CHIYODA CORPORATION
Consolidated Financial Results
for the Year Ended March 31, 2008

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 Consolidated Financial Results
for Year Ended 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 Year Ended March 31, 2008

(1) Consolidated Business Results

(Percentages represent change compared with the previous fiscal year.)

	Millions of Yen			
	Apr. 1, 2007– Mar. 31, 2008		Apr. 1, 2006– Mar. 31, 2007	
		Change (%)		*Change (%)*
Revenues	603,559	24.5	484,895	24.1
Operating Income	8,839	(69.2)	28,700	38.5
Recurring Profit	19,121	(48.0)	36,797	58.9
Net Income	9,640	(59.0)	23,531	21.3
Net Income per Share (¥)	50.15		122.41	
Fully Diluted Net Income per Share (¥)	50.12		122.28	
Return on Equity (ROE)	12.2%		35.5%	
Ratio of Ordinary Income to Total Assets	4.7%		10.2%	
Ratio of Ordinary Income to Revenue	1.5%		5.9%	

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: Fiscal year ended March 31, 2008: 435 million yen, Fiscal year ended March 31, 2007: 375 million yen

(2) Change in Consolidated Financial Position

	Millions of Yen	
	As of Mar. 31, 2008	As of Mar. 31, 2007
Total Assets	378,819	442,952
Net Assets	81,637	77,414
Equity Ratio	21.4%	17.4%
Shareholders' Equity per Share (¥)	422.44	400.56

(Reference) Shareholders' equity: Fiscal year ended March 31, 2008: 81,226 million yen, Fiscal year ended March 31, 2007: 77,022 million yen

(3) Consolidated Cash Flows

	Millions of Yen	
	Apr. 1, 2007– Mar. 31, 2008	Apr. 1, 2006– Mar. 31, 2007
Net cash provided by operating activities	14,274	35,531
Net cash used in investing activities	(3,917)	(3,458)
Net cash used in financing activities	(17,219)	(2,191)
Cash and cash equivalents at end of period	70,089	77,051

2. Dividends

	Millions of Yen	
	Apr. 1, 2007– Mar. 31, 2008	Apr. 1, 2006– Mar. 31, 2007
Dividends per Share	10.00 yen	15.00 yen
Payment of Cash Dividends	1,922	2,884
Payout Ratio (Consolidated)	19.9%	12.3%
Dividend on Equity Ratio (Consolidated)	2.4%	4.4%

(Note) Forecast dividends per share for the year ending March 31, 2009:11.00 yen
Payout ratio (consolidated) for the year ending March 31, 2009:30.0%

3. Outlook for the Year Ending March 31, 2009

(Percentages represent change compared with the previous interim period or full term, respectively)

	Millions of Yen			
	Apr. 1, 2007 – Mar. 31, 2008			
	Interim period		Full term	
		Change (%)		Change (%)
Revenues	230,000	(26.4)	460,000	(23.8)
Operating Income	5,000	(56.2)	12,500	41.4
Recurring Profit	7,000	(59.5)	16,000	(16.3)
Net Income	4,000	(62.4)	9,500	(1.5)
Net Income per Share (¥)	16.08 yen		37.40 yen	

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): Year ended March 31, 2008: 193,182,529 shares, Year ended March 31, 2007: 193,125,529 shares

(b) Treasury stock at end of period: Year ended March 31, 2008: 903,520 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 year ended March 31, 2008, in overseas markets for plants, new plant construction plans around the world are being driven by growth in global energy demand. In the domestic market, capital investment by oil and petrochemical companies was lively. However, in Qatar, where the rush to build plants has created a tight supply of skilled construction workers, execution of construction remains challenging.

In this environment, Chiyoda continued to implement a high level of risk management including measures to counter rising costs and made concerted efforts to thoroughly execute ongoing projects including a large-scale liquefied natural gas (LNG) plant in Qatar. For projects in Qatar, however, the increase in labor costs and decrease in productivity due to the limited supply of construction workers have exceeded initial predictions. The resulting increase in construction costs has made it difficult to avoid decreased earnings.

The labor shortages and material cost increase that led to lower earnings are unique to Qatar and of a scale far beyond the limits of risk management measures of contractors. Overseas, projects are generally proceeding smoothly. Profitability of projects in other countries including Japan, and results of Group companies, are as planned.

Overseas, projects are generally proceeding smoothly. Construction of Train 1 of Sakhalin II, the first LNG plant in Russia, was completed. In the domestic market, Chiyoda successfully acquired many new contacts and steadily executed ongoing projects primarily in the fields of petroleum and petrochemicals, yielding a high level of revenues.

Due to the acquisition of a contract for an expansion of a thermal cracking unit for Fuji Oil Co., Ltd., new contracts for the fiscal year were 258,754 million yen on a consolidated basis, a 53.6% decrease compared with the previous fiscal year. New contracts decreased 75.0% to 100,567 million yen overseas and increased 1.9% to 158,187 million yen in Japan. The backlog of contracts as of March 31, 2008 was 670,050 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
2008	**100.5**	**158.1**	**258.7**	**670.0**

Consolidated revenues exceeded forecasts, increasing 24.5% compared with the previous fiscal year to 603,559 million yen due to the progress of major ongoing projects. Overseas revenues increased 30.4% to 493,486 million yen and domestic revenues rose 3.3% to 110,073 million yen.

Major Completed Construction (*) Completed portion

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 • Hikone Plant, No. 4 unit (Chiyoda TechnoAce Co., Ltd.) for Maruho Co., Ltd. • MXDA facility for Mitsubishi Gas Chemical Company, Inc. • CCR unit for Seibu Oil Co., Ltd. **(*)** • Utsunomiya No. 2 Plant for Hisamitsu Pharmaceutical Co., Inc. • 2007 shut-down maintenance (SDM) of Hokkaido refinery for Idemitsu Kosan Co., Ltd. (Chiyoda Kosho Co., Ltd.) • Expansion of No. 7 naphtha hydrosulfurization plant for Fuji Oil Co., Ltd.

Although revenues increased, the increase in construction costs at projects in Qatar due to increased labor costs and lower productivity caused by the limited supply of skilled construction workers resulted in a decline in the gross margin. Gross profit was 20,524 million yen, a decrease of 48.3% compared with the previous fiscal year. Operating income also decreased 69.2% to 8,839 million yen. Recurring profit decreased 48.0% to 19,121 million yen, and net income decreased 59.0% to 9,640 million yen.

Financial Results (Consolidated)

(Billions of yen)

Fiscal years ended March 31	Revenues	Gross profit	Operating income	Recurring profit	Net income
2004	206.8	14.1	5.8	6.3	6.6
2005	267.6	19.7	11.0	11.5	12.8
2006	390.8	30.5	20.7	23.1	19.4
2007	484.8	39.7	28.7	36.7	23.5
2008	**603.5**	**20.5**	**8.8**	**19.1**	**9.6**

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 growth in global demand for natural gas. Amid these conditions, the Group is focusing on acquiring contracts for research and Front-End Engineering and Design (FEED) in order to win contracts for large-scale projects, and continues working hard to ensure steady execution of ongoing projects, mainly in Qatar.

In Japan's electric power and gas sector, growth in new contracts was firm, due to rising inclination to invest in new projects. These include new expansion plans for large-scale LNG-receiving terminals in response to the removal of boundaries in the energy industry, as exemplified by the sale of gas by oil and electric power companies and the shift to LNG and coal as fuels because of persistently high crude oil prices.

In the fiscal year ended March 31, 2008, new contracts were 95,532 million yen, a decrease of 77.3% compared with the previous fiscal year. Revenues were 487,846 million yen, an increase of 31.3%.

Petroleum, Petrochemicals and Gas Chemicals

In the petroleum sector, execution of ongoing projects progressed smoothly, including the completion of aromatics manufacturing facilities for Kashima Aromatics Co., Ltd. New contracts were also solid, mainly for facilities for processing heavy grades of oil. In the petrochemical sector, although demand remained firm for petrochemical products, revision of capital investment plans was also evident, due to the high cost of construction and materials, and uncertainty regarding the economic outlook.

Nonetheless, on a Group-wide basis contract acquisition was brisk due to the continuing high level of activity in improving the efficiency of environmental measures and facility screening and maintenance. Another factor was investment in production facilities in line with the change in the demand structure for petroleum products. To meet the change in customer behavior, Chiyoda bolstered its Plant Lifecycle Engineering (PLE) capabilities by concluding a collaboration agreement with Shell Global Solutions Japan. Among overseas subsidiaries, Chiyoda Singapore (Pte) Ltd. won a contract for the construction of a large-scale tank terminal.

In the fiscal year ended March 31, 2008, new contracts were 107,495 million yen, an increase of 25.3% compared with the previous fiscal year. Revenues were 72,940 million yen, an increase of 4.8%.

General Chemicals and Industrial Machinery

In the general chemicals and industrial machinery sectors, responding to the trend of concentrated customer investment in the strategic product sector including high-value-added electronics materials and functional chemical products, Chiyoda focused its efforts on development in Japan and Asia, which resulted in the acquisition of new contracts including a contract from Thai MMA Co., Ltd. to construct an acrylic sheet plant. The drive to invest in new facilities such as plants and research laboratories rose in the pharmaceuticals industry due to changes in the business environment in recent years. In the fiscal year ended March 31, 2008, new contracts were 32,538 million yen, a decrease of 2.2% compared with the previous fiscal year. Revenues were 31,277 million yen, an increase of 0.6%.

Environment and Others

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

In the fiscal year ended March 31, 2008, new contracts were 17,577 million yen, an increase of 58.5% compared with the previous fiscal year. Revenues were 5,970 million yen, an increase of 2.7%.

Outlook for the Year Ending March 31, 2009

While maintaining a balance with ongoing project execution, Chiyoda will work to acquire new contracts with a focus 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 keep the three large-scale LNG projects in Qatar on schedule, and will work to ensure steady execution of other ongoing projects in Japan and overseas.

Under these conditions, and assuming an exchange rate of 100.0 yen to the U.S. dollar, Chiyoda forecasts consolidated new contracts of 450.0 billion yen, revenues of 460.0 billion yen, operating income of 12.5 billion yen, recurring profit of 16.0 billion yen and net income of 9.5 billion yen.

Outlook for the Year Ending March 31, 2009 (Consolidated)

(Billions of yen)

	Fiscal year ending March 31, 2009	Fiscal year ended March 31, 2008	Difference (%)
New contracts	**450.0**	258.7	73.9
Revenues	**460.0**	603.5	(23.8)
Operating income	**12.5**	8.8	41.4
Recurring profit	**16.0**	19.1	(16.3)
Net income	**9.5**	9.6	(1.5)

(2) Analysis of Financial Condition

1) Assets, Liabilities and Net Assets

Assets

Current assets decreased 79,829 million yen due to factors including a decrease in jointly controlled assets of joint venture resulting from an increase in payments for vendors and subcontractors due to progress of large-scale joint venture projects. Fixed assets increased 15,697 million yen due to factors including IT-related capital investments and the merger by absorption of former office tenant Sunrise Real Estate Co. Ltd. in January 2008. As a result, total assets decreased 64,132 million yen compared with the end of the previous fiscal year.

Liabilities

Total liabilities decreased 68,355 million yen. This was mainly due to a 46,795 million yen decrease in the balance of advance receipts on construction contracts, a 12,775 million yen decrease in notes and accounts payable - trade, and an 11,662 million yen decrease in income taxes payable.

Net Assets

Total net assets were 81,637 million yen due to a 6,756 million yen increase in retained earnings from net income and other factors. As a result, the shareholders' equity ratio increased 4.0 points to 21.4% compared with the end of the previous fiscal year.

(Billions of yen)

	As of March 31, 2007	As of March 31, 2008	Difference		As of March 31, 2007	As of March 31,2008	Difference
Current assets	418.0	**338.2**	(79.8)	Current liabilities	351.4	**293.9**	(57.4)
Cash and cash equivalents and time deposits (*)	77.1	**70.9**	(6.1)	Short-term loans	0.0	**10.0**	9.9
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	**53.1**	(13.1)	Operating liabilities (Notes and accounts payable – trade and advance receipts on construction contracts)	318.6	**259.0**	(59.5)
Jointly controlled assets of joint venture	256.0	**192.6**	(63.3)	Other current liabilities	32.7	**24.8**	(7.8)
Other current assets	18.4	**21.3**	2.8	Non-current liabilities	14.0	**3.1**	(10.8)
Fixed assets	24.9	**40.6**	15.6	Long-term debt	10.0	**0**	(10.0)
Property, plant and equipment	7.4	**23.0**	15.6	Other long-term liabilities	4.0	**3.1**	(0.8)
Intangible fixed assets	3.3	**4.7**	1.3	Total net assets	77.4	**81.6**	4.2
Investments and other assets	14.0	**12.8**	(1.2)	Shareholders' equity	77.1	**83.7**	6.6
				Valuation and exchange rate adjustments	(0.1)	**(2.5)**	(2.4)
				Minority interests	0.3	**0.4**	0.0
Total assets	442.9	**378.8**	(64.1)	Total liabilities and net assets	442.9	**378.8**	(64.1)

(*) Includes certificates of deposit, which are classified as short-term investments in securities.

2) Cash Flow

Cash flow from operating activities

Net cash provided by operating activities was 14,274 million yen. Contributing factors included a decrease of 46,457 million yen in working capital (total notes and accounts receivable – trade, costs and estimated earnings on long-term construction projects, notes and accounts payable – trade and advance receipts on construction projects), income taxes and minority interests of 18,991 million yen and a decrease of 63,377 million yen in jointly controlled assets of joint venture due to the progress of large-scale joint venture projects.

Jointly controlled assets of joint venture, a line item on the balance sheet of the statement of accounts, represents the equivalent of Chiyoda's equity share in construction contracts at joint ventures. As such, it indicates Chiyoda's actual share of the balance of cash and cash equivalents and time deposits under the name of the joint venture.

Cash flow from investing activities

Net cash used in investing activities was 3,917 million yen. Payments for purchase of investment securities totaled 2,305 million yen and capital investments including purchases of IT-related software totaled 1,617 million yen.

Cash flow from financing activities

Net cash used in financing activities was 17,219 million yen. Factors included payment of cash dividends totaling 2,879 million yen, and repayments of long-term debt totaling 14,083 million yen including the debt of Sun Rise Real Estate Co., Ltd., which was absorbed through a merger with the Company.

As a result of the above, net cash and cash equivalents as of March 31, 2008 totaled 70,089 million yen, a decrease of 6,962 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
2008	**3,78.8**	**297.1**	**81.6**	**14.2**	**(3.9)**	**(17.2)**	**70.0**

(*) 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
2008	**21.4%**	**0.7**	**35.3**
Notes	(Shareholders' equity – minority interests)/Total assets	Interest-bearing debt/Net cash provided by operating activities	Net cash provided by operating activities/Interest expense

(3) Dividend Policy

The Chiyoda Group's basic dividend policy in the medium-term management plan is to maintain stable dividends of 10 yen or more per share. Because of the substantial decrease in income, it is with great regret that we have set the planned year-end dividend at 10 yen.

From the fiscal year ending March 31, 2009, Chiyoda will implement a policy that emphasizes distributing earnings to shareholders while strengthening the Company's financial structure to accommodate future expansion. Accordingly, we will aim for a payout ratio of 30% of consolidated income. In line with this, Chiyoda plans to pay a year-end dividend of 11 yen per share for the fiscal year ending March 31, 2009.

(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 March 31, 2008, 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 and equipment and materials. 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

In plant construction, because of the time lag between estimates and bids and orders for equipment and materials, actual prices for equipment and materials may exceed those projected in estimates and bids. Iron and steel product prices are particularly susceptible to sudden increases in the price of raw materials. The market price of metals such as copper, nickel, aluminum and zinc is also very difficult to predict.

The Chiyoda Group works to avoid and minimize these risks by diversifying procurement in ways such as using multiple suppliers in various regions worldwide, ordering equipment and materials at an early stage, structuring cooperative relationships with suppliers, and other measures.

3) Shortages of Construction Workers and Construction Materials

Concentration of large-scale construction projects can tighten the supply of construction workers and other human resources, construction materials, and construction infrastructure which may result in subcontractor expenses that exceed those projected in estimates and bids, as well as additional expenses to make up for construction delays caused by resource shortages or lower quality.

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 and other Force Majeure Events

Force majeure events such as terrorism or conflicts may cause direct losses, delays in procuring or delivering materials and equipment, threats to the safety of workers, 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

Other businesses

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 (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

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 (white arrow)
Direct Client Orders (grey arrow)

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 began implementing 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.

In order to achieve growth over the medium to long term, Chiyoda must strengthen its financial structure and establish a steady management foundation. To this end, on March 31, 2008, Chiyoda entered a capital and business alliance with Mitsubishi Corporation. By pursuing synergy with Mitsubishi Corporation, Chiyoda aims to broaden the scope of operations in the plant lifecycle engineering services field to diversify and expand its operations regionally.

Continuous growth and expansion of this scale requires considerable funds, which Chiyoda procured on April 30, 2008 through a third-party stock allocation to Mitsubishi Corporation.

Based upon the above, Chiyoda will formulate its medium-term management plan for the period commencing April 1, 2009 during the fiscal year ending March 31, 2009. The plan will outline new management indicators along with concrete initiatives to be implemented, which Chiyoda will achieve through the united efforts of management and employees.

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 two fundamental approaches. All Chiyoda employees from senior management down are working as one to achieve management goals.

Under the capital and business alliance with Mitsubishi Corporation, Chiyoda aims to achieve the vision of the new medium-term management plan, outlined below.

- Respond to customer needs by becoming a world-class comprehensive engineering company providing an end-to-end range of upstream and downstream facilities in the fields of energy, resources and the environment.

- Strengthen the Chiyoda Group's brand image as the "Reliability No.1" Comprehensive Engineering Company that delivers outstanding technical capability with an established culture of safety.

Having procured 60.5 billion yen through a stock allocation to Mitsubishi Corporation to establish a capital and business alliance, Chiyoda will expedite investments to prepare the basic framework of the medium-term management plan for the next term, and implement the following measures.

(1) Expand and strengthen the engineering work force

(2) Expand into business areas related to Plant Lifecycle Engineering (PLE)
(3) Expand the scope of business into upstream resource development, including capital participation
(4) Technology and R&D
(5) Expand the geographic scope of business through capital reinforcement of local companies in Southeast Asia and other regions.

4. Issues to be Dealt With

Due to the tight supply of construction workers at LNG projects currently underway in Qatar, labor costs have risen above initial expectations, resulting in a significant reduction in earnings.

To counter this, Chiyoda will put an even stricter focus on cost management and safety and steadily execute large-scale projects in Japan and overseas, including LNG contracts already received. In addition, Chiyoda will endeavor to increase the amount received from customers under contracts in order to improve profitability.

Financial Statements

1. Consolidated Balance Sheets

	Millions of Yen				
	As of Mar. 31, 2008	%	As of Mar. 31, 2007	%	Difference
Assets					
Current Assets					
Cash and cash equivalents and time deposits	60,484		77,177		(16,692)
Notes and accounts receivable-trade	36,368		38,659		(2,290)
Marketable securities	10,500		—		10,500
Costs of construction contracts in process	16,801		27,656		(10,854)
Deferred tax assets	5,336		5,884		(547)
Jointly controlled asset of joint venture	192,683		256,060		(63,377)
Other	16,037		12,640		3,397
Allowance for doubtful accounts	(5)		(40)		35
Total Current Assets	**338,207**	**89.3**	**418,037**	**94.4**	**(79,829)**
Fixed Assets					
Property, plant and equipment					
Buildings and structures	14,893		6,615		
Accumulated depreciation	6,538		3,614		
Book value of buildings and structures	**8,354**		**3,001**		**5,352**
Machinery and equipment	1,261		1,162		
Accumulated depreciation	330		271		
Book value of machinery and equipment	**930**		**891**		**39**
Tools, furniture and fixtures	5,467		5,543		
Accumulated depreciation	3,615		3,806		
Book value of tools, furniture and fixtures	**1,852**		**1,737**		**114**
Land	11,935		1,835		10,100
Construction in progress	0		—		0
Total property, plant and equipment	**23,072**	**6.1**	**7,464**	**1.7**	**15,608**
Intangible fixed assets	**4,714**	**1.2**	**3,352**	**0.7**	**1,361**
Investments and other assets					
Investment securities	9,302		8,740		562
Deferred tax assets	1,649		2,056		(407)
Other investments	2,362		3,841		(1,478)
Allowance for doubtful accounts	(490)		(539)		49
Total investments and other assets	**12,824**	**3.4**	**14,097**	**3.2**	**(1,273)**
Total Fixed Assets	**40,612**	**10.7**	**24,915**	**5.6**	**15,697**
Total Assets	**378,819**	**100.0**	**442,952**	**100.0**	**(64,132)**

CHIYODA CORPORATION

	Millions of Yen				
	As of Mar. 31, 2008		As of Mar. 31, 2007		Difference
		%		%	
Liabilities and Shareholders' Equity					
Current Liabilities					
Notes and accounts payable-trade	74,037		86,813		(12,775)
Short-term loans	10,039		96		9,942
Income taxes payable	1,408		13,070		(11,662)
Advance receipts on construction contracts	185,022		231,818		(46,795)
Allowance for warranty costs for completed works	2,098		1,581		517
Allowance for losses on construction contracts	4,044		10		4,034
Accrued bonuses	4,196		5,096		(900)
Other	13,137		12,957		180
Total Current Liabilities	**293,986**	**77.6**	**351,444**	**79.3**	**(57,458)**
Non-Current Liabilities					
Long-term debt	22		10,067		(10,045)
Liability for retirement benefits	1,690		1,789		(99)
Liability for retirement benefit to directors	536		486		49
Other liabilities	947		1,748		(801)
Total Non-Current Liabilities	**3,196**	**0.8**	**14,093**	**3.2**	**(10,897)**
Total Liabilities	**297,182**	**78.4**	**365,537**	**82.5**	**(68,355)**
Net Assets					
Shareholders' equity					
Common stock	12,934	3.4	12,928	2.9	6
Additional paid-in capital	6,718	1.8	6,711	1.5	6
Retained earnings	65,155	17.2	58,398	13.2	6,756
Treasury stock	(1,059)	(0.3)	(905)	(0.2)	(154)
Total shareholders' equity	**83,748**	**22.1**	**77,133**	**17.4**	**6,615**
Valuation and Exchange Rate Adjustments					
Unrealized gain (loss) on available-for-sale securities	(847)	(0.2)	247	0.1	(1,094)
Deferred loss on hedge transactions	(1,667)	(0.4)	(408)	(0.1)	(1,259)
Foreign currency translation adjustments	(6)	(0.0)	49	0.0	(56)
Total valuation and exchange rate adjustments	**(2,521)**	**(0.6)**	**(110)**	**(0.0)**	**(2,411)**
Minority interests	410	0.1	392	0.1	18
Total Net Assets	**81,637**	**21.6**	**77,414**	**17.5**	**4,222**
Total Liabilities and Net Assets	**378,819**	**100.0**	**442,952**	**100.0**	**(64,132)**

2. Consolidated Statements of Income

	Millions of Yen				
	Apr. 1, 2007 – Mar. 31, 2008		Apr. 1, 2006 – March 31, 2007		Difference
		%		%	
Revenues	**603,559**	**100.0**	**484,895**	**100.0**	**118,664**
Cost of Revenues	**583,035**	**96.6**	**445,158**	**91.8**	**137,876**
Gross profit	20,524	3.4	39,736	8.2	(19,211)
Selling, General and Administrative Expenses	11,684	1.9	11,036	2.3	648
Operating income	8,839	1.5	28,700	5.9	(19,860)
Other Income					
Interest	10,373		8,442		
Dividend income	526		68		
Equity in earnings of associated companies	435		375		
Rent income	242		259		
Other	451		226		
Total Other Income	**12,030**	**2.0**	**9,373**	**1.9**	**2,657**
Other Expenses					
Interest expense	404		310		
Foreign exchange loss	978		628		
Cost of rent income	176		138		
Other	189		197		
Total Other Expenses	**1,748**	**0.3**	**1,275**	**0.2**	**473**
Recurring profit	19,121	3.2	36,797	7.6	(17,675)
Extraordinary Gain					
Gain on sales of investment securities	644		—		
Gain on reversal of impairment loss	267		—		
Reversal of allowance for doubtful accounts	71		742		
Reversal of allowance for investment loss	—		263		
Other	68		166		
Total Extraordinary Gain	**1,051**	**0.1**	**1,171**	**0.2**	**(119)**
Extraordinary Loss					
Loss on valuation of investment securities	616		14		
Loss on termination of retirement benefit plan	485		—		
Other	79		18		
Total Extraordinary Loss	**1,181**	**0.2**	**33**	**0.0**	**1,148**
Income before income taxes and minority interests	18,991	3.1	37,935	7.8	(18,943)
Income taxes current	7,355		16,209		
Income taxes deferred	1,967		(1,866)		
Total Tax	**9,323**	**1.5**	**14,342**	**2.9**	**(5,019)**
Minority interests in net income	27	0.0	60	0.0	(32)
Net income	**9,640**	**1.6**	**23,531**	**4.9**	**(13,890)**

3. Consolidated Statements of Cash Flow

	Millions of Yen		
	Apr. 1, 2007 – Mar. 31, 2008	Apr. 1, 2006 – Mar. 31, 2007	Difference
Cash Flow from Operating Activities			
Income before income taxes and minority interests	18,991	37,935	(18,943)
Depreciation and amortization	1,593	1,507	86
Gain on reversal of impairment loss	(267)	—	(267)
(Provision for) allowance for doubtful accounts - net	(77)	(1,056)	979
Interest and dividend income	(10,900)	(8,511)	(2,389)
Interest expense	404	310	94
Foreign exchange loss (gain) - net	80	(73)	154
Equity in earnings of associated companies	(435)	(375)	(59)
Gain on sales of investment securities	(644)	—	(644)
Valuation loss on investment securities	616	—	616
Loss on termination of retirement benefit plan	485	—	485
Decrease in trade notes and accounts receivable, and costs and estimated earnings on long-term construction contracts	2,215	8,484	(6,269)
Decrease (increase) in costs of construction contracts in process	10,854	(9,728)	20,583
(Decrease) increase in trade notes and accounts payable	(12,740)	947	(13,687)
Increase in advance receipts on construction contracts	(46,788)	129,741	(176,529)
(Decrease) increase in accrued bonuses	(901)	1,240	(2,141)
(Decrease) in retirement benefits	(473)	(6,172)	5,698
Provision for (reversal of) warranty costs for completed works	522	(305)	827
Increase (decrease) in allowance for investment loss	4,034	(136)	4,170
Decrease (increase) in accounts receivable - other	627	1,503	(875)
Decrease (increase) in jointly controlled assets of joint ventures	63,377	(124,724)	188,101
Increase (decrease) in consumption taxes payable	351	(1,707)	2,058
Increase in deposits received	183	3,918	(3,735)
(Decrease) increase in accrued liability of defined benefit pension plan	(832)	2,444	(3,277)
Other	4,195	7,232	(3,037)
Subtotal	34,473	42,475	(8,002)
Interest and dividend income	1,026	335	690
Interest paid	(312)	(317)	5
Project settlement money paid	—	(469)	469
Income taxes paid	(20,912)	(6,492)	(14,420)
Net Cash Provided by Operating Activities	**14,274**	**35,531**	**(21,257)**

3. Consolidated Statements of Cash Flow (Continued)

	Millions of Yen		
	Apr. 1, 2007 – Mar. 31, 2008	Apr. 1, 2006 – Mar. 31, 2007	Difference
Cash Flow from Investing Activities			
Payments for fixed deposits	(826)	—	(826)
Proceeds from refunds of fixed deposits	68	31	36
Purchase of property, plant and equipment	(360)	(460)	99
Proceeds from sales of property, plant and equipment	5	42	(37)
Purchase of intangible fixed assets	(1,256)	(1,319)	62
Payments for purchase of investment securities	(2,305)	(2,419)	113
Proceeds from sales of investment securities	839	32	807
Disbursements for originating long-term loans	—	(15)	15
Proceeds from collections of long-term loans	35	609	(574)
Other	(115)	40	(156)
Net Cash Used in Investing Activities	**(3,917)**	**(3,458)**	**(459)**
Cash Flow from Financing Activities			
Repayments of long-term debt	(14,186)	(46)	(14,139)
Proceeds from issuance of new stock	13	54	(40)
Payment of cash dividends	(2,879)	(1,915)	(964)
Cash dividents paid to minority shareholders	(12)	(54)	42
Other - net	(154)	(229)	75
Net Cash Used in Financing Activities	**(17,219)**	**(2,191)**	**(15,028)**
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	**(99)**	**357**	**(457)**
Net Increase (Decrease) in Cash and Cash Equivalents	**(6,962)**	**30,239**	**(37,202)**
Cash and Cash Equivalents, Beginning of Period	**77,051**	**46,878**	**30,173**
Cash and Cash Equivalents of Exclusion of Consolidation Subsidiaries	—	**(66)**	**66**
Cash and Cash Equivalents at End of Period	**70,089**	**77,051**	**(6,962)**

Production, Orders and Sales

1. Orders

	Millions of Yen							
	Apr. 1, 2007 – Mar. 31, 2008				Apr. 1, 2006 – Mar. 31, 2007			
	New contracts		Backlog		New contracts		Backlog	
	Amt	%	Amt	%	Amt	%	Amt	%
Business Segment								
Engineering								
LNG plants	54,522 -55.3	21.1	290,599 [-20,915]	43.4	122,045	21.9	646,332 [15,291]	61.6
Gas and power utilities	41,009 -86.3	15.8	226,651 [-12,869]	33.8	298,751	53.5	297,016 [-159]	28.3
Gas chemicals	306 -41.3	0.1	1,072 [–]	0.1	521	0.1	1,714 [6]	0.2
Petroleum and petrochemicals	107,188 +25.7	41.4	108,333 [32]	16.2	85,251	15.3	73,104 [438]	7.0
General chemicals	22,157 +14.3	8.6	17,227 [-2]	2.6	19,377	3.5	17,769 [-166]	1.7
Industrial machinery	10,380 -25.2	4.0	7,212 [–]	1.1	13,881	2.5	5,413 [-34]	0.5
Environment and other	17,577 +58.5	6.8	18,866 [-68]	2.8	11,091	2.0	7,327 [-47]	0.7
Total Engineering	253,143 -54.1%	97.8%	**669,964** [-33,823]	**100.0**	**550,922**	**98.8**	**1,048,679** **[15,328]**	**100.0**
Other	5,611 **-17.3**	2.2	86 [–]	0.0	6,785	1.2	– [–]	–
Total	**258,754** **-53.6**	**100.0**	**670,050** **[-33,823]**	**100.0**	**557,707**	**100.0**	**1,048,679** **[15,328]**	**100.0**

Breakdown of Domestic and Overseas Orders

	Millions of Yen							
	Apr. 1, 2007 – Mar. 31, 2008				Apr. 1, 2006 – Mar. 31, 2007			
	New contracts		Backlog		New contracts		Backlog	
	Amt	%	Amt	%	Amt	%	Amt	%
Domestic	158,187 1.9	61.1	190,508 [-3,147]	28.4	155,297	27.8	145,542 [-689]	13.9
Overseas	100,567 -75.0	38.9	479,541 [-30,676]	71.6	402,409	72.2	903,136 [16,017]	86.1
Total	**258,754** **-53.6**	**100.0**	**670,050** **[-33,823]**	**100.0**	**557,707**	**100.0**	**1,048,679** **[15,328]**	**100.0**

(Note)

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

2. Sales

Business Segment	Apr. 1, 2007 – Mar. 31, 2008 (Millions of Yen) Amt	%	Apr. 1, 2006 – Mar. 31, 2007 (Millions of Yen) Amt	%
Engineering				
LNG plants	389,340 +15.2%	64.5	337,927	69.7
Gas and power utilities	98,505 +192.8%	16.3	33,646	6.9
Gas chemicals	948 -33.2%	0.2	1,419	0.3
Petroleum and petrochemicals	71,991 +5.5%	11.9	68,210	14.1
General chemicals	22,696 +8.5%	3.8	20,918	4.3
Industrial machinery	8,581 -15.6%	1.4	10,172	2.1
Environment and other	5,970 +2.7%	1.0	5,815	1.2
Total Engineering	**598,034** **+25.1%**	**99.1**	**478,110**	**98.6**
Other	5,525 -18.6%	0.9	6,785	1.4
Total	**603,559** **+24.5%**	**100.0**	**484,895**	**100.0**

Breakdown of Domestic and Overseas Sales

	Apr. 1, 2007 – Mar. 31, 2008 (Millions of Yen) Amt	%	Apr. 1, 2006 – Mar. 31, 2007 (Millions of Yen) Amt	%
Domestic	110,073 +3.3%	18.2	106,550	22.0
Overseas	493,486 +30.4%	81.8	378,345	78.0
Total	**603,559** **+24.5%**	**100.0**	**484,895**	**100.0**

(Notes)

(1) "Status of production" is not listed, because it is difficult to define production results for the Chiyoda Group.

(2) The breakdown of sales results and percentages of total sales by main customers is as follows.

Apr. 1, 2007 – Mar. 31, 2008 (Millions of Yen) Customer	Amt	%	Apr. 1, 2006 – Mar. 31, 2007 (Millions of Yen) Customer	Amt	%
Ras Laffan Liquefied Natural Gas Co., Ltd. (3)	118,044	19.6	Qatar Liquefied Gas Company Limited (2)	127,896	26.4
Qatar Liquefied Gas Company Limited (3)	114,225	18.9	Ras Laffan Liquefied Natural Gas Co., Ltd. (3)	72,283	14.9
Qatar Liquefied Gas Company Limited (2)	90,029	14.9	Qatar Liquefied Gas Company Limited (3)	65,534	13.5
			Sakhalin Energy Investment Co., Ltd.	48,624	10.0

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