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CHIYODA CORPORATION Annual Report 2006

**WHY
CHOOSE
CHIYODA?**



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CHIYODA CORPORATION
Annual Report 2006

Fiscal Year Ended March 31, 2006



The answer begins here.

CHIYODA IS STEPPING UP TO BECOME THE “RELIABILITY No. 1” PROJECT COMPANY

Chiyoda performed successfully in fiscal 2006, the first year of the medium-term management plan, Double Step-Up Plan 2008. This gives us a good start toward the plan’s goals. Due to the large order backlog, fiscal 2007 will see even faster progress. Market conditions remain favorable. But we are well aware of the risks, too. That’s why we maintain a powerful risk management system that covers all of these risks.

What is Chiyoda doing to become the “Reliability No. 1” Project Company? Exactly what is the “Reliability” we are aiming for? This year’s annual report thoroughly examines these subjects.

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Forward-Looking Statements

This annual report contains forward-looking statements about Chiyoda Corporation outlooks, plans, forecasts, results and other items that may take place in the future. Such statements are based on data available when the report was published. Unknown risks and other uncertainties that happen in the future may cause our actual results to be different from the forward-looking statements contained in this report. The risks and uncertainties include business and economic conditions, competitive pressure, changes to laws and regulations, addition or elimination of products, exchange rate fluctuation, among many more.





FINANCIAL HIGHLIGHTS 2001-2006

From Revitalization to Stable Medium-Term Growth

WE ARE STEPPING UP IN 6 YEARS

Internal Factors (FY2001-2006)

- Strategic change to a "Profit Oriented" from a "Sales Oriented" policy. Aiming at a gross margin of 7% on completed revenues.
- Concentration of management resources into areas where Chiyoda has a competitive advantage in technology.
- Strengthened project management team and adoption of a monitoring system.

External Factors (FY2001-2006)

- High level of gas development investments by gas-producing nations and Oil and Gas Majors.
- Large investments by oil companies in Japan to become more competitive: Chemical Refinery Integration, Upgrading of heavy oil.

(Millions of Yen)

	2001	2002	2003	2004	2005	2006
For the Year						
Revenues	¥128,665	¥141,387	¥166,367	¥206,817	¥267,655	¥390,875
Cost of revenues	131,240	136,762	155,924	192,710	247,905	360,322
Income (loss) before income taxes and minority interests	(3,357)	1,861	2,509	5,370	12,049	21,906
Net income (loss)	(4,607)	121	2,000	6,647	12,863	19,400
At Year-End						
Total assets	¥114,652	¥129,314	¥120,297	¥142,860	¥182,893	¥279,721
Total shareholders' equity	15,023	15,103	16,670	22,767	36,873	55,509
Working capital	2,241	1,387	7,526	15,719	22,231	51,431
Current ratio (%)	102.6	101.4	108.4	115.0	115.9	125.1
Long-term debt	11,346	10,672	10,422	10,316	215	10,169
Per Common Share (Yen)						
Earnings per share (EPS)	¥(20)	¥0.65	¥10.79	¥35.91	¥68.62	¥101.27
Book value per share (BPS)	81.04	81.47	90.01	123.04	193.22	288.88
Other Statistics						
Number of shares outstanding* (thousands)	185,429	185,388	185,199	185,041	190,837	192,893

* At year-end

- 2006**
- Order received for 4 more LNG plants in Qatar, all with the highest output in the world.
 - New contracts and backlog of contracts reach all-time highs.

- 2005**
- Goals of New Restructuring Plan reached 18 months ahead of schedule. Started New Medium-Term Management Plan in April 2005.
 - Order received for Qatargas 2 LNG project, the world's largest-scale LNG plants.

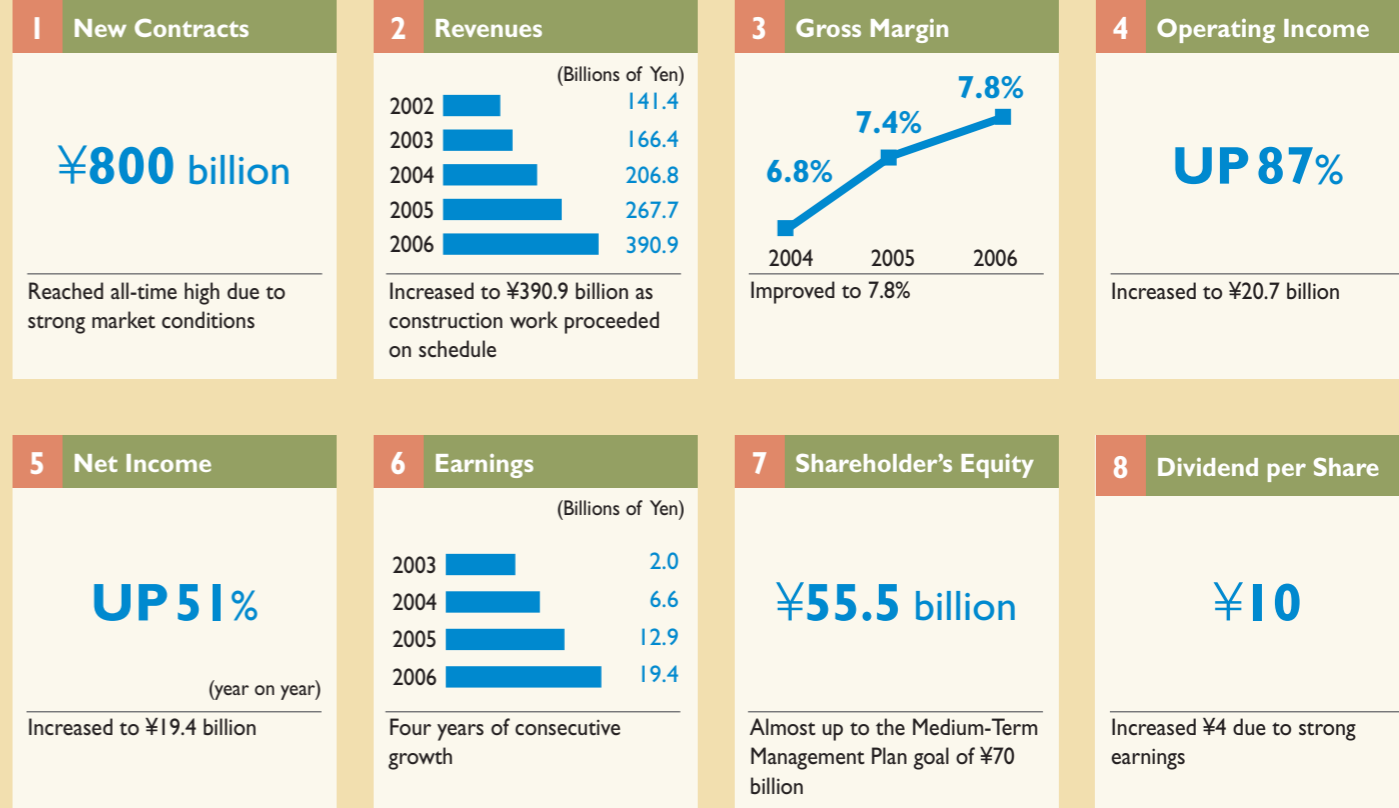
- 2004**
- Accumulated deficits eliminated.
 - Order received for Sakhalin II LNG project.

- 2003**
- Established Chiyoda Advanced Solutions Corporation (subsidiary to supply sophisticated engineering services that use advanced analytic technologies).

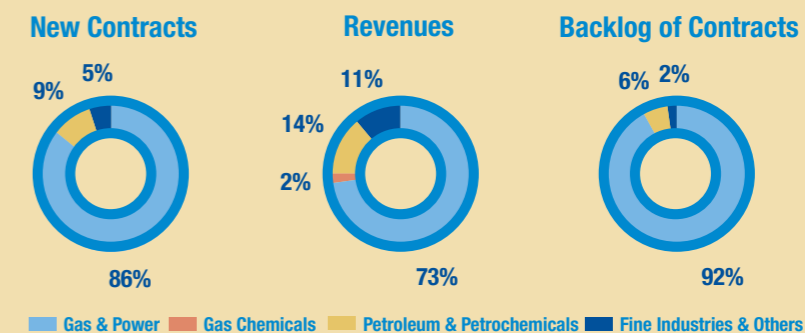
- 2002**
- Nobuo Seki named president.
 - Growth in LNG projects begins in the Middle East and other regions.

- 2001**
- Announced Five-Year New Restructuring Plan (fiscal 2002 to fiscal 2006). Financial restructuring implemented in equity and debt accounts.
 - Earned ISO 14001 certification.

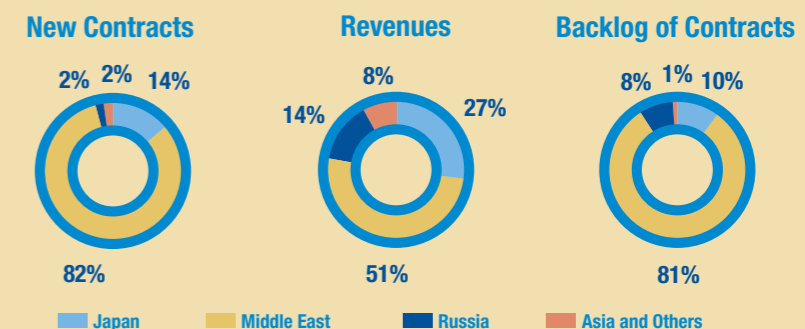
MAJOR PERFORMANCE IN FISCAL 2006



BY INDUSTRY



BY REGION



A Letter from the President



June 22, 2006

Dear Shareholders and Friends:

I am pleased to report that the financial targets for the first year under the four-year medium-term management plan Double Step-Up Plan 2008 (DSP 2008) were satisfactorily achieved. One of the fundamental elements of DSP 2008 is the aim of becoming the "Reliability No. 1" Project Company ("a project operating company winning the highest reputation for reliability"). In order to strengthen the everlasting relationship with customers, we delivered the management message of "Customers' Success through Reliability No. 1" to all employees in Chiyoda at the beginning of fiscal 2006.

Our focal points in fiscal 2007 are to prudently accelerate various action programs built in our DSP 2008 and to achieve steady progress on the execution of our recordable backlog of contracts. With careful execution and timely actions on the various risk elements surrounding the projects, such as any latent threat on quality, cost and schedule, we are also making strides toward sustainable growth in our financial strength to aim at becoming an Excellent Company.

We are extremely pleased that we were able to achieve well balanced "earnings growth" in the first year of DSP 2008 and plan to pay a dividend of ¥14 per share in June 2007. We will continue to base our operations on highly advanced integrated engineering systems, innovative technology, reliable project execution skills and effective risk management systems. We will continue to fulfill our corporate social responsibility with dignified behavior and ensure "Customers' Success through Reliability No. 1" execution by all our employees in our Group companies. Finally, I would like to thank you for your support and understanding.

Sincerely Yours,

Nobuo Seki
President & CEO,
Chiyoda Corporation

Interview with the President

ENTERING A PERIOD OF SUSTAINABLE GROWTH

Nobuo Seki
President and
Chief Executive Officer

Fiscal 2006, ended March 2006, was a banner year for Chiyoda. New contracts surged, earnings rose to record levels and the Company increased dividend payments. This interview focuses on the secret of these accomplishments and the President's vision for the future of the Chiyoda Group.

Q The theme of this year's annual report is "Why Choose Chiyoda?" Chiyoda posted record-high contracts this year, with contract growth topping the industry average. Why did customers choose Chiyoda?

A To put it simply, it is because customers know that we keep our promises and do not commit ourselves to anything we cannot deliver. In other words, they see us as the most reliable contractor. In my opinion, this is a key factor since plants are getting bigger and more complex and integrate a broad range of advanced technologies. Customers want to be sure that the contractor is reliable and up to the task. There are three elements to this reliability. First, we work tirelessly to understand our customers' real needs. Our marketing executives communicate constantly with customers and share information on their needs with other departments and management. Second, we run a critical study on technologies involved, and we have built a strong position in IT technology, a must now that plants have become huge. Third is our commitment to flawless execution, which we achieve through various check and review systems, such as the "Cold Eye Review" and "Double-Check." Plant Lifecycle Engineering is another important element of our business strategy. Our goals here are to build permanent relations with customers by establishing a platform to share information and to build a knowledge base with our customers. Furthermore, as natural gas demand increased in energy-consuming nations, there was a high level of gas development investments by gas-producing nations and Oil and Gas Majors. This created a big increase in demand for the Gas Value Chain services of the Chiyoda Group.



Double Step-Up Plan 2008

Business Vision

- "Reliability No. 1" Project Company
- Excellent Company able to sustain earnings growth

- Drive forward innovation that "targets change and takes on the challenge of bringing about change"
- Continuous enhancement of competitiveness and improvement of work processes



stage through frequent project meetings. At the local level, we have introduced a system of project audits to eliminate uncertainties and make sure that projects are implemented on schedule and without accidents. All these initiatives are directed at eliminating uncertainties toward a single goal: "Uninterrupted Start-up." Chiyoda is the world record holder in "Uninterrupted Start-up." Recently in Oman, we completed a 34-month LNG plant construction project 17 days ahead of schedule (Qalhat LNG Project). First products came out just nine days later. A ship carrying the first shipment of products from this plant sailed for Europe just one month after it was completed. This was really a remarkable achievement.

Q Chiyoda has already achieved the Double Step-Up Plan 2008 (DSP 2008) final-year targets for revenues and net income. Do you feel that Chiyoda might move up the final year of the plan and launch a new plan?

A I am glad to report that we have met the revenues and net income targets for the final year of DSP 2008 fully two years ahead of schedule. We also declared a ¥10 dividend per share, expecting to declare a ¥14 dividend in the current fiscal year, in order to share our gains reasonably with our stakeholders. As you know every plan has quantitative and qualitative targets. In quantitative terms, we still have some goals to reach. We need to increase shareholders' equity to ¥70 billion and raise the shareholders' equity ratio to 30%. Our goal for distribution of income is to maintain a minimum annual dividend of ¥10 per share. We have also made considerable strides in achieving our qualitative goals, without which we would not have been able to achieve the results that I just mentioned. We use the "Balanced Score Card System" to measure our qualitative performance. The parameters include the customer's perspective, the quality of administration and execution capabilities and the quality of human resources. We scored 87 points on the "Balanced Score Card" this year and it will be a while before we reach the desired qualitative targets. Whether we bring forward the final year of the plan and launch a new plan to build on the achievements of DSP 2008 will depend on how quickly we can reach both our quantitative and qualitative goals.

Q Recently, Chiyoda has captured several huge contracts. What measures are you taking to ensure that you can handle this large backlog smoothly?

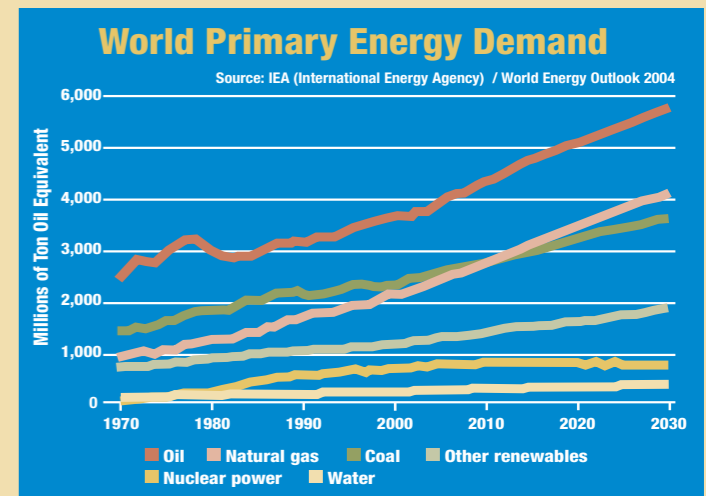
A We have instituted several measures to make sure that there are no surprises. These include the "Cold Eye Review" at each milestone gate and greater participation of top management at the execution

Fast Track Project Completion Record			
Award	Project	Actual	Contractual
Jan. 2003	Qalhat LNG	33.43	34
Sept. 2002	RasGas Train 4	33	33
Oct. 2001	Qatargas Debottlenecking	45	45
Apr. 2001	RasGas Train 3	33	33
Nov. 1996	Oman Train 1	41.5	42
Nov. 1996	Oman Train 2	37.75	38
July 1995	Qatargas Train 3	32	40
Mar. 1995	Bontang Train G	32	33
May 1993	Qatargas Train 2	42	43
May 1993	Qatargas Train 1	39	40
Nov. 1991	ADGAS Train 3	30	30
Mar. 1991	Bontang Train F	32	33
July 1987	Bontang Train E	29	29
May 1981	Arun Train 5	33	35
May 1981	Arun Train 4	29	31
Mar. 1973	ADGAS Train 1 & 2	45	45

(Months)

Q Chiyoda had an extraordinary year, with record contracts and stellar operating results. What is the outlook?

A Our core competence lies in two domains, energy and chemicals. Our value-added, process-oriented technology is what sets us apart from competitors. Energy demand is growing and will continue to grow well into the future. At present, oil is the largest primary source of energy, coal is number two and natural gas is third. Natural gas is expected to surpass coal because demand for clean energy is growing. Future sources of energy include synthesis gas and hydrogen. Our focus on energy and chemicals positions us well to offer solutions and benefit from changing energy sources. Coal, although abundant, is not a very clean energy source as it is. Our CT-121, flue gas desulfurization technology for coal-fired power stations, is contributing to reducing air pollution. We have a 30% market share in the U. S. in this area. In oil, the trend is toward large plants to integrate refining and petrochemical operations. LNG consumption



is growing. Meeting this demand will require building every year production facilities of LNG with an output of 15 million tons. Chiyoda is committed to capitalizing on change through technological innovation. I see huge business opportunities for Chiyoda at every stage, and I am as excited about the future just as much as our young colleagues are.

Double Step-Up Plan 2008 (DSP 2008) Progress Report

DSP 2008 is front loaded and increasing. Next four strategies measure in the midst of development.

	Business Strategy	Present State: Proceeding Condition
S1 Clients	Build long-term partnership with clients based on superior technologies by promoting Plant Lifecycle Engineering	<ul style="list-style-type: none"> Further upgrade Reliability Program Engineering Criticality Study, Technical Cold Eye Review
S2 Execution	Further strengthening of the project accomplishment power by promoting Smart EPC and utilizing the Group's collective strengths	<ul style="list-style-type: none"> Upgrade risk management skills Upgrade advanced IT skills (especially Construction IT, Procurement IT) Strengthen GES: The Philippines engineering design subsidiary became a wholly owned subsidiary (Chiyoda Philippines Corporation) Utilize "Lessons Learnt" / Promote Knowledge Management
S3 Finance	Establish a chronically sound financial position able to support the creation of next-generation businesses	<ul style="list-style-type: none"> Enrich capital stock Enhance profitability of license sales and selective investment in new technologies
S4 HR	Create an energetic organization and refine employee skills	<ul style="list-style-type: none"> BSC* Integrated Management Continuously hire professional personnel (5,600 workforce system) Re-hire our retired employees and pass on their technological knowledge and expertise to the next generation

*BSC: Balanced Score Card (A strategic management system)



REVIEW OF OPERATIONS OVERSEAS



Global growth in demand for **natural gas** is supporting a large volume of Gas Value Chain investments. Gas-producing nations and the energy majors are placing orders for projects extending from natural gas field developments to the construction of LNG plants and LNG receiving terminals and the arrangement of LNG carriers.

In the **environmental field**, Chiyoda is continuing to license its Chiyoda Thoroughbred I21™ (CT-121) flue gas desulfurization technology as clean air regulations are tightened worldwide.

As a result of these and other factors, consolidated new contracts surged 114.9% to ¥691,510 million and revenues were up 60.4% to ¥285,545 million.

Location	Client	Project	Capacity	Unit	Completion
NEW CONTRACTS					
Qatar	Ras Laffan Liquefied Natural Gas Co., Ltd. (3)	LNG Plant (EPC) (Train 6)	7.8	mtpa	2008
Qatar	Ras Laffan Liquefied Natural Gas Co., Ltd. (3)	LNG Plant (EPC) (Train 7)	7.8	mtpa	2009
Qatar	Qatar Liquefied Gas Co., Ltd. (3)	LNG Plant (EPC) (Train 6)	7.8	mtpa	2008
Qatar	Qatar Liquefied Gas Co., Ltd. (4)	LNG Plant (EPC) (Train 7)	7.8	mtpa	2009
U.S.A.	Southern Company Services, Inc.	Flue Gas Desulfurization (Grant of license)	—	3 *	2005
U.S.A.	Black & Veatch Corporation	Flue Gas Desulfurization (Grant of license)	—	11*	2005
BACKLOG OF CONTRACTS					
Qatar	Ras Laffan Liquefied Natural Gas Co., Ltd. (II)	LNG Plant (EPC) (Train 5)	4.7	mtpa	2006
Qatar	ExxonMobil Middle East Gas Marketing Ltd.	Gas Development Project (EPC) (Expansion)	—	—	2006
Qatar	Qatar Liquefied Gas Co., Ltd. (2)	LNG Plant (EPC) (Train 4)	7.8	mtpa	2007
Qatar	Qatar Liquefied Gas Co., Ltd. (2)	LNG Plant (EPC) (Train 5)	7.8	mtpa	2008
Iran	Petrochemical Industries Development Management Co.	Urea Plant (EP)	3,250	Tpy	2006
Iran	Petrochemical Industries Development Management Co.	Urea Plant (EP)	3,250	Tpy	2007
Saudi Arabia	Jubail United Petrochemical Co.	Ethylene Plant (EP) (Expansion)	—	—	2006
China	Guizhou Crystal Organic Chemical (Group) Co., Ltd.	Acetic Acid Plant (EP)	36	ktpa	2007
Russia	Sakhalin Energy Investment Co., Ltd.	Oil Export Terminal (EPC)	—	—	2006
Russia	Sakhalin Energy Investment Co., Ltd.	LNG Plant (EPC) (Train 1)	4.8	mtpa	2007
Russia	Sakhalin Energy Investment Co., Ltd.	LNG Plant (EPC) (Train 2)	4.8	mtpa	2008
COMPLETED CONTRACTS					
Qatar	Ras Laffan Liquefied Natural Gas Co., Ltd. (II)	LNG Plant (EPC) (Train 4)	4.7	mtpa	2005
Qatar	Qatar Liquefied Gas Co., Ltd.	LNG Plant (EPC) (Debottlenecking)	3	mtpa	2005
Oman	Qalhat LNG S.A.O.C.	LNG Plant (EPC)	3.3	mtpa	2005
Indonesia	PetroChina International Jabung Ltd.	Gas Development Project (EPC)	—	—	2005
China	CNOOC and Shell Petrochemicals Co., Ltd.	SMPO and MPG/Polyols Plant (EPC)	135	ktpa	2005
Singapore	Vopak Terminal Singapore Pte. Ltd.	Tank Terminal	—	—	2005
China	Ningbo Rayon Acrylic Fibers Co., Ltd.	Acrylic Staple Fiber Plant	—	—	2005
China	Nanton SKT New Material Co., Ltd.	PVDC (polyvinylidene chloride) Compounds Plant	—	—	2005

* Units of coal-fired power plants to which CT-121 technology was licensed.

- EPC : Engineering, Procurement, Construction
- EP : Engineering, Procurement
- mtpa : Million tons per annum
- ktpa : Thousands tons per annum
- Tpy : Ton per year

U.S.A. Licensing of CT-121 Technology for Flue Gas Desulfurization

The CT-121 flue gas desulfurization (FGD) process is a unique Wet Limestone FGD process to provide the best conditions for SO₂ absorption in flue gas from coal-fired, oil-fired and other boilers and for fixation of the removed SO₂ as gypsum.

In response to the current worldwide requirement for the reduction of air pollution, demand for the licensing of Chiyoda's CT-121 flue gas desulfurization technology has been expanding. Chiyoda and its U.S. licensee Southern Company Services, Inc. have licensed the use of this technology at three coal-fired power units (almost 3GW) of Southern Company, the largest electric power company in the southern part of the United States. CT-121 has also been licensed through another U.S. licensee, Black & Veatch Corporation, for use at 10 power units of American Electric Power Company, Inc., the largest electric power company in the United States (more than 4GW) and at another unit operated by Alabama Electric Cooperative (340MW).

Total licensed capacity in the United States during fiscal 2006 turned out to be more than 7.3GW. With the success of the CT-121 FGD in the United States, Chiyoda has established a business model that differs from its core EPC operations by generating earnings from the use of its own process technology that has been developed by itself. Chiyoda will expand this business model not only in the United States but also in European and Asian countries. (Please refer to page 19 for Chiyoda's Environmental Initiatives through CT-121.)

QATAR Order Received for the World's Two Largest LNG Trains Qatargas 3 & 4

Chiyoda, with its joint venture partner Technip, signed an EPC contract with Qatar Liquefied Gas Co., Ltd. (3) (Qatargas 3) and the sponsors of the Qatargas 4 Project on December 21, 2005 for two of the world's largest LNG trains at the Qatargas plant in Ras Laffan City. Each train is designed to produce 7,800,000t/y of LNG. Qatargas 3 (68.5% Qatar Petroleum; 30% ConocoPhillips; 1.5% Mitsui) owns Train 6 and will deliver LNG, primarily to the United States, commencing in 2009. Qatargas 4 (70% Qatar Petroleum; 30% Shell Gas B.V.) owns Train 7 and will deliver LNG to North America commencing in 2010. By adding the capacity of these two trains, the State of Qatar will achieve its strategic plan to become the largest LNG supplier in the world by 2010.



RUSSIA Great Achievement in Sakhalin LNG Project

Significant progress toward project completion has been achieved; engineering work has reached 97%, procurement 98% and construction 73%. Overall project progress has kept to the contractual plan despite an unusually severe and long winter. Environmental protection measures have been maintained throughout the period of the project, which helped numerous hunchback sermons flood the tiny Galuboi brook in the middle of the site. In addition, the Welder Training Center was opened in Yuzhno-Sakhalinsk in collaboration with a local college as part of a sustainable development program for the continued, highest-level training of carbon steel and stainless steel welders, which has contributed to a technical transfer to local people and had a favorable impact on the area's socio-economics. The employment of Russian people has been kept at a remarkable level, exceeding 70% throughout the project period, and especially the employment of people on Sakhalin Island has remained at more than 40%.



OMAN Qalhat LNG Train Completed Ahead of Contractual Schedule

At this project, Ready for Start-Up (RFSU) was achieved 33.4 months after the effective date and ahead of the contractual schedule. The start-up team achieved LNG production in a world record of nine days three hours after RFSU by applying Shell's Flawless Start-Up Concept, and the first cargo was shipped 30 days after RFSU. High HSE standards and a sustainable development program called Omanisation were also key elements in this project. A safety record of 20 million man-hours without a single lost-time incident was reached since the contract commencement. Chiyoda was honoured for the second consecutive year by the Omani government as the "Best Omanisation Company" in the construction sector. (Please refer to page 18 for Omanisation.)





REVIEW OF OPERATIONS DOMESTIC

In the **natural gas and electric power** sector, there was growth in investments to expand a variety of facilities and build new ones in response to the shift to LNG and coal due to the sharp rise in the cost of crude oil and to the removal of barriers that separated different categories of the utility industry in Japan.

In the **petroleum** sector, Japanese oil companies made a large volume of investments. There are many expenditures for petrochemical production facilities due to market trends in Asia. There are also investments targeting the growing price gap between heavy and light grades of oil, large projects to conserve energy and other investments to make refineries more competitive.

In the **petrochemical** sector, Japanese chemical companies made investments in China and other Asian countries and conducted joint petrochemical businesses with oil companies.

In the **general chemicals** sector, substantial capital expenditures continued in conjunction with industry realignment due to mergers among pharmaceutical companies and to the entry into Japan by foreign pharmaceutical companies.

In the **industrial machinery** sector, there were many capital expenditures involving electronic materials and high-performance films. Chiyoda received orders for the upgrading and expansion of existing factories and for development projects.

Due to these market trends, consolidated new contracts increased 25.9% to ¥112,720 million and revenues climbed 17.5% to ¥105,329 million.



Location	Client	Project	Capacity	Unit	Completion
NEW CONTRACTS					
Ehime	Taiyo Oil Co., Ltd.	BTX Plant	37,000	Bpd	2006
Ibaraki	Kashima Aromatics Co., Ltd.	Aromatics Complex Plant	420,000	Tpy	2007
Okayama	Mitsubishi Gas Chemical Company, Inc.	MXDA (m-Xylylenediamine) Plant	20,000	Tpy	2007
BACKLOG OF CONTRACTS					
Kanagawa	Nippon Petroleum Refining Co., Ltd.	Lube Oil / Grease Mixing and Filling Plant	-	-	2006
Ehime	Japan Oil, Gas and Metals National Corporation	LPG Underground Storage Terminal	-	-	2009
COMPLETED CONTRACTS					
Yamaguchi	Seibu Oil Co., Ltd.	Mixed Xylene Plant	200,000	Tpy	2006
Chiba	Fuji Oil Company, Ltd.	Low-Temperature Power Generation	-	-	2005
Kanagawa	Mitsubishi Fuso Truck & Bus Corporation	New Plant Shop Project	-	-	2006
Ibaraki	Mitsubishi Chemical Engineering Corporation and Mitsubishi Chemical Corporation	Ethylene Cracker	150,000	Tpy	2005
Ibaraki	Eisai Co., Ltd.	Pharmaceutical Bulk Plant (Clinical)	-	-	2006
Ibaraki	Eisai Co., Ltd.	Pharmaceutical Bulk Plant (Commercial)	-	-	2006
Okayama	Mizushima LNG Co., Ltd.	LNG Receiving Terminal	160,000	kℓ	2006
Nagasaki	Japan Oil, Gas and Metals National Corporation	LPG Storage Terminal	-	-	2005
Ibaraki	Japan Oil, Gas and Metals National Corporation	LPG Storage Terminal	-	-	2005

- Bpd : Barrel per day
- Tpy : Ton per year

KASHIMA (IBARAKI PREFECTURE) Order Received to Build New Aromatics Chemicals Complex

Chiyoda received an order for the engineering, procurement and construction of a new aromatics chemicals complex from Kashima Aromatics Co., Ltd., which is owned jointly by Japan Energy Corporation, Mitsubishi Chemical Corporation and Mitsubishi Corporation. Completion is slated for the fall of 2007.

This project is the first stage of a project to make the Kashima industrial complex more internationally competitive through a comprehensive alliance spanning the oil refining and petrochemicals operations. At a cost of ¥70 billion, this project will construct a new facility that will produce aromatics products, light grades of naphtha and other related products by using imported condensates (byproducts of natural gas production) as feedstock. Chiyoda will construct the paraxylene production facilities of this complex, which will have an annual output of 420,000 tons.

Today, Japan's petroleum industry is facing an operating environment where there is a long-term decline in demand for grade C heavy oil for power generation. In response, oil companies are now making a large volume of strategic investments from a long-term perspective. Goals include supplying products with more added value and making refineries and other plants more competitive. With extensive experience in constructing petroleum facilities in Japan that spans decades, Chiyoda is aggressively seeking orders for contracts.

MIZUSHIMA (OKAYAMA PREFECTURE) Chiyoda Completes LNG Receiving Terminal

Operations started on April 1, 2006 at the Mizushima LNG Receiving Terminal in Japan's Okayama Prefecture. Chiyoda received a contract from Mizushima LNG Co., Ltd., which is owned by The Chugoku Electric Power Co., Inc. and Nippon Oil Corporation for all aspects of the construction of this facility.

Chiyoda has participated in the construction of about half of all LNG receiving terminals in Japan, beginning with the Negishi Plant of Tokyo Gas Co., Ltd. in 1969, Japan's first LNG receiving terminal. The Mizushima LNG project marked the first time that we handled all aspects of an LNG project, including engineering, procurement, construction and commissioning. All elements of the project were completed on schedule. This experience and know-how will be a valuable asset, providing a base for capturing contracts for the planning, operation and maintenance of LNG receiving terminals.



KASHIMA (IBARAKI PREFECTURE) Completion of Sophisticated Chemical Hazard Compatible Plant

Chiyoda has constructed a plant for Eisai Co., Ltd. that will produce anti-cancer drugs that may become some of the world's primary next-generation drugs. Handling everything from the conceptual design stage onward, Chiyoda finished this project in only 17 months without accident.

Making this plant efficiently modified is its use of a 20-year-period that previously housed a production facility for clinical drugs used for bulk pharmaceuticals. Construction thus had to conform to stringent chemical hazard regulations, strictly considering c-GMP compliance. Thanks to a 3D spatial design technique, the new facility excels in terms of ease of use and maintenance as well as safety. Commissioning began smoothly immediately after the plant's completion. Furthermore, only a minimal amount of follow-up correctional work was required.

From now on, pharmaceutical plants will be handling compounds having a high potency with increasing frequency. As a result, this state-of-the-art facility is attracting much attention.



Nobuyasu Kamei
Executive Vice President
CSR Division

CONTRIBUTION TO GLOBAL ENVIRONMENT AND SOCIETY

Chiyoda is fortunately positioned to contribute to protecting the earth's environment and to contribute to society through its business activities. Chiyoda develops production technologies and systems that contribute to environmental conservation and also exerts efforts to help with the development of local communities where it constructs large-scale plants.

Contributing through Our Business Activities

Chiyoda's CSR activities are driven by the firm belief that a company should live up to its corporate social responsibility, including environmental conservation and contribution to society, through its business activities. We have therefore decided not to take the traditional approach, which is just to commit funds for donations to support environmental and community activities. Instead, we concentrate on contributing more in the form of performing our business activities.

In the past, environmental conservation meant just cleaning up the air, water and soil. But now emphasis has shifted to the development of new energy sources that help with the preservation of the global environment. We provide advanced engineering solutions to increase supplies of LNG, which represents a cleaner energy source than other major energy sources, such as coal or crude oil. We are intensifying R&D activities on new technologies for future applications, for example, a coal gasification based integrated power generation system, CO₂ reforming for synthesis gas production in the GTL process, a hydrogen storage and transportation system and a titania-based catalyst for ultra deep desulfurization of diesel oil.

We have also been making CT-121, our own flue gas desulfurization process, available not only for power plants but also for other industrial plants in the Asian region as well as in Europe and North America. And we have reinforced our technology portfolio in this field by adding "CASOX" (Catalytic Flue Gas De-Sox Process) as another of our own processes.

In addition, we contribute to communities by localizing plant construction operations, thus transferring know-how and creating jobs in the communities where we build plants. This is easier said than done; only a few success stories can be found. The award we won recently from the Omani government for creating jobs is a testimony to our commitment to contribute to society through our operations. We went so far as setting up a training center for the local people hired for the project. Having acquired new skills, many now work in other parts of the country.

Chiyoda is aiming to become the "Reliability No. 1" Project Company. From the CSR perspective, "Reliability No. 1" means the credibility in providing corporate stakeholders with a Plant Completion Guarantee, one of the three most essential guarantees, together with a feedstock supply guarantee and a products marketing guarantee, which is required to be successfully realized so that a project can start contributing to society.



IT training in Oman



Environmental confirmation in Sakhalin

Hiroshi Shibata
Executive Vice President
Chief Financial Officer,
Corporate Management & Finance

STRONG FINANCIAL FOUNDATION

Chiyoda has entered a phase of renewed growth as benefits of cost control started to appear just as the environment for capturing new contracts brightened. This allowed the Company to pay a ¥10 dividend per share in fiscal 2006 following ¥6 in the previous year after an eight-year non-dividend period. We expect to declare a ¥14 dividend per share in the current fiscal year to have our gains reasonably shared with our stakeholders stably as our profit increases.

Accomplished a Remarkable Recovery

I am glad to report that Chiyoda passed an important milestone in the fiscal year under review by achieving a significant turnaround. Although the favorable operating environment lifted contracts, initiatives to fundamentally change the way we operate, by making sure that there are no surprises, are what makes this achievement noteworthy. More specifically, our focus on containing costs at all stages, from bidding and construction to delivery, has eliminated waste and made Chiyoda a lean and competitive organization. The "Cold Eye Review System" is helping us to be more sensitive to risks associated with potential projects. The monthly meetings at which project managers report progress and problems to management are inviting more management participation during the project course. The "Balanced Score Card System" is helping to better link individual goals to those of the Company. The combination of these factors has dynamically boosted revenues and earnings and enabled us to resume dividend payments.

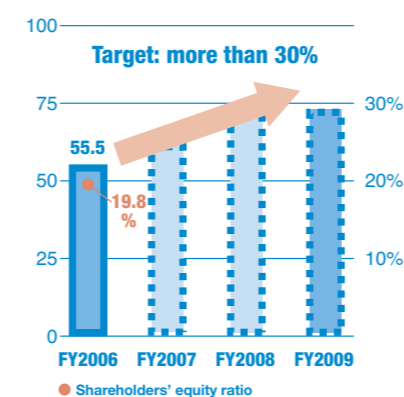
While sharing earnings with stakeholders is important, building a sound financial base for long-term growth is equally meaningful. New contracts seem to have spiked in fiscal 2006 and will probably settle down to a steady growth phase. Nevertheless, the market outlook over the medium-to-long term is bright due to the ongoing "gas shift" trend in an energy area where Chiyoda will maintain a clear leading position. A more streamlined organization combined with a favorable operating environment should assure sustained long-term growth. Having wiped out accumulated deficits in fiscal 2004, our next target is increasing shareholders' equity ratio of 30%. Going forward, we will be in a better position to link profit distribution to earnings as we achieve the above financial target.

To me, the ability to win repeat orders is essential to becoming the "Reliability No. 1" Project Company, which is a goal we have set for ourselves. Superior project management

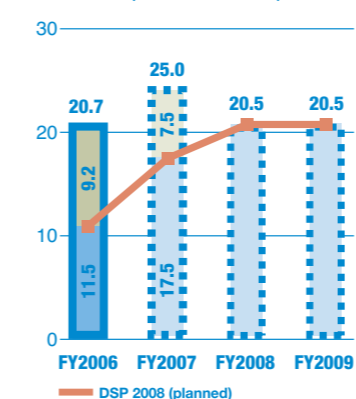
skills and advanced technology, combined with sound financial positions, are what bring in repeat orders and allow us to stand out as the most reliable company, which offers far better professional services to its customers.



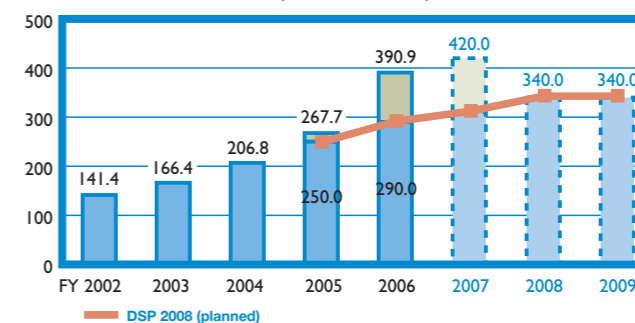
DSP 2008 FINANCIAL TARGETS SHAREHOLDERS' EQUITY (BILLIONS OF YEN)



OPERATING INCOME (BILLIONS OF YEN)



REVENUES (BILLIONS OF YEN)



Hiroshi Kobayashi
Executive Vice President
International Project Operation

SUPERIOR PROJECT MANAGEMENT

Contracts in fiscal 2006 surged. Growth was underpinned by a big increase in demand for the Chiyoda Group's Gas Value Chain services as natural gas demand increased in energy-consuming nations. This situation led to a high level of gas development investments by gas-producing nations and major energy companies.

Excellent Medium-to-Long-Term Outlook for Orders

Contracts in fiscal 2006 were unexpectedly strong in the global plant market. Cash-rich gas-producing countries and Oil and Gas Majors made huge gas development investments to meet growing needs in energy-consuming countries and oil companies made large investments to upgrade refineries to become more competitive. Contract growth at Chiyoda exceeded the global average. This was due in part to our unique strength in LNG upstream development. But even more importantly, growth reflected our ability to work closely with our customers, who see us not as contractors but as their alliance partners. What sets Chiyoda apart from competitors is its long-term commitment to its customers. We strive to make each project a success for the customer by working closely with the customer's project team. We proactively identify and respond to their needs, assuring quality and above all safety. Because of the sheer volume of materials and manpower involved, large projects require a multitude of skills, from scheduling, logistics and organization to risk management. These skills can only be honed through experience. This requires experienced project managers, which is one of our strong points. Our project managers start as junior project managers and are promoted as they acquire the required expertise through on-the-job training, supplemented by classroom instruction.

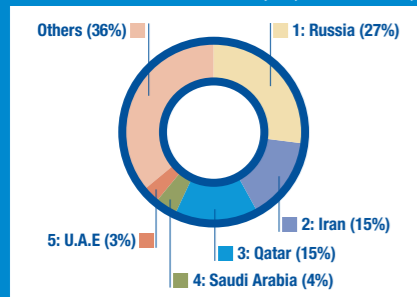
Although new contract growth is likely to be slower in the current fiscal year, I feel that the slowdown will be temporary. Contracts will stay strong for the foreseeable future as our customer base expands to other resource-rich countries, such as Russia, the Middle East, including Saudi Arabia, Iran and Qatar, Nigeria and Libya, as they step up investment to meet growing demand in energy-consuming nations.

From the standpoint of the customer, the "Reliability No. 1" contractor is one who sees his mission as safely completing projects on schedule and delivering plants that will produce profit for the client. In other words, this is a contractor who is up to the task of handling a whole project.

- 1 Qatar Petroleum 65%: ExxonMobil 10%: Total 10%: Mitsui 7.5%: Marubeni 7.5%
- 2 Qatar Petroleum 63%: ExxonMobil 25%: KORAS 5%: Itochu 4%: LNG Japan 3%
- 3 Qatar Petroleum 70%: ExxonMobil 30%
- 4 Qatar Petroleum 65%: ExxonMobil 18.3%: Total 16.7%
- 5 Qatar Petroleum 68.5%: ConocoPhillips 30%: Mitsui 1.5%
- 6 Qatar Petroleum 70%: Shell 30%

TOP Five Countries with Natural Gas Reserves

Source: BP p.L.C. (As of the end of 2005)



Chiyoda's LNG Performance in Qatar

Project Name	Capacity	Start/End	Status
Completed Projects			
Qatargas Train 1/2/3	2.0 mtpa x 3	1996 / 1996 / 1998 (EPC)	1
RasGas Train 1/2	2.5 mtpa x 2	1995 (FEED)	2
RasGas (II) Train 3	4.7 mtpa	2000 (FEED) / 2003 (EPC)	3
Qatargas Train 1/2/3	Debottlenecking 1.0 mtpa x 3	2003 / 2004 / 2005 (EPC)	1
RasGas (II) Train 4	4.7 mtpa	2000 (FEED) / 2005 (EPC)	3
Ongoing Projects			
RasGas (II) Train 5	4.7 mtpa	2004 (FEED) / 2006 (EPC)	3
Qatargas 2 Train 4	7.8 mtpa	2004 (FEED) / 2007 (EPC)	3
Qatargas 2 Train 5	7.8 mtpa	2004 (FEED) / 2008 (EPC)	4
RasGas (3) Train 6/7	7.8 mtpa x 2	2004 (FEED) / 2008 / 2009 (EPC)	3
Qatargas 3 Train 6	7.8 mtpa	2005 (FEED) / 2008 (EPC)	5
Qatargas 4 Train 7	7.8 mtpa	2005 (FEED) / 2009 (EPC)	6

Board of Directors, Corporate Auditors and Executive Officers (AS OF JULY 1, 2006)



Directors

1st row, From left to right:

Hiroshi Shibata* EVP, Chief Financial Officer, Corporate Management & Finance President & CEO
Nobuo Seki* EVP, CSR Division
Nobuyasu Kamei* EVP, International Project Operation
Hiroshi Kobayashi*

2nd row, From left to right:

Kinnosuke Hashimoto MD, Domestic Project Operation
Yoshihiro Shirasaki MD, Head of Projects Logistics
Takashi Kubota MD, Technology & Engineering
Atsuo Minamoto MD, Projects Logistics

* Representative Directors & Members of Executive Committee

Corporate Auditors

From left to right:

Yukihiro Imadegawa** Lawyer
Hiroshi Ida**
Akira Kadoyama Auditor, NGK Spark Plug Co., Ltd.
Hideaki Fujioka**

** Outside Corporate Auditors

Executive Officers

1st row, From left to right:

Hiroshi Ogawa
SEO, General Manager, Qatar Project Division
Project Director of QGX Team
Fumio Nagata
SEO, International Project Operation
Senior General Manager,
International Business Development Division
Takaharu Saegusa
SEO, Corporate Management & Finance
Madoka Koda
SEO, International Project Operation
General Manager, Construction Division



2nd row, From left to right:

Masahiko Mochizuki EO, General Manager, Project Management Administration Division
Takeo Kawase EO, Technology & Engineering
Takashi Yamamoto EO, Executive Assistant to International Project Operation
Satoru Yokoi EO, Domestic Project Operation / General Manager, Petroleum Division
Hidehiro Shinohara EO, Executive Assistant to International Project Operation
Tsuyoshi Kakizaki EO, General Manager, Petroleum & Chemical Project Division
Hideo Kobayashi EO, General Manager, Russia Project Division / Project Director of SEG team
Sumio Nakashima EO, Technology & Engineering

Abbreviation:
EVP : Executive Vice President
MD : Managing Director
SEO : Senior Executive Officer
EO : Executive Officer

CORPORATE SOCIAL RESPONSIBILITY

CHIYODA CSR VISION

Chiyoda is dedicated to helping create a society in which social and economic development does not conflict with the need to preserve the natural environment. To achieve this goal, we will further advance our technologies with the aim of becoming the world's most reliable Engineering and Construction Company.

One important step in this direction was the April 2005 establishment of the Corporate Social Responsibility (CSR) Division. Providing unified oversight of all our activities as a corporate citizen, including environmental conservation, the new division allowed us to start a CSR program on a global scale.

In April 2006, Chiyoda established the CSR Vision, which sets out guidelines for CSR activities by defining five areas of priority.

A Reliable Company (CSR Vision I)

Chiyoda is committed to earn the reputation as the "Reliability No. 1" Project Company.

FROM OUR CLIENTS



"We believe Japanese technologies are the best, one of the best in the world, and we trust Japanese constructing technology very much."

H.E. Abdullah Bin Hamad Al-Attiyah
Second Deputy Premier
Minister of Energy and Industry
State of Qatar



"I think Chiyoda is one of the best contractors in the world. They are very responsible to their customers and they are always around when you need them for support."

Mr. Faisal M. Al Suwaidi
Vice Chairman and Chief Executive Officer
Qatargas



"We have a long and very positive history with Chiyoda. I couldn't be more confident in the outcome because we've picked the right partner."

Mr. James B. Adams
Chief Operating Officer
Qatargas 2 Venture

Chiyoda CSR Vision

As an integrated engineering company, the Chiyoda Group pledges to constantly strive to increase corporate value and earn the trust and understanding of all stakeholders by adhering to the following principles:

1. A Reliable Company

We are dedicated to earning a reputation among our customers and all others with whom we do business as the "Reliability No. 1" Project Company by providing the highest levels of technologies and knowledge in the world.

2. Environmental Initiatives

We are dedicated to remaining a company that plays a vital role in society by using sophisticated technologies to maintain the proper balance between environmental conservation and social and economic development.

3. Social Contributions through Business Activities

We are dedicated to using our engineering business activities in Japan and overseas to contribute to society, such as helping people reach their goals, transferring technologies and protecting the environment.

4. Respect for Human Rights

We are dedicated to respecting the human rights of all people. We will create a corporate culture where the individuality and character of every employee are respected, where people are motivated to do their best, and of which employees and their families are proud.

5. Commitment to Fairness

We are dedicated to achieving even greater transparency and stability by conducting our operations fairly in accordance with the highest ethical standards.

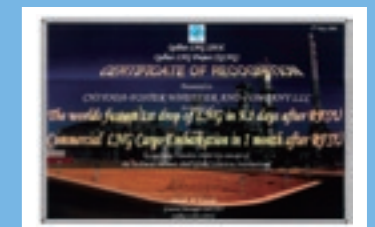
TOPICS

High Performance of CSR
QALHAT LNG PROJECT in OMAN
3.3 mtpa, successfully completed
in November 2005



"All of this would not have been possible if not for your effort. On behalf of my Omani colleagues I would like to thank you very much."

Mr. Harib Al-Kitani
President and CEO, Qalhat LNG



9.1 days

for LNG production after Ready for Start-Up (RFSU) with successful Flawless Start-Up (Shell Global Solutions International B.V.) First cargo shipped 30 days after RFSU.

"My congratulations also extend to Chiyoda for achievement of a world class HSE performance with nearly 20 million hours being spent without a lost time injury on the construction and operational sites."

Ms. Linda Cook, Executive Director, Gas & Power, Shell



20 million
man-hours of no loss time incident.



37.5%
of Omanisation against a target of 35.0% for Qalhat LNG. Overall Key performance Indicator score of 95.7 against a target of 80.0.

CORPORATE SOCIAL RESPONSIBILITY

CSR ACTIVITIES

Chiyoda will conduct a variety of CSR activities in line with its CSR Vision. Presented below are the examples of CSR activities in fiscal 2006 regarding environmental initiatives and social contributions through business activities.



Subcontractor training at Technical and Administrative Training Institute (TATI)

Social Contributions through Business Activities (CSR Vision 3) Providing Employment Opportunities for Citizens of Oman

Chiyoda, as the leader of Chiyoda-Foster Wheeler and Company LLC, in November 2005 received the Certificate of Ready for Start-Up for the natural gas liquefaction plant that it constructed in Oman. The EPC contract was signed in January 2003 for this project to build a Qalhat LNG plant in Oman.

Chiyoda is supporting an Omanisation program that seeks to have citizens of Oman account for at least a certain legal percentage of all workers at companies and other organizations in the country. At this LNG plant project, Omani citizens accounted for 37.5% of the workforce, easily clearing the target of 35.0%. In recognition of this achievement, Chiyoda in 2004 and 2005 received the highest awards given by the Government of Oman to a construction-sector company, and it was the only purely private-sector company among the awarded companies. Chiyoda's commitment to developing people's skills, transferring technologies, protecting the environment and contributing to society in other ways is the same at all construction projects worldwide. Furthermore, our policy of "safety first" allowed this Oman construction project to surpass 20 million man-hours without loss time injury on site. (Please refer to pages 9 and 17 for the Qalhat LNG project.)



Omani engineers training

Respect for Human Rights (CSR Vision 4)

Chiyoda is committed to upgrade the corporate culture where all employees are motivated to do their best.

FROM OUR STAFF



"Our project brings together people with all kinds of knowledge and information. They come from many countries and companies and cover a broad range of ages. Interacting with so many different kinds of people is the most rewarding aspect of a project."

Hiroki Yoshioka
RGX Ras Laffan FO, Construction Planning Department

"When we face a tough problem at a project, we draw on the specialized skills of all team members. We come up with solutions based on knowledge and the right decisions and take the proper actions. I'm always impressed with the power of teamwork when we use this approach to reach our goals."

Kaoru Nakamura, QCS Project, Procurement Group



Environmental Initiatives (CSR Vision 2):

Licensed Flue Gas Desulfurization Technology to U.S. Electric Companies

Chiyoda has been licensing its CT-121 flue gas desulfurization technology to Black and Veatch Corporation (U.S.A.) since January 2001 and to Southern Company Services, Inc. (U.S.A.) since May 2003. Coal is certain to remain one of the most widely used fossil fuels, and it is becoming an increasingly important energy source for power generation. However, one barrier to the use of coal is the need to comply with restrictions on emissions of sulfur oxide and nitrous oxide gases, which are harmful to the environment. CT-121 removes sulfur oxide gases with high efficiency and is also very effective at removing particulate matter and sulfuric acid mist. CT-121 is already in use at more than 50 power-generating units in Japan and other countries. Our technology has earned an excellent reputation for meeting increasingly strict emission standards in the United States, which is becoming more dependent on coal-fired power plants as the price of natural gas climbs. In the United States, CT-121 has been applied to 24 units with a total capacity of over 14GW. We will try to apply our advanced technologies not only in the United States area but also in European and Asian countries to keep economic and social activity in step with the need for environmental conservation.

(Please refer to page 9 for Chiyoda's CT-121 latest record.)



"I take personal pleasure in playing a part in having clients make the final decision to award a contract to Chiyoda. This means they give us high marks due to our ability to provide a timely offer with the best mix, including high plant reliability, fast-track schedule and minimizing CAPEX per production with cutting-edge technology. All of these strengths serve to maximize the client's Net Present Value."

Toshiyuki Ito
Business Development Manager
Gas Value Chain Business Development Division

"Every day means a new challenge for me at Chiyoda. We must continuously develop special tools, software and knowledge bases, most of which are not available on the market, in order to stay ahead of the competition. This is a great challenge, in which even small achievements bring true satisfaction."

Janos A. Nagy
Structural Engineer, Civil Design Center



FROM OUR STAFF



"The Chiyoda Group provides a great challenge for me since it encourages each individual to participate and decide on actions for actual work situations. Moreover, the multicultural work environment at the Chiyoda Group gives me an additional challenge to develop my skill in communicating and coordinating with people of different nationalities."

Ma. Kristina Kaerel M. Lontoc
Designer
Chiyoda Philippines Corporation

FAQ — FISCAL 2006

Key Points to Understand Chiyoda Performance

Q How is Chiyoda dealing with the extreme inflation of materials and equipment?

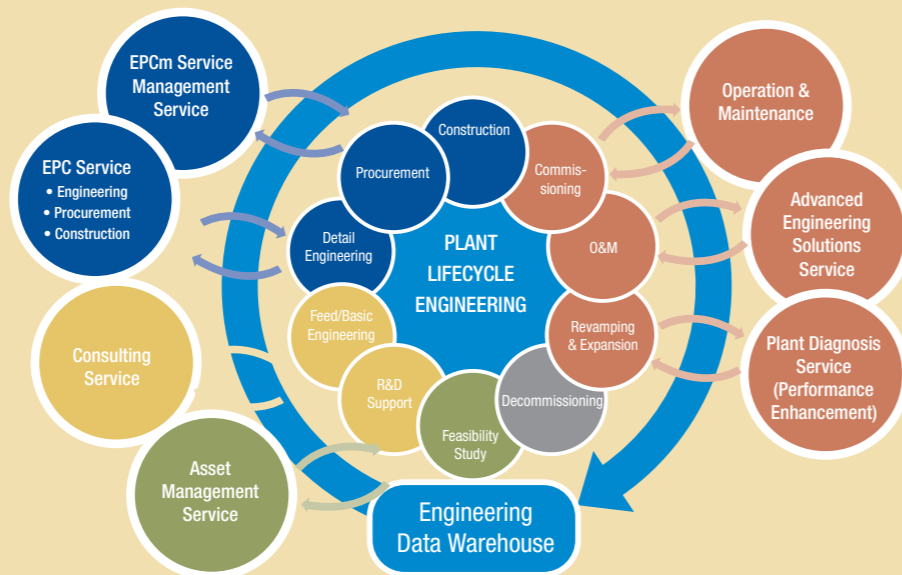
A We are taking every possible measures to avoid and minimize the impact of these costs in response to customers' needs. Actions include moving faster to procure materials and equipment, placing orders sooner, and reflecting the higher costs in contract terms. We have also reinforced our procurement bases in Italy and Korea. In another move, we are sending our special "Fables" team, which is made up of highly experienced master engineers who used to work at plants, to locations around the world to strengthen our quality and delivery management operations.

Q How does Chiyoda hedge risks associated with fluctuation of foreign exchange rate?

A At international construction projects, Chiyoda generally receives payments from customers in U.S. dollars, but also receives payments in multi-currencies. A high percentage of materials and equipment is purchased outside Japan (overseas procurement rate is 80% for overseas construction projects). As much as possible, we match currencies used for payments received and corresponding expenses. For the remaining exposure, after contracts are signed, we enter into forward foreign exchange contract as soon as the timing and amounts of incoming and outgoing payments are fixed. As a rule, we try to avoid both foreign exchange gains and losses. At certain joint venture overseas construction projects, we hold foreign currency cash and deposits as part of our share of jointly controlled assets of joint venture while the project is under way. We use similar methods to hedge foreign exchange risk associated with these assets.

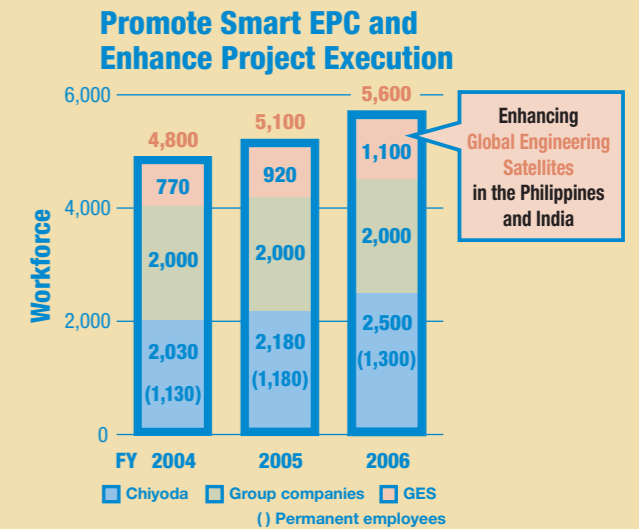
Q What is PLE (Plant Lifecycle Engineering)?

A PLE proactively facilitates optimization at all stages of a plant's lifecycle, thus maximizing the customer's return on assets. Chiyoda's PLE concept takes a plant's entire lifecycle into consideration. It begins with the basic business plan and continues through engineering, procurement, construction (EPC), operation, maintenance and decommissioning, going all the way to planning the next investment. Using information in our data warehouse, gathered in collaboration with our clients, Chiyoda analyzes costs, quality, stable operations, labor health and welfare and environmental load factors to offer optimized service backed up by the entire Chiyoda Group of companies.

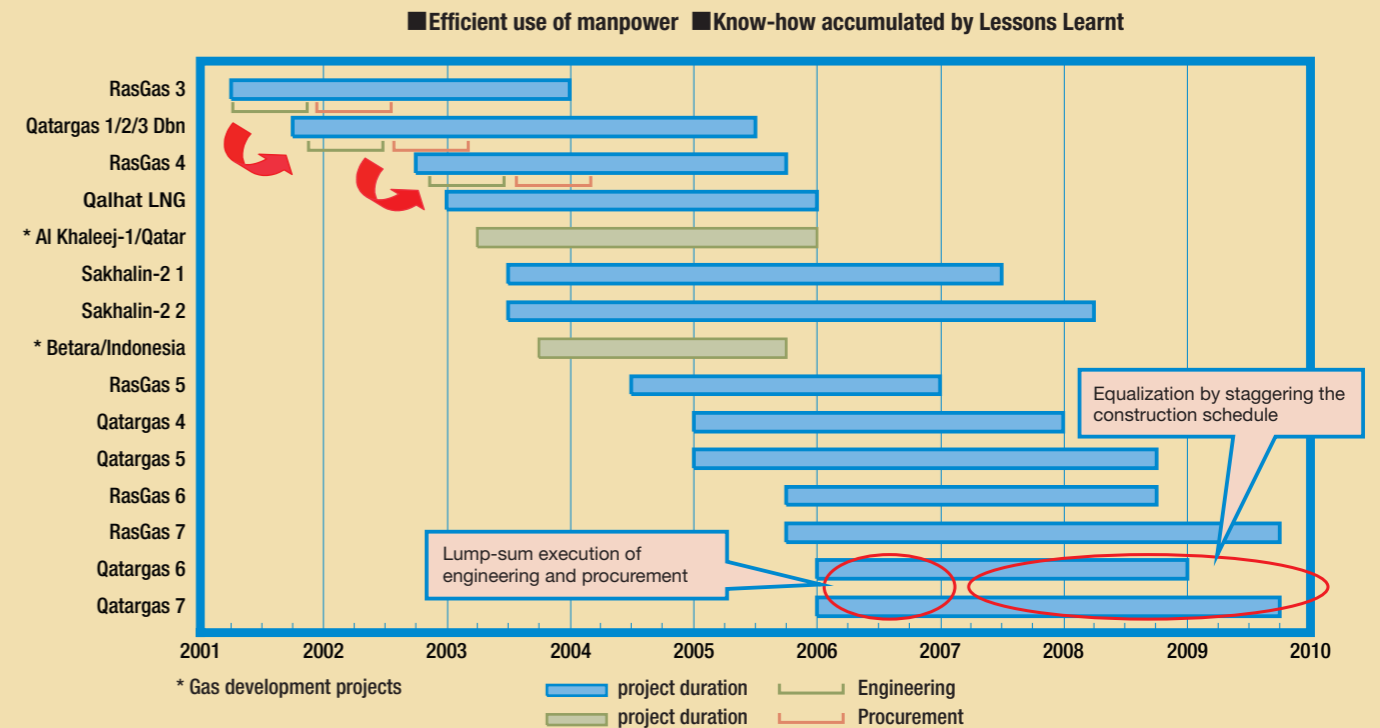


Q Does Chiyoda plan to expand the scale of its operations?

A We have a very cautious stance regarding the expansion of our operations. Due to the receipt of large orders earlier than expected, we have increased our global workforce by 300 more than was originally planned. Currently, our global workforce is 5,600. Different teams handle the engineering, procurement and construction steps of a project. Because of this, the timing of capturing new contracts is important. To perform larger number of jobs, we exercise care to accept new contracts in a well-timed manner so that we can rotate our workforce among these projects efficiently.



Timely Consecutive Orders



Q Does Chiyoda have an R&D program?

A Chiyoda has been conducting research and development of new catalysts, processes and systems in the fields of energy, environmental, petroleum and petrochemical industries. Our annual R&D budget is about ¥1.2 billion. In addition to own budget, some of R&D works have been carried out with the financial support of the government in national projects. In 2006, we were awarded from the Japan Petroleum Institute for outstanding achievements concerning two R&D items. One is the development of ultra deep hydrodesulfurization catalyst for diesel oil. The paper investigating the mechanism on the high activity of the proprietary titania catalyst was selected as an Award for Distinguished Paper. The other is the development of CO₂ reforming catalyst and process for synthesis gas production. We have been developing these researches in JOGMEC's (Japan Oil, Gas and Metals National Corporation) national GTL (Gas to Liquid) project. The Noguchi Memorial Award which is sent to superior technology under development was presented for test results of GTL pilot plant with the capacity of 7BPSD (Barrel per stream day).

MANAGEMENT POLICIES

All corporate activities at Chiyoda are guided by a commitment to earning the trust and understanding of shareholders, society, customers and other stakeholders through prioritizing corporate social responsibility (CSR). We are dedicated to the establishment and proper operation of fair internal control systems rooted in the principles of management transparency and soundness and to the timely disclosure of information as the basis of proper company operation.

Corporate Governance

Chiyoda has adopted the corporate auditor system, using the executive officer structure in which the Board of Directors supervises the execution of business operation by the executive officers. This provides for accurate decision-making in response to rapid shifts in the social and economic climate. In addition, the Company has the Executive Committee, which is composed of the representative directors and examines matters before they are submitted to the Board of Directors. Unanimous votes are required for decisions concerning important matters involving business execution. Corporate auditors attend meetings of the Executive Committee to express opinions as necessary. This system provides for speedy and transparent decision-making.

Regarding compliance, strict adherence to domestic laws and regulations, international rules and Company rules and regulations is treated as a matter of course. In addition,

information in regard to the corporate code of conduct, handbooks providing behavior guidelines and other information are made available to directors and employees on a real-time basis using an enterprise information portal.

From an organizational perspective, the CSR Division, comprised of the Compliance Management Office, the Social Environment Office and the Information Security Management Office, is to provide for the integrated oversight of CSR management at the corporate level. For further reinforcement of internal control systems, corresponding to current regulatory requirements, the Internal Control Management Committee was established in May 2006.

Risk Management

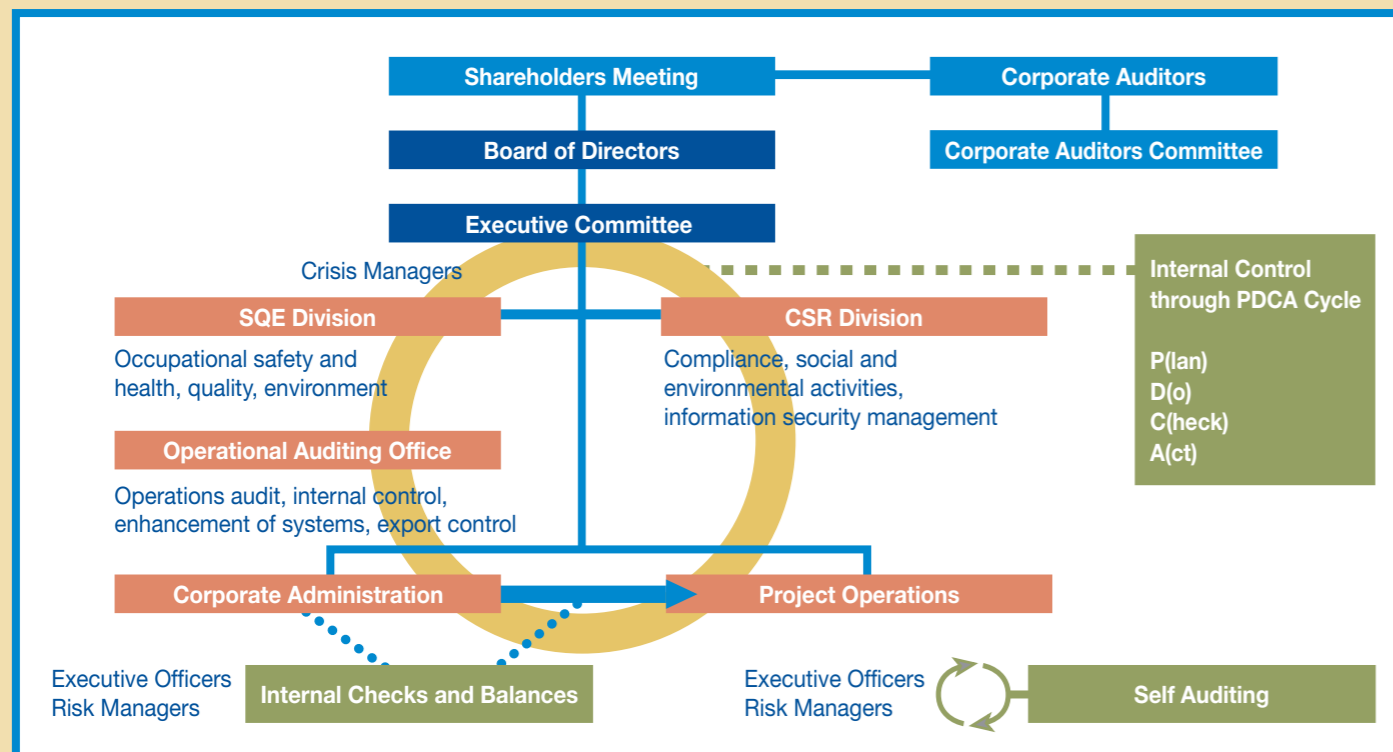
Chiyoda has established a risk and crisis management system in order to cope with the unpredictable situations faced in various corporate activities. Risk managers and crisis managers are appointed to prevent problems as well as to deal with any incidents and minimize their consequences.

With regard to project management, Chiyoda has a rigorous project monitoring system operated by senior management — the “Cold Eye Review System” where sales activities are evaluated so that potential sources of risk can be quickly identified prior to the preparation of estimates, submission of bids and signing of contracts. During the execution stage, the “Milestone Gate Monitoring System,” under which various project activities are evaluated at every key project milestone in terms of quality, schedule and cost, is functioning whereby immediate actions can be taken for areas of concern to senior management. Moreover, by way of the periodic on and off site project audits, administrative sections verify the suitability of project execution plans prepared by operating divisions. Through these activities, the Company is further strengthening internal controls and making operations more transparent.

With regard to information security management systems, Chiyoda has established clear rules and systems that comply with BS7799-Part II (2002) standards for the protection and proper handling of information resources that represent the foundation of all business operations. Chiyoda has also prepared personal information protection rules, in response to strict compliance with Japan’s Personal Information Protection Law, established in April 2005.

Health, Safety and the Environment

Chiyoda regards the protection and improvement of safety and health for all Group employees as the basis for its ability to succeed. Priority will continue to be placed on employee safety and hygiene management, such as thorough employee training, enactment of suitable measures to prevent accidents and other emergencies and initiatives to preserve and enhance workplace safety and hygiene. Regarding environmental management, Chiyoda published the Environmental Report in August 2005 and open it to the public through the Company website. The Company continues to conduct an extensive health, safety and environmental management program under proper guidance by the HSE Management Office within the SQE Division.



FINANCIAL SECTION

We have replaced certain terms in the sections preceding the Management's Discussion and Analysis section with terms that are more commonly used, for the convenience of non-professionals. The following table shows the correspondence between the terms used in the Financial Section and in other sections. The terms used in the Financial Section, including the Management's Discussion and Analysis section, conform to the terms used in prior years.

Terms used in non-financial sections	Corresponding terms in the Financial Section
Revenues	Construction contracts
Gross margin	Gross profit

Management's Discussion and Analysis

1. REVIEW OF OPERATING RESULTS

A. Summary

In fiscal 2006, ended March 31, 2006, new contracts increased 95.5% to ¥804.2 billion and consolidated construction contracts increased 46.0% to ¥390.9 billion. Operating income was up 87.1% to ¥20.7 billion and net income rose 50.8% to ¥19.4 billion.

B. New contracts and construction contracts

New contracts were up 95.5% to ¥804.2 billion as domestic new contracts rose 25.9% to ¥112.7 billion and overseas new contracts increased 114.9% to ¥691.5 billion. Construction contracts increased 46.0% to ¥390.9 billion, the result of a 17.5% increase in domestic construction contracts to ¥105.3 billion and 60.4% growth in overseas construction contracts to ¥285.5 billion.

A summary of engineering operations, which account for almost all of the Group's activities, is presented below.

a. Power and gas

As global demand for natural gas rises, there is a large volume of investment in Gas Value Chain projects outside Japan by gas-producing nations and energy majors. Projects included the development of gas fields and the construction of LNG plants and LNG receiving terminals and arrangement of LNG carriers. In the United States, the world's largest consumer of energy, gas from domestic sources and imports from Canada are no longer sufficient to meet rising demand. The country is certain to become increasingly reliant on imported LNG. In the United Kingdom, the projected decline in North Sea gas production has transformed this country from a gas exporter to an importer. In Asia, India has started importing LNG and China has been beginning to import LNG sooner than had been expected. Due to the rising demand for LNG, a large number of LNG plants are likely to be constructed in Russia, which has the world's largest gas reserves, and in the Middle East and West Africa.

Electric and gas utilities in Japan are shifting from crude oil, which has become much more expensive, to LNG and coal. Furthermore, these companies are investing in plants and equipment and showing a growing interest in making other investments as the energy industry becomes increasingly borderless.

In these market conditions, Chiyoda recorded a 126.5% increase in new contracts to ¥692,056 million and a 75.1% increase in construction contracts to ¥284,505 million.

b. Petroleum, petrochemicals and gas chemicals

In the petroleum sector, there were a number of investments in large and grade-up projects by Japanese petroleum companies to make their refineries more competitive. Investments were for facilities to supply petrochemical products for sale in Asian markets, to respond to the price gap between heavy and light oil and to target large energy-saving plans.

In the petrochemical sector, one source of orders is investments by Japanese chemical companies to expand in China and elsewhere in Asia. There are also a number of joint petrochemical projects by chemical and oil companies.

As a result, new contracts increased 11.7% to ¥73,843 million and construction contracts decreased 14.0% to ¥61,686 million.

c. General chemicals and industrial machinery

In the general chemicals sector, there was a continuation in capital expenditures to cope with mergers of pharmaceutical companies as the industry undergoes a realignment and with the entry into Japan by foreign pharmaceutical companies.

In the industrial machinery sector, there was a large volume of capital expenditures in Japan by manufacturers of electronic materials and high-performance films. Chiyoda also received orders for upgrades and expansions at existing plants and for development projects.

Overall, there was an 8.8% decline in new contracts to ¥26,474 million and a 46.4% increase in construction contracts to ¥31,900 million.

d. Environment and others

Regarding environmental activities, Chiyoda continued to license CT-121, its internally developed flue gas desulfurization process, to meet needs created by more stringent air pollution prevention standards worldwide. CT-121 was licensed to Southern Company Services, Inc. for three flue gas desulfurization units at coal-fired power plants of Southern Company, a major U.S. power company. In addition, it is licensed to Black & Veatch Corporation for 10 units of American Electric Power Company, Inc. and one unit of Alabama Electric Cooperative, Inc. These licenses contributed to growth in sales and earnings.

Due to these factors, new contracts rose 10.8% to ¥7,134 million and construction contracts were up 6.9% to ¥8,061 million.

C. Gross profit on construction contracts

There was a 54.7% increase in gross profit on construction contracts to ¥30,553 million. The primary causes were growth in the volume of construction contracts and an improvement in the gross profit ratio. This performance produced a 0.4 percentage point increase in the gross profit ratio from 7.4% to 7.8%.

D. Selling, general and administrative expenses

Selling, general and administrative expenses (SG&A) increased ¥1,152 million to ¥9,824 million. Personnel expenses rose ¥562 million in conjunction with an improvement in the compensation framework for employees. Research and development expenses increased ¥119 million. Despite these increases, further progress in raising the efficiency of administrative departments resulted in a 0.8 percentage point decline in the SG&A expenses ratio from 3.3% to 2.5%.

E. Operating income

Operating income increased 87.1% to ¥20,729 million because of growth in sales, the higher gross profit margin and the decline in the SG&A expenses ratio. The operating income margin increased 1.2 percentage points from 4.1% to 5.3%.

F. Other income (expenses)

Other income-net was ¥1,177 million, ¥205 million more than other income-net of ¥972 million in the previous fiscal year.

Net financial income, which is interest and dividend income less interest expense, increased ¥1,928 million to ¥2,366 million. This was attributable to higher interest income on Chiyoda's share of jointly controlled assets of joint venture. Foreign exchange loss increased ¥71 million, to ¥174 million. This loss mainly represents hedging costs for comprehensive forward foreign exchange contracts. At the end of March 2006, the exchange rate was ¥117 to the U.S. dollar compared with ¥107 one year earlier.

Equity in earnings of associated companies increased from ¥153 million to ¥193 million, an increase of ¥40 million.

G. Corporate income, residential and enterprise taxes and deferred tax adjustment

Income before income taxes and minority interests was ¥21,906 million and corporate income, residential and enterprise taxes totaled ¥4,478 million. Taxes were low primarily because Chiyoda assigned loss carry forwards for tax purposes.

As of March 31, 2006, Chiyoda had used all remaining loss carry forwards available for tax purposes. As a result, deferred tax assets were re-assessed and recalculated to determine the amount that is likely to be recovered based on projected taxable earnings in the three-year period ending in March 2009. This process resulted in negative deferred corporate income taxes of ¥2,011 million.

H. Net income

Net income increased ¥6.5 billion from the previous fiscal year to ¥19.4 billion.

2. SOURCES OF CAPITAL AND LIQUIDITY

A. Cash flows

Cash and cash equivalents increased ¥5,285 million to ¥46,879 million as of March 31, 2006. Major uses of cash were capital expenditures of ¥1,855 million, mainly for IT-related software, and dividend payments of ¥1,140 million. Net cash provided by operating activities increased ¥4,753 million to ¥5,237 million. This was mainly because the increase in advance receipts on construction contracts and other cash provided by changes in working capital was received prior to the time these funds will be used.

Jointly controlled assets of joint venture mainly represent Chiyoda's share of cash and cash equivalents at joint ventures. Net cash provided by operating activities after adjustment for jointly controlled assets of joint venture was ¥86,620 million. As a result, the Chiyoda Group's operating activities provided net cash of ¥178,215 million.

B. Financing

Upfront expenses for the construction of plants in Japan and overseas along with SG&A expenses account for the bulk of the Chiyoda Group's financing needs. Significant components of SG&A expenses are employee salaries and allowances and outsourcing expenses. Personnel expenses for employees engaged in R&D represent the majority of research and development expenses.

C. Financial Strategy

Chiyoda meets its funding needs for working capital, capital investments and other requirements through internal liquidity and bank loans. For working capital, Chiyoda has a ¥15.0 billion short-term credit facility to be prepared for any future demand for funds.

Current plans for capital investments primarily involve investments in IT systems. These expenditures will be financed internally.

Based on the current volume of contracts received, financial position, ability to generate operating cash flows and unused portion of the short-term credit facility, Chiyoda believes that it has adequate access to the funds required to support growth.

Business Risks and Other Risks

The following describes major risk areas and Chiyoda's stance, which may have a significant impact on the investors' judgment, with regard to the Chiyoda Group's financial position, operating results, cash flows and other important factors associated with an investment. The Chiyoda Group is aware of the possibility that these problems may occur and is exercising extreme care to act quickly to any problem to minimize its effect.

The future risk items as described below represent risks that the Company believes are significant in the light of its risk management activities as of June 29, 2006, the date when the Company submitted its MOF securities report (*Yuka Shoken Hokokusho*).

1. FLUCTUATION OF FOREIGN EXCHANGE RATES

At international construction projects, foreign currencies are used for payment and receipt under various contracts, namely; client contracts, purchase orders for equipment and materials and subcontracts. Consequently, an unexpected fluctuation of foreign exchange rates may affect Chiyoda's operating results. Chiyoda takes all possible actions to hedge foreign exchange volatility risk, such as by matching the construction contracts and expenditure currencies, using forward foreign exchange contracts and other contractual measures.

2. EXTREME INFLATION AND LABOR SHORTAGE

At plant construction projects, because of a time gap before and after the bid and award of the project, there are cases where Chiyoda may face unexpected increases in price from vendors and / or subcontractors after awarding the project. Moreover, tight supplies of metals, such as copper, nickel and aluminum, may cause delays in the delivery of equipment and materials and in the installation of equipment. There may also be delays in progress at construction projects due to a shortage of construction workers. Any of these events may have an impact on Chiyoda's operating results.

The Chiyoda Group is considering and taking every possible measures to avoid and minimize exposure to these risks, such as the diversification of suppliers worldwide, blanket purchases and the early arrangement of orders for equipment and materials and subcontracting work.

3. TERRORISM, POLITICAL UNREST IN NEIGHBORING COUNTRIES, STRIKES AND ANARCHY AND NATURAL DISASTERS

There may be an impact on operating results in the event that global terrorism or disputes directly damage construction sites or Chiyoda Group offices in Japan and overseas, endanger construction site workers, force the suspension of construction work or cause other problems resulting in expenses that cannot be compensated by customers. The Chiyoda Group has a crisis management system to make a quick initial response, in collaboration with customers and other external parties, if a crisis occurs.

4. PLANT ACCIDENTS

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

The Chiyoda Group has established the best possible risk management systems in terms of quality, safety and the environment in order to prevent these accidents. In addition, the Chiyoda Group purchases suitable insurance coverage, uses contractual protection that appropriately divides responsibility for such damages with customers and takes other necessary actions to avoid and minimize exposure to these risks.

Chiyoda Corporation and Consolidated Subsidiaries

Consolidated Balance Sheets March 31, 2006 and 2005

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)	LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006		2006	2005	2006
CURRENT ASSETS:				CURRENT LIABILITIES:			
Cash and cash equivalents	¥ 46,879	¥ 41,594	\$ 400,675	Current portion of long-term debt (Note 10)	¥ 47	¥ 10,102	\$ 402
Time deposits	155	790	1,325	Notes and accounts payable—trade (Note 3)	85,902	74,414	734,205
Notes and accounts receivable—trade (Note 3)	36,988	28,425	316,137	Advance receipts on construction contracts	101,979	44,384	871,615
Allowance for doubtful accounts	(168)	(507)	(1,436)	Income taxes payable	3,990	664	34,103
Costs and estimated earnings on long-term construction contracts (Note 4)	9,989	9,224	85,376	Deposits received (Note 3)	864	2,615	7,385
Costs of construction contracts in process	17,923	24,978	153,188	Allowance for warranty costs for completed works	1,871	759	15,991
Accounts receivable—other (Notes 3 and 9)	9,207	1,787	78,692	Allowance for losses on construction contracts	146		1,248
Jointly controlled assets of joint venture	131,337	49,954	1,122,538	Accrued expenses and other (Notes 13 and 16)	10,393	6,843	88,829
Deferred tax assets (Note 13)	1,751	3,804	14,966				
Prepaid expenses and other (Note 16)	2,562	1,963	21,898	Total current liabilities	205,192	139,781	1,753,778
Total current assets	256,623	162,012	2,193,359	NON-CURRENT LIABILITIES:			
PROPERTY, PLANT AND EQUIPMENT (Notes 7 and 10):				Long-term debt (Note 10)	10,169	215	86,915
Land	1,853	1,956	15,838	Liability for retirement benefits (Note 11)	8,393	5,593	71,735
Buildings and structures	6,454	6,302	55,162	Other liabilities (Note 13)	136	86	1,162
Machinery and equipment	817	685	6,983	Total non-current liabilities	18,698	5,894	159,812
Tools, furniture and fixtures	5,249	5,353	44,863	MINORITY INTERESTS			
Construction in progress		3			322	345	2,752
Total	14,373	14,299	122,846	CONTINGENT LIABILITIES (Notes 3, 15, 16 and 17)			
Accumulated depreciation	(7,288)	(7,516)	(62,290)	SHAREHOLDERS' EQUITY (Notes 12 and 19):			
Net property, plant and equipment	7,085	6,783	60,556	Common stock—authorized, 570,000 thousand shares; issued, 192,894 thousand shares in 2006 and 191,361 thousand shares in 2005	12,901	12,722	110,265
INVESTMENTS AND OTHER ASSETS:				Preferred stock—authorized, 80,000 thousand shares	6,685	6,507	57,137
Investment securities (Notes 5 and 10)	2,798	1,609	23,915	Additional paid-in capital	36,877	18,622	315,188
Investments in and advances to unconsolidated subsidiaries and associated companies (Notes 6 and 9)	3,216	3,755	27,487	Retained earnings	45	32	385
Long-term loans (Note 8)	517	629	4,419	Unrealized gain on available-for-sale securities	(323)	(759)	(2,761)
Long-term receivables (Note 9)	1,034	5,425	8,838	Foreign currency translation adjustments			
Software	3,099	2,771	26,487	Treasury stock—at cost, 741,476 shares in 2006 and 523,362 shares in 2005	(676)	(251)	(5,778)
Deferred tax assets (Note 13)	4,158	112	35,538	Total shareholders' equity	55,509	36,873	474,436
Other assets	2,661	2,283	22,743				
Allowance for doubtful accounts (Note 9)	(1,470)	(2,486)	(12,564)	TOTAL	¥279,721	¥182,893	\$2,390,778
Total investments and other assets	16,013	14,098	136,863				
TOTAL	¥279,721	¥182,893	\$2,390,778				

See notes to consolidated financial statements.

Chiyoda Corporation and Consolidated Subsidiaries

Consolidated Statements of Income Years Ended March 31, 2006 and 2005

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
CONSTRUCTION CONTRACTS (Notes 3 and 4)	¥390,875	¥267,655	\$3,340,812
COSTS OF CONSTRUCTION CONTRACTS (Notes 3 and 4)	<u>360,322</u>	<u>247,905</u>	<u>3,079,675</u>
Gross profit	30,553	19,750	261,137
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 3 and 14)	<u>9,824</u>	<u>8,672</u>	<u>83,966</u>
Operating income	<u>20,729</u>	<u>11,078</u>	<u>177,171</u>
OTHER INCOME (EXPENSES):			
Interest and dividend income (Note 3)	2,668	743	22,803
Interest expense	(302)	(305)	(2,581)
Equity in earnings of associated companies	193	153	1,650
Foreign exchange loss	(174)	(103)	(1,487)
Loss on a partial termination of a defined benefit pension plan (Note 11)	(1,995)		(17,051)
Reversal of allowance for doubtful accounts	1,367	1,074	11,684
Project settlement money	(469)		(4,009)
Loss on impairment of long-lived assets (Note 7)	(128)	(233)	(1,094)
Reversal of provision for contingent loss		200	
Other—net	<u>17</u>	<u>(557)</u>	<u>145</u>
Other income—net	<u>1,177</u>	<u>972</u>	<u>10,060</u>
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	<u>21,906</u>	<u>12,050</u>	<u>187,231</u>
INCOME TAXES (Note 13):			
Current	4,478	931	38,274
Deferred	<u>(2,011)</u>	<u>(1,754)</u>	<u>(17,189)</u>
Total	<u>2,467</u>	<u>(823)</u>	<u>21,085</u>
MINORITY INTERESTS IN NET INCOME	<u>39</u>	<u>10</u>	<u>334</u>
NET INCOME	<u>¥ 19,400</u>	<u>¥ 12,863</u>	<u>\$ 165,812</u>

Chiyoda Corporation and Consolidated Subsidiaries

Consolidated Statements of Income Years Ended March 31, 2006 and 2005

	Yen		U.S. Dollars
	2006	2005	2006
PER SHARE OF COMMON STOCK (Notes 2.s and 18):			
Basic net income	¥101.27	¥68.62	\$0.87
Diluted net income	100.80	67.30	0.86
Cash dividends applicable to the year	10.00	6.00	0.09

See notes to consolidated financial statements.

Chiyoda Corporation and Consolidated Subsidiaries

Consolidated Statements of Shareholders' Equity Years Ended March 31, 2006 and 2005

	Thousands		Millions of Yen				
	Outstanding Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, APRIL 1, 2004	185,041	¥12,028	¥5,819	¥ 5,801	¥26	¥(767)	¥(140)
Net income				12,863			
Issuance of common stock by stock option plan	5,932	694	688				
Repurchase of treasury stock	(136)						(111)
Decrease in retained earnings due to exclusion from consolidation of consolidated subsidiaries				(42)			
Net increase in unrealized gain on available-for-sale securities					6		
Net change in foreign currency translation adjustments						8	
BALANCE, MARCH 31, 2005	190,837	12,722	6,507	18,622	32	(759)	(251)
Net income				19,400			
Issuance of common stock by stock option plan (Note 12)	1,533	179	178				
Repurchase of treasury stock	(218)						(425)
Cash dividends, ¥6.00 per share				(1,145)			
Net increase in unrealized gain on available-for-sale securities					13		
Net change in foreign currency translation adjustments						436	
BALANCE, MARCH 31, 2006	192,152	¥12,901	¥6,685	¥36,877	¥45	¥(323)	¥(676)
		Thousands of U.S. Dollars (Note 1)					
		Common Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, MARCH 31, 2005		\$108,735	\$55,616	\$159,162	\$274	\$(6,487)	\$(2,145)
Net income				165,812			
Issuance of common stock by stock option plan (Note 12)		1,530	1,521				
Repurchase of treasury stock							(3,633)
Cash dividends, \$0.05 per share				(9,786)			
Net increase in unrealized gain on available-for-sale securities					111		
Net change in foreign currency translation adjustments						3,726	
BALANCE, MARCH 31, 2006		\$110,265	\$57,137	\$315,188	\$385	\$(2,761)	\$(5,778)

See notes to consolidated financial statements.

Chiyoda Corporation and Consolidated Subsidiaries

Consolidated Statements of Cash Flows Years Ended March 31, 2006 and 2005

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥21,906	¥12,050	\$187,231
Adjustments for:			
Income taxes paid	(944)	(408)	(8,068)
Depreciation and amortization	1,469	1,284	12,556
Loss on impairment of long-lived assets	128	233	1,094
Reversal of allowance for doubtful accounts—net	(1,355)	(994)	(11,581)
Reversal of contingent loss		(200)	
Provision for (reversal of) warranty costs for completed works	1,104	(320)	9,436
Provision for retirement benefits—net	805	1,086	6,880
Foreign exchange gain—net	(236)	(66)	(2,017)
Equity in earnings of associated companies	(193)	(153)	(1,650)
Loss on a partial termination of a defined benefit pension plan	1,995		17,051
Project settlement money	469		4,009
Changes in operating assets and liabilities:			
Increase in trade notes and accounts receivable, and costs and estimated earnings on long-term construction contracts	(9,101)	(13,064)	(77,786)
Decrease (increase) in costs of construction contracts in process	7,095	(6,060)	60,641
Increase in jointly controlled asset of joint venture	(81,383)	(21,540)	(695,581)
(Increase) decrease in interest and dividend receivable	(2,346)	12	(20,051)
Increase in trade notes and accounts payable	11,122	21,568	95,060
Increase in advance receipts on construction contracts	57,480	7,322	491,282
Decrease in deposits received	(1,753)	(2,630)	(14,983)
Other—net	(1,025)	2,364	(8,762)
Total adjustments	(16,669)	(11,566)	(142,470)
Net cash provided by operating activities—(Forward)	¥ 5,237	¥ 484	\$ 44,761

(Continued)

Chiyoda Corporation and Consolidated Subsidiaries

Consolidated Statements of Cash Flows Years Ended March 31, 2006 and 2005

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
Net cash provided by operating activities—(Forward)	¥ 5,237	¥ 484	\$ 44,761
INVESTING ACTIVITIES:			
Payment for time deposits		(623)	
Proceeds from refunds of fixed deposits	704	543	6,017
Payments for purchase of investment securities	(1,273)	(33)	(10,880)
Proceeds from sales of investment securities	148	222	1,265
Purchases of property, plant and equipment	(619)	(854)	(5,291)
Purchase of intangible assets	(1,236)	(1,038)	(10,564)
Disbursements for originating long-term loans	(34)	(21)	(291)
Proceeds from collections of long-term loans	3,341	689	28,556
Other—net	21	108	179
Net cash provided by (used in) investing activities	1,052	(1,007)	8,991
FINANCING ACTIVITIES:			
Proceeds from long-term debt	10,000		85,470
Repayments of long-term debt	(10,102)	(102)	(86,342)
Proceeds from issuance of common stock	357	1,382	3,051
Payment of cash dividends	(1,140)		(9,744)
Payment of cash dividends to minority shareholders	(36)		(308)
Other—net	(417)	(110)	(3,563)
Net cash (used in) provided by financing activities	(1,338)	1,170	(11,436)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	334	101	2,855
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,285	748	45,171
CASH AND CASH EQUIVALENTS OF EXCLUSION OF CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR		(57)	
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	41,594	40,903	355,504
CASH AND CASH EQUIVALENTS, END OF YEAR	¥46,879	¥41,594	\$400,675

See notes to consolidated financial statements.

(Concluded)

Chiyoda Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements Years Ended March 31, 2006 and 2005

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications and rearrangements have been made in the 2005 financial statements in order for them to conform to classifications and presentations used in 2006.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Chiyoda Corporation (the "Company") is incorporated and principally operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥117 to \$1, the approximate rate of exchange at March 31, 2006. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements for the years ended March 31, 2006 and 2005 include the accounts of the Company and its 18 significant subsidiaries (together, the "Group"). Under the control or influence concept, those companies in which the Company, directly or indirectly, has a control over operations are fully consolidated and those companies over which the Group has a significant influence are accounted for by the equity method.

Investments in 5 associated companies are accounted for by the equity method. Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of the Company's investments in consolidated subsidiaries and associated companies accounted for by the equity method over its equity in the fair value of the net assets at the respective dates of acquisition, was charged to income at the time of acquisition as the amount involved was not material.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b. Construction Contracts—Revenues on construction contracts greater than ¥100 million and having a construction duration of exceeding one year are recognized on the percentage-of-completion method based on the ratio of costs incurred to total estimated costs. Under this method, related costs and estimated earnings in excess of progress billings are presented as a current asset.

Unbilled costs on the other contracts, which are accounted for by the completed-contract method, are stated as cost of construction contracts in process.

Payments received in excess of costs and estimated earnings on the contracts, which are accounted for by the percentage-of-completion method, and costs incurred on the other contracts are presented as current liabilities.

Costs of preparation work for unsuccessful proposals and other projects which are not realized are charged to income and are included in costs of construction contracts.

- c. **Cash Equivalents**—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits which mature within three months of the date of acquisition.
- d. **Investment Securities**—All securities are classified as available-for-sale securities and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity. The cost of securities sold is determined based on the moving-average method.

Non-marketable securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, non-marketable securities are reduced to net realizable value by a charge to income.

- e. **Allowance for Doubtful Accounts**—The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of estimated losses on the receivables outstanding.
- f. **Property, Plant and Equipment**—Property, plant and equipment are stated at cost. Depreciation is computed by the declining-balance method, except for buildings owned by the Company, at rates based on the estimated useful lives of the assets. The range of useful lives is from 11 to 57 years for buildings and structures, from 4 to 13 years for machinery and equipment and from 2 to 15 years for tools, furniture and fixtures.
- g. **Long-lived Assets**—In August 2002, the Business Accounting Council ("BAC") issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets," and in October 2003 the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Guidance No. 6, "Guidance for Accounting Standard for Impairment of Fixed Assets." These new pronouncements were effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004.

The Group adopted the new accounting standard for impairment of fixed assets as of April 1, 2004.

The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

- h. **Other Assets**—Intangible assets are carried at cost less accumulated amortization, which is calculated by the straight-line method over their estimated useful lives. Software for internal use is amortized on a straight-line basis over its estimated useful life (five years at the maximum).
- i. **Allowance for Warranty Costs for Completed Works**—The allowance for warranty costs for completed works is provided at the amount of warranty costs based on past rate experience.
- j. **Allowance for Losses on Construction Contracts**—The allowance for losses on construction contracts is provided for an estimated amount of probable losses to be incurred in future years in respect of construction projects in progress.
- k. **Retirement Benefits**—Employees of the Company and its certain consolidated subsidiaries are under most circumstances, entitled to certain lump-sum severance payments and pension payments.

Effective April 1, 2000, the Company and domestic consolidated subsidiaries adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

The transitional obligation of ¥12,123 million (\$103,615 thousand), determined as of April 1, 2000, is being amortized and charged to income over 15 years and presented as an operating expense in the consolidated statements of income.

The Company implemented a defined contribution pension plan and the reformed qualified defined benefit pension plan as of April 1, 2006 by which certain lump-sum severance payment plan and pension plan were terminated. The Company applied the accounting treatment specified in the guidance issued by the ASBJ. The effect of this termination was to decrease income before income taxes and minority interests by ¥1,995 million (\$17,051 thousand) and was recorded as loss on a partial termination of defined benefit pension plan in the consolidated statement of income for the year ended March 31, 2006.

Retirement benefits to directors, officers and corporate auditors are provided at the amount which would be required if all directors, officers and corporate auditors terminated at the end of each period.

- l. **Research and Development Costs**—Research and development costs are charged to income when incurred.
- m. **Leases**—All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that are deemed to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's consolidated financial statements.
- n. **Income Taxes**—The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

The Group has filed a tax return under the consolidated corporate-tax system from the fiscal year ended March 31, 2003, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

- o. Appropriations of Retained Earnings**—Appropriations of retained earnings are reflected in the financial statements for the following year upon shareholders' approval.
- p. Foreign Currency Transactions**—Both short-term and long-term receivables and payables denominated in foreign currencies are translated into Japanese yen at exchange rates in effect at the balance sheet date.

However, short-term and long-term receivables and payables covered by forward exchange contracts are translated at the contract rates.

Any differences between the foreign exchange contract rates and historical rates resulting from the translation of receivables and payables are recognized as income or expense over the lives of the related contracts.

- q. Foreign Currency Financial Statements**—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for shareholders' equity, which is translated at the historical rate. Differences arising from such translation were shown as a separate component of shareholders' equity as "Foreign currency translation adjustments."

Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of balance sheet date.

- r. Derivative Financial Instruments**—The Company uses a variety of derivative financial instruments, including foreign currency forward exchange contracts as a means of hedging exposure to foreign currency risks. The Company does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (a) all derivatives are recognized as either assets or liabilities and measured at fair value, with gains or losses recognized in the income statement and (b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting, because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign currency forward exchange contracts are utilized to hedge foreign exchange risks. Certain assets and liabilities on construction contracts denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

- s. Per Share Information**—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

t. New Accounting Pronouncements

Business combination and business separation

In October 2003, the BAC issued a Statement of Opinion, "Accounting for Business Combinations," and on December 27, 2005 the ASBJ issued "Accounting Standard for Business Separations" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Separations." These new accounting pronouncements are effective for fiscal years beginning on or after April 1, 2006.

The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. These specific criteria are as follows:

- (a) the consideration for the business combination consists solely of common shares with voting rights,
- (b) the ratio of voting rights of each predecessor shareholder group after the business combination is nearly equal, and
- (c) there are no other factors that would indicate any control exerted by any shareholder group other than voting rights.

For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures. Goodwill, including negative goodwill, is to be systematically amortized over 20 years or less, but is also subject to an impairment test.

Under the accounting standard for business separations, in a business separation where the interests of the investor no longer continue and the investment is settled, the difference between the fair value of the consideration received for the transferred business and the book value of net assets transferred to the separated business is recognized as a gain or loss on business separation in the statement of income. In a business separation where the interests of the investor continue and the investment is not settled, no such gain or loss on business separation is recognized.

Stock options

On December 27, 2005, the ASBJ issued "Accounting Standard for Stock Options" and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006.

This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of shareholders' equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

Bonuses to directors and corporate auditors

Prior to the fiscal year ended March 31, 2005, bonuses to directors and corporate auditors were accounted for as a reduction of retained earnings in the fiscal year following approval at the general shareholders meeting. The ASBJ issued ASBJ Practical Issues Task Force (PITF) No. 13, "Accounting Treatment for Bonuses to Directors and Corporate Auditors," which encouraged companies to record bonuses to directors and corporate auditors on the accrual basis with a related charge to income, but still permitted the direct reduction of such bonuses from retained earnings after approval of the appropriation of retained earnings.

The ASBJ replaced the above accounting pronouncement by issuing a new accounting standard for bonuses to directors and corporate auditors on November 29, 2005. Under the new accounting standard, bonuses to directors and corporate auditors must be expensed and are no longer allowed to be directly charged to retained earnings. This accounting standard is effective for fiscal years ending on or after May 1, 2006. The companies must accrue bonuses to directors and corporate auditors at the year end to which such bonuses are attributable.

3. TRANSACTIONS WITH UNCONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES

Significant transactions with and balances due from/(to) unconsolidated subsidiaries and associated companies are summarized as follows:

Transactions for the Year Ended March 31	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Construction contract revenues	¥ 6	¥ 24	\$ 51
Costs of construction contracts	(4,657)	(5,213)	(39,803)
Selling, general and administrative expenses	(1,556)	(1,359)	(13,299)
Interest and dividend income	83	112	709
Income from leases of land and buildings	119	119	1,017
Purchase of intangible assets	946	835	8,085
Balances at March 31			
Notes and accounts receivable—trade	1	2	9
Accounts receivable—other	5	38	43
Notes and accounts payable—trade	(532)	(485)	(4,547)
Deposits received	(26)	(1,112)	(222)

The Company has guaranteed the indebtedness of certain unconsolidated subsidiaries and associated companies in the amount of ¥1,103 million (\$9,427 thousand) and ¥4,055 million at March 31, 2006 and 2005, respectively.

4. CONSTRUCTION CONTRACTS

Costs and estimated earnings recognized with respect to construction contracts which are accounted for by the percentage-of-completion method at March 31, 2006 and 2005, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Costs and estimated earnings	¥388,927	¥326,189	\$3,324,162
Amounts billed	(378,938)	(316,965)	(3,238,786)
Net	¥ 9,989	¥ 9,224	\$ 85,376

5. INVESTMENT SECURITIES

Investment securities at March 31, 2006 and 2005, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Equity securities	¥2,798	¥1,609	\$23,915

The carrying amounts and aggregate fair values of investment securities with readily determinable fair values at March 31, 2006 and 2005, were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2006				
Available-for-sale—Equity securities	¥1,208	¥114	¥27	¥1,295
March 31, 2005				
Available-for-sale—Equity securities	58	53		111
March 31, 2006	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale—Equity securities	\$10,325	\$974	\$231	\$11,068

Available-for-sale securities whose fair value is not readily determinable at March 31, 2006 and 2005, were as follows:

	Carrying Amount		
	Millions of Yen	Thousands of U.S. Dollars	
	2006	2005	2006
Equity securities	¥1,503	¥1,498	\$12,846

Proceeds from sales of available-for-sale securities for the year ended March 31, 2006, were ¥20 million (\$172 thousand). Gross realized gains on these sales, computed on the moving average cost basis, were ¥14 million (\$120 thousand) for the year ended March 31, 2006.

Proceeds from sales of available-for-sale securities for the year ended March 31, 2005, were ¥70 million and gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥20 million and ¥1 million, respectively.

6. INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES

Investments in and advances to unconsolidated subsidiaries and associated companies at March 31, 2006 and 2005, were as follows:

	Millions of Yen		Thousands of
	2006	2005	U.S. Dollars
			2006
Investments	¥2,903	¥2,713	\$24,812
Allowance for investment loss	(263)	(263)	(2,248)
Advances	576	1,305	4,923
Total	<u>¥3,216</u>	<u>¥3,755</u>	<u>\$27,487</u>

7. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of the years ended March 31, 2006 and 2005 and, as a result, recognized an impairment loss of ¥128 million (\$1,094 thousand) and ¥233 million, respectively, as other expense for certain asset used for business due to continuous decline in land prices and other reason. The recoverable amount was measured at its net selling price by referring to the published land evaluation prices.

8. LONG-TERM LOANS

Long-term loans to employees are included in long-term loans in the amounts of ¥513 million (\$4,385 thousand) and ¥625 million at March 31, 2006 and 2005, respectively.

9. LONG-TERM RECEIVABLES

Long-term receivables in the amount of ¥1,977 million at March 31, 2005 from Nigerian National Petroleum Corporation relating to services performed by the Company in 1995 have been fully collected by March 31, 2006.

The Company has gross receivables and other assets in the amount of ¥1,907 million (\$16,299 thousand) and ¥5,055 million at March 31, 2006 and 2005, respectively, from Karunaphuli Fertilizer Company Limited ("KAFCO"), a Bangladesh company, and its related parties as follows. In March 2001, KAFCO, its shareholders and banks reached a basic agreement about financial restructuring under the supervision of the Bangladesh government and KAFCO has started making payments based on the schedule defined in the financial restructuring plan.

	Millions of Yen		Thousands of
	2006	2005	U.S. Dollars
			2006
Accounts receivable—other		¥ 46	
Investments in and advances to unconsolidated subsidiaries and associated companies	¥1,347	2,637	\$11,513
Allowance for investment loss	(263)	(263)	(2,248)
Long-term receivables	560	2,372	4,786
Allowance for doubtful accounts	(560)	(543)	(4,786)
Total	<u>¥1,084</u>	<u>¥4,249</u>	<u>\$ 9,265</u>

10. LONG-TERM DEBT

Long-term debt at March 31, 2006 and 2005, consisted of the following:

	Millions of Yen		Thousands of
	2006	2005	U.S. Dollars
			2006
Long-term loans from banks, maturing serially through 2010, with interest rates ranging from 1.9% to 5.8% at 2006 and 2005:			
Collateralized	¥ 216	¥ 317	\$ 1,847
Uncollateralized	10,000	10,000	85,470
Total	10,216	10,317	87,317
Less current portion	(47)	(10,102)	(402)
Long-term debt, less current portion	<u>¥10,169</u>	<u>¥ 215</u>	<u>\$86,915</u>

Subordinated loans in the amount of ¥10,000 million (\$85,470 thousand) from The Bank of Tokyo-Mitsubishi UFJ, Ltd. were included in 'Uncollateralized' at March 31, 2006 and 2005.

Annual maturities of long-term debt at March 31, 2006, were as follows:

Year Ending	Millions of Yen	Thousands of
March 31		U.S. Dollars
2007	¥ 47	\$ 402
2008	101	863
2009	10,045	85,855
2010	18	154
2011	5	43
Total	<u>¥10,216</u>	<u>\$87,317</u>

Commitment-line contracts at March 31, 2006, were as follows:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Commitment-line contracts	¥15,000	\$128,205
Unused commitments	¥15,000	\$128,205

The following assets were pledged as collateral for long-term debt at March 31, 2006:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Land	¥ 695	\$ 5,940
Buildings and structures—net of accumulated depreciation	636	5,436
Tools, furniture and fixtures—net of accumulated depreciation	10	85
Investment securities	5	43
Total	¥1,346	\$11,504

11. RETIREMENT BENEFITS

Employees who terminate their services with the Company are, under most circumstances, entitled to receive lump-sum retirement benefits based upon their rates of pay at the time of termination, years of service and certain other factors.

However, an employee who terminates at 50 years of age or older with service of at least 20 years is entitled to receive an annuity from the trustee under the pension plan which covers such employees. If the annuity does not reach the level of total retirement benefits due, the remainder would be paid by the Company.

Certain consolidated subsidiaries also have severance payment and pension plans similar to those of the Company.

The Company implemented a defined contribution pension plan and the reformed qualified defined benefit pension plan as of April 1, 2006.

Liability for retirement benefits include retirement benefits to directors, officers and corporate auditors in the amount of ¥431 million (\$3,684 thousand) and ¥426 million for the years ended March 31, 2006 and 2005, respectively. The retirement benefits to directors and corporate auditors are paid subject to the approval of the shareholders.

The liability for employees' retirement benefits at March 31, 2006 and 2005, consisted of the following:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2006</u>	<u>2005</u>	<u>2006</u>
Projected benefit obligation	¥31,865	¥33,588	\$272,350
Fair value of plan assets	(17,718)	(15,785)	(151,436)
Unrecognized transitional obligation	(7,276)	(8,083)	(62,188)
Unrecognized actuarial loss	(2,644)	(4,553)	(22,598)
Unrecognized prior service cost	1,734	—	14,821
Net accrued pension liabilities	5,961	5,167	50,949
Prepaid pension cost	6	—	51
Loss on a partial termination of defined benefit pension plan	1,995	—	17,051
Liability for employees' retirement benefits	¥ 7,962	¥ 5,167	\$ 68,051

The components of net periodic benefit costs for the years ended March 31, 2006 and 2005, are as follows:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2006</u>	<u>2005</u>	<u>2006</u>
Service cost	¥ 813	¥ 931	\$ 6,949
Interest cost	465	473	3,974
Expected return on plan assets	(217)	(214)	(1,855)
Amortization of transitional obligation	808	808	6,907
Recognized actuarial loss	646	664	5,521
Amortization of prior service cost	(29)	—	(248)
Subtotal	2,486	2,662	21,248
Loss on a partial termination of defined benefit pension plan	1,995	—	17,051
Net periodic benefit costs	¥4,481	¥2,662	\$38,299

Assumptions used for the years ended March 31, 2006 and 2005, are set forth as follows:

	<u>2006</u>	<u>2005</u>
Discount rate	1.5%	1.5%
Expected rate of return on plan assets	1.5%	1.5%
Recognition period of actuarial gain/loss	10 years	10 years
Amortization period of transitional obligation	15 years	15 years
Amortization period of prior service cost	10 years	—

12. SHAREHOLDERS' EQUITY

Through May 1, 2006, Japanese companies are subject to the Commercial Code of Japan (the "Code").

The Code requires that all shares of common stock be issued with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds are required to be presented as additional paid-in capital. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration by way of a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The Code also provides that an amount of 10% or more of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period (such as bonuses to directors) shall be appropriated as a legal reserve (a component of retained earnings) until the total of such reserve and additional paid-in capital equals 25% of common stock. The amount of total legal reserve and additional paid-in capital that exceeds 25% of the common stock may be available for dividends by resolution of the shareholders after transferring such excess in accordance with the Code. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The Code allows Japanese companies to purchase treasury stock and dispose of such treasury stock upon resolution of the Board of Directors. The aggregate purchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of common stock, additional paid-in capital or legal reserve that could be transferred to retained earnings or other capital surplus other than additional paid-in capital upon approval of such transfer at the annual general meeting of shareholders.

In addition to the provision that requires an appropriation for a legal reserve in connection with the cash outlays, the Code also imposes certain limitations on the amount of capital surplus and retained earnings available for dividends. The amount of capital surplus and retained earnings available for dividends under the Code was ¥27,206 million (\$232,530 thousand) as of March 31, 2006, based on the amount recorded in the parent company's general books of account.

On May 1, 2006, a new corporate law (the "Corporate Law") became effective, which reformed and replaced the Code with various revisions that would, for the most part, be applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below:

a. Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as: (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) if the company has prescribed so in its articles of incorporation.

The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Under the Code, certain limitations were imposed on the amount of capital surplus and retained earnings available for dividends. The Corporate Law also provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million (\$26 thousand).

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Code, the aggregate amount of additional paid-in capital and legal reserve that exceeds 25% of the common stock may be made available for dividends by resolution of the shareholders. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury Stock

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

On December 9, 2005, the ASBJ published a new accounting standard for presentation of shareholders' equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of shareholders' equity. Such items include stock acquisition rights, minority interest, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006.

The Company has a stock option plan which provides for granting options to the Company's directors, officers and key employees to purchase an aggregate 7,820 thousand shares of the Company's stock until June 30, 2009. The options will be granted at an exercise price of ¥233 (\$1.99) per share.

The exercise price will be adjusted by stock splits and other certain circumstances.

As a result of the exercise of the stock option plan, the Company received the gross proceed of ¥357 million (\$3,051 thousand) from the issuance of 1,533 thousand shares at a price of ¥233 (\$1.99) per share, of which ¥178 million (\$1,521 thousand) was transferred to the additional paid-in capital account in accordance with the Code for the year ended March 31, 2006.

The granting options at March 31, 2006 were 355 thousand shares.

13. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 41% for the years ended March 31, 2006 and 2005.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2006 and 2005, are as follows:

	Millions of Yen		Thousands of
	2006	2005	U.S. Dollars
			2006
Deferred tax assets:			
Tax loss carryforwards		¥3,483	
Cost of construction contracts	¥ 3,974	3,626	\$33,966
Retirement benefits	3,226	2,010	27,573
Allowance for employees' bonus	1,553	1,135	13,274
Allowance for doubtful accounts	511	826	4,368
Loss on write-down of costs of construction contracts in process		588	
Loss on write-down of property, plant and equipment	707	779	6,043
Other	2,442	1,259	20,870
Less valuation allowance	(828)	(8,608)	(7,077)
Total	11,585	5,098	99,017
Deferred tax liabilities	5,678	1,183	48,530
Net deferred tax assets	¥ 5,907	¥3,915	\$50,487

Net deferred tax assets as of March 31, 2006 and 2005 were recorded in the accompanying consolidated balance sheets as follows:

	Millions of Yen		Thousands of
	2006	2005	U.S. Dollars
			2006
Deferred tax assets—current assets	¥1,751	¥3,804	\$14,966
Deferred tax assets—investments and other assets	4,158	112	35,538
Accrued expenses and other (deferred tax liabilities—current liabilities)	(2)		(17)
Other liabilities (deferred tax liabilities—non-current liabilities)		(1)	

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2006 and 2005, is as follows:

	2006	2005
Normal effective statutory tax rate	41%	41 %
Expenses not deductible for income tax purposes	1	3
Inhabitant taxes per capita levy		1
Foreign income taxes		2
Tax credit	(1)	
Decrease in valuation allowance for deferred tax assets	(30)	(53)
Equity in earnings of associated companies		(1)
Lower income tax rates applicable to income	(1)	
Other—net	1	
Actual effective tax rate	11%	(7)%

14. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥811 million (\$6,932 thousand) and ¥692 million for the years ended March 31, 2006 and 2005, respectively.

15. LEASES

The Company and a subsidiary lease certain machinery, computer equipment, office space and other assets. Total lease payments under finance leases were ¥250 million (\$2,137 thousand) and ¥267 million for the years ended March 31, 2006 and 2005, respectively.

Pro forma information for leased property under finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2006 and 2005, was as follows:

Year Ended March 31, 2006

	As Lessee					
	Millions of Yen			Thousands of U.S. Dollars		
	Tools, Furniture and Fixtures	Other	Total	Tools, Furniture and Fixtures	Other	Total
Acquisition cost	¥657	¥127	¥784	\$5,615	\$1,086	\$6,701
Accumulated depreciation	307	59	366	2,624	504	3,128
Net leased property	¥350	¥ 68	¥418	\$2,991	\$ 582	\$3,573

	Millions of Yen Obligations under Finance Lease (As Lessee)	Thousands of U.S. Dollars Obligations under Finance Lease (As Lessee)
Due within one year	¥163	\$1,393
Due after one year	255	2,180
Total	¥418	\$3,573

Year Ended March 31, 2005

	Millions of Yen As Lessee			
	Machinery and Equipment	Tools, Furniture and Fixtures	Other	Total
Acquisition cost	¥57	¥843	¥95	¥995
Accumulated depreciation	15	414	36	465
Net leased property	¥42	¥429	¥59	¥530

Millions of Yen
Obligations
under
Finance Lease
(As Lessee)

Due within one year	¥230
Due after one year	300
Total	¥530

Depreciation expense as lessee, which is not reflected in the accompanying consolidated statements of income, computed by the straight-line method was ¥250 million (\$2,137 thousand) and ¥267 million for the years ended March 31, 2006 and 2005, respectively.

The amounts of unearned lease income and obligations, acquisition cost and depreciation under finance leases include the imputed interest income portion and interest expense portion, respectively.

16. DERIVATIVES

The Company enters into foreign currency forward exchange contracts to hedge foreign exchange risk associated with certain assets and liabilities on construction contracts denominated in foreign currencies. It is the Company's policy to use derivatives only for the purpose of reducing foreign exchange risks associated with such assets or liabilities. The Company does not hold or issue derivatives for trading purposes.

Because the counterparties to these derivatives are limited to major international financial institutions, the Company does not anticipate any losses arising from credit risk.

The basic policies for the use of derivatives are approved by the executive committee and the execution and control of derivatives are controlled by the Company's financing department. The hedging effectiveness in reducing foreign exchange risks is periodically assessed and reported to the Company's accounting department and executive officers.

The Group had the following foreign currency forward exchange contracts outstanding at March 31, 2006 and 2005.

	Millions of Yen			Thousands of U.S. Dollars		
	Contract Amount	Fair Value	Unrealized Gain/Loss	Contract Amount	Fair Value	Unrealized Gain/Loss
Buying:						
U.S.\$	¥ 1	¥ 1		\$ 9	\$ 9	
Euro	10	11	¥1	85	94	\$ 9
Selling U.S.\$	14,507	14,511	(4)	123,991	124,025	(34)

	Millions of Yen		
	Contract Amount	Fair Value	Unrealized Gain/Loss
Buying:			
U.S.\$	¥ 33	¥ 34	¥ 1
Euro	132	144	12
Selling U.S.\$	10,976	10,980	(4)

Derivative contracts which qualify for hedge accounting for the years ended March 31, 2006 and 2005, are excluded from the disclosure of market value information.

The contract or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

17. CONTINGENT LIABILITIES

At March 31, 2006, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees and similar items for bank loans	¥1,912	\$16,342

18. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2006 and 2005 is as follows:

Year Ended March 31, 2006	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted-average Shares		EPS
Basic EPS—Net income available to common shareholders	¥19,400	191,558	¥101.27	\$0.87
Effect of dilutive securities—Stock option		902		
Diluted EPS—Net income for computation	¥19,400	192,460	¥100.80	\$0.86
Year Ended March 31, 2005				
Basic EPS—Net income available to common shareholders	¥12,863	187,450	¥ 68.62	
Effect of dilutive securities—Stock option		3,696		
Diluted EPS—Net income for computation	¥12,863	191,146	¥ 67.30	

19. SUBSEQUENT EVENT

The following appropriation of retained earnings at March 31, 2006 was approved at the Company's shareholders meeting held on June 22, 2006:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥10.00 (\$0.09) per share	¥1,922	\$16,427

20. SEGMENT INFORMATION

Information about geographical segments and sales to foreign customers of the Company and consolidated subsidiaries for the years ended March 31, 2006 and 2005, was as follows:

(1) Geographical Segments

Year Ended March 31, 2006	Millions of Yen					Eliminations (Corporate)	Consolidated
	Japan	Asia	North America	Other	Subtotal		
Construction contract revenue:							
Outside customers	¥378,694	¥12,181			¥390,875		¥390,875
Intersegment	992	918	¥ 35		1,945	¥(1,945)	
Total	379,686	13,099	35		392,820	(1,945)	390,875
Operating expenses	357,826	14,150	36	¥ 17	372,029	(1,883)	370,146
Operating income (loss)	¥ 21,860	¥(1,051)	¥ (1)	¥(17)	¥ 20,791	¥ (62)	¥ 20,729
Assets	¥272,424	¥ 7,663	¥654	¥146	¥280,887	¥(1,166)	¥279,721

Thousands of U.S. Dollars

Year Ended March 31, 2006	Japan	Asia	North America	Other	Subtotal	Eliminations (Corporate)	Consolidated
Construction contract revenue:							
Outside customers	\$3,236,701	\$104,111			\$3,340,812		\$3,340,812
Intersegment	8,478	7,846	\$ 300		16,624	\$(16,624)	
Total	3,245,179	111,957	300		3,357,436	(16,624)	3,340,812
Operating expenses	3,058,341	120,940	309	\$ 145	3,179,735	(16,094)	3,163,641
Operating income (loss)	\$ 186,838	\$ (8,983)	\$ (9)	\$ (145)	\$ 177,701	\$ (530)	\$ 177,171
Assets	\$2,328,410	\$ 65,496	\$5,590	\$1,248	\$2,400,744	\$ (9,966)	\$2,390,778

Millions of Yen

Year Ended March 31, 2005	Japan	Asia	North America	Other	Subtotal	Eliminations (Corporate)	Consolidated
Construction contract revenue:							
Outside customers	¥257,381	¥10,274			¥267,655		¥267,655
Intersegment	3	1,540	¥ 31		1,574	¥(1,574)	
Total	257,384	11,814	31		269,229	(1,574)	267,655
Operating expenses	246,108	11,996	31	¥ 3	258,138	(1,561)	256,577
Operating income (loss)	¥ 11,276	¥ (182)		¥ (3)	¥ 11,091	¥ (13)	¥ 11,078
Assets	¥174,447	¥ 7,608	¥565	¥122	¥182,742	¥ 151	¥182,893

Notes: 1. The Company and consolidated subsidiaries operate within four geographic segments based on the countries where the companies are located.

The segments consisted of the following countries in 2006 and 2005:

Asia: Indonesia, Singapore, Philippines, Myanmar, Malaysia and Thailand
 North America: United States of America
 Other: Nigeria

2. Corporate assets mainly consist of long-term loans and investment securities of the Company. Corporate assets as of March 31, 2006 and 2005 were ¥2,069 million (\$17,684 thousand) and ¥3,339 million, respectively.

(2) Sales to Foreign Customers

Year Ended March 31, 2006	Millions of Yen				
	Asia	The Middle and Near East	Russia and Central Asia	Other	Total
Overseas sales (A)	¥29,651	¥198,070	¥56,099	¥1,726	¥285,546
Consolidated sales (B)					390,875
(A)/(B)	7.59%	50.67%	14.35%	0.44%	73.05%

Year Ended March 31, 2006	Thousands of U.S. Dollars				
	Asia	The Middle and Near East	Russia and Central Asia	Other	Total
Overseas sales (A)	\$253,427	\$1,692,906	\$479,479	\$14,752	\$2,440,564
Consolidated sales (B)					3,340,812
(A)/(B)	7.59%	50.67%	14.35%	0.44%	73.05%

Year Ended March 31, 2005	Millions of Yen				
	Asia	The Middle and Near East	Russia and Central Asia	Other	Total
Overseas sales (A)	¥28,083	¥96,133	¥49,817	¥4,010	¥178,043
Consolidated sales (B)					267,655
(A)/(B)	10.49%	35.92%	18.61%	1.50%	66.52%

Note: The Company and consolidated subsidiaries are summarized into four segments by geographic area based on the countries where the companies are located.

The segments consisted of the following countries in 2006 and 2005:

Asia: China, Indonesia, Singapore and others
 The Middle and Near East: Qatar, Oman, Iran, UAE, Saudi Arabia and others
 Russia and Central Asia: Russia
 Other: United States of America and others

The Company and its consolidated subsidiaries operate predominantly in the engineering business, while certain subsidiaries operate in leasing and software producing businesses which are minor in relation to the total business. Accordingly, the presentation of industry segment information is not required under Japanese accounting standards.

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 www.deloitte.com/jp

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
 Chiyoda Corporation:

We have audited the accompanying consolidated balance sheets of Chiyoda Corporation (the "Company") and consolidated subsidiaries as of March 31, 2006 and 2005, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Chiyoda Corporation and consolidated subsidiaries as of March 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 22, 2006

Member of
 Deloitte Touche Tohmatsu

CHIYODA CORPORATION GLOBAL NETWORK

(AS OF JULY 1, 2006)

Head Offices

Yokohama Head Office

12-1, Tsurumichuo 2-chome
Tsurumi-ku
Yokohama 230-8601, Japan
Tel: (81) 45-521-1231
Fax: (81) 45-503-0200

Koyasu Office

13, Moriya-cho 3-chome
Kanagawa-ku
Yokohama 221-0022, Japan

• Administration Department

Tel: (81) 45-441-1268
Fax: (81) 45-441-1297

• Research & Development Center

Tel: (81) 45-441-9132
Fax: (81) 45-441-9728

Overseas Offices

Abu Dhabi Office

Clock Tower Bldg.
Al Najda Street
Abu Dhabi, U.A.E., P.O. Box 43928
Tel: (971) 2-671-7161
Fax: (971) 2-671-7162

Beijing Office

Room No. 1028, China World Tower 1
Jianguomenwai Street
Beijing, 100004, China
Tel: (86) 10-6505-2678
Fax: (86) 10-6505-1118

Jakarta Office

9th Floor, MidPlaza Bldg.
Jalan Jenderal Sudirman Kav. 10-11
Jakarta, 10220, Indonesia
Tel: (62) 21-570-7579
Fax: (62) 21-570-6276

Korea Representative Office

1358-8, Tal-dong Nam-ku Ulsan, Korea
Tel: (82) 52-256-5721/5722
Fax: (82) 52-256-5723

Milan Representative Office

Viale Della Liberazione 16 / 18
20124 Milan, Italy
Tel: (39) 02-303517-111
Fax: (39) 02-303517-35

Middle East Headquarters

Doha Office

Al Mana Tower
Airport Road, Doha
Qatar, P.O. Box 20243
Tel: (974) 462-2875/2876
Fax: (974) 462-2716

Singapore Human Resources Office

10 Anson Road, #03-02
International Plaza, Singapore 079903
Tel: (65) 6324-0080
Fax: (65) 6324-0090

The Hague Office

President Kennedylan 19
2517 JK The Hague, The Netherlands
Tel: (31) 70-385-9453
Fax: (31) 70-346-3779

Tehran Office

2nd Floor, No. 16, Mahtab St. Aftab St.
Vanak Avenue, Tehran, Iran
Tel: (98) 21-8803-6391, 8805-8592
Fax: (98) 21-8805-8967

Project Companies

Oman, Qatar, Russia

Major Subsidiaries & Affiliated Companies

Overseas

Chiyoda International Corporation

1177 West Loop South, Suite 680
Houston, TX 77027, U.S.A.
Tel: (1) 713-965-9005
Fax: (1) 713-965-0075

Chiyoda Singapore (Pte) Limited

14 International Business Park
Jurong East, Singapore 609922
Tel: (65) 6563-3488
Fax: (65) 6567-5231

Chiyoda Asia Pacific (Pte) Ltd.

14 International Business Park
Jurong East, Singapore 609922
Tel: (65) 6425-0368
Fax: (65) 6569-6102

Chiyoda Malaysia Sdn. Bhd.

15th Floor, Menara Maxisegar
Jalan Pandan
Indah, 4/2 Pandan Indah, 55100
Kuala Lumpur, Malaysia
Tel: (60) 3-4297-0988
Fax: (60) 3-4297-0800

Chiyoda (Thailand) Limited

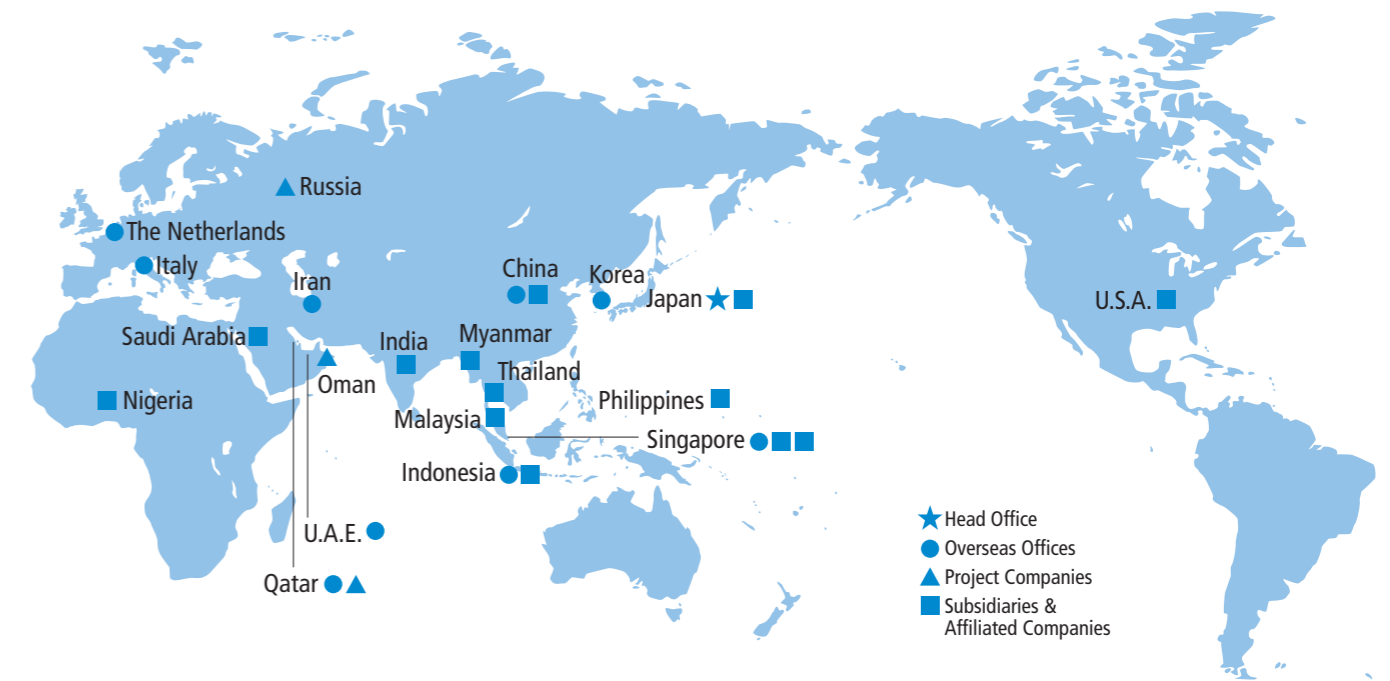
• **Sriracha Office**
4th Floor, Laemchabang, Tower 283
Sukhumvit Road, T.Tungsookhla
A. Sriracha, Choburi 20230, Thailand
Tel: (66) 38-352-315~6
Fax: (66) 38-352-321

• Bangkok Head Office

140/39 ITF Tower II, Suite H, 18th Floor
Silom Road Kwaeng Suriyawong
Khet Bangrak
Bangkok 10500, Thailand
Tel: (66) 2-231-6258/6259
Fax: (66) 2-231-6260

PT. Chiyoda International Indonesia

MENARA HIJAU, 10th Floor, Suite 1001
Jl. MT. Haryono Kav. 33
Jakarta Selatan 12770, Indonesia
Tel: (62) 21-798-4680
Fax: (62) 21-798-6174



L&T-Chiyoda Limited

B.P. Estate, National Highway No. 8
Chhani, Baroda-391740
Gujarat State, India
Tel: (91) 265-2771003/2772855
Fax: (91) 265-2774985

Chiyoda Philippines Corporation

Chiyoda Bldg.
Meralco Avenue Corner
General Araneta Street
Pasig City, Metro Manila, Philippines
Tel: (63) 2-636-1001~8
Fax: (63) 2-636-1013/1023

Chiyoda Petrostar Ltd.

• **Al-Khobar Office**
P.O. Box 31707, Al-Khobar 31952
Saudi Arabia
Tel: (966) 3-864-0839
Fax: (966) 3-864-0986

• Jeddah Head Office

P.O. Box 6188, Jeddah 21442
Saudi Arabia
Tel: (966) 2-647-0558
Fax: (966) 2-647-1908

Chiyoda Nigeria Limited

• **Abuja Office**
C/O Peniel Apartments
Room No. B2C, Plot 137
Ibb Way, Adetokunbo Ademola Crescent
Wuse II, Abuja, Nigeria
Tel: (234) 9-4130961
Fax: (234) 9-4130961

• Lagos Office

Plot PC-43 (2nd Floor), Nurses House
Afribank Street, Victoria Island
P.M.B. 12541
Lagos, Nigeria
Tel: (234) 1-2613291
Fax: (234) 1-2612565

Chiyoda & Public Works Co., Ltd.

Sedona Hotel Rooms 307-309
No. 1, Kaba Aye Pagoda Road
Yankin Township, Yangon, Myanmar
Tel: (95) 1-545605
Fax: (95) 1-545227

Chiyoda Corporation(Shanghai)

29th Floor, Room E, Pufa Tower, No. 588
Pudong Road. (S), Pu Dong New Area,
Shanghai 200120, China
Tel: (86) 21-5877-6266
Fax: (86) 21-5877-6366

Domestic

Chiyoda Kosho Co., Ltd.

Plant Engineering, Construction and
Maintenance and Insurance Service

Chiyoda Keiso Co., Ltd.

Electrical and Instrumentation Engineering
Equipment Supply, Installation and
Maintenance

Chiyoda TechnoAce Co., Ltd.

Consulting, Engineering and Construction
of Pharmaceutical Plants, Laboratories and
Research Centers and Human Resources
Supply

Chiyoda Advanced Solutions Corporation

Computer Aided Engineering Analysis,
Plant Lifecycle Engineering, Risk
Management and Utilization of Space
Environment

Chiyoda U-Tech Co., Ltd.

Consulting for Industrial, Social and
Regional Development

IT Engineering Limited

IT Solutions and Software Development

Arrow Business Consulting Corporation

Consulting Services for Finance and
Accounting

Arrowhead International Corporation

Travel and Air Cargo Agent and Spare Parts
Supply

Arrow Mates Co., Ltd.

Human Resources Supply and Training

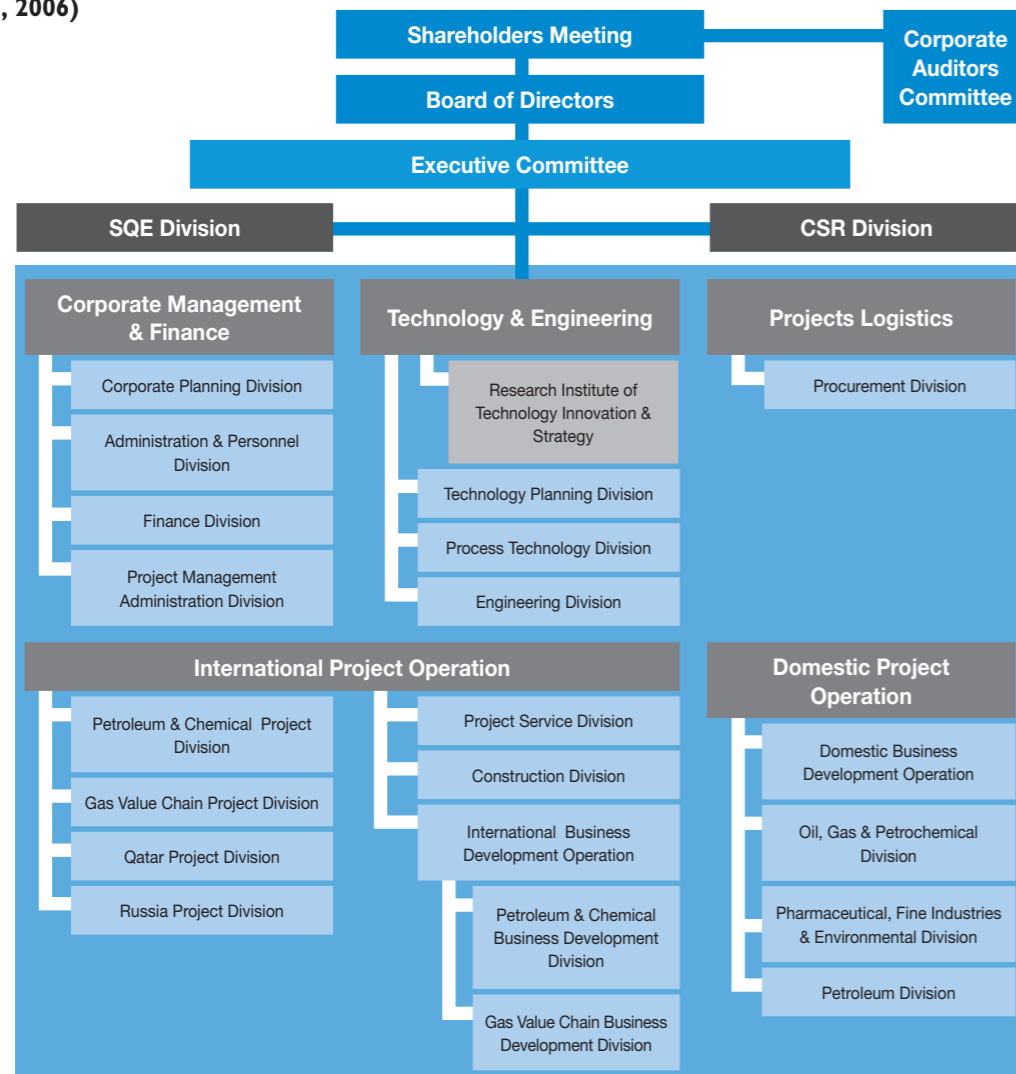
CHIYODA CORPORATION

CORPORATE INFORMATION 2006

(AS OF MARCH 31, 2006)

Established:	January 20, 1948	Transfer Agent of Common Stock:	Mitsubishi UFJ Trust and Banking Corporation
Paid-in Capital:	¥12,901 million		1-4-5 Marunouchi, Chiyoda-ku, Tokyo
Number of Employees:	2,787 (Consolidated)	Authorized Shares:	650,000,000
Annual Fiscal Close:	March 31	Capital Stock Issued:	192,893,529
Shareholders Meeting:	June	Number of Shareholders:	13,464
Number of Shares per Unit:	1,000		
Stock Code:	ISIN: JP3528600004 SEDOL I: 6191704 JP TSE: 6366		

ORGANIZATIONAL CHART (AS OF JULY 1, 2006)



MAJOR SHAREHOLDERS

	Status of investors	
	Number of shares	Percentage of total (%)
Mitsubishi Corporation	19,851,220	10.29
The Master Trust Bank of Japan, Ltd. (Trust Account)	9,222,000	4.78
Mitsubishi UFJ Trust & Banking Corporation	9,034,000	4.68
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	9,033,925	4.68
Japan Trustee Services Bank, Ltd. (Trust Account)	8,542,000	4.43
State Street Bank and Trust Company 505202	3,500,000	1.81
State Street Bank and Trust Company 505103	3,436,309	1.78
Tokio Marine & Nichido Fire Insurance Co., Ltd.	2,760,844	1.43
Asahi Glass Co., Ltd.	2,631,000	1.36
Meiji Yasuda Life Insurance Company	2,549,960	1.32

BREAKDOWN BY SHARE (Thousands)



STOCK PRICE

