakhalin II LNG Project in Russia (*)
Domestic	・BTX facility for Taiyo Oil Co., Ltd. ・Lube oil/grease mixing and filling plant for Nippon Petroleum Refining Co., Ltd. ・SHOWA YOKKAICHI SEKIYU Co., Ltd. HDS-3 Reactor Expansion ・Aromatics complex for Kashima Aromatics Co., Ltd. ・Regulatory maintenance for Toa Oil Co., Ltd. (Chiyoda Kosho Co., Ltd.)

Earnings benefited from growth in revenues from completed contracts and a 1.4 point year-on-year improvement in the gross margin on such completions, therefore, gross profit on completed contracts rose to 18,934 million yen (a 49.6 % year-on-year increase), and operating income increased to 13,490 million yen (a 64.1 % year-on-year increase). Ordinary income boosted to 16,697 million yen (a 84.9 % year-on-year increase), due to the factors such as increases in interest income resulting from growth in the Company's share of joint venture assets, and interim net earnings rose to 11,173 million yen (a 5.2 % year-on-year increase).

Billions of yen

Changes in consolidated interim financial results (Years from April 1 to September 30)	Revenues from completed contracts	Gross profit on projects completed	Operating income	Ordinary income	Interim net income
2003	88.6	6.5	2.4	3.0	2.1
2004	116.3	8.8	4.7	5.1	5.0
2005	165.5	12.6	8.2	9.0	10.6
2006	210.9	18.9	13.4	16.6	11.1
Pct YoY change	27.5%	49.6%	64.1%	84.9%	5.2%
(Reference) FY 2005 ended March 31, 2006	390.8	30.5	20.7	23.1	19.4

2. Financial conditions during the first six months of the current fiscal year
1) Assets, Liabilities and Shareholders' Equity
Assets
Due to the factors such as growth in the Company's share of joint venture assets associated with the increased number of large-scale projects conducted as joint venture (JV), current assets increased to 108,477 million yen. Fixed assets also increased by 713 million yen, primarily from acquisition of investments in securities. As a result, assets in total increased to 109,190 million yen compared with the end of the prior fiscal year.

Liabilities
Due to an increase of 108,575 million yen in advance receipts on construction contracts, liabilities rose to 100,428 million yen from the end of the previous fiscal year.

Shareholders' equity
An increase of 9,163 million yen in retained earnings due to the interim net profit increased shareholders' equity to 64,593 million yen. The equity ratio was down 3.3 point year-on-year to 16.5 %, mainly because of an increase of 109,190 million yen in assets associated with growth in the Company's share of joint venture assets.

Billions of yen

	As of March 31, 2006	**As of Sep. 30, 2006**	Change		As of March 31, 2006	**As of Sep. 30, 2006**	Change
Current Assets	256.6	**365.1**	108.4	**Current Liabilities**	205.1	**308.7**	103.5
Cash and time deposits	47.0	**48.8**	1.8	Short-term loans	0	**0**	0
Trade receivables and costs of revenues in progress	64.8	**62.5**	(2.3)	Trade payable and advance receipts on revenues	187.8	**290.8**	102.9
Jointly controlled assets of joint venture	131.3	**240.1**	108.7	Other current liabilities	17.2	17.8	0.5
Other current assets	13.3	**13.5**	0.2	**Non-current Liabilities**	18.6	**15.5**	(3.1)
Fixed Assets	23.0	**23.8**	0.7	Long-term debt	10.1	**10.1**	0
Property, plant and equipment	7.0	**7.2**	0.1	Other long-term liabilities	8.5	**5.4**	(3.0)
Intangible fixed assets	3.1	**3.1**	0	**Shareholders' Equity** (*)	55.8	**64.5**	8.7
Investments and other assets	12.8	**13.4**	0.6	Shareholders' Equity	55.7	**64.8**	9.0
				Valuation and exchange rate adjustments	(0.2)	**(0.6)**	(0.3)
				Minority Interests	0.3	**0.3**	0
Total Assets	279.7	**388.9**	109.1	**Liabilities and Sharholders' Equity**	279.7	**388.9**	109.1

(*)The figure as of March 31, 2006 recorded in the "Shareholders' Equity" comprised traditional "Shareholders' Equity" and "Minority Interests".

2）Cash flows during the first half of the current fiscal year

Operating activities

While there was an increase of 108,794 million yen in jointly controlled assets of joint ventures due to increase in large-scale projects conducted as joint ventures, profit before income taxes and minority interests was 17,758 million yen, depreciation and amortization was 759 million yen, and 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 105,501 million yen. As a result of the foregoing, net cash provided by operating activities was 5,941 million yen.

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 114,736 million yen.

Investing activities

Though there were proceeds from collection of long-term loans, purchases of property, plant and equipment including the investments in IT-related software amounted to 833 million yen, and acquisition of investments in securities totaled 1,589 million yen. Net cash used in investing activities was 2,038 million yen.

Financing activities

Net cash used in financing activities was 2,006 million yen, primarily due to dividend payments.

As a result of the aforementioned, balance of cash and cash equivalents at the end of the first half of the current fiscal year increased by 1,843 million yen from the end of the previous fiscal year to 48,721 million yen.

Billions of yen

Changes in consolidated financial conditions (Fiscal year ended March 31)	Total Assets	Total Liabilities	Shareholders'Equity (*)	Net Cash provided by (used in)			Balance of Cash and Cash Equivalents
				Operating Activities	Investing Activities	Financing Activities	
2003	120.2	103.1	17.1	6.9	(0.8)	(9.5)	34.9
2004	142.8	119.7	23.1	15.5	(1.2)	(8.2)	40.9
2005	182.8	145.6	37.2	0.4	(1.0)	1.1	41.5
2006	279.7	223.8	55.8	5.2	1.0	(1.3)	46.8
Six-month period ended Sep. 30, 2006	**388.9**	**324.3**	**64.5**	**5.9**	**(2.0)**	**(2.0)**	**48.7**

(*) The figures for fiscal years of 2003, 2004, 2005 and 2006 recorded in the "Shareholders' Equity" comprised traditional "Shareholders' Equity" and "Minority Interests".

Cash Flow Indices (Fiscal year ended March 31)	Capital Adequacy Ratio	Years for Debt Redemption	Interest Coverage Ratio
2003	13.9 %	2.7 year	11.7 times
2004	15.9 %	0.7 year	42.4 times
2005	20.2 %	21.3 year	1.6 times
2006	19.8 %	2.0 year	17.3 times
Six-month period ended Sep. 30, 2006	**16.5 %**	**0.9 year**	**39.1 times**
Note	(Shareholders' Equity - Minority Interests) / Total Assets	Interest-bearing Liabilities / Cash Flow from Operating Activities	Cash Flow from Operating Activities / Interest Paid

(Note) The "Capital Adequacy Ratio" figures of fiscal 2003 to 2006 represent traditional "Shareholders' Equity Ratio (Shareholders' Equity / Total Assets)". In calculating years for debt redemption for interim reporting, the amount of cash flow from operating activities was doubled to obtain its annual amount.

3. Outlook for FY 2006 Business Results

In the global plant market, investments in gas-related development projects by gas-producing countries and international energy majors are expected to grow stronger, hence the Group will pursue opportunities of receiving new orders in untapped regions with plans for gas-related development projects, on top of the Middle East centering on Qatar.

Furthermore, as international energy majors are increasingly active in investing in oil and petrochemical projects, the Group will be engaged in aggressive marketing activities toward receiving new orders in the said sector.

In the domestic plant market, large-scale capital expenditures by oil companies are expected to continue as they aim at increasing production of petrochemicals as well as making their refineries more competitive. Thus the Group will choose and focus on orders where it can make the best of its technical advantage, and exert efforts to receive such orders. In the pharmaceutical sector, Chiyoda will focus on developing projects and securing orders associated with facilities for high-mix/low-volume manufacturing of new drugs and intermediates. In the industrial machinery sector, Chiyoda foresees steady growth and will be increasing efforts in receiving orders.

Additionally, in the U.S. where the government is moving toward stricter environmental regulations such as Clear Air Act, in the EU zone where measures to comply with environmental regulations are being taken, and in Asian countries where power demand is expected to increase, there is growing demand for flue gas desulfurization facilities at coal-fired power plants. Therefore, the Group will license its CT-121 desulfurization technology and continue marketing activities concerning the said technology in those regions.

As to the outlook for revenues from completed contracts of fiscal 2006 ending March 31, 2007, the Group as a whole will exert best efforts to manage a large volume of outstanding contracts and to achieve on-time completions of projects including large-scale LNG projects in Qatar.

Based on the aforementioned, and assuming an exchange rate of 110 yen to the U.S. dollar in the fiscal year ending on March 31, 2007, Chiyoda is forecasting consolidated new contracts of 400 billion yen, revenues from completed contracts of 420 billion yen, consolidated operating income of 25 billion yen, consolidated ordinary income of 28 billion yen and consolidated net income of 16.5 billion yen. On a non-consolidated basis, Chiyoda is forecasting new contracts of 350 billion yen, revenues from completed contracts of 370 billion yen, operating income of 22 billion yen, ordinary income of 25 billion yen and net profit of 15 billion yen. The projected year-end dividend is 14 yen per share.

Outlook for FY 2006 Business Results

Billions in yen

Years from April 1 to March 31	Consolidated		
	2006	2005	Change (%)
New contracts	**400.0**	804.2	(50.3 %)
Revenues	**420.0**	390.8	7.5 %
Operating income	**25.0**	20.7	20.6 %
Ordinary income	**28.0**	23.1	20.9 %
Net income	**16.5**	19.4	(14.9 %)

4. Risk Factors

Presented below is a list of major items, including significant items concerning the Group's financial condition, operating results and cash flows, that may have a material effect on investment decisions, and the Group's responses to such items. The Group is aware of these risks and takes the greatest possible precautions to prevent their occurrence. In the event that a problem occurs, the Group shall swiftly respond to minimize its impact.

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

1) Foreign exchange rate volatility

In the cases of overseas construction projects, though most payments received are denominated in yen, foreign currencies are used for most purchases of equipment and materials and for payments to subcontractors. As a result, an unexpected change in foreign exchange rates can have an effect on earnings. The Company takes all actions possible to manage foreign exchange risk and hedge against the fluctuations by receiving payments in several foreign currencies to match projected expenses, using foreign exchange forward agreements and taking other steps.

2) Higher cost of equipment and materials and limited supplies of basic materials and construction workers

In cases of plant construction projects, there is a gap between the time when estimates are prepared and the time when materials, equipment and subcontracting work are ordered. As a result, there may be cases where, after the submission of a bid for a project, there is an increase in the cost of labor, equipment or materials that exceeds projections at the time of tender. Moreover, tight supplies of metals such as copper, nickel and aluminum may cause delays in the delivery of equipment and materials and in the installation of equipment. There may also be delays in construction projects caused by a shortage of construction workers. Any of the above-mentioned events may have an impact on earnings.

Chiyoda takes every possible measure to avoid and minimize exposure to these risks. The Company is diversifying suppliers including making purchases in all areas of the world, and examining blanket procurement. Other measures of risk management include ordering equipment, materials and subcontracting work at earlier timings, and establishing collaborative ties with leading construction companies.

3) Terrorism, hostilities in neighboring countries, strikes, anarchism and natural disasters

There may be an impact on earnings in the event that global terrorism or similar events directly damage construction sites or Group offices at home and abroad, endanger construction site workers, force the suspension of construction work or cause other problems resulting in expenses that cannot be passed on to customers. The Group has a crisis management system that permits a rapid initial response, including collaboration with customers and other external parties, in case of an emergency.

4) Accidents at plants

There is a possibility of a serious accident such as an explosion or fire from any cause at a plant that is under construction or that has been constructed by the Group. In the event that the Group is judged to be responsible for the cause of the accident, there could be an impact on earnings.

To prevent the occurrence of such accidents, the Group has established the best possible quality management, construction safety management and other risk management systems. Furthermore, the Group purchases suitable insurance coverage, incorporates in agreements a provision for reasonable division of the responsibilities for damages with customers, and takes other necessary actions to avoid and minimize exposure to these risks.

Cautionary note 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.

[Appendix]

1. Summary Consolidated Balance Sheets

	Millions of Yen								
	1H FY2006 As of Sept. 30, 2006			1H FY2005 As of Sept. 30, 2005			As of Mar. 31, 2006		
			%			%			%
Assets									
Current Assets									
Cash and time deposits		48,873			39,656			47,033	
Notes and accounts receivable-trade		34,938			51,523			46,976	
Costs of construction contracts in process		27,576			23,966			17,923	
Deferred tax assets		1,552			4,080			1,750	
Jointly controlled asset of joint venture		240,131			69,741			131,336	
Other		12,115			6,917			11,769	
Allowance for doubtful accounts		(87)			(350)			(167)	
Total Current Assets		**365,100**	**93.9**		**195,535**	**91.2**		**256,623**	**91.7**
Fixed Assets									
Property, plant and equipment									
Buildings and structures	6,581			6,410			6,453		
Accumulated depreciation	3,528	3,052		3,338	3,072		3,440		
Machinery, equipment and vehicles	908			813			817		
Accumulated depreciation	276	632		315	498		279	537	
Tools, furniture and fixtures	5,318			5,482			5,248		
Accumulated depreciation	3,642	1,676		4,039	1,442		3,567	1,681	
Land		1,850			1,904			1,852	
Construction in progress		10			1			-	
Total property, plant and equipment		7,222			6,919			7,085	
Intangible fixed assets		3,103			2,901			3,168	
Investments and other assets									
Investment securities		7,183			4,392			5,701	
Long-term loans		536			597			533	
Long-term accounts receivable		—			1,911			662	
Deferred tax assets		2,834			756			4,157	
Other		3,534			3,200			3,522	
Allowance for doubtful accounts		(602)			(1,490)			(1,469)	
Allowance for capital loss on investments		—			(263)			(263)	
Total investments and other assets		**13,485**			**9,105**			**12,844**	
Total Fixed Assets		**23,811**	**6.1**		**18,926**	**8.8**		**23,097**	**8.3**
Total Assets		**388,912**	**100.0**		**214,462**	**100.0**		**279,721**	**100.0**
Liabilities and Shareholders' Equity									
Current Liabilities									
Notes and accounts payable-trade		80,275			82,955			85,901	
Current portion of long-term debt		71			10,061			46	
Income taxes payable		4,801			388			3,989	
Deferred tax liability		—			—			1	
Advance receipts on construction contracts		210,554			58,934			101,979	
Indemnity allowance for completed construction		1,636			934			1,870	
Allowance for loss on construction		10			-			146	
Accrued bonuses		3,727			2,480			3,856	
Other		7,654			5,524			7,402	
Total Current Liabilities		**308,731**	**79.4**		**161,279**	**75.2**		**205,192**	**73.4**
Non-Current Liabilities									
Long-term debt		10,133			203			10,168	
Deferred tax liabilities		2			0			0	
Liability for retirement benefits		3,260			5,598			7,962	
Liability for retirement benefit to directors		417			363			430	
Other liabilities		1,774			136			136	
Total Non-Current Liabilities		**15,587**	**4.0**		**6,308**	**2.9**		**18,698**	**6.7**

Total Liabilities	**324,319**	**83.4**		**167,582**	**78.1**		**223,890**	**80.1**
Minority Interests	—			**301**	**0.2**		**322**	**0.1**
Shareholders' Equity								
Common stock	—			12,823	6.0		12,901	4.6
Additional paid-in capital	—			6,607	3.1		6,684	2.4
Retained earnings	—			28,100	13.1		36,877	13.2
Net unrealized loss on available-for-sale securities	—			39	0.0		44	0.0
Foreign currency translation adjustments	—			(587)	(0.3)		(323)	(0.1)
Treasury stock	—			(405)	(0.2)		(676)	(0.3)
Total Shareholders' Equity	—			**46,579**	**21.7**		**55,508**	**19.8**
Liabilities, Minority Interests and Shareholders' Equity	—			**214,462**	**100.0**		**279,721**	**100.0**

Summary of Consolidated Balance Sheets（continued）

	Millions of Yen					
	1H FY2006 As of Sept. 30, 2006		1H FY2005 As of Sept. 30, 2005		As of Mar. 31, 2006	
		%		%		%
Net Assets						
Shareholders' Equity						
Common stock	12,926		—			
Additional paid-in capital	6,700		—			
Retained earnings...............................	46,041		—			
Treasury stock	(790)		—			
Total Shareholders' Equity................	64,868	**16.7**	—	—		
Valuation and Exchange Rate Adjustments						
Net unrealized loss on available-for-sale securities	(133)		—			
Deferred hedging losses	(210)		—			
Foreign currency translation adjustments	(290)		—			
Total valuation and exchange rate adjustments	(634)	(0.1)	—	—		
Minority interests	359		—	—		
Total Net Assets	64,593	**16.6**	—	—		
Total Liabilities and Net Assets.........	**388,912**	100.0	—	—		

2. Summary of Consolidated Statements of Income

	Millions of Yen								
	1H FY2006 Apr. 1, 2006–Sept. 30, 2006			1H FY2005 Apr. 1, 2005–Sept. 30, 2005			Apr. 1, 2005–Mar. 31, 2006		
			%			%			%
Construction Contracts		**210,981**	**100.0**		**165,515**	**100.0**		**390,875**	**100.0**
Cost of Construction Contracts		**192,047**	**91.0**		**152,854**	**92.4**		**360,322**	**92.2**
Gross profit		18,934	9.0		12,660	7.6		30,552	7.8
Selling, General and Administrative Expenses		**5,443**	**2.6**		**4,441**	**2.6**		**9,823**	**2.5**
Operating income.............................		13,490	6.4		8,218	5.0		20,729	5.3
Other Income									
Interest	3,388			863			2,638		
Dividend income	17			17			29		
Equity in earnings of associated companies	144			51			193		
Rent income	131			138			269		
Foreign exchange gain	—			3			—		
Other	155	**3,836**	**1.8**	46	**1,120**	**0.7**	151	**3,280**	**0.8**
Other Expenses									
Interest expense........................	152			150			302		
Cost of rent income	80			89			148		
Foreign exchange loss	343			—			174		
Other	52	**629**	**0.3**	70	**310**	**0.2**	223	**848**	**0.2**
Ordinary income		16,697	7.9		9,029	5.5		23,161	5.9
Extraordinary Gain									
Reversal of allowance for doubtful accounts	688			1,167			1,367		
Allowance for loss on investments	263			—			—		
Other	124	**1,076**	**0.5**	3	**1,170**	**0.7**	223	**1,590**	**0.4**
Extraordinary Loss									
Unrealized loss on investment securities	14			—			—		
Loss on termination of certain retirement benefit plans	—			—			1,995		
Settlement of construction contract							469		
Impairment loss	—			—			127		
Loss on sale of fixed assets...........	—			—			20		
Other..	—	14	**0.0**		2	**0.0**	233	2,845	**0.7**
Profit before income taxes and minority interests		17,758	8.4		10,197	6.2		21,906	5.6
Income taxes current	4,876			478			4,478		
Income taxes deferred	1,675	6,551	3.1	(925)	(446)	(0.2)	(2,011)	(2,467)	0.6
Minority interests in net income (loss) .		33	(0.0)		21	(0.0)		39	(0.0)
Net income....................................		**11,173**	**5.3**		**10,622**	**6.4**		**19,400**	**5.0**

3. Summary of Consolidated Statements of Cash Flow

	1H FY2006 Apr. 1, 2006– Sept. 30, 2006	1H FY2005 Apr. 1, 2005– Sept. 30, 2005	Apr. 1, 2005– Mar. 31, 2006
	Millions of Yen		
Cash Flow from Operating Activities			
Profit before income taxes and minority interests	17,758	10,197	21,906
Depreciation and amortization	759	686	1,468
Decrease (increase) in allowance for bad debts	(947)	(1,152)	(1,354)
Interest and dividend income	(3,405)	(880)	(2,667)
Interest expense	152	150	302
Foreign exchange losses (gains)	(5)	(89)	(236)
Equity in earnings of associated companies	(144)	(51)	(193)
Loss on partial termination of retirement benefit system	–	–	1,995
Decrease (increase) in trade notes and accounts receivable	12,036	(13,874)	(9,100)
Decrease (increase) in costs of construction contracts in process...	(9,672)	1,011	7,095
Increase in trade notes and accounts payable	(5,452)	8,541	11,122
Increase in advance receipts on construction contracts .	108,589	14,550	57,479
Increase (decrease) in accrued bonuses	(128)	(344)	1,039
Increase (decrease) in accrued retirement benefits	(4,701)	431	798
Increase (decrease) in indemnity allowance for completed construction	(237)	174	1,103
Increase in jonitly controlled assets of joint ventures	(108,794)	(19,787)	(81,382)
(Incease) decrease in consumption tax payable	(1,706)	(755)	1,031
Increase (decrease) in transfer of defined contribution pension payable	2,450	–	–
Other..	3,511	(878)	(4,243)
Subtotal	10,063	(2,060)	6,163
Interest and dividend income..................................	146	299	321
Interest paid...	(151)	(150)	(303)
Settlement of construction contract paid	(469)	–	–
Income taxes paid...	(3,647)	(903)	(944)
Net Cash Provided by Operating Activities..................	**5,941**	**2,814**	**5,237**
Cash Flow from Investing Activities			
Proceeds from refunds of time deposits with maturities...	–	654	703
Payments for purchases of tangible fixed assets	(206)	(239)	(618)
Proceeds from sales of tangible fixed assets	6	49	139
Payments for purchase of intangible fixed assets	(626)	(568)	(1,236)
Payment for purchase of investment securties.............	(1,589)	(24)	(1,272)
Proceeds from sales of investment securities	–	–	148
Payment for purchase of consolidated subsisdiary stock	–	–	(121)
Net decrease in short-term loans	0	1	1
Long-term loans	(15)	(19)	(33)
Proceeds from collections of long-term loans..............	379	1,902	3,340
Other..	13	0	0
Net Cash Used in Investing Activities .	**(2,038)**	**1,757**	**1,051**
Cash Flow from Financing Activities			
Proceeds from long-term debt...........	–	–	10,000
Repayments of long-term debt	(10)	(50)	(10,101)
Proceeds from new stock issue.................................	31	202	357
Cash dividends paid..	(1,913)	(1,138)	(1,139)
Cash dividends paid to minority shareholders..............	–	(19)	(36)
Other	(114)	(154)	(417)
Net Cash Provided by (Used in) Financing Activities	**(2,006)**	**(1,160)**	**(1,338)**

Foreign Currency Translation Adjustments on Cash and Cash Equivalents	13	135	333
Net Increase (Decrease) in Cash and Cash Equivalents	1,909	(2,083)	5,284
Cash and Cash Equivalents at Beginning of Period	46,878	41,594	41,594
Decrease in Cash and Cash Equivalents Elimination From Consolidation	(66)	—	—
Cash and Cash Equivalents at End of Period	48,721	39,511	46,878

<Appendix to Consolidated Financial Statements>

Accounting Principles and Notes <Abstract>

1. Consolidated subsidiaries
P.T. Asian Engineering Contractors Indonesia was excluded from the consolidated subsidiaries, having lost significance. U-Tech Consulting Co., Ltd. and C&E Corporation have changed their corporate names to Chiyoda U-Tech Co., Ltd. and Chiyoda Philippines Corporation respectively.

2. Reserve for retirement benefits
The reserve is provided for the amount recognized to have incurred at the end of the current semiannual period, based on the expected amounts of the retirement benefit liability and pension assets.
Additionally the difference caused by the accounting change (5,696 million yen) is equally written off annually over the period of 15 years. (This accounting change difference arose from the transition to the defined benefit corporate pension system (cash balance plan) and defined contribution pension system.)
The past service liability is written off as the operating cost over a fixed period (10 years) not longer than the average of the remaining term of service under a straight-line method.
The actuarial difference is written off as the operating cost over a fixed period (10 years) not longer than the average of the remaining term of service under a straight-line method from the next financial year.

3. Hedging Policy
Under the internal regulations and management rules concerning the management of foreign currency risk, the hedging is done for the purpose of fixing the foreign currency credits and debts as well as the Japanese yen cash flows of the expected transactions and mitigating the fluctuation risk of exchange rates of foreign currency assets and liabilities.

4. Accounting Standard for Presentation of Net Assets in the Balance Sheet
From the current semiannual financial year "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standard No.5 dated December 9, 2005) and "Guidance on the Application of Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standard Application Guidance No.8 dated December 9, 2005) are applied.
The amount to be booked to total shareholders' equity under the old accounting method totals 64,444 million yen. Additionally, as the Regulations on Interim Consolidated Financial Statements were amended, the net assets in the balance sheet as of the end of the current semiannual financial year are stated in accordance with the Regulations on Interim Consolidated Financial Statements as amended.

5. Fixed Assets
The gross receivables and other assets in the amount of 209 million yen from "KAFCO Japan Investment Co., Ltd. " are included in the "other" of the "Investments and other assets". All these assets were paid to the Company as of October 31, 2006.

5. Production, Orders and Sales Situation (Consolidated)

Millions of Yen

1H FY2006 Apr. 1, 2006 – Sept. 30, 2006

	New contracts	%	Revenues	%	Backlog	%
Business Segment						
Engineering						
LNG plant	33,033	8.9	150,274	71.2	739,228	65.4
Gas and power utilities	261,795	70.4	10,369	4.9	283,439	25.0
Gas chemicals	394	0.1	1,099	0.5	1,902	0.2
Petroleum and petrochemicals	38,427	10.4	33,940	16.1	60,301	5.3
General chemicals	14,980	4.0	7,310	3.5	27,087	2.4
Industrial machinery	12,767	3.4	2,401	1.1	12,070	1.1
Environment and other	7,183	1.9	2,328	1.1	6,936	0.6
Total Engineering	**368,581**	**99.1**	**207,723**	**98.4**	**1,130,966**	**100.0**
Other	3,258	0.9	3,258	1.6	—	—
Domestic	70,885	19.1	44,657	21.2	123,146	10.9
Overseas	300,954	80.9	166,324	78.8	1,007,820	89.1
Total	**371,840**	**100.0**	**210,981**	**100.0**	**1,130,966**	**100.0**

Millions of Yen

1H FY2005 Apr. 1, 2005 – Sep. 30, 2005

	New contracts	%	Revenues	%	Backlog	%
Business Segment						
Engineering						
LNG plant	366,595	82.9	86,541	52.3	671,634	82.7
Gas and power utilities	7,906	1.8	24,216	14.6	52,788	6.5
Gas chemicals	257	0.1	5,406	3.3	4,853	0.6
Petroleum and petrochemicals	53,194	12.0	27,924	16.9	60,691	7.5
General chemicals	4,915	1.1	14,164	8.5	14,537	1.8
Industrial machinery	3,005	0.7	2,249	1.4	3,614	0.4
Environment and other	3,869	0.9	2,646	1.6	4,234	0.5
Total Engineering	**439,743**	**99.5**	**163,148**	**98.6**	**812,354**	**100.0**
Other	2,367	0.5	2,367	1.4	—	—
Domestic	65,813	14.9	42,416	25.6	113,505	14.0
Overseas	376,297	85.1	123,098	74.4	698,849	86.0
Total	**442,110**	**100.0**	**165,515**	**100.0**	**812,354**	**100.0**

	Millions of Yen					
	FY2005 Apr. 1, 2005 – Mar. 31, 2006					
	New contracts		**Revenues**		**Backlog**	
		%		%		%
Business Segment						
Engineering						
LNG plant	675,208	83.9	230,227	58.9	846,922	88.2
Gas and power utilities	16,848	2.1	54,278	13.9	32,070	3.3
Gas chemicals	515	0.1	7,952	2.0	2,606	0.3
Petroleum and petrochemicals	73,328	9.1	53,733	13.8	55,624	5.8
General chemicals	19,990	2.5	24,298	6.2	19,477	2.0
Industrial machinery	6,483	0.8	7,602	1.9	1,738	0.2
Environment and other	7,134	0.9	8,061	2.1	2,098	0.2
Total Engineering	**799,509**	**99.4**	**386,153**	**98.8**	**960,538**	**100.0**
Other	4,721	0.6	4,721	1.2	—	—
Domestic	112,720	14.0	105,329	26.9	97,484	10.1
Overseas	691,510	86.0	285,545	73.1	863,054	89.9
Total	**804,231**	**100.0**	**390,875**	**100.0**	**960,538**	**100.0**

(Note) The amount of the backlog 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.