

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

Company name: **CHIYODA CORPORATION**

Listing: First Section of the Tokyo Stock Exchange

Stock code: 6366

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

1. Consolidated performance for the Second quarter of the fiscal year ending March 31, 2009 (from April 1, 2008 to September 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	%
2Q ended September 30, 2008	240,760	-	6,904	-	9,755	-	6,059	-
2Q ended September 30, 2007	312,547	48.1	11,420	(15.4)	17,303	3.6	10,641	(4.8)

	Net income per share	Fully diluted net income per share
	Yen	Yen
2Q ended September 30, 2008	24.36	24.36
2Q ended September 30, 2007	55.35	55.32

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2008	379,513	146,409	38.5	563.05
As of March 31, 2008	378,819	81,637	21.4	422.44

Reference: Equity As of September 30, 2008: 146,014 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 Second 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
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 second 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 September 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 September 30, 2008	935,339 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 Second quarter of the fiscal year ending March 31, 2009	248,713,605 shares
For the Second quarter of the fiscal year ended March 31, 2008	192,259,193 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

5. Qualitative Information and Financial Statements

Qualitative Information on Consolidated Results of Operations

During the cumulative second quarter (the six months from April 1, 2008 to September 30, 2008) in overseas markets, plans for the construction of new plants around the world continued to be driven by growth in energy demand. In the domestic market, capital investment by oil, power and gas companies remained lively. In the third quarter, however, the effects of the global financial crisis have begun to spread to the real economy. In Chiyoda's operating environment, there is concern over declining investment due to the shrinking financial market, and the substantial drop in the price of crude oil has had some effect. Chiyoda will continue to scrutinize economic conditions and their impact.

The operating environment remains harsh owing to a serious worldwide shortage of skilled construction workers, but Chiyoda continues to implement a high level of risk management including measures to counter rising costs, and is making concerted efforts to properly execute ongoing projects, including liquefied natural gas (LNG) plants in Qatar. As a result, large-scale ongoing projects successively approached completion. Chiyoda handed over the large-scale LNG plant in Sakhalin to the customer and a trial run of the first train completed for the ultra-large-scale (7.8 million tones per annum) LNG plant project in Qatar was conducted.

On a consolidated basis, new contracts were ¥116,810 million, a 35.2% decrease compared with the same period of the previous year, and the backlog of contracts was ¥555,699 million, a decrease of 39.5%. Revenues decreased 23.0% to ¥240,760 million, operating income decreased 39.5% to ¥6,904 million, ordinary income decreased 43.6% to ¥9,755 million and net income decreased 43.1% to ¥6,059 million.

Results by Business Segment

The following is a summary of operating results by 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. Amid these conditions, the Group focused on acquiring contracts for research and Front-End Engineering and Design (FEED) in order to secure contracts for large-scale projects. In the cumulative second quarter, Chiyoda was awarded contracts including the FEED and executing planning work for Barzan onshore gas project in Qatar, an EPC competition contract for participation in an EPC design competition for an LNG plant in Papua New Guinea and an LNG plant project in Algeria. In Japan's gas and electric power sector, Chiyoda worked to acquire contracts for new construction and expansion of large-scale LNG receiving

terminals being planned as a result of the shift in energy sources to LNG for reasons including curbing CO₂ emissions and growth in gas-related businesses.

Petroleum, Petrochemicals and Gas Chemicals

In the petroleum sector, although domestic demand for petroleum products decreased, new contracts were firm for petrochemical production and refineries that utilize heavier crude oil. In addition, there was strong drive to invest in effective energy use and wide-area linkages with a focus on reducing CO₂ emissions. In the petrochemical sector, the shift to strategic, high-value-added fields such as functional chemicals, electronic materials and life science-related products became clear.

Investment in production facilities to respond to changes in the structure of demand for petroleum products, and demand for environmental measures and initiatives to improve the efficiency of facility inspection and maintenance, remained at a high level. Chiyoda therefore continued to implement initiatives to acquire new contracts in these areas.

General Chemicals and Industrial Machinery

In the general chemicals and industrial machinery sectors, in addition to the existing field of LCD materials, capital investment increased in solar battery components, reflecting global policies to spread the use of solar batteries. Investment relating to the recovery of rare metals also continued. In the pharmaceuticals sector, all Group companies steadily acquired contracts due to an increasing drive to invest in new construction and expansion of existing plants and R&D facilities in order to adapt to recent changes in the business environment.

Environment and Others

Chiyoda continued to conduct marketing activities in Japan and overseas for its original CT-121 flue gas desulfurization process technology. In Europe, where desulfurization technology is most advanced, Chiyoda licensed its technology for use at a major power station in Denmark.

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

	(Millions of yen)	
	As of September 30, 2008	As of March 31, 2008
Assets		
Current assets		
Cash and deposits	38,957	60,484
Notes receivable, accounts receivable from completed construction contracts	36,486	36,368
Short-term investment securities	77,841	10,500
Costs on uncompleted construction contracts	24,141	16,801
Jointly controlled assets of joint venture	150,314	192,683
Other	12,530	21,374
Allowance for doubtful accounts	(6)	(5)
Total current assets	340,265	338,207
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	8,174	8,354
Land	11,997	11,935
Other, net	2,497	2,782
Total property, plant and equipment	22,669	23,072
Intangible assets	4,649	4,714
Investments and other assets		
Investment securities	8,919	9,302
Other	3,375	4,012
Allowance for doubtful accounts	(366)	(490)
Total investments and other assets	11,928	12,824
Total noncurrent assets	39,247	40,612
Total assets	379,513	378,819

Consolidated balance sheets (2/2)

(Millions of yen)

	As of September 30, 2008	As of March 31, 2008
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts	66,556	74,037
Current portion of long-term loans payable	10,028	10,039
Income taxes payable	567	1,408
Advances received on uncompleted construction contracts	129,558	185,022
Provision for warranties for completed construction	2,999	2,098
Provision for loss on construction contracts	3,701	4,044
Provision for bonuses	3,405	4,196
Other	14,115	13,137
Total current liabilities	230,932	293,986
Noncurrent liabilities		
Long-term loans payable	8	22
Provision	1,789	2,226
Other	373	947
Total noncurrent liabilities	2,171	3,196
Total liabilities	233,103	297,182
Net assets		
Shareholders' equity		
Capital stock	43,389	12,934
Capital surplus	37,105	6,718
Retained earnings	69,291	65,155
Treasury stock	(1,092)	(1,059)
Total shareholders' equity	148,694	83,748
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(669)	(847)
Deferred gains or losses on hedges	(1,672)	(1,667)
Foreign currency translation adjustment	(337)	(6)
Total valuation and translation adjustments	(2,679)	(2,521)
Minority interests	395	410
Total net assets	146,409	81,637
Total liabilities and net assets	379,513	378,819

(2) Consolidated statement of income

	Second quarter ended September 30, 2008 (From April 1, 2008 to September 30, 2008)
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Consolidated quarterly statements of income	
Net sales of completed construction contracts	240,760
Cost of sales of completed construction contracts	228,070
Gross profit on completed construction contracts	<u>12,689</u>
Selling, general and administrative expenses	<u>5,785</u>
Operating income	<u>6,904</u>
Non-operating income	
Interest income	2,966
Dividends income	57
Equity in earnings of affiliates	53
Foreign exchange gains	140
Real estate rent	128
Other	73
Total non-operating income	<u>3,421</u>
Non-operating expenses	
Interest expenses	172
Stock issuance cost	271
Rent expenses on real estates	79
Other	46
Total non-operating expenses	<u>570</u>
Ordinary income	<u>9,755</u>
Extraordinary income	
Reversal of allowance for doubtful accounts	123
Total extraordinary income	<u>123</u>
Extraordinary loss	
Loss on valuation of investment securities	521
Total extraordinary losses	<u>521</u>
Income before income taxes and minority interests	<u>9,357</u>
Income taxes-current	747
Income taxes-deferred	2,538
Total income taxes	<u>3,286</u>
Minority interests in income	<u>11</u>
Net income	<u>6,059</u>

7. Production, Contracts and Sales (Consolidated)

<i>Millions of Yen</i>						
2Q FY2008 Apr. 1, 2008 — September. 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.....	38,835	33.3	119,835	49.8	214,767	38.7
Gas and power utilities	11,033	9.4	69,093	28.7	170,543	30.7
Gas chemicals	75	0.1	170	0.1	978	0.2
Petroleum and petrochemicals ...	39,295	33.6	32,223	13.4	115,143	20.7
General chemicals.....	19,491	16.7	9,063	3.7	30,544	5.5
Industrial machinery	1,621	1.4	2,768	1.1	5,749	1.0
Environment and other	3,068	2.6	4,491	1.9	17,402	3.1
Total Engineering	113,421	97.1	237,645	98.7	555,129	99.9
Other.....	3,388	2.9	3,115	1.3	569	0.1
Domestic.....	63,090	54.0	47,686	19.8	205,496	37.0
Overseas	53,720	46.0	193,073	80.2	350,202	63.0
Total	116,810	100.0	240,760	100.0	555,699	100.0

<i>Millions of Yen</i>						
2Q FY2007 Apr. 1, 2007 — September. 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.....	39,467	21.9	209,559	67.0	478,260	52.1
Gas and power utilities	23,927	13.3	35,239	11.3	285,795	31.1
Gas chemicals	163	0.1	696	0.2	1,181	0.1
Petroleum and petrochemicals ...	85,803	47.6	43,471	13.9	115,817	12.6
General chemicals.....	11,209	6.2	14,253	4.6	14,723	1.6
Industrial machinery	4,032	2.2	4,254	1.4	5,192	0.6
Environment and other	12,980	7.2	2,343	0.7	17,890	1.9
Total Engineering	177,585	98.5	309,818	99.1	918,861	100.0
Other.....	2,728	1.5	2,728	0.9	—	—
Domestic.....	105,163	58.3	66,005	21.1	184,673	20.1
Overseas	75,149	41.7	246,541	78.9	734,187	79.9
Total	180,313	100.0	312,547	100.0	918,861	100.0

Note: The backlog of contracts for the six months ended September 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 Second Quarter of the Previous Fiscal Year

	<i>Millions of Yen</i>	
	April 1, 2007 – September 30, 2007	
		%
Revenues	312,547	100.0
Cost of Revenues	295,307	94.5
Gross profit	17,239	5.5
Selling, General and Administrative Expenses	5,819	1.8
Operating income	11,420	3.7
Other Income		
Interest	5,943	
Dividend income	44	
Equity in earnings of associated companies ..	140	
Rent income	121	
Other	82	
Total Other Income	6,332	2.0
Other Expenses		
Interest expense	173	
Foreign exchange loss	141	
Cost of rent income	85	
Other	49	
Total Other Expenses	449	0.2
Ordinary income	17,303	5.5
Extraordinary Gain		
Gain on sales of investment securities	644	
Reversal of allowance for doubtful accounts .	31	
Other	50	
Total Extraordinary Gain	726	0.3
Income before income taxes and minority interests	18,029	5.8
Income taxes current	5,002	
Income taxes deferred	2,377	
Total Tax	7,380	2.4
Minority interests in net income	7	0.0
Net Income	10,641	3.4