

Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2009

Company name: **CHIYODA CORPORATION**

Listing: First Section of the Tokyo Stock Exchange

Stock code: 6366

URL: <http://www.chiyoda-corp.com/>

Representative: Takashi Kubota, President & CEO

Inquiries: Shinji Kusunoki, General Manager, Accounting Department

TEL: +81-45-506-9410 (from overseas)

Scheduled date to file Quarterly Report: August 12, 2008

(Millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated performance for the first quarter of the fiscal year ending March 31, 2009 (from April 1, 2008 to June 30, 2008)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
1Q ended June 30, 2008	114,347	-	1,353	-	3,274	-	1,785	-
1Q ended June 30, 2007	140,371	54.0	7,266	9.2	10,685	38.4	5,341	21.4

	Net income per share	Fully diluted net income per share
	Yen	Yen
1Q ended June 30, 2008	7.50	7.50
1Q ended June 30, 2007	27.78	27.77

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2008	422,196	145,035	34.3	557.72
As of March 31, 2008	378,819	81,637	21.4	422.44

Reference: Equity As of June 30, 2008: 144,643 million yen As of March 31, 2008: 81,226 million yen

2. Cash dividends

Record date	Cash dividends per share				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2008	-	-	-	10.00	10.00
Fiscal year ending March 31, 2009	-	-	-	-	-
Fiscal year ending March 31, 2009 (Forecast)	-	-	-	11.00	11.00

Note: Revision of the forecast in the first quarter of the fiscal year ending March 31, 2009: None

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2009 (from April 1, 2008 to March 31, 2009)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
2Q ending September 30, 2008 (cumulative)	230,000	-	5,000	-	7,000	-	4,000	-	16.08
Fiscal year ending March 31, 2009	460,000	(23.8)	12,500	41.4	16,000	(16.3)	9,500	(1.5)	37.40

Note: Revision of the forecasts in the first quarter of the fiscal year ending March 31, 2009: None

4. Others

- (1) Significant changes in subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Application of simplified accounting as well as specific accounting for preparing the quarterly consolidated financial statements: None
- (3) Changes in accounting policies, procedures, and methods of presentation for preparing the quarterly consolidated financial statements (changes described in the section of "Changes in significant matters forming the basis of preparing the quarterly consolidated financial statements")
 - a. Changes due to revisions to accounting standards: Yes
 - b. Changes due to other reasons: None

- (4) Number of issued shares (common stock)
- | | | |
|----|---|--------------------|
| a. | Total number of issued shares at the end of the period (including treasury stock) | |
| | As of June 30, 2008 | 260,262,529 shares |
| | As of March 31, 2008 | 193,182,529 shares |
| b. | Number of treasury stock at the end of the period | |
| | As of June 30, 2008 | 913,287 shares |
| | As of March 31, 2008 | 903,520 shares |
| c. | Average number of shares during the period (cumulative from the beginning of the fiscal year) | |
| | For the first quarter of the fiscal year ending March 31, 2009 | 237,976,425 shares |
| | For the first quarter of the fiscal year ended March 31, 2008 | 192,269,960 shares |

* Proper use of earnings forecasts, and other special directions

1. The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Actual business and other results may differ substantially due to a number of factors.
2. Commencing with the current fiscal year, the "Accounting Standard for Quarterly Financial Reporting" (ASBJ [Accounting Standards Board of Japan] Statement No. 12) and the "Guidance on Accounting Standard for Quarterly Financial Reporting" (ASBJ Guidance No. 14) are applied. Also, quarterly consolidated financial statements are prepared in accordance with the "Regulation for Quarterly Consolidated Financial

Qualitative Information and Financial Statements

(1) Qualitative Information on Consolidated Results of Operations

In overseas markets, plans for the construction of new plants around the world are being driven by growth in global energy demand. Capital investment by oil, power and gas companies in the domestic market has also been lively.

Meanwhile, amid a serious worldwide shortage of skilled construction workers, Chiyoda continues to implement a high level of risk management including measures to counter rising costs and is making concerted efforts to execute ongoing projects properly including three large-scale liquefied natural gas (LNG) plants in Qatar.

New contracts on a consolidated basis were 46,273 million yen, a 28.4% decrease compared with the same period of the previous year, and the backlog of contracts decreased 38.1% to 620,382 million yen. Net sales decreased 18.5% to 114,347 million yen. Operating income decreased 81.4% to 1,353 million yen, ordinary income decreased 69.4% to 3,274 million yen and net income decreased 66.6% to 1,785 million yen.

Results by Business Segment

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

Natural Gas and Electric Power

Overseas, national companies in natural gas producing countries and energy majors continued to plan investments in the gas value chain against a backdrop of growth in global demand for natural gas. Amid these conditions, Chiyoda has been focusing on acquiring contracts for technical study and Front-End Engineering and Design (FEED) in order to secure the future EPC contracts for large-scale projects. In the first quarter, Chiyoda was awarded the FEED and execution planning work for Barzan onshore gas project in Qatar. Chiyoda continued to use every effort to ensure steady execution of ongoing projects, mainly in Qatar.

In domestic energy industries, gas related businesses are growing as the clean energy sources are looking to the substitute higher price crude oil. As a result, new and/or expansion of large-scale LNG-receiving terminals are being planned, some of which involve Chiyoda as the most experienced contractor in Japan.

Petroleum, Petrochemicals and Gas Chemicals

Investment planning in the petroleum sector for chemical-refinery integration is aiming for higher value-added investments and, to increase supply capacity, plans for new large-scale refineries that utilize heavier crude oil are very active. Due to the hike in the price of oil products as a feedstock, investment in petrochemical complexes seems to be losing its attraction and investors are strategically shifting to more value-added product fields such as functional chemicals, electronics materials and life-science related products. Chiyoda has, in addition, been seeking business opportunities to service the requirements for energy saving solutions, soundness checks for aging facilities and strategic maintenance programs.

General Chemicals and Industrial Machinery

In the general chemicals and industrial machinery sectors, in addition to the existing LCD television materials, capital investment increased in solar battery components, reflecting national environmental policies. Investment relating to the recovery of rare metals also continued.

In the pharmaceuticals sector, group companies steadily acquired contracts due to an increasing drive to invest in new and/or expansion of plants and laboratories in order to adapt to recent changes in the business environment.

Environment and Others

Chiyoda continued to conduct marketing and licensing activities in Japan and overseas for the Chiyoda-developed and owned CT-121 flue gas desulfurization process technology. In Europe, where environmental regulations are most stringent, Chiyoda succeeded in licensing its technology for use in a major power station in Denmark.

(2) Qualitative Information on Consolidated Financial Condition

Assets

Cash and deposits and certificates of deposit (short-term investment securities) increased 63,249 million yen due to the payments received in a third-party stock allocation to Mitsubishi Corporation. Current assets increased 43,450 million yen due to factors including a decrease of 16,643 million yen in jointly controlled assets of joint venture resulting from increased payments to vendors and subcontractors due to progress of large-scale joint venture projects. As a result, total assets increased 43,376 million yen compared with the end of the previous fiscal year.

Liabilities

Total liabilities decreased 20,021 million yen. This was mainly due to a 9,130 million yen decrease in the balance of advances received on uncompleted construction contracts, a 10,175 million yen decrease in notes payable, accounts payable for construction contracts.

Nets Assets

Compared with the end of the previous fiscal year, shareholders' equity increased 60,623 yen million due to an increase in capital stock of 30,454 million yen and an increase in capital surplus of 30,387 million yen resulting from the third-party stock allocation. As a result, net assets totaled 145,035 million yen. The shareholders' equity ratio as of June 30, 2008 was 34.3 percent, an increase of 12.9 points compared with the end of the previous fiscal year.

(3) Qualitative Information on Forecast of Consolidated Results

Chiyoda is making no revision at this time to its interim and full-year consolidated financial results for the fiscal year ending March 31, 2009, announced on May 14, 2008. Forecasts continue to assume an exchange rate of 100 yen to the U.S. dollar.

5. Consolidated quarterly financial statements
(1) Consolidated balance sheets (1/2)

(Millions of yen)

	As of June 30, 2008	As of March 31, 2008 (Summary)
Assets		
Current assets		
Cash and deposits	45,891	60,484
Notes receivable, accounts receivable from completed construction contracts	30,296	36,368
Short-term investment securities	88,341	10,500
Costs on uncompleted construction contracts	23,653	16,801
Jointly controlled assets of joint venture	176,040	192,683
Other	17,439	21,374
Allowance for doubtful accounts	(6)	(5)
Total current assets	381,657	338,207
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	8,260	8,354
Land	11,929	11,935
Other, net	2,752	2,782
Total property, plant and equipment	22,942	23,072
Intangible assets	4,703	4,714
Investments and other assets		
Investment securities	10,066	9,302
Other	3,316	4,012
Allowance for doubtful accounts	(491)	(490)
Total investments and other assets	12,892	12,824
Total noncurrent assets	40,538	40,612
Total assets	422,196	378,819

Consolidated balance sheets (2/2)

(Millions of yen)

	As of June 30, 2008	As of March 31, 2008 (Summary)
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts	63,861	74,037
Current portion of long-term loans payable	10,039	10,039
Income taxes payable	469	1,408
Advances received on uncompleted construction contracts	175,891	185,022
Provision for warranties for completed construction	2,424	2,098
Provision for loss on construction contracts	4,261	4,044
Provision for bonuses	1,966	4,196
Other	16,123	13,137
Total current liabilities	275,039	293,986
Noncurrent liabilities		
Long-term loans payable	22	22
Provision	1,715	2,226
Other	383	947
Total noncurrent liabilities	2,121	3,196
Total liabilities	277,160	297,182
Net assets		
Shareholders' equity		
Capital stock	43,389	12,934
Capital surplus	37,105	6,718
Retained earnings	65,017	65,155
Treasury stock	(1,069)	(1,059)
Total shareholders' equity	144,442	83,748
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	50	(847)
Deferred gains or losses on hedges	919	(1,667)
Foreign currency translation adjustment	(769)	(6)
Total valuation and translation adjustments	200	(2,521)
Minority interests	392	410
Total net assets	145,035	81,637
Total liabilities and net assets	422,196	378,819

(2) Consolidated statement of income

(Millions of yen)

	First quarter ended June 30, 2008 (From April 1, 2008 to June 30, 2008)
Net sales of completed construction contracts	114,347
Cost of sales of completed construction contracts	110,221
Gross profit on completed construction contracts	4,126
Selling, general and administrative expenses	2,773
Operating income	1,353
Non-operating income	
Interest income	1,894
Dividends income	57
Foreign exchange gains	271
Real estate rent	64
Other	58
Total non-operating income	2,345
Non-operating expenses	
Interest expenses	85
Equity in losses of affiliates	4
Stock issuance cost	271
Rent expenses on real estates	42
Other	20
Total non-operating expenses	424
Ordinary income	3,274
Income before income taxes and minority interests	3,274
Income taxes-current	497
Income taxes-deferred	988
Total income taxes	1,486
Minority interests in income	3
Net income	1,785

6. Production, Contracts and Sales (Consolidated)

<i>Millions of Yen</i>						
1Q FY2008 Apr. 1, 2008 — Jun. 30, 2008						
	<i>New contracts</i>		<i>Net sales</i>		<i>Backlog of contracts</i>	
	<i>Amt</i>	<i>%</i>	<i>Amt</i>	<i>%</i>	<i>Amt</i>	<i>%</i>
Business Segment						
Engineering						
LNG plants.....	10,685	23.1	63,941	55.9	249,085	40.1
Gas and power utilities	5,446	11.8	31,297	27.4	206,010	33.2
Gas chemicals	66	0.2	12	0.0	1,126	0.2
Petroleum and petrochemicals ...	10,591	22.9	10,714	9.4	106,927	17.2
General chemicals.....	16,016	34.6	4,147	3.6	32,013	5.2
Industrial machinery	567	1.2	1,134	1.0	6,284	1.0
Environment and other	1,314	2.8	1,540	1.3	18,608	3.0
Total Engineering	44,686	96.6	112,788	98.6	620,057	99.9
Other.....	1,586	3.4	1,558	1.4	324	0.1
Domestic.....	29,959	64.7	16,813	14.7	203,253	32.8
Overseas	16,313	35.3	97,534	85.3	417,129	67.2
Total	46,273	100.0	114,347	100.0	620,382	100.0

<i>Millions of Yen</i>						
1Q FY2007 Apr. 1, 2007 — Jun. 30, 2007						
	<i>New contracts</i>		<i>Revenues</i>		<i>Backlog of contracts</i>	
	<i>Amt</i>	<i>%</i>	<i>Amt</i>	<i>%</i>	<i>Amt</i>	<i>%</i>
Business Segment						
Engineering						
LNG plants.....	10,774	16.7	101,966	72.6	576,776	57.5
Gas and power utilities	16,793	26.0	12,821	9.1	308,779	30.8
Gas chemicals	16	0.0	148	0.1	1,583	0.2
Petroleum and petrochemicals ...	22,513	34.8	15,963	11.4	79,680	8.0
General chemicals.....	9,163	14.2	4,393	3.1	22,539	2.2
Industrial machinery	1,325	2.0	2,454	1.8	4,284	0.4
Environment and other	2,671	4.1	1,231	0.9	8,736	0.9
Total Engineering	63,259	97.8	138,980	99.0	1,002,381	100.0
Other.....	1,390	2.2	1,390	1.0	—	—
Domestic.....	33,863	52.4	25,066	17.9	165,139	15.4
Overseas	30,787	47.6	115,304	82.1	964,604	84.6
Total	64,650	100.0	140,371	100.0	1,129,744	100.0

Note: The backlog of contracts for the three months ended June 30, 2008 includes a decrease due to changes in construction contracts acquired in prior fiscal years, an increase due to adjustments in new contract amounts, and an increase due to foreign exchange translation adjustments.

Reference**Summary Consolidated Statement of Income
for the First Quarter of the Previous Fiscal Year**

(Millions of yen)

First quarter ended June 30, 2007
(From April 1, 2007
to June 30, 2007)

Net sales of completed construction contracts	140,371
Cost of sales of completed construction contracts	130,311
Gross profit on completed construction contracts	10,059
Selling, general and administrative expenses	2,793
Operating income	7,266
Non-operating income	
Interest income	3,212
Dividends income	44
Equity in earnings of associated Companies	53
Other	291
Total non-operating income	3,601
Non-operating expenses	
Interest expenses	94
Other	88
Total non-operating expenses	182
Ordinary income	10,685
Income before income taxes and minority interests	10,685
Total tax	5,340
Minority interests in income	2
Net income	5,341