CHIYODA CORPORATION
Consolidated Financial Results

for the Six-Month Period Ended September 30, 2007

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

CHIYODA CORPORATION

Summary of Consolidated Financial Results
for the Six Months Ended September 30, 2007
(the Interim Period of the Year Ending March 31, 2008)

Listed Exchanges	Tokyo (First Section)
Head Office	Kanagawa, Japan
Stock Code	6366
President & CEO	Takashi Kubota
Inquiries	Shinji Kusunoki, General Manager, Accounting Department
Telephone	+81-45-506-9410
URL	http://www.chiyoda-corp.com/

1. Consolidated Results of Operations for the Six Months Ended September 30, 2007

(1) Consolidated Business Results

	Millions of Yen				
	Apr. 1, 2007— Sept. 30, 2007		Apr. 1, 2006 — Sept. 30, 2006		(reference) Apr. 1, 2006 — Mar. 31, 2007
		Change (%)		*Change (%)*	
Revenues	312,547	48.1	210,981	27.5	484,895
Operating Income	11,420	(15.4)	13,490	64.1	28,700
Recurring Profit	17,303	3.6	16,697	84.9	36,797
Net Income	10,641	(4.8)	11,173	5.2	23,531
Net Income per Share (Yen)	55.35		58.14		122.41
Fully Diluted Net Income per Share (Yen)	55.32		58.06		122.28

Notes: 1. Amounts less than 1 million are rounded down.

2. Percentage change figures are comparisons with the same period of the previous fiscal year.

(Reference) Equity in earnings of associated companies: Interim period ended September 30, 2007: 140 million yen, Interim period ended September 30, 2006: 144 million yen, Fiscal year ended March 31, 2007: 375 million yen

(2) Change in Consolidated Financial Condition

	Millions of Yen		
	As of Sept. 30, 2007	As of Sept. 30, 2006	(reference) As of Mar. 31, 2007
Total Assets	449,387	388,912	442,952
Net Assets	85,157	64,593	77,414
Shareholders' Equity Ratio	18.9%	16.5%	17.4%
Shareholders' Equity per Share (Yen)	440.88	334.13	400.56

(Reference) Shareholders' equity: Interim period ended September 30, 2007: 84,760 million yen, Interim period ended September 30, 2006: 64,233 million yen, Fiscal year ended March 31, 2007: 77,022 million yen

(3) Consolidated Cash Flow

	Millions of Yen		
	Apr. 1, 2007 — Sept. 30, 2007	Apr. 1, 2006 — Sept. 30, 2006	(reference) Apr. 1, 2006 — Mar. 31, 2007
Net Cash (Used in) Provided by Operating Activities	(1,883)	5,941	35,531
Net Cash Provided by (Used in) Investing Activities	117	(2,038)	(3,458)
Net Cash Used in Financing Activities	(3,050)	(2,006)	(2,191)
Cash and Cash Equivalents, End of Period	72,329	48,721	77,051

2. Dividends per Share

	Yen
	Full term
Year Ended March 31, 2007	15.00
Year Ending March 31, 2008 (Forecast)	18.00

3. Outlook for the Year Ending March 31, 2008 (Consolidated)

(Percentages represent change compared with the previous fiscal year)

	Millions of Yen	
	FY2007 (Apr. 1, 2007 – Mar. 31, 2008)	
	Full term	%
Revenues	570,000	17.6
Operating Income	22,000	(23.3)
Recurring Profit	32,000	(13.0)
Net Income	19,500	(17.1)
Net Income per Share (Yen)	101.43	

4. Other

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries due to changes in the scope of consolidation): No

(2) Changes in accounting rules, procedures, presentation method, etc. for the Consolidated Financial Statements

(a) Changes in consolidated accounting methods: Yes

(b) Changes other than (a), above: No

(3) Number of share issued and outstanding (common stock)

(a) Number of shares at end of period (including treasury stock): Interim period ended September 30, 2007: 193,137,529 shares, Interim period ended September 30, 2006: 193,029,529 shares, Year ended March 31, 2007: 193,125,529 shares

(b) Treasury stock at end of period: Interim period ended September 30, 2007: 886,646 shares, Interim period ended September 30, 2006: 788,105 shares, Year ended March 31, 2007: 836,169 shares

Results of Operations

(1) Analysis of Operating Results

Regarding the market environment for Chiyoda during the six months ended September 30, 2007, in overseas markets for plants, new plant construction plans around the world are being driven by continuing growth in global energy demand. In the Middle East, where there is an ongoing rush to construct new plants, project execution remains severely constrained due to a continuing unavoidable decline in productivity caused by a tight supply of skilled workers. Under these circumstances, the Chiyoda Group continues to focus on steady execution of ongoing projects, mainly in Qatar.

In the domestic market, the drive to invest remains firm in projects for new construction and expansion of large-scale LNG receiving terminals, and investment remains firm in new facility construction and existing facility renovation, mainly in the fields of petroleum and petrochemicals. Ongoing projects centered on the petroleum field proceed smoothly as the Group steadily acquires new contracts centered on processing heavy grades of oil.

Including a contract for a long residue catalytic cracker unit revamp project at a Singapore refinery, new contracts on a consolidated basis were 180,313 million yen, a 51.5% decrease compared with the same period of the previous fiscal year. Overseas new contracts were 75,149 million yen, a decrease of 75%, and domestic new contracts were 105,163 million, an increase of 48.4%. The backlog of contracts was 918,861 million yen.

New Contracts (Consolidated)

(Billions of yen)

Fiscal years ended March 31	Overseas	Domestic	Total	Backlog of contracts
2004	218.6	71.9	290.6	375.8
2005	321.7	89.4	411.2	522.4
2006	691.5	112.7	804.2	960.5
2007	402.4	155.2	557.7	1,048.6
Interim results for six months ended Sept. 30, 2007	**75.1**	**105.1**	**180.3**	**918.8**

Consolidated revenues increased 48.1% compared with the same period of the previous fiscal year to 312,547 million yen due to the progress of ongoing projects. Overseas revenues increased 48.2% to 246,541 million yen and domestic revenues rose 47.8% to 66,005 million yen.

Overseas	• LNG plant Trains 6 & 7 for Ras Laffan Liquefied Natural Gas Co., Ltd. (3) in Qatar • LNG plant Trains 6 & 7 for Qatar Liquefied Gas Company Limited (3) & (4) in Qatar • LNG plant Trains 4 & 5 for Qatar Liquefied Gas Company Limited (2) in Qatar • Sakhalin II LNG project in Russia
Domestic	• Aromatics complex for Kashima Aromatics Co., Ltd. • MXDA facility for Mitsubishi Gas Chemical Company, Inc. • Utsunomiya No. 2 Plant for Hisamitsu Pharmaceutical Co., Inc. • 2007 shut-down maintenance (SDM) of Hokkaido refinery for Idemitsu Kosan Co., Ltd. (CHIYODA INDUSTRY CO., LTD.)

Gross profit was 17,239 million yen, a decrease of 8.9% compared with the same period of the previous fiscal year, despite an increase in revenues, due to a decline in productivity caused by a tight supply of skilled workers which negatively impacted the gross profit margin. Operating income decreased 15.4% to 11,420 million yen, recurring profit rose 3.6% to 17,303 million yen and net income decreased 4.8% to 10,641 million yen.

Interim Financial Results (Consolidated)

(Billions of yen)

Six months ended September 30	Revenues	Gross profit	Operating income	Recurring profit	Net income
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
2007	**312.5**	**17.2**	**11.4**	**17.3**	**10.6**
Reference: Fiscal year ended March 31, 2007	484.8	39.7	28.7	36.7	23.5

Results by Business Segment

The following is a summary of consolidated operating results by business segment.

Natural Gas and Electric Power

Overseas, natural gas producing nations and Energy Majors continue to plan investments in the gas value chain – development of gas fields, construction of LNG plants, arrangements for LNG carriers and construction of LNG receiving terminals – against a backdrop of continuing growth in global demand for natural gas. Amid these conditions, the Group is focusing on receiving contracts for research and Front-End Engineering and Design (FEED), and continues working hard to ensure steady execution of ongoing projects, mainly in Qatar.

In Japan's electric power and gas sector, the drive to invest remains strong in projects for new construction and expansion of large-scale LNG receiving terminals in response to the shift to LNG as a fuel because of further increases in the price of crude oil.

In the six months ended September 30, 2007, new contracts were 63,395 million yen, a decrease of 78.5% compared with the same period of the previous fiscal year. Revenues were 244,799 million yen, an increase of 52.4%.

Petroleum, Petrochemicals and Gas Chemicals

In the petroleum sector, ongoing projects and construction completions progressed smoothly. New contracts for processing heavy grades of oil and maintenance of existing facilities were solid based on a continued strong drive to invest. In the petrochemical sector, the drive to invest was also high as companies were able to reflect high crude oil prices in product prices. In addition to expansion into Asian markets, a move toward investment in chemical refinery integration (CRI) was evident.

In the six months ended September 30, 2007, new contracts were 85,967 million yen, an increase of 121.4% compared with the same period of the previous fiscal year. Revenues were 44,168 million yen, an increase of 26.0%.

General Chemicals and Industrial Machinery

In the general chemicals and industrial machinery sectors, firm capital investment continued in the electronics materials and pharmaceuticals industries.

In the six months ended September 30, 2007, new contracts were 15,242 million yen, a decrease of 45.1% compared with the same period of the previous fiscal year. Revenues were 18,507 million yen, an increase of 90.6%.

Environment and Others

In the environment sector, Chiyoda continued to conduct sales activities both in Japan and overseas for CT-121 flue gas desulfurization technology, which it developed to meet increasingly strict environmental regulations, and secured new projects in other sectors as well.

In the six months ended September 30, 2007, new contracts were 15,708 million yen, an increase of 50.4% compared with the same period of the previous fiscal year. Revenues were 5,072 million yen, a decrease of 9.2%.

Outlook for the Year Ending March 31, 2008

While maintaining a balance with ongoing project execution, Chiyoda will work to acquire new contracts with an eye on profitability and projects that capitalize on the Company's technological advantages.

In ongoing projects, Chiyoda will deal with the high cost of materials and the tight supply of labor in order to achieve steady execution of the three large-scale LNG projects in Qatar, and will work to ensure other ongoing projects in Japan and overseas proceed on schedule.

Under these conditions, Chiyoda forecasts consolidated new contracts of 250.0 billion yen (compared with the initial forecast of 250.0 billion yen), revenues of 570.0 billion yen (compared with the initial forecast of 550.0 billion yen), operating income of 22.0 billion yen (compared with the initial forecast of 30.0 billion yen), recurring profit of 32.0 billion yen (compared with the initial forecast of 38.5 billion yen) and net income of 19.5 billion yen (compared with the initial forecast of 23.5 billion yen). Chiyoda plans to pay a year-end dividend of 18 yen per share for the year ending March 31, 2008.

The forecast for revenues increased because overseas projects now in progress, centered on design and procurement work, advanced more quickly than initially forecast, and changes to specifications and higher costs resulted in acquisition of additional contracts. The forecast for operating income decreased because increased labor costs due to the tight market for construction workers as well as lower productivity caused construction costs to increase. The reduced forecast for operating income led to a downward revision of the forecasts for recurring profit and net income, despite higher interest income due to growth in jointly controlled assets of joint venture. Chiyoda also revised the exchange rate assumption used for the above forecasts from 115 yen to 110 yen to the U.S. dollar.

Outlook for the Year Ending March 31, 2008 (Consolidated)

(Billions of yen)

	Fiscal year ending March 31, 2008	Fiscal year ended March 31, 2007	Difference (%)
New contracts	**250.0**	557.7	(55.2%)
Revenues	**570.0**	484.8	17.6%
Operating income	**22.0**	28.7	(23.3%)
Recurring profit	**32.0**	36.7	(13.0%)
Net income	**19.5**	23.5	(17.1%)

(2) Analysis of Financial Condition

1) Assets, Liabilities and Net Assets

Assets

Current assets increased 6,748 million yen due to factors including an increase in accounts receivable – trade resulting from the completion of large-scale projects. Fixed assets decreased 313 million yen due to factors including a decrease in deferred tax assets. As a result, total assets increased 6,435 million yen compared with the end of the fiscal year ended March 31, 2007.

Liabilities

Total liabilities increased 1,307 million yen. This was mainly due to a 9,950 million yen increase in advance receipts on construction contracts accounts payable —trade, despite decreases of 8,973 million yen in income taxes payable and 566 million yen in liability for retirement benefits.

Net Assets

Total net assets were 85,157 million yen due to a 7,756 million yen increase in retained earnings from net income and other factors. As a result, the shareholders' equity ratio increased 1.5 points to 18.9%.

(Billions of yen)

	As of March 31, 2007	As of Sept. 30, 2007	Difference		As of March 31, 2007	As of Sept. 30, 2007	Difference
Current assets	418.0	**424.7**	6.7	Current liabilities	351.4	**351.5**	0.1
Cash and cash equivalents and time deposits(*)	77.1	**72.4**	(4.7)	Short-term loans	0.0	**0.0**	(0.0)
Operating assets (Notes and accounts receivable – trade, costs and estimated earnings on long-term construction contracts and costs of construction contracts in process)	66.3	**83.0**	16.7	Operating liabilities (Notes and accounts payable – trade and advance receipts on construction contracts)	318.6	**328.5**	9.9
Jointly controlled assets of joint venture	256.0	**252.4**	(3.5)	Other current liabilities	32.7	**22.9**	(9.8)
Other current assets	18.4	**16.8**	(1.6)	Non-current liabilities	14.0	**12.6**	(1.4)
Fixed assets	24.9	**24.6**	(0.3)	Long-term debt	10.0	**10.0**	(0.0)
Property, plant and equipment	7.4	**7.6**	0.2	Other long-term liabilities	4.0	**2.6**	(1.4)
Intangible fixed assets	3.3	**3.3**	0.0	Total net assets	77.4	**85.1**	7.7
Investments and other assets	14.0	**13.5**	(0.5)	Shareholders' equity	77.1	**84.7**	7.6
				Valuation and exchange rate adjustments	(0.1)	**(0.0)**	0.1
				Minority interests	0.3	**0.3**	0.0
Total assets	442.9	**449.3**	6.4	Total liabilities and net assets	442.9	**449.3**	6.4

(*) Includes certificates of deposit.

2) Cash Flow

Cash flow from operating activities

Net cash used in operating activities was 1,883 million yen. A decrease of 6,704 million yen in working capital (consisting of net changes in trade notes and accounts receivable, costs and estimated earnings on long-term construction projects, trade notes and accounts payable and advance receipts on construction projects), income taxes of 13,541 million yen and other factors offset income before income taxes and minority interests of 18,029 million yen and depreciation and amortization of 728 million yen.

Cash flow from investing activities

Net cash provided by investing activities was 117 million yen. Capital investments including purchases of IT-related software totaling 749 million yen were offset by proceeds from sales of investment securities totaling 839 million yen.

Cash flow from financing activities

Net cash used in financing activities was 3,050 million yen due to payment of cash dividends and other factors.

As a result of the above, net cash and cash equivalents as of September 30, 2007 totaled 72,329 million yen, a decrease of 4,722 million yen from the end of the previous fiscal year.

Change in Financial Condition (Consolidated)

(Billions of yen)

Fiscal years ended March 31	Total assets	Total liabilities	Total net assets (*)	Net cash provided by (used in)			Cash and cash equivalents at end of period
				Operating activities	Investing activities	Financing activities	
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
2007	442.9	365.5	77.4	35.5	(3.4)	(2.1)	77.0
Six-month period ended September 30, 2007	**449.3**	**364.2**	**85.1**	**(1.8)**	**0.1**	**(3.0)**	**72.3**

(*) Total net assets shown for the years ended March 31, 2004, 2005 and 2006 are the sum of shareholders' equity as formerly calculated plus minority interests.

Cash Flow Indices

Fiscal years ended March 31	Shareholders' equity ratio (%)	Debt repayment period (Years)	Interest coverage ratio (Times)
2004	15.9	0.7	42.4
2005	20.2	21.3	1.6
2006	19.8	2.0	17.3
2007	17.4	0.3	114.4
Six-month period ended September 30, 2007	**18.9%**	—	—
Notes	(Shareholders' equity – minority interests)/Total assets	Interest-bearing debt/Net cash provided by operating activities	Net cash provided by operating activities/Interest expense

Note: Shareholders' equity ratio for the years ended March 31, 2004, 2005 and 2006 was calculated by the former method (Shareholders' equity / Total assets). Debt repayment period and interest coverage ratio are not reported for the six months ended September 30, 2007 because cash flow from operating activities was negative.

(3) Dividend Policy

The Chiyoda Group works to consistently develop itself and create next-generation businesses as a growing, profitable company. The Chiyoda Group also works constantly to maintain a strong financial structure by adding to internal reserves while considering shareholder returns in paying dividends.

Accordingly, the Chiyoda Group plans to pay a year-end dividend of 18 yen per share for the year ending March 2008.

(4) Business Risks and Other Risks

Primary issues that could affect investor decisions regarding investment risk, such as material issues related to the Chiyoda Group's financial position, performance and cash flow and the Chiyoda Group's response to such issues, include but are not limited to the issues outlined below. The Chiyoda Group recognizes the potential occurrence of these risks and works to avoid them to the maximum extent possible. The Chiyoda Group also moves to respond as quickly as possible to minimize the impact of issues that present risks when they occur.

As of November 9, 2007, Chiyoda Group management acknowledges the issues that may present risks in the future outlined below and has made them the focus of risk management.

1) Changes in Exchange Rates

In overseas construction projects, construction payments are often in different currencies than payments for vendors and/or subcontractors. Foreign currency exchange rates may therefore affect the financial results of the projects. The Chiyoda Group works to avoid and minimize such foreign currency fluctuation risks by using forward foreign exchange contracts and matching planned outlays in multiple currencies with construction payments and receivables.

2) Rising Equipment and Resource Prices and Material Shortages

Plant construction entails a time lag between estimates and bids and orders for equipment, resources, materials and subcontracted construction. Consequently, actual prices for equipment and materials may exceed those projected in estimates and bids. Moreover, restricted supplies of metals such as copper, nickel, aluminum and zinc may cause problems including delays in the delivery and mobilization of equipment and materials. Resulting delays in the progress of construction projects could affect the Chiyoda Group's results.

The Chiyoda Group works to avoid and minimize these risks to the best of its ability by diversifying procurement in ways such as using multiple suppliers in various regions worldwide, considering bundled purchases, ordering equipment and materials at an early stage, and structuring cooperative relationships with suppliers.

3) Shortages of Construction Workers and Increased Subcontractor Expenses

Concentration of large-scale construction projects can tighten the supply of construction workers and other human resources, which may result in labor costs that exceed those projected in estimates and bids, as well as additional expenses to make up for construction delays that result.

The Chiyoda Group works to minimize the impact of these issues by structuring cooperative relationships with qualified construction companies, deploying personnel skilled in various professions from various regions around the world, and improving the skills of construction workers at each job site.

4) Terrorism, Conflicts in Neighboring Countries, Strikes, Anarchy and Natural Disasters

Terrorism or conflicts may cause direct losses, delays in procuring or delivering materials and equipment, threats to the safety of workers on site, cessation of construction work, and other problems at construction sites in Japan and overseas.

The Chiyoda Group has structured a threat management system that includes cooperation with clients and other related parties to support rapid initial response should such issues occur. In addition, the Chiyoda Group takes other actions to avoid or minimize these risks, including negotiating contractual provisions that rationally allocate additional costs to clients.

5) Plant Accidents

Serious accidents including explosions or fire may occur due to various causes at plants that the Chiyoda Group is constructing or has completed. The Chiyoda Group could be judged responsible for such accidents, including being held liable for damages, which could impact the Chiyoda Group's performance.

The Chiyoda Group works to avoid or minimize this risk in ways such as taking all possible measures to preclude the occurrence of accidents, including quality control and safety management. Other countermeasures include maintaining appropriate insurance coverage and negotiating contracts that rationally allocate client responsibility for damages.

2. State of the Group

The Chiyoda Group of companies consists of the parent company, 16 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
Domestic Construction
*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
Electronic/Instrument Construction
*1 Chiyoda Keiso Co., Ltd.
Construction related to facilities for industries of all types

Consulting and Temporary Help Service
*1 Chiyoda U-Tech Co., Ltd.
Consulting for facilities for industries of all types / temporary help service

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

Global Engineering Satellites (GESs)
*1 Chiyoda Philippines Corporation (Philippines)
*2 L&T Chiyoda Ltd. (India)

Overseas Construction Bases
*1 Chiyoda Singapore (Pte) Limited
*1 PT. Chiyoda International Indonesia
*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, accounting and tax

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 and training

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

⇨ *Contracted Business, Entrusted Businesses*
➡ *Direct Client Orders*

3. Management Policies

1. Basic Management Policies

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

Based on the above fundamental management philosophy, Chiyoda 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 started in fiscal 2005 (the year ended March 31, 2006) and ends in fiscal 2008 (the year ending March 31, 2009), is to enable Chiyoda to consistently increase earnings.

In steadily implementing its DSP2008 medium-term management plan, Chiyoda has established the slogan "Sustained Growth, Future Development"* with the aim of further solidifying the business foundations of Chiyoda's Engineering Business and further increasing corporate value for the next generation. Based on this slogan, Chiyoda will sow the seeds of future strategies for further significant progress by focusing its business activities on sustaining the steady execution of construction contracts already received and the creation of a culture of safety.

Specifically, under the policy of "intellectual property that defines the future," Chiyoda intends to focus on strengthening and using its own tangible and intangible intellectual property, including project execution, within Chiyoda. Chiyoda's intellectual property comprises not only environmental, catalyst and other elemental technologies but also execution technologies including enhancements to state-of-the-art integrated project engineering systems (i-Plant 21).

Next, in technological development, Chiyoda will work to develop environmentally friendly technologies such as LNG and other natural gas-related technologies for clean energy, as well as technologies for producing clean fuels from heavy oil.

In operations, Chiyoda aims to develop superb people management. It intends to create an organization and company that continually fulfills its social responsibilities by creating a more mature organization through the promotion of personal development in the workplace to establish respect and trust.

*To establish a course toward the future by carrying on the efforts of those who went before

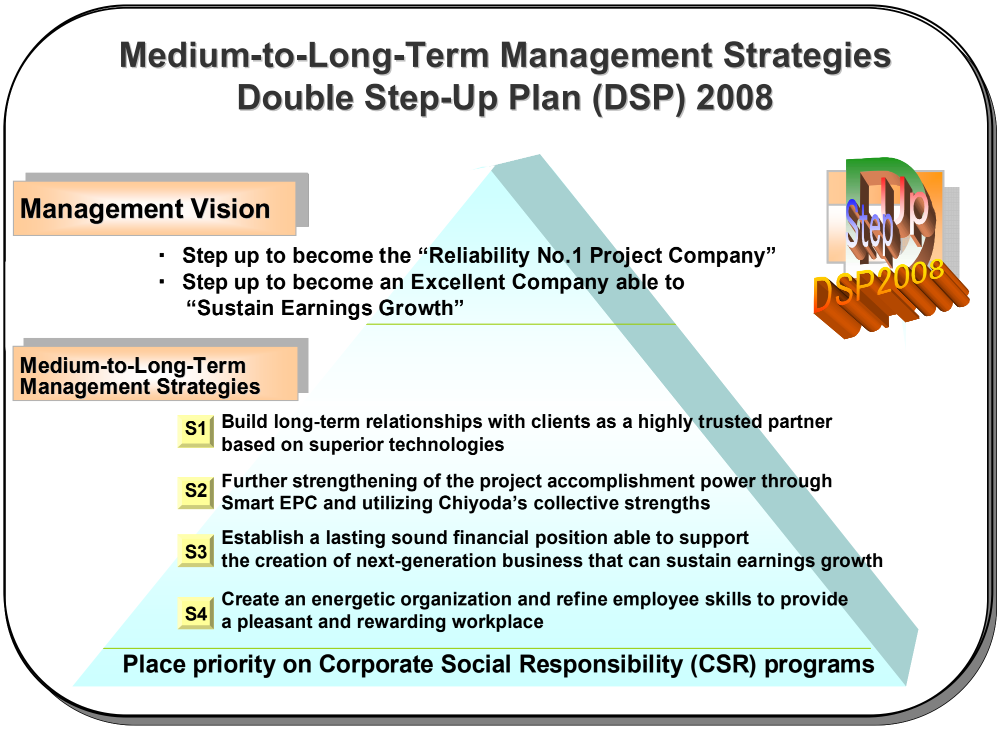
2. Targeted Performance Indicators

The management goal of the DSP2008 medium-term management plan is to raise the shareholders' equity ratio to at least 30% by the year ended March 31, 2009 (fiscal 2008). Chiyoda aims to further strengthen profitability through internal efforts and establish a consistently sound financial structure that can support the creation of next-generation businesses.

3. Medium-to-Long-Term Management Strategies

There are two fundamental approaches in the DSP2008 medium-term management plan. 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 cumulative internal efforts, including continuously strengthening competitiveness and improving business processes.

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



4. Issues to be Dealt With

With the backlog of contracts at a high level, project execution is becoming more challenging due to an increase in external factors causing uncertainty, including the tight supply of construction workers at one of the world’s largest LNG projects currently underway in Qatar and large-scale petroleum projects in Japan. Chiyoda will focus on steady execution of large-scale projects in Japan and overseas, including LNG contracts already received, by strengthening partnerships and IT systems, in addition to putting an even stricter focus on risk management and safety. By doing so, Chiyoda will ensure a higher level of reliability to respond to customer demands for increasingly large and complex plant projects, and steadily implement the DSP2008 medium-term management plan.

In addition, Chiyoda will promote the steady fulfillment of its social responsibilities while sowing the seeds of its next strategies.

Financial Statements

1. Consolidated Balance Sheets

	Millions of Yen					
	As of Sept. 30, 2006	%	As of Sept. 30, 2007	%	As of Mar. 31, 2007	%
Assets						
Current Assets						
Cash and cash equivalents and time deposits	48,873		50,959		77,177	
Notes and accounts receivable-trade	34,938		57,627		38,659	
Marketable securities	—		21,500		—	
Costs of construction contracts in process	27,576		25,391		27,656	
Deferred tax assets	1,552		4,123		5,884	
Jointly controlled asset of joint venture	240,131		252,494		256,060	
Other	12,115		12,799		12,640	
Allowance for doubtful accounts	(87)		(109)		(40)	
Total Current Assets	**365,100**	**93.9**	**424,786**	**94.5**	**418,037**	**94.4**
Fixed Assets						
Property, plant and equipment						
Buildings and structures	6,581		6,688		6,615	
Accumulated depreciation	3,528		3,700		3,614	
Book value of buildings and structures	**3,052**		**2,987**		**3,001**	
Machinery and equipment	908		1,340		1,162	
Accumulated depreciation	276		280		271	
Book value of machinery and equipment	**632**		**1,059**		**891**	
Tools, furniture and fixtures	5,318		5,513		5,543	
Accumulated depreciation	3,642		3,711		3,806	
Book value of tools, furniture and fixtures	**1,676**		**1,802**		**1,737**	
Land	1,850		1,835		1,835	
Construction in progress	10		0		—	
Total property, plant and equipment	**7,222**		**7,684**		**7,464**	
Intangible fixed assets	**3,103**		**3,390**		**3,352**	
Investments and other assets						
Investment securities	7,183		8,722		8,740	
Long-term loans	536		—		—	
Deferred tax assets	2,834		1,547		2,056	
Other investments	3,534		3,764		3,841	
Allowance for doubtful accounts	(602)		(509)		(539)	
Total investments and other assets	**13,485**		**13,526**		**14,097**	
Total Fixed Assets	**23,811**	**6.1**	**24,601**	**5.5**	**24,915**	**5.6**
Total Assets	**388,912**	**100.0**	**449,387**	**100.0**	**442,952**	**100.0**

	Millions of Yen					
	As of Sept. 30, 2006		As of Sept. 30, 2007		As of Mar. 31, 2007	
		%		%		%
Liabilities and Net Assets						
Current Liabilities						
Notes and accounts payable-trade	80,275		93,667		86,813	
Short-term loans	71		92		96	
Income taxes payable	4,801		4,096		13,070	
Advance receipts on construction contracts	210,554		234,915		231,818	
Allowance for warranty costs for completed works	1,636		1,871		1,581	
Allowance for losses on construction contracts	10		15		10	
Accrued bonuses	3,727		3,875		5,096	
Other	7,654		13,048		12,957	
Total Current Liabilities	**308,731**	**79.4**	**351,582**	**78.2**	**351,444**	**79.3**
Non-Current Liabilities						
Long-term debt	10,133		10,036		10,067	
Deferred tax liabilities	2		—		—	
Liability for retirement benefits	3,260		1,223		1,789	
Liability for retirement benefit to directors	417		466		486	
Other liabilities	1,774		922		1,748	
Total Non-Current Liabilities	**15,587**	**4.0**	**12,648**	**2.8**	**14,093**	**3.2**
Total Liabilities	**324,319**	**83.4**	**364,230**	**81.0**	**365,537**	**82.5**
Net Assets						
Shareholders' equity						
Common stock	12,916	3.3	12,929	2.9	12,928	2.9
Additional paid-in capital	6,700	1.7	6,712	1.5	6,711	1.5
Retained earnings	46,041	11.9	66,155	14.7	58,398	13.2
Treasury stock	(790)	(0.2)	(1,033)	(0.2)	(905)	(0.2)
Total shareholders' equity	**64,868**	**16.7**	**84,765**	**18.9**	**77,133**	**17.4**
Valuation and Exchange Rate Adjustments						
Unrealized gain on available-for-sale securities	(133)	(0.0)	282	0.0	247	0.1
Deferred loss on hedge transactions	(210)	(0.1)	(584)	(0.1)	(408)	(0.1)
Foreign currency translation adjustments	(290)	(0.1)	297	0.1	49	0.0
Total valuation and exchange rate adjustments	(634)	(0.2)	(4)	(0.0)	(110)	(0.0)
Minority interests	359	0.1	396	0.1	392	0.1
Total Net Assets	**64,593**	**16.6**	**85,157**	**19.0**	**77,414**	**17.5**
Total Liabilities and Net Assets	**388,912**	**100.0**	**449,387**	**100.0**	**442,952**	**100.0**

2. Consolidated Statements of Income

	Millions of Yen					
	Apr. 1, 2006 – Sept. 30, 2006		Apr. 1, 2007 – Sept. 30, 2007		Apr. 1, 2006 – Mar. 31, 2007	
		%		%		%
Revenues	**210,981**	**100.0**	**312,547**	**100.0**	**484,895**	**100.0**
Cost of Revenues	**192,047**	**91.0**	**295,307**	**94.5**	**445,158**	**91.8**
Gross profit	18,934	9.0	17,239	5.5	39,736	8.2
Selling, General and Administrative Expenses	5,443	2.6	5,819	1.8	11,036	2.3
Operating income	13,490	6.4	11,420	3.7	28,700	5.9
Other Income						
Interest	3,388		5,943		8,442	
Dividend income	17		44		68	
Equity in earnings of associated companies	144		140		375	
Rent income	131		121		259	
Other	155		82		226	
Total Other Income	**3,836**	**1.8**	**6,332**	**2.0**	**9,373**	**1.9**
Other Expenses						
Interest expense	152		173		310	
Foreign exchange loss	343		141		628	
Cost of rent income	80		85		138	
Other	52		49		197	
Total Other Expenses	**629**	**0.3**	**449**	**0.2**	**1,275**	**0.2**
Recurring profit	16,697	7.9	17,303	5.5	36,797	7.6
Extraordinary Gain						
Gain on sales of investment securities	—		644		—	
Reversal of allowance for doubtful accounts	688		31		742	
Reversal of allowance for investment loss	263		—		263	
Other	124		50		166	
Total Extraordinary Gain	**1,076**	**0.5**	**726**	**0.3**	**1,171**	**0.2**
Extraordinary Loss						
Loss on valuation of investment securities	14		—		14	
Other	—		—		18	
Total Extraordinary Loss	**14**	**0.0**	**—**	**—**	**33**	**0.0**
Income before income taxes and minority interests	17,758	8.4	18,029	5.8	37,935	7.8
Income taxes current	4,876		5,002		16,209	
Income taxes deferred	1,675		2,377		(1,866)	
Total Tax	**6,551**	**3.1**	**7,380**	**2.4**	**14,342**	**2.9**
Minority interests in net income	33	0.0	7	0.0	60	0.0
Net Income	**11,173**	**5.3**	**10,641**	**3.4**	**23,531**	**4.9**

3. Consolidated Statements of Cash Flow

	Millions of Yen		
	Apr. 1, 2006 – Sept. 30, 2006	Apr. 1, 2007 – Sept. 30, 2007	Apr. 1, 2006 – Mar. 31, 2007
Cash Flow from Operating Activities			
Income before income taxes and minority interests	17,758	18,029	37,935
Depreciation and amortization	759	728	1,507
Reversal of (provision for) allowance for doubtful accounts - net	(947)	38	(1,056)
Interest and dividend income	(3,405)	(5,988)	(8,511)
Interest expense	152	173	310
Foreign exchange loss (gain) - net	(5)	46	(73)
Equity in earnings of associated companies	(144)	(140)	(375)
Gain on sales of investment securities	—	(644)	—
Decrease (increase) in trade notes and accounts receivable, and costs and estimated earnings on long-term construction contracts	12,036	(18,782)	8,484
Decrease (increase) in costs of construction contracts in process	(9,672)	2,283	(9,728)
Increase (decrease) in trade notes and accounts payable	(5,452)	6,774	947
Increase in advance receipts on construction contracts	108,589	3,020	129,741
(Decrease) in accrued bonuses	(128)	(1,227)	1,240
(Decrease) in retirement benefits	(4,701)	(566)	(6,172)
Provision for (reversal of) warranty costs for completed works	(237)	272	(305)
Decrease (increase) in jointly controlled assets of joint venture	(108,794)	3,566	(124,724)
Increase (decrease) in consumption taxes payable	(1,706)	3,744	(1,707)
Increase (decrease) in accrued liability of defined benefit pension plan	2,450	(826)	2,444
Other	3,511	(951)	12,518
Subtotal	10,063	9,550	42,475
Interest and dividends received	146	2,199	335
Interest paid	(151)	(91)	(317)
Project settlement money paid	(469)	—	(469)
Income taxes paid	(3,647)	(13,541)	(6,492)
Net Cash (Used in) Provided by Operating Activities	**5,941**	**(1,883)**	**35,531**
Cash Flow from Investing Activities			
Purchases of property, plant and equipment	(206)	(132)	(460)
Proceeds from sales of property, plant and equipment	6	5	42
Purchase of intangible fixed assets	(626)	(616)	(1,319)
Payments for purchase of investment securities	(1,589)	(0)	(2,419)
Proceeds from sales of investment securities	—	839	32
Disbursements for originating long-term loans	(15)	—	(15)
Proceeds from collections of long-term loans	379	28	609
Other	13	(4)	71
Net Cash Provided by (Used in) Investing Activities	**(2,038)**	**117**	**(3,458)**
Cash Flow from Financing Activities			
Repayments of long-term debt	(10)	(35)	(46)
Proceeds from issuance of common stock	31	2	54
Payment of cash dividends	(1,913)	(2,877)	(1,915)
Cash dividents paid to minority shareholders	—	(12)	(54)
Other - net	(114)	(127)	(229)
Net Cash Used in Financing Activities	**(2,006)**	**(3,050)**	**(2,191)**
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	**13**	**94**	**357**
Net Increase in Cash and Cash Equivalents	**1,909**	**(4,722)**	**30,239**
Cash and Cash Equivalents, Beginning of Period	**46,878**	**77,051**	**46,878**
Cash and Cash Equivalents of Exclusion of Consolidated Subsidiaries	**(66)**	**—**	**(66)**
Cash and Cash Equivalents, End of Period	**48,721**	**72,329**	**77,051**

4. Production, Contracts and Sales

1. Orders

	Millions of Yen											
	Apr. 1, 2006 – Sept. 30, 2006				Apr. 1, 2007 – Sept. 30, 2007				Apr. 1, 2006 – Mar. 31, 2007			
	New contracts		*Backlog*		*New contracts*		*Backlog*		*New contracts*		*Backlog*	
	Amt	*%*	*Amt*	*%*	*Amt*	*%*	*Amt*	*%*	*Amt*	*%*	*Amt*	*%*
Business Segment												
Engineering												
LNG plants	33,033	8.9	739,228 [9,546]	65.4	39,467 [+19.5%]	21.9	478,260 [2,019]	52.1	122,045	21.9	646,332 [15,291]	61.6
Gas and power utilities	261,795	70.4	283,439 [-56]	25.0	23,927 [-90.9%]	13.3	285,795 [90]	31.1	298,751	53.5	297,016 [-159]	28.3
Gas chemicals	394	0.1	1,902 [0]	0.2	163 [-58.5%]	0.1	1,181 [−]	0.1	521	0.1	1,714 [6]	0.2
Petroleum and petrochemicals	38,427	10.4	60,301 [189]	5.3	85,803 [+123.3%]	47.6	115,817 [381]	12.6	85,251	15.3	73,104 [438]	7.0
General chemicals	14,980	4.0	27,087 [-60]	2.4	11,209 [-25.2%]	6.2	14,723 [-2]	1.6	19,377	3.5	17,769 [-166]	1.7
Industrial machinery	12,767	3.4	12,070 [-34]	1.1	4,032 [-68.4%]	2.2	5,192 [−]	0.6	13,881	2.5	5,413 [-34]	0.5
Environment and other	7,183	1.9	6,936 [-17]	0.6	12,980 [+80.7%]	7.2	17,890 [-73]	1.9	11,091	2.0	7,327 [-47]	0.7
Total Engineering	**368,581**	**99.1**	**1,130,966 [9,569]**	**100.0**	**177,585 [-51.8%]**	**98.5**	918,861 [2,415]	**100.0**	**550,922**	**98.8**	**1,048,679 [15,328]**	**100.0**
Other	3,258	0.9	− [−]	−	2,728 [-16.2%]	1.5	− [−]	−	6,785	1.2	− [−]	−
Total	**371,840**	**100.0**	**1,130,966 [9,569]**	**100.0**	**180,313 [-51.5%]**	**100.0**	**918,861** [2,415]	**100.0**	**557,707**	**100.0**	**1,048,679 [15,328]**	**100.0**

Breakdown of Domestic and Overseas Contracts

	Millions of Yen											
	Apr. 1, 2006 – Sept. 30, 2006				Apr. 1, 2007 – Sept. 30, 2007				Apr. 1, 2006 – Mar. 31, 2007			
	New contracts		*Backlog*		*New contracts*		*Backlog*		*New contracts*		*Backlog*	
	Amt	*%*	*Amt*	*%*	*Amt*	*%*	*Amt*	*%*	*Amt*	*%*	*Amt*	*%*
Domestic	70,885	19.1	123,146 [-566]	10.9	105,163 [+48.4%]	58.3	184,673 [-27]	20.1	155,297	27.8	145,542 [-689]	13.9
Overseas	300,954	80.9	1,007,820 [10,135]	89.1	75,149 [-75%]	41.7	734,187 [2,442]	79.9	402,409	72.2	903,136 [16,017]	86.1
Total	**371,840**	**100.0**	**1,130,966 [9,569]**	**100.0**	**180,313 [-51.5%]**	**100.0**	**918,861 [2,415]**	**100.0**	**557,707**	**100.0**	**1,048,679 [15,328]**	**100.0**

(Note)

Numbers in brackets [ ] under "Backlog" indicate the total of increases or decreases due to foreign currency translation adjustments related to construction business transacted in foreign currencies, increases due to adjustments in new contract amounts, and decreases due to changes in construction contracts acquired in prior fiscal years.

2. Sales

	Millions of Yen					
	Apr. 1, 2006 – Sept. 30, 2006		Apr. 1, 2007 – Sept. 30, 2007		Apr. 1, 2006 – Mar. 31, 2007	
Business Segment	*Amt*	*%*	*Amt*	*%*	*Amt*	*%*
Engineering						
LNG plants	150,274	71.2	209,559 +39.5%	67.0	337,927	69.7
Gas and power utilities	10,369	4.9	35,239 +239.8%	11.3	33,646	6.9
Gas chemicals	1,099	0.5	696 -36.6%	0.2	1,419	0.3
Petroleum and petrochemicals	33,940	16.1	43,471 +28.1%	13.9	68,210	14.1
General chemicals	7,310	3.5	14,253 +95.0%	4.6	20,918	4.3
Industrial machinery	2,401	1.1	4,254 +77.2%	1.4	10,172	2.1
Environment and other	2,328	1.1	2,343 +0.7%	0.7	5,815	1.2
Total Engineering	**207,723**	**98.4**	**309,818 +49.1%**	**99.1**	**478,110**	**98.6**
Other	3,258	1.6	2,728 -16.2%	0.9	6,785	1.4
Total	**210,981**	**100.0**	**312,547 +48.1%**	**100.0**	**484,895**	**100.0**

Breakdown of Domestic and Overseas Sales

	Millions of Yen					
	Apr. 1, 2006 – Sept. 30, 2006		Apr. 1, 2007 – Sept. 30, 2007		Apr. 1, 2006 – Mar. 31, 2007	
	Amt	*%*	*Amt*	*%*	*Amt*	*%*
Domestic	44,657	21.2	66,005 +47.8%	21.1	106,550	22.0
Overseas	166,324	78.8	246,541 +48.2%	78.9	378,345	78.0
Total	**210,981**	**100.0**	**312,547 +48.1%**	**100.0**	**484,895**	**100.0**

(Note)
Production figures are not included in this report due to the lack of a suitable Group-wide definition for “production.”