CHIYODA CORPORATION

“MIRAI ENGINEERING”

—A GRAND OPPORTUNITY FOR THE FUTURE—

ANNUAL REPORT FY2016

For the year ended March 31, 2017

PROFILE

Chiyoda Corporation is a leading integrated engineering and construction company with a significant presence in the global oil and gas market, and customers in more than 60 countries. Especially in the field of LNG plant engineering and construction, we are a global leader, with a track record of undertaking projects that account for around 40% of the world's total LNG plant capacity.

Established in 1948, Chiyoda started with domestic projects in petroleum refining, petrochemicals and gas processing. Since the 1970s, Chiyoda has developed a powerful global footprint, taking advantage of the many opportunities in the engineering, procurement and construction of energy-related plants, while building a first-class reputation for technological capability, safety and reliability.

During its 70-year history, the Chiyoda Group has been growing steadily under the corporate philosophy of enhancing business by aiming for harmony between energy and the environment, while contributing to the sustainable development of society. In addition, Chiyoda has expanded business into the offshore and upstream sectors, new energy and renewable energies.

INDEX

1948
Foundation of the Company

1949
Won the first order for a cracking plant of Koa Oil Company

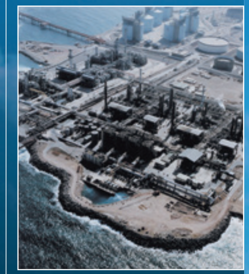
1957
Listed on the Second Section of the Tokyo Stock Exchange

1960
Order awarded for Mitsubishi Oil Mizushima Refinery Project

1961
Moved up to the First Section of the Tokyo Stock Exchange

1965
Order awarded for Petromin Jeddah Refinery Project in Saudi Arabia

1971
Order awarded for LNG Project on Das island, Abu Dhabi, the first LNG Project for us



1980
Order awarded for Petromin Mobil Yanbu Export Refinery Project in Saudi Arabia

1993
Order awarded for Qatargas LNG Project in Qatar

2001
Gained ISO14001

2003
Order awarded for Sakhalin II LNG Project by Sakhalin Energy in Russia, the first LNG Plant in Russia

2004
Order awarded for Qatargas II LNG Project in Qatar, the largest LNG plant
(Production Capacity per Train: 7.8 million ton/year)

2009
Order awarded for Papua New Guinea LNG Project

2013
Confirmed proof of concept for SPERA Hydrogen, a system and technology for massive H2 storage and transportation

2014
Order awarded for Cameron LNG Project in the US and Yamal LNG Project in Russia

2017
Order awarded for the pilot plant for production of renewable jet and diesel fuels for euglena Co., Ltd. in Japan

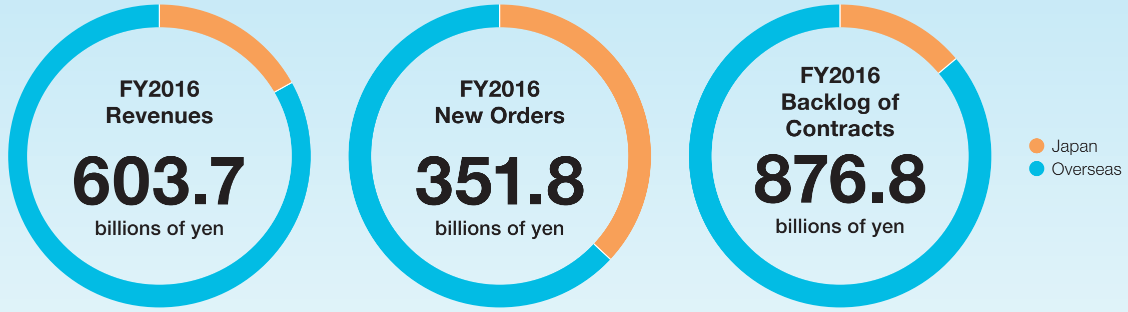
1948	1958	1968	1978	1987	1988	1998	2008	2018
1st decade	2nd decade	3rd decade	4th decade		5th decade	6th decade	7th decade	

AT A GLANCE

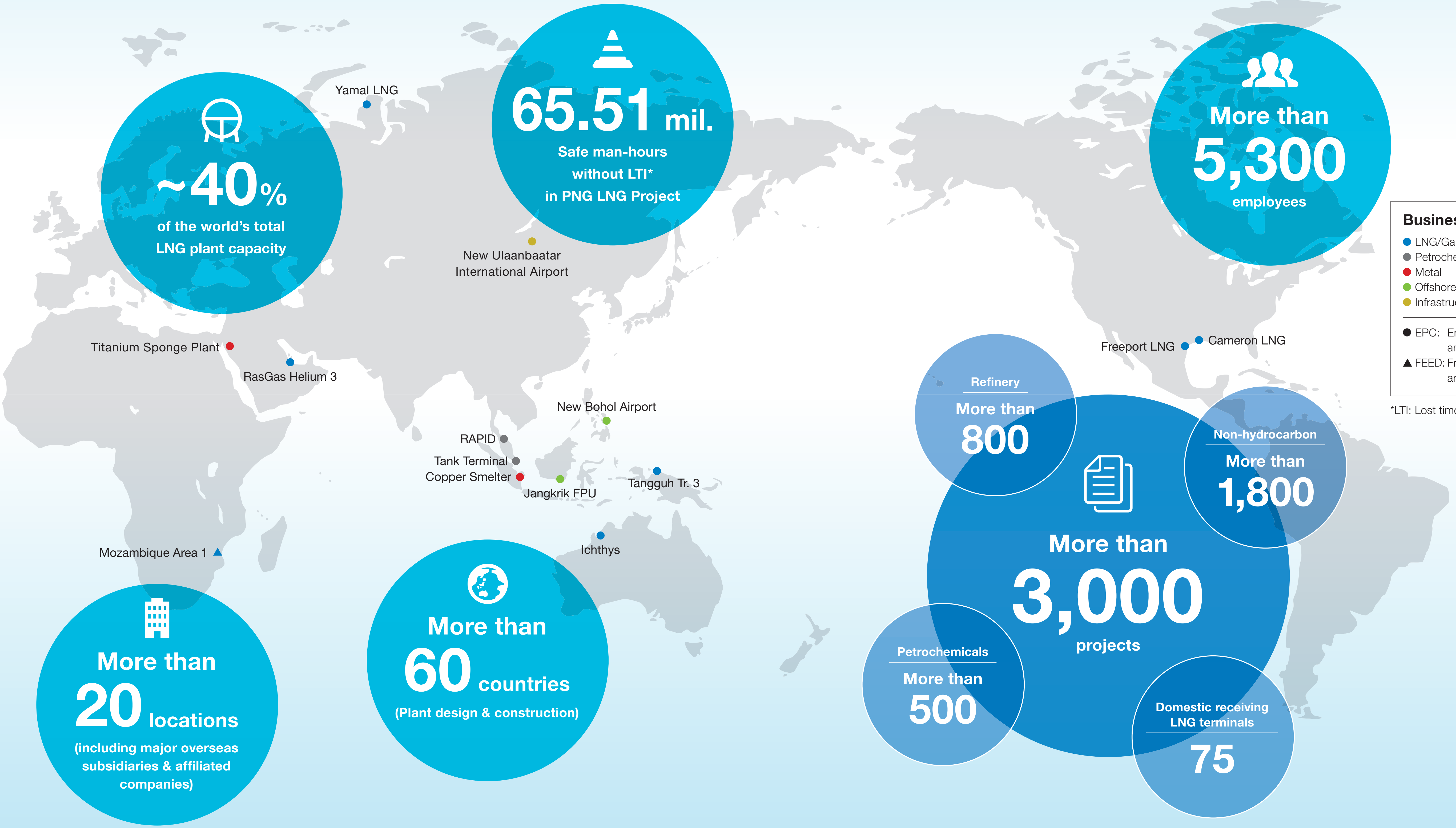
Chiyoda Corporation is a world-leading, integrated engineering and construction company.

The Chiyoda Group has developed its cutting-edge technology in this highly challenging industry and a wealth of experience throughout the last seven decades.

The Chiyoda Group provides excellent services backed by ample experience and technical knowledge, while striving for vital business with “Energy and Environment in Harmony.” Existing major projects and key data are reflected on this page.



MAJOR PROJECTS IN PROGRESS (As of March 2017)



Business Field

- LNG/Gas
- Petrochemical/Refinery
- Metal
- Offshore
- Infrastructure

● EPC: Engineering, Procurement and Construction
▲ FEED: Front-end Engineering and Design

*LTI: Lost time incident

TO OUR SHAREHOLDERS

Masaji Santo
President & CEO

The world is facing major challenges today, including climate change, the digital revolution and changes in the structure of energy supply and demand. Many of these issues affect us deeply here at Chiyoda Corporation but my personal philosophy is that change offers unique, often ideal, opportunities for organizations to adapt and to embrace the chance to reorient the Company for future success. I am confident in these prospects and would like to share my clear vision of what should be expected by our customers, our shareholders and our employees.

I am Masaji Santo. It is my great honor and privilege to have become CEO of Chiyoda Corporation.

We just published Chiyoda's new Medium-Term Management Plan, "Mirai Engineering—A Grand Opportunity for the Future," a four-year strategy blueprint for our business development based on a thorough analysis of macrotrends and assessment of the previous management plan.

For the initial two years we will prioritize structural reforms to create a solid management base and simultaneously pursue a growth strategy. Specific plans for growth are (1) building an energy value chain business, (2) expanding the global environmental business and (3) developing a new business model for the digital society.

In preparing for my role as CEO of Chiyoda I have decided on three major themes to serve as the foundation for a turnaround:

- Challenges Bring Opportunities—using the cycles in global energy markets and recent financial challenges at Chiyoda to restructure our business in a strong, risk-resilient manner;
- How to Change Our Company—putting greater focus on allocation of resources, including during the post-EPC phase of our projects, more emphasis on environment-friendly facilities and methodologies and the use of artificial intelligence (AI) to increase efficiency and effectiveness;
- Consolidation of Resources—enhancing competitiveness and reinforcing the profitability of the entire Chiyoda Group as keys to the Group's future development. To achieve this, we will fully develop the human resources of all the Group companies.

This will be challenging, but when I consider Chiyoda's major assets—reputation, experience, financial stability and, above all, employees' expertise—I am confident that we will succeed. Critical to our success is the concept of "Chiyoda—One Team," with management and all employees striving together to enrich the sustainable corporate value of the entire Chiyoda Group and respond to the needs and expectations of all clients, shareholders and other stakeholders.

I believe valuing that relationship and strengthening the connection to our shareholders through continuous interactions and consultations will be major ways to create an open dialogue with all stakeholders. I look forward to the challenges to come and to your continued support.

Respectfully yours,

August 2017

Key Management Issues over the Medium Term

"MIRAI ENGINEERING" —A GRAND OPPORTUNITY FOR THE FUTURE—

Chiyoda Group has released a new medium-term management plan, "MIRAI ENGINEERING—A GRAND OPPORTUNITY FOR THE FUTURE" for the period starting from fiscal year 2017 to 2020 (the MTMP). The aim of the MTMP is for Chiyoda Group to be a global top-tier "Integrated Engineering and Service Provider" in the fields of energy and environment.

1 Assessment of the previous medium-term management plan

"SEIZE THE MOMENT, OPEN UP NEW FRONTIERS"
(the previous MTMP)

The previous MTMP during the period from fiscal year 2013 to 2016 was executed and, as a result, the Chiyoda Group maintained its No. 1 position in LNG and steadily progressed in new business areas including life science and new energy. However, the Chiyoda Group now faces challenges such as redefining the business portfolio, including offshore and upstream, and further strengthening risk management capabilities.

2 New medium-term management plan

"MIRAI ENGINEERING —A GRAND OPPORTUNITY FOR THE FUTURE"

Given macrotrends such as changes in the supply and demand structure for energy, heightened awareness of the global environment and digital innovation driving changes in industrial structure, Chiyoda Group will

1) provide technological strength and project execution capabilities, as the core value, that achieve harmony between energy and the environment;
2) contribute to the development of a sustainable society;
3) and create a corporate management structure that resonates with all stakeholders and earns their recognition and trust.

In the MTMP, we will seek to simultaneously pursue (i) creating a solid management base for future growth (Structural Reform) and (ii) expanding business fields and transforming the business model looking ahead 10 years (Growth Strategy).

STRUCTURAL REFORM

(1) Further strengthen risk management capabilities

We will strengthen the structure for execution and profitability management of EPC projects on a consolidated basis. We will also establish a structure for expansion of business fields and the transformation of the business model.

(2) Increase basic earnings strength and enhance resilience to downturns

We will seek to expand basic earnings by reinforcing technological strength and project execution capabilities and cost competitiveness, reduce consolidated fixed costs with the aim of balancing basic earnings and costs, and redefine the domestic and global operational structure.

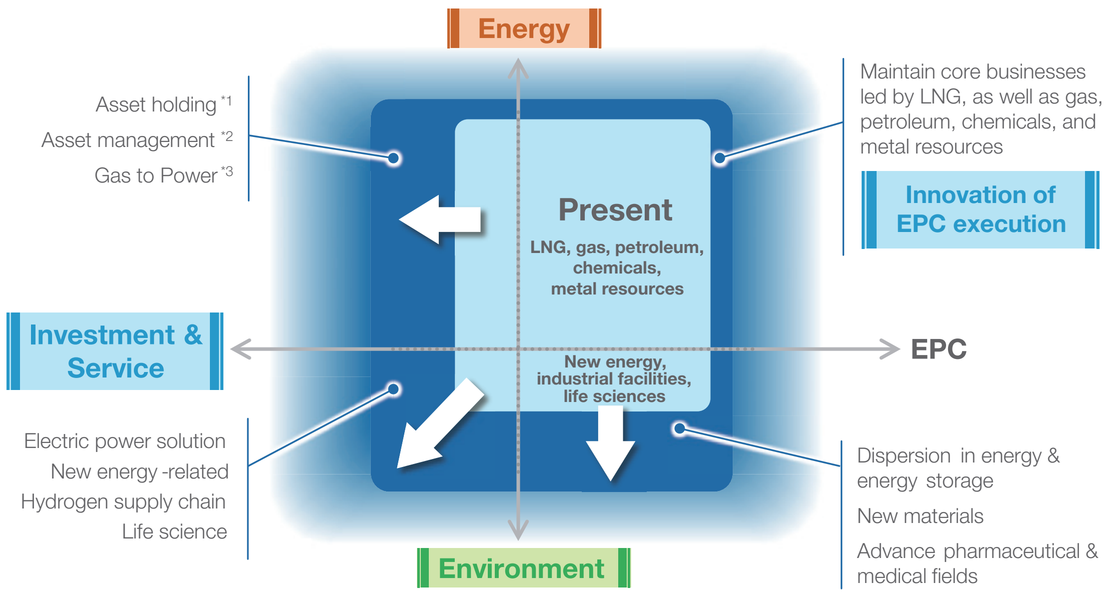
(3) Further expand human resource base

To reinforce our technical strength and project execution capabilities, we will realign the human resource development system with a medium- to long-term outlook and implement optimal assignment of human resources for continuous earnings growth. Through these efforts, we will foster a stronger corporate culture and foundation with high loyalty and a willingness to pursue new challenges.

GROWTH STRATEGY

(1) Expansion of business fields and transformation of the business model

The fields of EPC, LNG, gas, petroleum, chemicals and metal resources will remain the Chiyoda Group's core businesses. In addition, we plan to expand the two key business fields of "energy" and the "environment." And we aim to innovate EPC execution and diversify our business into investment and service areas by utilizing innovative digital technologies.



*1. Asset holding: Businesses that gain earnings from holding and managing assets like floater (floating facilities) and onshore plants
*2. Asset management: Businesses that gain earnings by providing various technological services to holders of assets
*3. Gas to Power: An integrated business of LNG liquefaction, LNG regasification, and power generation

"MIRAI ENGINEERING"—A GRAND OPPORTUNITY FOR THE FUTURE—

(2) Build energy value chain business

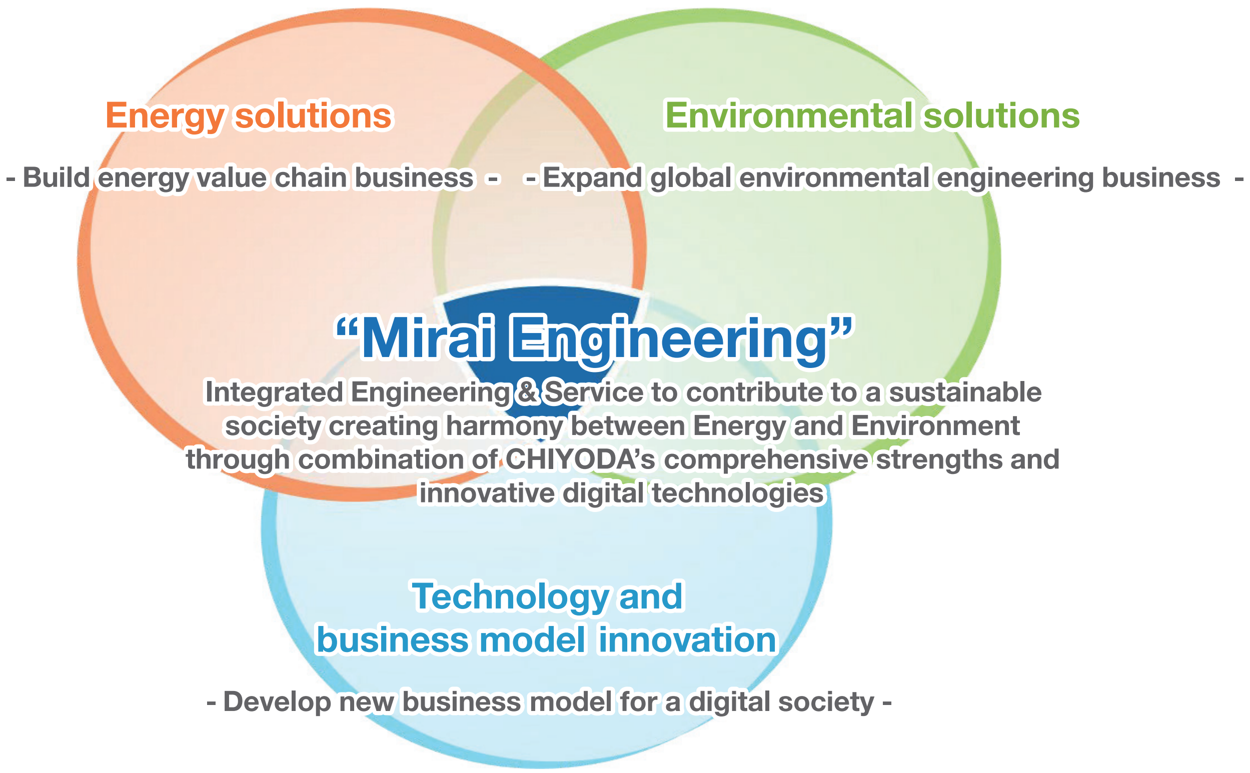
We plan to enhance the upstream segment (enter and strengthen floater business), midstream (comprehensively strengthen and expand LNG lineup) and downstream (build up orders in petroleum, chemicals and metal resources responding to shale and increasing demand from newly developing countries. Also, enter the Gas to Power business). In addition, we aim to move into the asset holding business and asset management business.

(3) Expand global environmental engineering business

We will increase the contribution to profit with new energy (integration of renewable energy with energy storage, electricity storage as well as dispersion energy), the environment, energy conservation and industrial facilities (technologies that reduce environmental impact and conserve energy for industrial facilities and metal resources fields) and life science (pursue business opportunities and models in cellular, tissue and gene therapies).

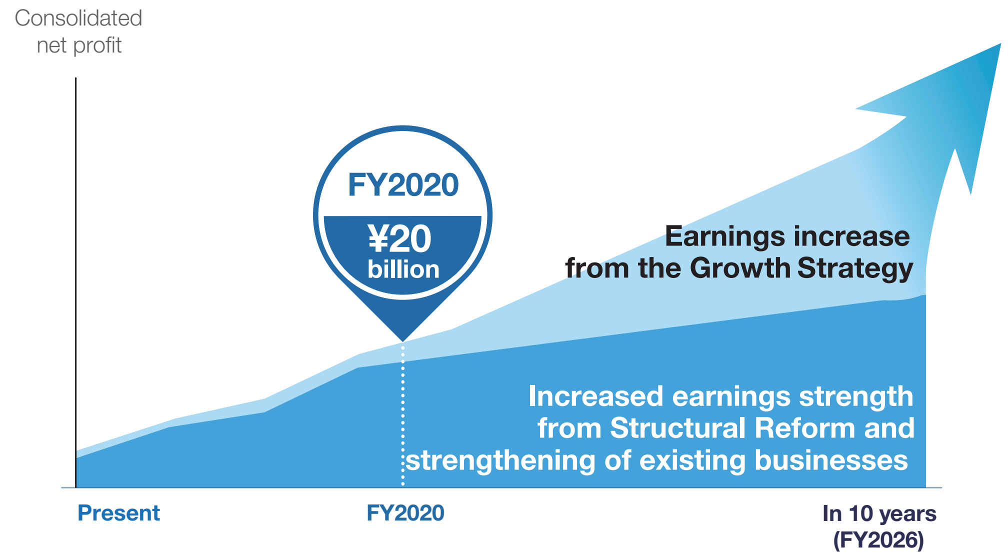
(4) Develop new business model for a digital society

For promotion of the use of digital technologies Companywide, innovative EPC execution and encouraging its application in the asset management business, we will work on cultivating capable human resources, partnering with cutting-edge digital technology companies and innovating project IT with artificial intelligence (AI) and others.



QUANTITATIVE TARGETS

We regard fiscal year 2020 as a milestone for the next 10-year growth strategy, achieving consolidated net profit of ¥20.0 billion with double-digit ROE based on increased earnings strength through structural reform and the strengthening of existing businesses. For the 10 years from fiscal year 2017 (toward fiscal year 2026) and beyond, we look to continue expansion of earnings through the growth strategy.



INVESTMENT STRATEGY

Our profit distribution policy is to allocate 50% of consolidated net profit each fiscal year to investment for business growth, while maintaining proper financial health.

In terms of investment areas, we will carefully select projects that will contribute to reinforcing core business fields and realize the three growth strategies.

With respect to the investment size, we will set an aggregate of roughly ¥30.0 billion to ¥50.0 billion over four years, using cash on hand in addition to investment funds under the profit distribution policy, on the premise of thorough investment discipline.

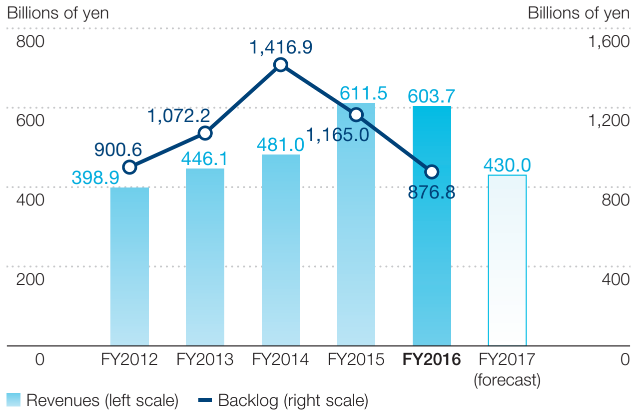
POLICY ON RETURNS TO SHAREHOLDERS

We will strive to achieve a consolidated dividend payout ratio of at least 30% during the MTMP period. The actual dividend amount each fiscal year will be determined in consideration of progress under the growth strategy and the investment strategy together with the operating environment. A minimum full-year dividend of ¥6 per share is set.

FINANCIAL HIGHLIGHTS

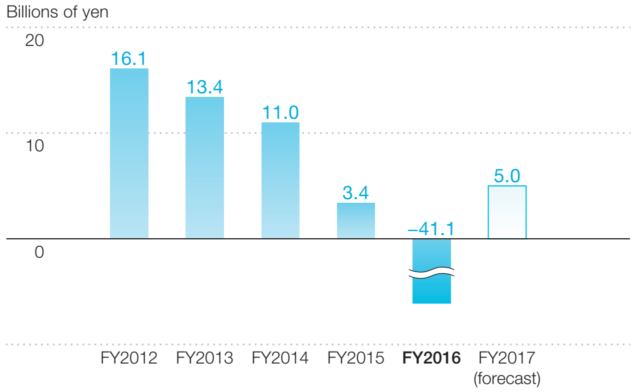
Chiyoda is facing major global challenges due to a shift in the supply and demand structure for energy and increasing consciousness of the environment. These conditions represent an excellent opportunity to transform the company, aiming to build a business foundation for future growth and combining expansion plans with a business model supporting growth strategies for the next decade.

Revenues and Backlog



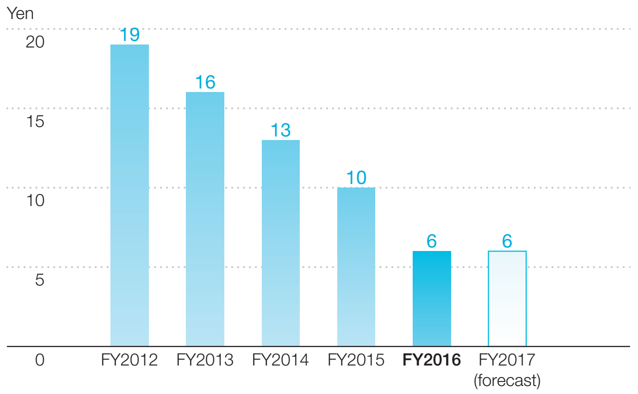
- Revenues remained close to record levels in FY2015 and FY2016 due to successful projects.
- Lower forecast for FY2017 revenues assumes limited new contracts but continued contributions from major ongoing projects.
- The backlog remains robust, about twice the forecast for revenues.

Profit (Loss) Attributable to Owners of Parent



- A loss attributable to owners of parent of ¥41.1 billion for FY2016 was largely due to the ECS-related extraordinary loss in the third quarter.
- In FY2017, Chiyoda launched the new Medium Term Management Plan, "MIRAI ENGINEERING —A GRAND OPPORTUNITY FOR THE FUTURE," a business portfolio in alignment with the Company's structural reforms and strategies ensuring further growth.
- Chiyoda forecasts profit attributable to owners of parent of ¥5 billion for FY2017, getting back on a profitable path.

Dividends



- In FY2016, Chiyoda paid an annual dividend of ¥6 per share.
- Chiyoda will maintain a payout ratio of at least 30% for the next four years (MTMP period) and a minimum full-year dividend of ¥6 per share.
- Chiyoda determines the dividend amount each fiscal year in consideration of progress under growth and investment strategies and the operating environment.

A MESSAGE FROM THE CFO—CHIYODA'S FINANCIAL STRATEGIES

I was appointed the CFO at Chiyoda Corporation in June 2017, a challenging time for the Company. After a net loss of ¥41.1 billion in FY2016, mainly due to the ECS investment, revenues and backlog are expected to decline in FY2017. To deal with these challenges I have identified four key missions to carry out. By realizing these, the Chiyoda Group will reverse downward trends and enhance shareholder value.

As the CFO, I will undertake the following:

1 Provide financial support to implement the new Medium-Term Management Plan
2 Improve the Group's capital efficiency and profitability
3 Ensure the Company's financial stability to support sustainable growth
4 Enhance communication with stakeholders

Hirotsugu Hayashi
Senior Executive Vice President & CFO

Specifics of those initiatives include:

1. Financial support for the new Medium-Term Management Plan

- The new Medium-Term Management Plan develops a business strategy that focuses on areas where Chiyoda has a distinct competitive advantage and prioritizes areas with the highest potential.
- Providing adequate financial support to implement this business strategy is a key to the plan's success.
- Using enhanced risk management techniques is essential for creating optimum opportunities.

2. Capital efficiency and profitability

- Emphasize capital efficiency as a strong lever for future success.
- Create a lean operating structure capable of dealing with challenging market conditions while delivering profitability.
- Evaluate returns to ensure management resources are being used to best advantage.
- Prioritize investment in opportunities with the highest potential.
- Focus on managing business on a Groupwide basis to maximize the soundness and profitability of Chiyoda as an integrated group.

3. Financial position

- With a core business of LNG and other plant construction, it is important to have abundant liquidity and a solid financial position.
- Recognize that the Company's strong financial position supports high-level operating capabilities.
- Maintain an optimum capital policy and financial strategy that provide a pathway to sustainable future growth.

4. Communication with stakeholders

- Strengthen our communication with stakeholders both inside and outside the Company.
- Listen and respond to shareholder concerns, both at the executive level and through our IR team.
- Communication with stakeholders inside the company is a key to implementing the business and financial strategy.
- Improve the transparency of corporate governance.

Together, these policies can enhance our corporate values, especially when leveraging the Group's natural synergies on a global basis.

BUSINESS OVERVIEW

The Company has developed a wealth of skills and experiences over the last decades in this highly challenging industry. The world-class services offered by Chiyoda are supported by extensive technological expertise in pursuit of "Energy and the Environment in Harmony." The industry is highly complex, requiring a long-term commitment of capital, human resources, know-how and experience, and the ability to develop technological superiority at all levels of the business. Chiyoda Corporation meets those goals.

OUR CONSOLIDATED BUSINESS

During the fiscal year ended March 31, 2017, global confidence remained under pressure, adversely affected by the protracted civil war in Syria and repeated terrorist attacks in several parts of the world. The global economy also underperformed, due to the impact on macroeconomics. Chiyoda's operating conditions remained challenging in a time of a changing global business landscape.

For example, OPEC members cut production during 2016 but oil prices have yet to make a defined, consistent recovery. Also, market observers believe that liquefied natural gas (LNG) remains in oversupply. Combined, these two factors are acting as a brake on final investment decisions in large new projects around the world, a key element for Chiyoda's short-term outlook. In Japan, however, there are increasing expectations about the government's recent economic measures, and it is hoped that capital investment plans will begin to accelerate.

Despite the sluggish environment, activity in existing construction projects for LNG, a core operating area for the Group, progressed smoothly, notably in the U.S., Australia and Russia. In addition, the Chiyoda Group received a new order from Indonesia. The Group also maintained its competitive advantage for future projects, taking strategic steps that included participation in the design of highly feasible expansion projects.

Meanwhile, the Chiyoda Group posted unanticipated non-operating expenses and an extraordinary loss in the first nine months of the fiscal year, due to operating difficulties at EMAS CHIYODA Subsea Ltd. (ECS). ECS is a provider of engineering, procurement, construction and installation (EPCI) services for subsea projects that received investment capital from Chiyoda Corporation in March 2016. Market conditions, as previously discussed, were difficult and grew significantly worse during the course of the fiscal year. In consequence, ECS and its subsidiaries filed for protection under Chapter 11 of the U.S. Bankruptcy Code in February 2017 and later obtained confirmation of the proposed reorganization plan from the U.S. Bankruptcy Court, Southern District of Texas. Under the reorganization plan, ECS is now wholly owned by Subsea 7 S.A. Going forward, Chiyoda will hold discussions with partners, including Subsea 7, about the development of its offshore and upstream business, using the knowledge gained from the ECS experience. In addition, Chiyoda will continue to provide offshore and upstream consulting services through its U.K. subsidiary, Xodus Group Ltd., to clients in Japan and worldwide.

On a consolidated basis, new contracts totaled ¥351.8 billion in the latest fiscal year (down 12.8% from the previous fiscal year). The contract backlog totaled ¥876.8 billion (down 24.7% year on year); net sales of completed construction contracts reached ¥603.7 billion (down 1.2% year on year); and operating income amounted to ¥15.7 billion (down 2.1% year on year). In comparison with consolidated ordinary income of ¥16.2 billion recorded in the previous fiscal year, the Group suffered a consolidated ordinary loss of ¥3.1 billion, mainly attributable to the extraordinary loss at ECS described previously. The Group also posted ¥41.1 billion in consolidated loss attributable to owners of parent, compared with ¥3.4 billion in consolidated profit attributable to owners of parent achieved in the previous fiscal year.

The Chiyoda Group deeply regrets reporting these results, which are substantially lower than the forecasts announced at the beginning of the fiscal year. The Group is determined to improve its assessment of investment projects and regain the trust of shareholders through the successful management of its businesses.

Outlook for the next fiscal year

The consolidated backlog of contracts currently stands at approximately ¥900 billion. The Group will continue to make steady progress on current contracts including LNG projects in Australia, the U.S., Indonesia and Russia while considering slight delays of new investment in large-scale LNG projects. The Chiyoda Group will also focus on new business in pharmaceuticals, the environment and alternative forms of energy.

Under these operating conditions and on a consolidated basis, the Company forecasts new contracts of ¥350.0 billion, operating income of ¥8.5 billion, ordinary income of ¥10.0 billion and profit attributable to owners of parent of ¥5.0 billion in the fiscal year ending March 31, 2018, assuming an exchange rate of ¥110 to the U.S. dollar.

Yamal Tianjin Office, Tianjin

Courtesy of ExxonMobil PNG Limited

CIMIC CMO Co., Ltd.

LNG PLANTS & OTHER GAS-RELATED WORK

Natural gas consumption has increased rapidly in recent years due to its abundance, relatively low cost and environmentally friendly nature. Transportation of natural gas presents major technological challenges and a critical infrastructure has been developed to accommodate the needs of liquefaction and regasification. Chiyoda Corporation is one of the world's leading companies in the design, planning and procurement, construction, installation and management of these vital LNG facilities.

Overseas — The Chiyoda Group completed front-end engineering and design (FEED) work for LNG plants in the U.S. and Russia. Currently, the Group is undertaking engineering, procurement and construction (EPC) work in Australia, the U.S., Russia and Indonesia and is continuing pre-contract work in Mozambique, where it was selected as an EPC contractor. Group companies are also performing engineering, procurement and construction management (EPCM) work to modify and revamp existing LNG and gas processing plants that were previously built by the Company, in addition to EPC work at helium production facilities in Qatar.

Japan — The Group is performing EPC work to modify and revamp the LNG receiving terminals built by the Company.

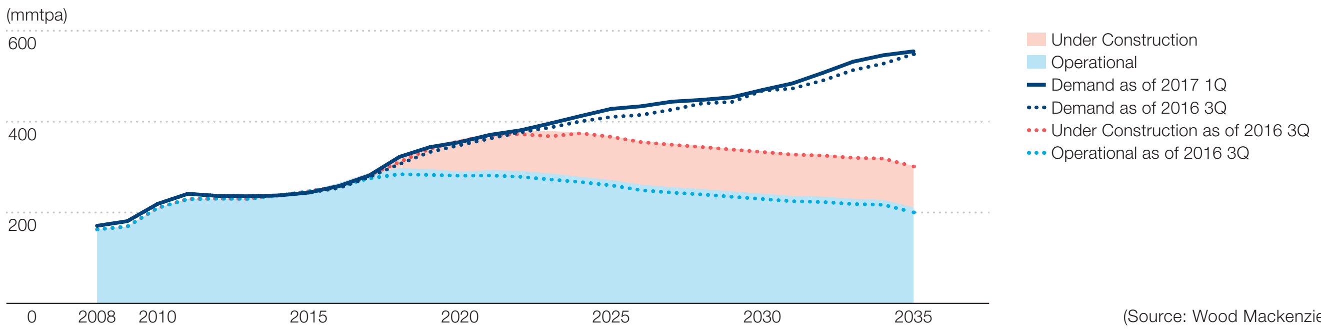
Recent achievements — Despite the limited number of new projects launched in 2016, Chiyoda was awarded an EPC contract for the Tangguh Expansion Project (Tangguh LNG Train 3) in Indonesia, amid strong competition. Construction of large LNG projects in Russia (Yamal), Australia (Ichthys) and the U.S. (Cameron and Freeport) progressed smoothly.

Strategy for future LNG projects — As the global leader in LNG plant construction, the Group is determined to stay ahead of the competition, regardless of short-term market conditions. Considering new opportunities, the Chiyoda Group will compete strongly for new projects in the U.S., Canada, Russia and East Africa through its early planning capabilities, placing the Group in a strong position once the projects are officially launched.

Outlook

Given the currently stagnant energy prices and imbalances in supply and demand, Chiyoda Corporation's clients remain cautious about final investment decisions in large new projects. Nevertheless, in the medium to long term, it is quite clear that LNG usage, and therefore demand, will continue to increase, driven by a society dedicated to lowering carbon emissions and accelerating the recent shift from coal to gas consumption.

LNG Demand Supply



(Source: Wood Mackenzie)

REFINERIES/PETROCHEMICALS/METALS

Beyond basic refining, the petrochemical industry produces a wide variety of chemical products from the raw materials of petroleum, natural gas, LPG and other hydrocarbons. Chiyoda Corporation has been engaged in the design and construction of ethylene plants and many other downstream petrochemical and chemical plants for several decades. Originally focused on the Japanese market, the Company's achievements now include one of the world's largest ethylene plants, built in the Middle East.

Overseas — The Group completed an oil refinery project in Qatar in December 2016, and finished EPC work for an oil refinery and petrochemical complex in Vietnam. Projects currently under way include engineering, procurement, construction and commissioning (EPCC) work for a residue fluid catalytic cracking project and EPC work for petrochemical tank terminal facilities, both in Malaysia. In addition, the Group is engaged in project management for refineries, chemical production and other downstream projects in Asia, operating under long-term contracts, and is conducting EPC work for a titanium sponge plant in Saudi Arabia.

Japan — The Group continues to focus on working with petroleum companies, modifying existing facilities in accordance with directives that emphasize the safety, resilience and quality of life of the Japanese people by enhancing the energy efficiency of these facilities and preventing the deterioration of the country's petrochemical plants.

Outlook

- Focus on expanding downstream projects in the U.S. and copper smelter projects in Indonesia
- Receive modification/expansion projects for existing refineries and petrochemical complexes (domestic businesses)

Courtesy of Qatargas Operating Company Limited

PHARMACEUTICALS/BIOCHEMISTRY/GENERAL CHEMISTRY/ENVIRONMENT/INFRASTRUCTURE

Pharmaceutical and food manufacturing centers require impeccable standards of hygiene and safety and depend on highly skilled design and construction experts to provide the proper facilities. Chiyoda Corporation's expertise stretches across boundaries from its core businesses of LNG, petrochemicals and pharmaceuticals to a multitude of complex engineering and construction projects, in the environmental and infrastructure fields.

Overseas — The Chiyoda Group is performing EPC work for a new international airport in Mongolia and the New Bohol Airport in the Philippines. In the environment field, the Group is providing the Chiyoda Thoroughbred 121 (CT-121) Process, a flue gas desulfurization technology, at coal-fired power plants in high-growth India. The Chiyoda Group is also executing a project to demonstrate artificial light equipment for plants in Dubai, UAE and intends to promote this technology in markets centered on Russia and the Middle East.

Japan — The Group is performing EPC work for large-scale photovoltaic power plants ("mega solar plants") in various parts of the country. In another example of Chiyoda's environmental expertise, the Group is performing EPC work on a demonstration plant for bio-jet and diesel fuel production.

Other current projects include EPC work for food factories that adhere to the latest safety and hygiene standards; research institutes; and facilities capable of handling high-potency pharmacologically active agents and therapeutic antibodies, including cutting-edge production facilities, drug substance plants and biomedicine production facilities.

Outlook

- Follow up in the pharmaceutical field including investigational activities in new and synthetic drugs, and projects for mega solar plants where continued investments are expected
- Continue business development activities in various fields including environmental protection for coal-fired power stations, food factories, etc.

Purification

Cell Processing

I'ROM Group Co., Ltd./ID Pharma Co., Ltd. GMP Vector Manufacturing Plant for Tissue Engineering

NEW BUSINESS FIELDS

The utilization of renewable energy is essential for the sustainable growth of human society. Hydrogen is expected to play a key role in building a low-carbon society for the future. Chiyoda has developed the necessary technology for storing and transporting hydrogen in large volumes, enabling it to be liquefied and transported at ambient temperatures and pressure. This world-first technology will overturn conventional wisdom regarding the use and functionality of hydrogen.

Offshore and upstream — ECS and its subsidiaries filed for protection under Chapter 11 of the U.S. Bankruptcy Code earlier in 2017 and have commenced restructuring activities as stated previously.

Meanwhile, Xodus Group (Holdings) Ltd., the Group's strategic alliance partner in Britain, continues to provide offshore and upstream expertise to natural resource companies and other clients, including design, consulting and other services associated with both the construction of offshore development facilities and the safe removal of deteriorated structures. The Chiyoda Group takes the view that these fields will continue to develop in the long term, due to the overwhelming need for stable supplies of energy. The Group will continue to focus on these business fields based on Chiyoda's philosophy of harmony between energy and the environment.

Hydrogen — In another field related to alternative forms of energy, the Group is planning a major demonstration project, scheduled for implementation in 2020, that uses hydrogen gas procured in Asia as fuel in Japan. The project is aimed at commercializing a hydrogen supply chain that uses technologies for massive hydrogen storage and transportation developed by the Company with the long-term goal of building a society based on hydrogen energy.

Artificial intelligence (AI) technologies — In a field related to digital innovation, the Company established a business alliance agreement with GRID, Inc., one of the leaders in AI technologies in Japan, and started studies for enhancing the productivity of plants by using AI technologies. The Company has started demonstration projects of AI technology application for several clients.

Outlook

- Refocus business strategy for offshore and upstream fields including Xodus, and restructure ECS
- Continue business development activities for demonstration project targeting commercialization of hydrogen supply chain
- Provide new service for enhancing productivity of plants by utilizing AI and big data technologies

Demonstration Plant, Koyasu Office & Research Park

TOPICS

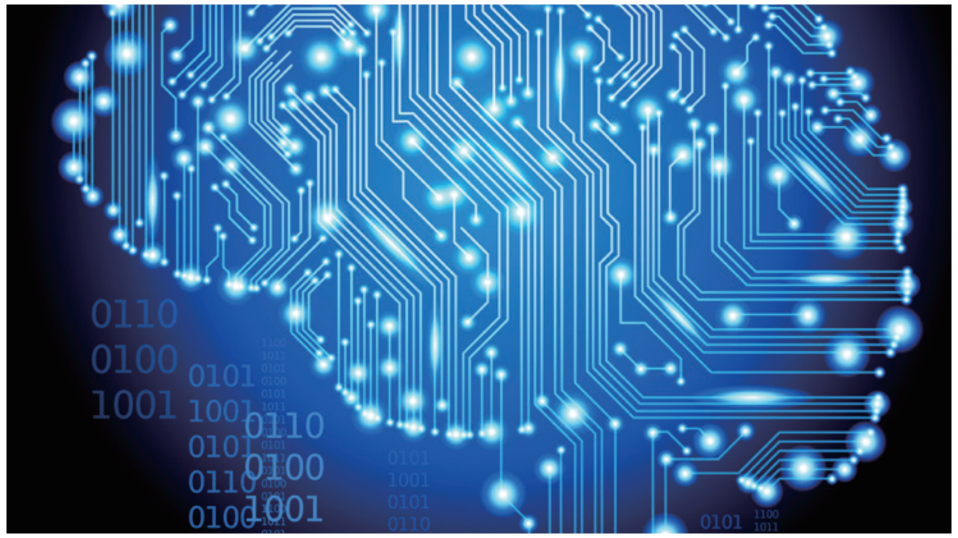
Chiyoda Corporation constantly searches for ways to leverage its expertise in the adoption of new businesses and technological applications. Examples of projects currently under way include:

Renewable Jet and Diesel Fuels

In February 2016, Chiyoda signed a construction contract with euglena Co., Ltd. for Japan's first pilot plant for bio-jet and diesel fuel production. Through construction of this plant (scheduled completion: October 2018) the Company continues its commitment to the broad use of bio-jet and diesel fuels in Japan and the associated reduction in greenhouse gas emissions.

Artificial Intelligence

Looking to optimize technological breakthroughs in big data analysis and artificial intelligence while delivering solutions to customers, Chiyoda has established a business alliance with GRID, Inc., a leader in the field of AI. Through this agreement, made in December 2016, Chiyoda's engineering technologies will be merged with GRID's state-of-the-art AI technology, allowing Chiyoda to offer advanced services such as plant operation optimization and enhanced maintenance support.



Courtesy of Qatargas Operating Company Limited

Oil Refinery Projects

The oil refinery in Qatar was completed in November 2016 and handed over to the client. This project was a major feat of civil engineering, with 1.2 million cubic meters of soil moved and replaced at the installation site. Construction continued throughout high summer, when workers experienced temperatures exceeding 40 degrees Celsius, causing a host of difficulties. However, a concerted effort involving the customer, partners and construction contractors ensured that the project was brought to conclusion without incident.

Hydrogen Storage Tank

Environmental Technology—SPERA Hydrogen and Flue Gas Desulfurization Technology

Chiyoda attended the Kawasaki International Eco-Tech Fair 2017, where it showcased Chiyoda's SPERA Hydrogen, winner of the Grand Prize at the Nikkei Global Environmental Technology Awards in 2016. Participation in such exhibitions allows Chiyoda to provide stakeholders with detailed insights into its activities in the hydrogen field.

Chiyoda is also active in India, a country that suffers from severe pollution due to rapid economic growth. Chiyoda provides flue gas desulfurization technology for coal-fired power plants to Larsen & Toubro, one of India's largest heavy industry manufacturers. Chiyoda's CT-121 process already enjoys more than a 20% market share in the Japanese and American coal-fired power plant markets, countries that operate under strict environmental regulations. Similar activities in India should have a significant impact on air pollution abatement in this rapidly emerging market.

Dealing with Challenges in the Field of LNG

The Yamal LNG project currently under way in Russia faces special challenges. The plant is situated in the Arctic Circle at a latitude of 72 degrees north, experiences lengthy periods without sun during winter and sees temperatures falling to minus 50 degrees Celsius. Despite these conditions, construction continues, including installation of construction modules, some weighing over 6,000 tons, which have been delivered by boat from fabrication yards across Asia.

On the other side of the world, steady progress is being made on the Freeport LNG and Cameron LNG projects under way in the U.S. Combined, these two projects employ more than 10,000 people. In March, the Cameron project reached a record of 20 million man-hours without an accident, illustrating the commitment of all staff to the Company's safety-first policy.

Courtesy of Cameron LNG, LLC

Courtesy of Freeport LNG Development, L.P.

Yamal LNG, Yamal, Russia

CHIYODA'S ESG INITIATIVES

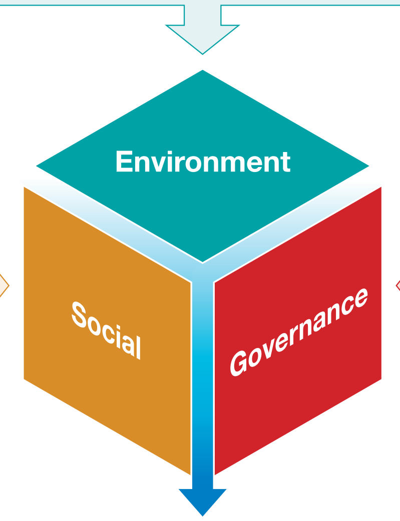
The Chiyoda Group has embraced "Energy and Environment in Harmony" since its foundation, understanding the contribution of such collaboration to the sustainable development of society. We recognize the unique responsibilities of major corporations in the energy engineering sector, and the obligation to search for business strategies that benefit all members of society. In that regard, we promote open, transparent communication with all our stakeholders about the operations of the Chiyoda Group including its ESG initiatives.

Environment

- Climate Change
- Water Consumption
- Biological Diversity
- Pollution & Resources
- Supply Chain/Environment-oriented Proposals in Project Work

Social

- Safety, Quality, Environment and Information Security (SQEI) Management
- Labor Standards
- Human Rights
- Reliability
- Supply Chain/Knowledge Sharing
- Long-term Contribution to Local Communities



Governance

- Enhanced Corporate Governance Policy
- Risk Management
- Tax Transparency
- Anti-corruption Practices
- Enhanced Compliance Program

Creating Shared Values

An important outcome of a vigorous approach to ESG issues is Creating Shared Value for the Company and its stakeholders. Creating Shared Value can be defined as the product of Sustainable Growth using Sustainable Means: the creation of long-term growth for the Company by methods that address important environmental and social challenges with corporate governance duly practiced. At the Chiyoda Group, our Shared Value approach is built on a social responsibility-oriented culture that recognizes the risks inherent in the energy engineering business, and aims to realize "Energy and Environment in Harmony" using all the resources available.

Our Sustainable Development Goals

The Group believes that providing financial disclosure and emphasizing compliance are not enough to fulfill social responsibilities under this code, and has decided to integrate the principles of the SDGs into the Company's pursuit of long-term, sustainable growth for society. The Group realizes that achievement of these goals requires collaboration with the government, the private sector and civil society.

Chiyoda supports the SDGs

- Plant Construction & Providing Infrastructure
- Cultural Advancement & Support of Communities
- Sharing Technical Knowledge & Job Creation
- Working in Partnership with Local Communities
- Technical Development for a Low-carbon and Carbon-free Society
- Environmental Protection & Climate Change Aversion
- Stable, Safe, Affordable Energy Production
- Effective Use of Natural Resources

A MESSAGE FROM MR. SHUICHI WADA, HEAD OF CORPORATE PLANNING & MANAGEMENT DIVISION

Q How can Chiyoda Corporation continue to add value for all its stakeholders?

- Maintaining the highest level of customer satisfaction is a key metric at Chiyoda. I believe that we can develop our relationships with stakeholders through continuous, open and direct dialogues that recognize their different interests.
- Other key Company objectives include profitable, sustainable growth and enhancement of the Group's corporate values. To achieve these, in 2015, we established the "Chiyoda Corporation Corporate Governance Policy," designed to enhance the strength and transparency of management. Further, it acts as a constant reminder of the need for a sound corporate governance culture.

Q Chiyoda celebrates its 70th anniversary in 2018. As we reflect on Chiyoda's past, what message would you send to the Company's stakeholders regarding future development of corporate value?

- We want to be seen as a first-class, highly reputable and universally admired, reliable company. By recognizing diversity and being open to everyone, including employees, customers and all other stakeholders, we set the highest corporate standards.
- Backed by our cutting-edge technologies and engineering expertise in various businesses, we are dedicated to maintaining our strong presence in the LNG sector and expanding our contribution to the market.
- We believe that Chiyoda is identified as a company with high accountability, sustainability and timely project execution. We are eager to further develop our worldwide reputation for excellence in the years ahead.
- As a market leader in the LNG business and with involvement in "new energy" businesses, including SPERA Hydrogen®, Chiyoda as a leading integrated engineering company is ready to adapt itself to dynamic changes in the energy market.

Q Communication of the Company's economic and social values to stakeholders is important. What are your thoughts about disclosure of information in the form of an integrated report?

- Our Investor Relations Team regularly engages with the market, giving and gathering information on our corporate performance. In addition, we value opportunities to provide more detailed information, to talk about our longer-term business strategy and the Company's future development.
- Along with recent changes in senior management, we intend to increase the number of opportunities to talk to investors, to introduce the Company's new leadership and to thoroughly explain the philosophy and current and future strategies.
- Reflecting the above thoughts, we are planning to report in an integrated approach that gives us the opportunity to present a holistic look at our organization including aspects of both a financial and non-financial nature within the context of the markets we serve: our customers, communities, employees and shareholders.

Shuichi Wada
Division Director
Corporate Planning & Management Division

OUR INITIATIVES WITH THE ENVIRONMENT

TECHNOLOGY

"Serving Society with Technology" is the philosophy of Chiyoda's foundation. Bearing this in mind, we have undertaken research and development, demonstration projects and commercialization of energy and advanced environment-related technologies.

Making the most of our strengths as an engineering firm, we are able to take such a comprehensive approach to research and development as it is integrated with process development, design and system analysis. With this approach, we have carried out technology development both on our own and in cooperation with our clients and technology owners, aiming for commercialization and problem-solving based on society's ever-changing demands.

We will continue our efforts to contribute to solving new issues including materializing a low-carbon and carbon-free society.

NEXT-GENERATION CLEAN ENERGY

A demonstration plant for renewable jet and diesel fuels

As a business partner in the "Domestic Biofuel Project," led by euglena Co. Ltd. (Euglena), we are currently participating in the construction of Japan's first renewable jet and diesel fuel demonstration plant (to be completed in October 2018).

Using technology that was introduced by our technology owner in the United States, Chevron Lummus Global, Euglena is executing the design, procurement and construction according to Japanese standards.

Led by METI (the Ministry of Economy, Trade and Industry) and MLIT (the Ministry of Land, Infrastructure, Transport and Tourism), the project aims to switch to biofuel by 2020 to reduce the extent of CO_2 emissions. The international framework of the ICAO (International Civil Aviation Organization) to prevent CO_2 emissions from exceeding the 2020 standard means that the need for jet biofuel is becoming greater than ever.

Yabase oil field produced-water treatment verification plant

With know-how accumulated through engineering and the construction of oil refineries, we continue to collaborate in the commercialization of this technology and further contribute to reducing CO_2 emissions.

EFFECTIVE UTILIZATION OF OIL FIELDS

Yabase oil field produced-water treatment demonstration plant

Global energy needs are growing, for one reason, because water production from oil fields increases as oil fields age. To maintain high levels of productivity in oil and gas production while concurrently abiding by environmental regulations, more advanced produced-water* treatment technology is needed.

To resolve the problem of produced-water treatment, the Japan Oil, Gas and Metals National Corporation's project known as "Small-Scale Demonstration of Produced-Water Treatment Technology" is being jointly conducted by four companies: the Japan Oil, Gas and Metals National Corporation, INPEX, METAWATER and Chiyoda.

For the project, a demonstration plant was constructed at the Yabase oil field in Akita Prefecture, with operations begun in March 2017 and planned for seven months.

Because the ceramic membrane filter requires no pretreatment such as that for coagulation, the use of chemicals can be greatly reduced. Further, as the membrane can be washed and used repeatedly, no disposable waste will be generated, reducing the environmental burden. It is expected that the filtered water will be reused as injection water for reservoir pressure maintenance in oil fields.

We will continue this domestic demonstration project, aiming to improve the produced-water filtering technology that supplies oil more economically, increases oil field longevity and decreases the environmental burden.

*Produced-water: Formation water produced alongside crude oil and natural gas

THE DISSEMINATION OF TECHNOLOGY TO PREVENT AIR POLLUTION

CT-121 licensing of technology to one of India's major heavy industry manufacturers

In November 2016, Chiyoda concluded a technology license agreement with India's major heavy industry manufacturer Larsen & Toubro (L&T) to provide its proprietary "Chiyoda Thoroughbred 121 (the CT-121)" flue gas desulfurization process (FGD) technology for promotion in the Indian market.

Coal accounts for 75% of the power supply in India, which, with its robust and rapid economic growth, is in need of power plants to sustain development. The demand for FGD plants is increasing significantly, as the demand for coal is firmly rooted in its cheap and stable price. While coal-fired thermal power provides 42% of the world's energy, that figure is expected to reach 44.5% by 2030.

Under these conditions, CT-121, the environmental technology highly evaluated by L&T, will continue to meet the demands of India's economic growth while helping to resolve its environmental issues.

ENVIRONMENT-CONSCIOUS ACTIVITIES IN PROJECT EXECUTION

Environmental Proposals/Green Procurement

Chiyoda approaches the design, procurement and construction stages of every project with consideration for the environment. Improving on the plans provided by our clients and proactively engaging in environmental proposals, we aim to construct plants with a lower environmental impact.

Over the past five years we have submitted an average of 319 proposals annually. In 2016, 221 proposals were accepted by our clients. Our project procurement operations are implemented on our green procurement guidelines based on the Ministry of the Environment's Green Purchasing Law so that we utilize construction materials and construction methods with less of an environmental impact.

ENVIRONMENT-ORIENTED PROPOSALS IN 2016

1. Site preparation plans that minimize surplus soil generated after construction
2. Adoption of energy-conserving, low-noise equipment
3. Pier design optimization plans to reduce jungle deforestation

GREEN PROCUREMENT

1. Use of portland blast furnace cement (material designated under the Green Purchasing Law)
2. Use of base coat paint (anticorrosive) (material designated under the Green Purchasing Law)
3. Use of EM electric wires and cables (eco-friendly material)

TECHNOLOGY DEVELOPMENT OF HYDROGEN ENERGY

SPERA Hydrogen® system receives the top prize of the Nikkei Global Environmental Technology Awards

Hydrogen is considered a clean next-generation energy, and the dissemination of hydrogen fuel cell vehicles and ENE-FARM (home-use fuel cells) as well as practical realization of hydrogen electricity generation are being promoted by the government. In this respect, it is essential to develop a technology for hydrogen to be "stored" and "transported" in a stable state and in large quantities like natural gas and oil. Such technology has never been available until now.

In 2014, we became the first in the world to complete technological development to resolve this issue. This system has been named "SPERA," meaning "hope" in Latin. There are high expectations for this technology, which has been highly evaluated both domestically and internationally, and has received numerous technology awards such as the top prize in the Nikkei Global Environmental Technology Awards. We will continue to meet these high expectations and to contribute to the global environment.

CONTRIBUTING TO SOCIETY THROUGH BUSINESS

WHY

The social responsibility of engineering firms is to address issues surrounding society and provide solutions for those issues. In this respect, we are assigned the mission of providing superlative services and products in partnership with our clients, using skills and expertise accumulated from experience in engineering and constructing plants and consistently offering services with the full use of cutting-edge technologies.

HOW

- Adding value by integrating cutting-edge technologies
- Forming and promoting a culture of safety
- Human resource development and technology transfer in countries where we have projects

SAFETY FIRST

Best international safety practices to benefit project execution

The Chiyoda Group conducts all activities with "Safety First" as a core value. Furthermore, for our clients, a safe plant is usually their highest priority. While some industries apply "destructive testing" of their products (think of crash tests for cars), this approach would be obviously unacceptable in the design of hydrocarbon plants. We verify the safety of our plant design by incorporating international, industry and client-based safety standards. However, safety standards vary for each country and are continually being updated. In addition, each plant's configuration and specifications are unique. Therefore, a complete understanding of the relevant codes and standards and the skills to undertake thorough safety studies are required when we design a plant.

To deal with the various safety requirements, our company offers a "Design Safety Induction Course" that targets all engineers involved in project execution. To date, over 400 engineers have participated in the course, which begins with consideration of the concept of plant safety. By the end of the course, we plan to have taught participants how to achieve safe plant design. The participants review relevant case studies, study the work flow and relationships between the various required safety studies, look at how interdisciplinary safety matters are addressed and learn the effects on costs and schedules when safety studies/activities affect the design of a plant.

Chiyoda applies the "Safety First" concept to all our clients. Through the "Design Safety" course, we plan to apply the best international safety practices domestically. By promoting such a culture of safety awareness, Chiyoda will continue to provide safe and highly reliable plants to our clients. This will enable all our employees to be proud of the achievements we deliver.

DEVELOPING EXCELLENT HUMAN RESOURCES THROUGH TECHNOLOGY TRANSFER

Deployment of international client training

In addition to carrying out many international projects, the Chiyoda Group also concentrates on developing human resources in those countries.

Starting with the acceptance of trainees from the Kingdom of Saudi Arabia in 1976, followed by training including on-site technical education in the Federal Republic of Nigeria in 1978, collaborative training with external organizations has been in practice since 1982. The training offered to foreign clients is highly esteemed both domestically and overseas. The United Arab Emirates joined in 2010, and the State of Qatar joined in 2012, while the number of countries participating in training continues to grow, including the Kingdom of Saudi Arabia, the Republic of Korea, the Republic of Mozambique and the Islamic Republic of Iran. The training provided to foreign clients can be conducted both in Japan and by dispatching lecturers abroad. The number of participants in these programs last year was 73. The training provided in Japan also includes the opportunity to experience Japanese culture.

Thus, through engineering training and cultural exchange, we collaborate with countries where plants are constructed to help create a basis for the innovation of their industries and technologies as well as develop their human resources.

DEVELOPING HUMAN RESOURCES WITH THE GOAL OF ESTABLISHING INDUSTRIAL INFRASTRUCTURE

Opening up internships for the Masdar Institute of Science and Technology (MIST)

Through subsidiary aid granted by the Agency for Natural Resources and Energy in the Ministry of Economy, Trade and Industry, internships have been provided to the United Arab Emirates' Masdar Institute of Science and Technology (MIST), with the Japan International Cooperation Center (JICE) as the point of contact. The project was founded with the goal of promoting fellowship and strengthening cooperation between Japan and the United Arab Emirates. Within the fields of renewable energy, smart communities and green technology, Japanese companies annually accept MIST students of UAE nationality, with 2016 marking the fifth year so far. After arriving in Japan, MIST interns receive a basic introduction to life in Japan. Training is provided for each enterprise. Over five consecutive years, the Chiyoda Group has hosted a total of eight graduate students in internships involving classroom lectures and on-site inspections for a month and a half. The Japanese government also works in close cooperation, fostering engineering skills and human resource development.

Diverse human resource development at Chiyoda Almana in accordance with the Qatar National Vision 2030

Our overseas Group companies contribute to developing various human resources. Chiyoda Almana Engineering LLC supports the development of human resources, an important aspect of the Qatar National Vision 2030. Chiyoda Almana supports Qatar by nurturing diverse human resources and career development.

In 2016, the company sponsored many educational opportunities in the field of hydrocarbon processing technology. With the goal of enriching the technical experience of those in the field, Chiyoda Almana and Chiyoda Global Headquarters facilitated training programs geared toward RasGas and Qatargas engineers.

On November 2 and 3, 2016, we presented an important overview of the basic operation of LNG plants to young engineers of Qatargas. We are also proactively involved with developing human resources in regional communities.

University students of United Arab Emirates' Masdar Institute of Science and Technology (MIST)

Qatargas professionals at Chiyoda Almana Brownfield Management Masterclass 2016

RESPECT FOR HUMAN RIGHTS

At the Chiyoda Group, human resources are valuable assets. We aim to maintain a corporate culture of which all employees and their families are proud.

The Group operates worldwide and, under an initiative promoted by the Japanese government, recognizes the need for changes in work style that reflects the development of global human resources and respects diversity.

INITIATIVES FOR CHANGES IN WORK STYLE IN FY2016

We have been encouraging reform through changes in our employees' mindsets and organizational operations as well as improvements in the operating bases where Chiyoda is 1) a company whose employees are motivated to continue working on a long-term basis and 2) a company that is continually able to develop its competitiveness and strength.

We have developed systems for reduced working hours and for leaves of absence for employees constrained by child care or nursing care. Among our achievements in FY2016, we embraced diversity, made the child care and nursing care systems more flexible and introduced a system to afford retired employees new re-employment opportunities. Additional steps include:

1) Leaves of absence for employees working in Japan or overseas to be off with their spouses
2) Re-employment opportunities for people who have left the company for child care, nursing care or to accompany spouses who have been transferred
3) Work-at-home (teleworking) opportunities on a trial basis (Note: Full-scale introduction was launched in May 2017.)

These steps were taken to secure human resources willing and able to work and to help retired employees be re-employed when their circumstances change, all enabling us to increase our workforce in an effective manner. We will continue to take steps to increase our productivity and competitiveness by promoting such changes in work style.

In FY2016, Chiyoda Corporation received "Kurumin," a certification for companies recognized for their enthusiastic efforts to cultivate the next generation, granted by the Kanagawa Labor Bureau of the Ministry of Health, Labour and Welfare. Companies can gain this certification by achieving the goals specified in their action plans and by satisfying the criteria set by the bureau.

Chiyoda Corporation obtained the certification after achieving the targets set for the period from April 1, 2010 to March 31, 2015 and for being highly appreciated for the following new initiatives to take from now:

1) Extending application of a program of shorter working hours to employees with elementary school children up through the sixth academic year, fostering a better balance between work and child care
2) Consideration of flexible work styles
3) Reduction of total working hours by enforcing stoppage of work after 20:00 and on holidays

We will continue our efforts to create an environment where employees can perform to the best of their potential.

SAFETY FIRST CRISIS MANAGEMENT SUPPORT TO PREPARE FOR ALL EMERGENCIES

Business Continuity Plan/Disaster prevention

In 2015, the Chiyoda Group formulated a Business Continuity Plan (BCP). Covering all kinds of disasters, including fires and large earthquakes, disaster prevention practice and BCP training are conducted with the basic principle of "life comes first."

In 2016, we practiced fire drills from buildings and dealing with disrupted transportation networks to help people return home safely in the event of a large earthquake. While Chiyoda Global Headquarters continued its BCP training from last year, training has expanded on a larger scale to the Koyasu Office & Research Park and the corporate Group this year. In addition, the "Nighttime/Holiday Initial Response Training" outlines the procedures necessary for the smooth resumption and execution of business after a major crisis. In addition to verifying the safety of employees, we also strive to ensure the safety of their families. In the event of a disaster, employees' family members will receive e-mails to confirm their safety if they are registered on the relevant system.

Further, our Group company Arrowhead International makes all the arrangements for our employees' business trips. Providing adequate support that puts safety first for the various risks that may occur between departure and return, the Arrowhead Travel Risk Management System (A-TRIMS) provides safer and more reliable crisis management. This system verifies the itineraries of those traveling overseas and ensures their safety by thoroughly checking through e-mail and mobile phone. The Group as a whole supports stronger crisis management and puts the safety of employees first.

Crisis management activity at the field office in Yanbu, Kingdom of Saudi Arabia

At the construction site of a sponge titanium plant that was mechanically completed in May 2017 with Non LTI for Advanced Metal Industries Cluster and Toho Titanium Metal Company Limited, we worked with the client to implement various crisis management measures in terms of both hardware and software to ensure the safety of the client and field office staff from around the world.

As part of this activity, we conducted evacuation drills several times to ensure prompt evacuation and confirm the effectiveness of the Emergency Plan and Emergency Response System.

Practical training was carried out while the difficulty level was continuously raised according to the progress of construction and the number of field office staff.


BCP Training

CHIYODA'S DIVERSITY

Chiyoda Corporation believes in the philosophy and integrity of diversity in the workplace and actively encourages employees to think and act accordingly.

Ms. Kaoru Nakamura, a Chiyoda employee for 31 years, has been assigned to the position of General Manager in the Project Logistics & Construction Planning & Administration Unit. We posed these questions to her:

Q What does the issue of "diversity" mean to you?

Particularly in Japan, most people have the impression that diversity is an issue only about women. That is not correct. To consider diversity in a large corporation properly is to include, along with gender, nationality, age, the challenged, family care and other issues. The subject of diversity involves everybody, and all of us should consider discussing this subject.

Q Why should Chiyoda embrace diversity?

Chiyoda has already accepted the philosophy of diversity. Project teams and construction sites are filled with multinationals working for the common goal of a successful project. At CGH, we respect and value each other, regardless of background or nationality, focusing on the contribution each person makes to Chiyoda's success. We enjoy an excellent working environment that enables us to grow individually while improving the quality and efficiency of our business. At the same time, we realize that when we lose people for personal reasons, it is a loss of talent and potential for Chiyoda.

We need to extend the idea of "Diversity & Inclusion" and focus on people within the Company who may be struggling to care for someone at home or people who feel disadvantaged in their careers because of their gender or other unfair reason. The first step to the goal of true diversity is not just to provide a framework but to change our mindset.

Q What can the Change Mindset Task Team achieve?

I have been part of the Change Mindset Task Team for four years now. Through activities including lectures by visiting experts and internal discussions, we have offered learning opportunities about "Diversity for Chiyoda" to all personnel. We believe one way to improve our diversity might be to change our working style, by "reforming the way of working (*hataraki-kata kaikaku*)" to improve our Work/Life Balance. We hope that with such reforms all employees will achieve a good work/life balance of their own regardless of gender, nationality and so on, and enhance each individual performance, thereby helping us to realize our corporate goals. This is something we will be very proud to achieve.

Kaoru Nakamura
General Manager
Project Logistics & Construction
Planning & Administration Unit

CHIYODA'S CSR ACTIVITIES

Educational support/ Human resource development

- Internships

Operating in 7 companies

- Student visits to the company

38 students

- University lectures

Held at 2 universities

- Grade school campaign drive

270 people

Contributions to health and welfare

- Table for Two (meal program) (facilitated domestically by the Chiyoda Group)

37,200 yen (1,860 meals provided)

- Eco-cap collection

196,166 caps recycled (providing 228 vaccinations)

- Blood donation

503 donors

Support for people with special needs

- In-house sale of products made by people with special needs (CGH, Koyasu Office)

15 gatherings

- Japan Philharmonic performance of Beethoven's "9th Symphony" concert invitations provided to those with visual impairments

25 sets
50 people invited

Assistance to areas hit by disasters

- Remittance of donations for earthquakes in Italy, Ecuador and Kumamoto
- Employee volunteer dispatching to areas hit by disasters

7 visits
70 participants

- Providing food to the victims of large-scale disasters

500 people

- Sale of products from areas hit by disasters (held at CGH, Koyasu Office)

10 gatherings

Environmental Conservation

- Tree planting

43 participants
200 trees planted

- Cleaning operations

Over 350 participants

CORPORATE GOVERNANCE

CHAIRMAN'S MESSAGE

CORNERSTONE OF OUR COMMITMENT

Along with our corporate philosophy, "Energy and Environment in Harmony," the Chiyoda Group, while recognizing its responsibility as an integrated engineering company, reaffirms its commitment to the sustainable development of the global society.

It is of the highest priority to ensure the health and safety of everyone concerned with Chiyoda's activities and to mitigate the environmental impact of our global operations. To maintain the highest standards in our business practices, we have clearly defined policies and processes that thoroughly apply to all employees, including management.

STRONG CORPORATE GOVERNANCE FOR SUSTAINABLE GROWTH

Recently we have seen major changes in the global energy landscape. The energy mix is shifting, driven by changes in supply and demand, technological developments and growing environmental concerns. As an integrated contractor mainly in the hydrocarbon and chemical industries, Chiyoda needs to be flexible in adapting to changes in the business climate. To enable swift responses to the changing environment, the new corporate management is committed to a foundation of effective leadership, firm governance and strong stewardship.

In the 2016 fiscal year, we increased the number of external Directors to four, out of 12, to provide more diversified, transparent and efficient oversight of the Company's management.

We believe a broader range of outside views will enrich the quality of our decision-making process. One of Chiyoda's management priorities is having Board Members with independent views, a policy that we encourage throughout our corporate governance in pursuit of profitable, sustainable growth.

KEEP MOVING FORWARD

The longest journey begins with a single step. This management team is characterized by its potential for development, providing investors with a long-term opportunity for sustainable returns and continued engagement with all of our stakeholders. I intend to deepen the trust we have cultivated with our stakeholders, and I ask for your continued support in our many endeavors ahead.

Katsuo Nagasaka
Chairman of the Board

The Company pledges to constantly strive for sustainable growth and to enhance the corporate values of the Chiyoda Group on a mid- to long-term basis. To achieve this goal, the Group established in October 2015 the "Chiyoda Corporation Corporate Governance Policy," which developed the Group's basic views and guidelines on corporate governance. The Group will continue to actively secure the soundness and transparency of its corporate management through the policy.

CORPORATE GOVERNANCE SYSTEM

To further reinforce its corporate governance structure, the Company has shifted to a "Company with an Audit and Supervisory Committee." The Company has established the Corporate Risk Management Division, which presides over the Compliance Unit, the SQEI (Safety, Quality, Environment and Information Security) Management Unit, the Crisis Management Unit and the Internal Audit Unit. The Corporate Risk Management Division and the Internal Audit Unit report directly to management to raise the quality and transparency of management, enable timely responses to stakeholders and reinforce the risk management and the compliance system.

To ensure speedy and accurate decision-making to deal with rapidly changing social and economic environments, the Company has adopted the executive officer system, which separates the functions of directors, who are responsible for management supervision, from those of executive officers, who are responsible for business operations. By becoming a Company with an Audit and Supervisory Committee, with new functions, the Company will improve and implement the soundness and transparency of management and prompt decision-making, and further enhance its corporate value.

The Board of Directors and Meetings of the Board of Directors

The Board of Directors is composed of 13 directors. Important matters concerning the Company are reported and resolved at meetings of the Board of Directors. The Executive Committee, made up of the four representative directors, examines matters before they are submitted for resolution at meetings of the Board of Directors. It makes decisions about business execution matters by unanimous resolution.

Audit and Supervisory Committee

The newly established Audit and Supervisory Committee is composed of three directors (including two independent officers) as Audit and Supervisory Committee members who closely monitor the execution of duties of directors and executive officers. The Audit and Supervisory Committee members attend meetings of the Executive Committee and express their opinion when necessary. In addition, their responsibilities include deciding the content of resolutions submitted to the General Meeting of Shareholders, such as the appointment or dismissal of accounting auditors, auditing consolidated financial documents in close cooperation with the accounting auditors and preparing audit reports.

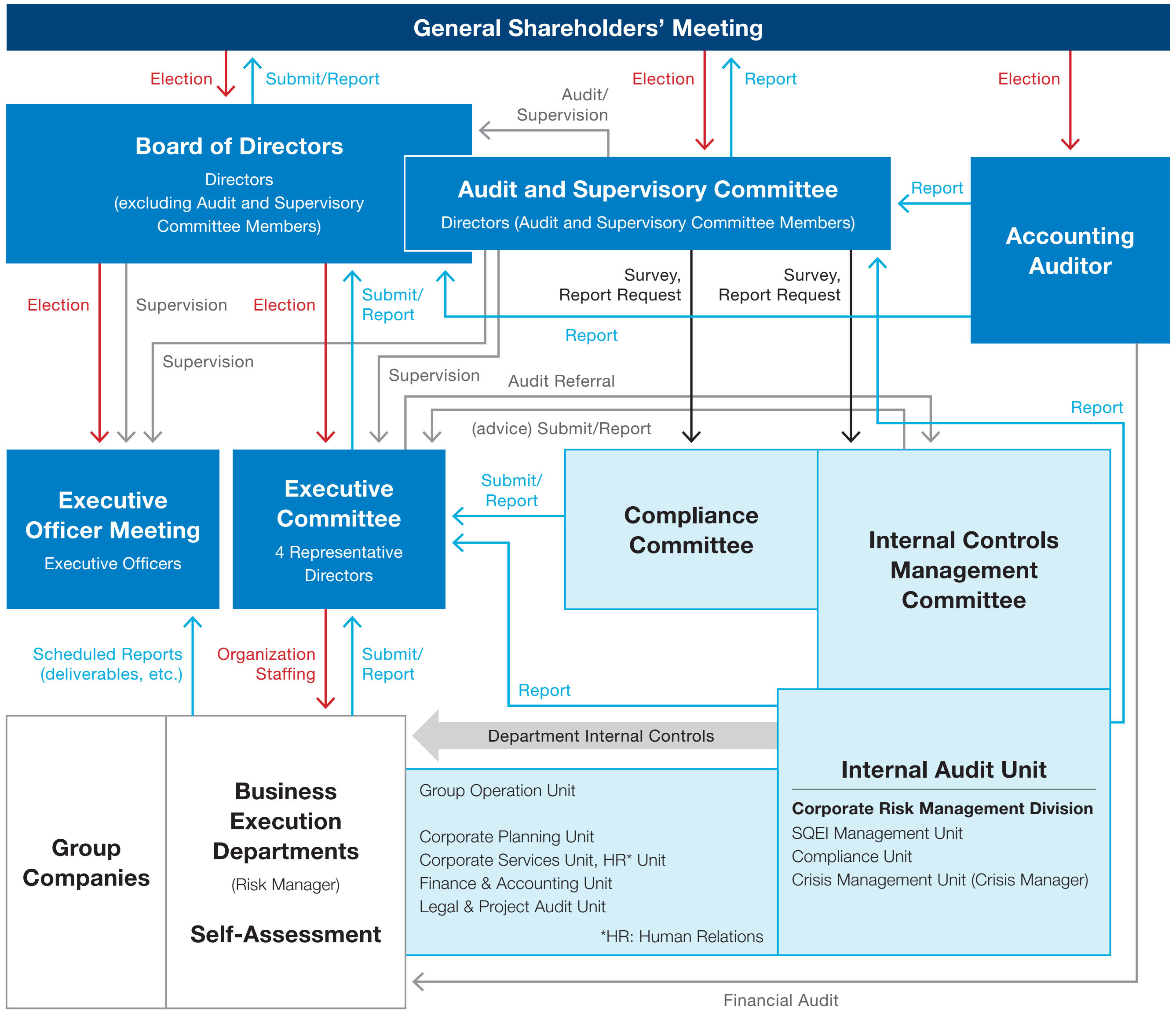
Executive Officer System

Where necessary, executive officers cooperate with outside specialists such as corporate lawyers in carrying out duties assigned to them at meetings of the Board of Directors and the Executive Committee. Executive officers provide regular progress reports at executive officer and Executive Committee meetings attended by directors and corporate auditors.

REINFORCING INTERNAL CONTROLS

The Chiyoda Group constantly conducts self-assessments of existing internal control functions and reinforces internal control systems. In addition, its Internal Audit Unit, as an autonomous unit, performs evaluations, including auditing the development and operation of a suitable overall internal control framework and constituent components, and submits reports to the Executive Committee. The unit aims to ensure the establishment of an integrated framework of internal controls and a real-time monitoring system for management.

CORPORATE GOVERNANCE AND INTERNAL CONTROLS



■ : Important units and arms of the Company
□ : Departments with internal control functions

OUTSIDE DIRECTORS

1) Nobuo Tanaka

The Company expects that, as an outside director, Mr. Tanaka will properly fulfill his duties by drawing on his abundant knowledge and experience acquired from international organizations such as those specializing in international energy.

2) Hiroshi Sakuma

Mr. Sakuma has served as President of Diamond Generating Corporation, Executive Vice President of Mitsubishi Corporation and others, and is very well versed in a wide range of business fields such as infrastructure including that of oil and gas, power generation and new energy. He has also been involved in the management of investee companies and business groups in Japan and overseas. The Company expects that by leveraging his experience and knowledge, he is capable of carrying out his duties as an outside director.

3) Mikio Kobayashi

Mr. Kobayashi has gained experience as President and Representative Director of Ryoshin Credit Service Co., Ltd. and Deputy President and Representative Director of Japan Property Solutions Co., Ltd., after working for Mitsubishi UFG Trust and Banking Corporation as an Executive Officer. The Company expects that he will build on such experience and contribute to its sound management through audits conducted from an objective and independent perspective.

4) Yukihiro Imadegawa

The Company expects that as a lawyer and specialist in corporate legal matters, Mr. Imadegawa will contribute to its sound management through audits conducted from a professional and objective perspective.

REMUNERATION FOR DIRECTORS AND AUDIT & SUPERVISORY BOARD MEMBERS

Total amount of remuneration for Directors and Audit & Supervisory Board Members of the term under review

	No. of persons	Base remuneration (millions of yen)	Performance-based remuneration (millions of yen)	Remuneration for purchase of treasury stock (millions of yen)
Directors (excluding Audit and Supervisory Committee members)	9	219	—	43
Directors (Audit and Supervisory Committee members)	3	43	(N/A)	(N/A)
Audit & Supervisory Board Members	3	13	(N/A)	(N/A)

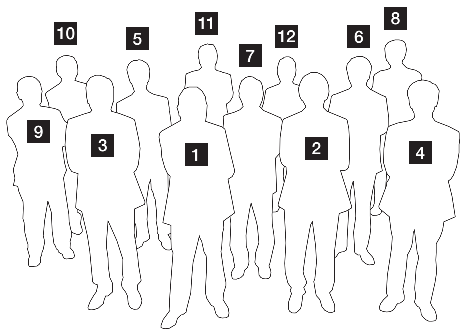
Following are details of the policy on the decision of content of remuneration for directors and the calculation method thereof as well as the process for deciding such a policy:

The Company's system of remuneration for directors was established based mainly on performance, sharing values with shareholders and increasing officers' motivation and morale toward improving performance. The system was approved by resolution at the FY2015 Ordinary General Meeting of Shareholders, held on June 23, 2016.

	Category	Concept of Remuneration	Outline of System of Remuneration
Directors	Base Remuneration	Corresponds to roles and responsibilities	Remuneration for Directors is 300 million yen or less per annum.
	Performance-based Remuneration	Corresponds to the achievements for each term	Taking into account the levels of net income and dividend for the consolidated fiscal year under review and qualitative elements such as the degree of achievement of management objectives, the amount is kept within 200 million yen or 1% of the amount of profit attributable to owners of parent.
	Remuneration for Purchase of Treasury Stock	Linked to long-term achievement improvement	Directors (excluding Outside Directors) acquire treasury shares of 90 million yen or less per annum through the Directors Holding Association for continuous holding until retirement from positions.
Audit & Supervisory Board Members	Base Remuneration	Corresponds to roles and responsibilities	Remuneration for Audit & Supervisory Board Members is 84 million yen or less per year.

DIRECTORS & OFFICERS

(As of June 26, 2017)



MEMBERS OF THE BOARD

REPRESENTATIVE DIRECTORS

1 Katsuo Nagasaka
2 Masaji Santo
3 Arata Sahara
4 Hirotsugu Hayashi

DIRECTORS

5 Masahiko Kojima
6 Ryosuke Shimizu
7 Nobuyuki Uchida
8 Nobuo Tanaka*
9 Hiroshi Sakuma*

*_External director_ as provided for in Article 2-15 of the Companies Act.

DIRECTOR, AUDIT & SUPERVISORY COMMITTEE MEMBERS

MEMBERS OF THE AUDIT & SUPERVISORY COMMITTEE

10 Mikio Kobayashi*
11 Hideaki Takaishi
12 Yukihiro Imadegawa*

*_External director_ as provided for in Article 2-15 of the Companies Act.

EXECUTIVE OFFICERS

PRESIDENT & CEO

Masaji Santo

SENIOR EXECUTIVE VICE PRESIDENTS

Arata Sahara
Operations Director, Downstream & Non Hydrocarbon Project Operations

Hirotsugu Hayashi
CFO
Risk Management

Hiroshi Ogawa
Project Operations

EXECUTIVE VICE PRESIDENTS

Masahiko Kojima
Corporate Planning & Management
Operations Director, Offshore & Upstream Project Operations

Mamoru Nakano
Operations Director, Gas & LNG Project Operations No.1
GM, Gas & LNG Project Unit No.1

SENIOR VICE PRESIDENTS

Ryosuke Shimizu
Operations Director,
Technology Development, Investment and Project Operations

Nobuyuki Uchida
Project Operations - US Projects
Gas & LNG Project Operations No. 2

Hiromi Koshizuka
Operations Director, ChAS & Life Science Project Operations
GM, ChAS Marketing Unit

Akira Fujisawa
Operations Director, Gas & LNG Project Operations No. 2
GM, Gas & LNG Project Unit No. 2

Masao Ishikawa
Division Director, Technology & Engineering Division

Toshihiro Shimazaki
Deputy Operations Director, Technology Development,
Investment and Project Operations

Yasumitsu Abe
Division Director, Project Logistics & Construction Division

Shuichi Wada
Division Director, Corporate Planning & Management Division
GM, Corporate Planning Unit

Masao Fujiwara
Division Director, Global Project Management Division
GM, Project Administration Unit

VICE PRESIDENTS

Eisuke Oki
Deputy Operations Director, ChAS & Life Science Project Operations

Toshiyuki Kariya
Deputy Operations Director, Offshore & Upstream Project Operations
GM, Offshore & Upstream Project Unit

Hideaki Tomiku
Technology Development, Investment and Project Operations

Terunobu Iio
Deputy Operations Director, Downstream & Non Hydrocarbon Project Operations
GM, Downstream & Chemical Project Unit

Jinei Yamaguchi
Deputy Division Director, Corporate Planning & Management Division
GM, Group Operation Unit

Hiroyuki Shimizu
Deputy Operations Director, Gas & LNG Project Operations No. 1

Toshiaki Furugori
Deputy Division Director, Technology & Engineering Division

Hideo Matsui
Division Director, Business Development Division
GM, Business Development Unit 2

Masaki Kadono
Deputy Division Director, Global Project Management Division
GM, Project Management Unit

Masakazu Fujiwara
Project Director

Munetaka Horiguchi
Business Development Division

CORPORATE GOVERNANCE DIALOGUE

Chiyoda's IR Team brought together Mr. Toshikazu Suzuki, Senior Analyst at Asset Management One, and Mr. Nobuo Tanaka, External Director at Chiyoda, for an open dialogue on ESG topics, including Chiyoda's ESG activities, the potential for SPERA Hydrogen as a future form of energy, carbon taxes, Chiyoda's progress on diversification and the composition of the Board of Directors. Some extracts follow.

Mr. Toshikazu Suzuki

Mr. Toshikazu Suzuki is a Senior Analyst at Asset Management One.

AM One is an asset management company that was established as a result of integrating DIAM Co., Ltd., Asset Management Division of Mizuho Trust & Banking Co., Ltd., Mizuho Asset Management Co., Ltd. and Shinko Asset Management Co., Ltd. on October 1, 2016.

Mr. Nobuo Tanaka

Mr. Nobuo Tanaka graduated from the University of Tokyo in the field of economics in 1972, then began his career with the Ministry of Economy, Trade and Industry (METI). Later, he also became the Director for Science, Technology and Industry at the Organization for Economic Co-operation and Development (OECD). Before becoming External Director at Chiyoda in June 2016, he was a Japanese official and the former Executive Director of the International Energy Agency (IEA).

Mr. Suzuki:
How do you evaluate the responsibility of an external director and what do you think of the role of external directors at Board meetings in terms of Chiyoda's corporate governance?

Mr. Tanaka:
The Corporate Governance Code for listed Japanese companies was facing a major turning point. There is a clear trend toward appointing external directors, though there are different interpretations about their roles. From my point of view, the main responsibility of external directors is to provide oversight on management relative to business decisions. Examining management's performance in terms of business plans and developing strategies are essential roles. To enhance external directors' oversight on management, Chiyoda increased the number of external directors to four in the past year.

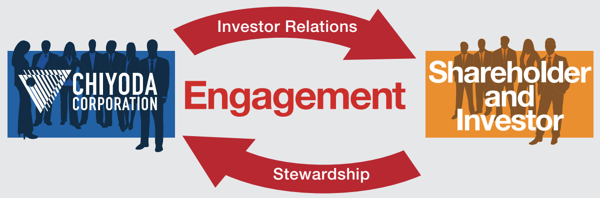
Mr. Suzuki:
Various factors link corporate ESG initiatives and investor demand for information on ESG. What do you think are the key metrics, achievements and/or future challenges on ESG for Chiyoda?

Mr. Tanaka:
Chiyoda's management clearly defined ESG criteria for transparent progress and achievement while consistently incorporating ESG factors into the business. To demonstrate their effectiveness, corporate boards should increase transparency and take charge of relations with shareholders. Chiyoda's top management has regular dialogues with shareholders and investors, for example, on ESG topics. A high criterion especially for an external director, but also for an internal director, is whether our action leads to shareholders' profits. As an external director, I cannot evaluate the business content itself, though I can give an independent view about the importance of the Board of Directors' involvement in terms of integrating environmental and social sustainability into corporate practices, increasing regulatory requirements to disclose ESG risks and strategy, the trend toward integrated reporting and the aim of achieving sustainable development goals.

"It is essential that Directors keep open a clear line of communication with shareholders."

Mr. Suzuki:
External directors should ensure the effectiveness of the corporate governance function as they openly exchange views and experiences at Board of Directors' meetings. Recently CSV (creating shared value) has become a new topic at Japanese companies. What are your thoughts on Chiyoda's management objectives toward investors on this topic?

Mr. Tanaka:
An important business approach is the creation of so-called "shared value" for the Company as well as for all its stakeholders. Creating shared value can be defined as the product of sustainable growth that aims to create long-term growth for the Company through actions that are environmentally friendly and socially responsible. Chiyoda's corporate philosophy to enhance our business in aiming for harmony between energy and the environment saw the development of SPERA Hydrogen®, the world's first use of technology that enables the storage and transportation of large volumes of hydrogen gas. Hydrogen is expected to play a major role in the future development of the low-carbon society, and the Chiyoda Group is at the forefront of this exciting opportunity.



RISK MANAGEMENT

Risk management is the identification of different types of risk within a company (financial, operational, etc.) and measures taken to mitigate those risks to an acceptable level.

BUSINESS RISKS

Business risks may significantly impact the Chiyoda Group's business operations and finances. These risks have the potential to impact investor decision-making. Recognizing these risks, the Group has implemented risk mitigation plans to minimize consequences when such events occur.

The risks below are those we recognize as of the date of the fiscal year ended.

(a) Changes in the business environment; economic, social and political factors

Various factors may require that modifications be made to clients' investment plans, project suspension, delay or review. These factors include changes in global economic, social and political environments, economic sanctions, changes in home country energy policies and commodity prices such as oil, LNG and metal resources prices: All the factors may affect the Group earnings. Changes in economic, social and political environments for clients, joint venture partners, subcontractors, suppliers and service providers could affect the Group's project execution plans, profitability and, ultimately, its financial strength.The Group monitors global economic and social trends for a potential impact on business and strives to reduce such risk through rigorous contract negotiations. Due diligence is executed for subcontractors, vendors and service providers and remedial action in the supply chain is taken if necessary.

(b) Earthquakes and natural disasters, terrorism, wars and other force majeure events

Force Majeure events such as earthquakes, natural disasters, terrorism and wars have the potential to materially impact project sites or business locations. Disruption issues may include personnel life crisis, delays in equipment and materials delivery and/or suspension of field work. The Group puts life and safety first and has the Crisis Management Unit, to compile and analyze information to prevent human suffering or harm. The Group has established, and is reinforcing, the crisis management system, which advocates the employment of professional security advisors in the regions requiring particular attention. Additionally, the Group maintains the risk management system to rapidly react to various situations and to respond to an emergency immediately, including consulting with the clients and/or the parties concerned to minimize force majeure risk. The Group has formulated a Business Continuity Plan (BCP) for unexpected events including as a massive earthquake to act smoothly in the initial stage and execute priority tasks. In that way, the Group has been prepared to ensure business continuity by conducting emergency response training.

(c) Fluctuations in equipment and material costs

Under certain contracts, the Group is exposed to material/equipment cost fluctuation risk due to the time difference between plant or material quotation and purchase. Specifically the price of steel, which constitutes a major part of plant construction, could be severely impacted by a rise in commodity prices such as coal and iron ore. Future market prices of copper, nickel, aluminum and zinc are similarly unpredictable. The Group avoids such risks (or minimizes the impact) by diversifying supply sources, placing early orders, maintaining alliances with major vendors/suppliers and identifying market trends.

(d) Possible shortages of construction workers/equipment and materials

A project may experience a delay and a cost impact if sufficient construction labor, equipment and materials or other resources required for a project cannot be sufficiently procured. The Group avoids such risk (or minimizes the impact) by applying diverse construction methods including modular construction, in the areas where materials and/or adequately qualified labor are scarce and by establishing communication and collaboration with reliable subcontractors, vendors and suppliers. If a plant's construction is suspended due to labor disputes and the like, the Group minimizes risk by taking appropriate action in cooperation with clients and the local authorities.

(e) Plant accidents

Safety risk, the consequences of which could be serious for the Group's operating capability, is inherent in the construction industry. Safety is of paramount importance to the Group, reinforced by the maxim "Safety is the Core Value". Through comprehensive Risk Identification and Management procedures, reinforced by close collaboration with clients, designers, subcontractors and vendors, all the risks are identified at every stage of project delivery, from feasibility through design and construction, and measures to negate or mitigate the identified risks are implemented.

(f) Exchange rate fluctuations

Some construction projects may involve payment settlements (subcontractors, vendors and suppliers) in a currency that does not correspond with the currency received from the client for the work. In such cases, exchange rate fluctuations can have an impact on earnings. The Group avoids/minimizes exchange rate risk by reserving construction payments against such risk in multiple foreign currencies and by entering into exchange rate forward contracts.

(g) Compliance-related risk

The Group's global operations are required to comply with local laws, acts and regulations in the respective countries and regions where its head office, subsidiaries, business offices and construction execution sites are located, both at home and abroad. Penalties or suspicious action resulting from non-compliance could have a serious impact on a project's execution or the business operation of the Group.

To prevent and/or minimize such compliance-related risk, the Group runs training courses for employees including assembled induction and e-learning. Those are intended for them to understand and strictly observe the updated laws, acts, regulations or rules related to its business operations including those for human rights and anti-bribery. The Group also makes every effort to comprehend the present trend of stakeholders including the authorities concerned and clients, both at home and abroad. Additionally, the Group has incorporated compliance response in its operating processes based on its Code of Conduct by establishing a Compliance Committee under the direct control of the Executive Committee and the Compliance Committee of the Chiyoda Group under its wing, consisting of Group company representatives.

(h) Information security risk

The Group takes great care in managing information obtained from clients, subcontractors, equipment and materials suppliers and other service providers. The information is necessary in the performance of its business. The Group also possesses confidential information related to technologies, sales, and other businesses. Many core corporate operations and business transactions are conducted by making full use of the IT systems at global subsidiaries. The Group operations are subject to system failure, information leakage and loss of important business information due to infection by computer viruses, external unauthorized access and cyber-attacks. The Group, including the main subsidiaries and global headquarters, holds an ISMS (Information Security Management System) certificate and performs competent information security management which includes training, auditing, and defensive and minimizing measures under its business continuity plan.

(i) Business investment risk

The Group makes business investment to pursue the growth strategy such as the establishment of a new company or the purchase of the existing company to construct a new business model. The Group is exposed to several risks, such as changes in the business environment, lower earnings obtained than planned, a downturn in business and incurring extra costs. Prior to deciding on business investment, the Group does assess the feasibility through our standards and rules. After making an investment, the Group regularly monitors the progress in the business and provide various types of support as necessary, to avoid or minimize any loss.

CORPORATE RISK MANAGEMENT AT CHIYODA

Yasuyuki Maeda
Division Director
Corporate Risk Management Division

With reference to the rather fresh concept of "Strategic Risk Management," I should say that, at Chiyoda, we ensure that corporate management leaders are able to manage risks and seize opportunities and to make strategic decisions in business fields of volatility, uncertainty, complexity and ambiguity, based on the well-run "Business Risk Management" by all organizations as described below. Through this one-team approach, Chiyoda strives to create additional shareholder value in our continuing challenges.

I have been studying the various methodologies a company can employ to manage business risk, including financial, operational, legal, reputational, environmental and social, some identified as shared risks and some more specific. In my opinion, one of the most effective ways to approach corporate risk management could be to align the different types of risk with the company's organizations and functions.

Chiyoda has taken the unique approach of dividing business risk into two major categories: Project Risk and Non-Project Risk. This aligns with our matrix organization, which is divided into two axes: Project Operations and Shared Services, each with six separate divisions. All the divisions within these two groups implement an independent risk management approach that directly identifies and creates responses to their own specific risks daily.

In reality, Project Risk is the larger contributor to corporate risk at Chiyoda. But by considering Project Risk and Non-Project Risk together, the Corporate Risk Management team looks to achieve a balance between risks and opportunities for the Company.

That concept is illustrated by ISO 31000, an International standard initiated in Japan. Using this approach, we have created a corporate-wide risk map of 97 items, measured by probability, repeatability and magnitude of impact, further ranked by priority, for which individual countermeasures have been identified, subject to regular reviews and updates.

A project manager assesses risks to avoid or to mitigate potential negative impact in the execution of a project. Exposure to such risks often ends at the completion of the project contract, thus confining the nature of Project Risk to a specific period of time. On the other hand, Non-Project Risk can be lifetime in its nature and is more closely related to the sustainability of the Company. The sharing of supply services, appointment of top-quality engineers and determination to remain at the cutting edge of technology for each project and service we provide should always be efficient and add value. A joint management approach across Project Risk and Non-Project Risk is the key to our success.

CORPORATE INFORMATION

(As of March 31, 2017)

CORPORATE DATA

Chiyoda Global Headquarters	Minato Mirai Grand Central Tower 4-6-2, Minatomirai, Nishi-ku, Yokohama 220-8765, Japan Tel: (81) 45-225-7777 (voice guidance)
Established	January 20, 1948
Paid-in Capital	¥43,396 million
Number of Employees	1,505 (Non-consolidated), 5,367 (Consolidated)
Annual Fiscal Close	March 31
Shareholders' Meeting	June

Organization Chart

(As of April 1, 2017)

- Board of Directors
- Audit & Supervisory Committee
- Executive Committee
- President
  - Secretarial Office
  - Internal Audit Unit

Corporate Risk Management Division
- SQEI Management Unit
- Compliance Unit
- Crisis Management Unit

Global Project Management Division
- Project Administration Unit
- Project Management Unit
- IT Management Unit
- Global Human Resource Planning Unit
  - Work Process Innovation Task Team
  - Chiyoda Global Taskforce Team Change the Mindset

Offshore & Upstream Project Operations
- Offshore & Upstream Business Development Unit
- Offshore & Upstream Strategic Project Development Unit
- Offshore & Upstream Project Unit

Gas & LNG Project Operations No. 1
- Gas & LNG Project Unit No. 1
- Strategic Project Development Unit

Gas & LNG Project Operations No. 2
- Gas & LNG Project Unit No. 2

Corporate Planning & Management Division
- Corporate Planning Unit
  - IR, PR & CSR Sec.
- Corporate Services Unit
- Human Relations Unit
- Finance & Accounting Unit
- Legal & Project Audit Unit
- Group Operation Unit

Technology & Engineering Division
- Engineering Operation Unit
- Gas & LNG Process Engineering Unit
- Refinery, Petrochemical & New Energy Process Engineering Unit
- Integrity Management Unit
- Mechanical Engineering Unit
- Control System Engineering Unit
- Electrical System & Smart Grid Engineering Unit
- Piping Engineering Unit
- Civil Engineering Unit

Downstream & Non Hydrocarbon Project Operations
- Downstream & Chemical Project Unit
- International Downstream and Transport Infrastructure Project Unit
- Metals & Mining Project Unit
- Global Collaboration Unit

Technology Development, Investment and Project Operations
- TIP** Planning & Administration Unit
- Strategic Business & Investment Management Unit
- Hydrogen Supply Chain Development Unit
- Green Infrastructure Project Unit
- Environmental Project Unit
- Technology Development Unit
  - Research & Development Center

Business Development Division
- Strategic Business Planning & Administration Unit
  - Corporate Relations Sec.
- Business Development Unit 1
- Business Development Unit 2

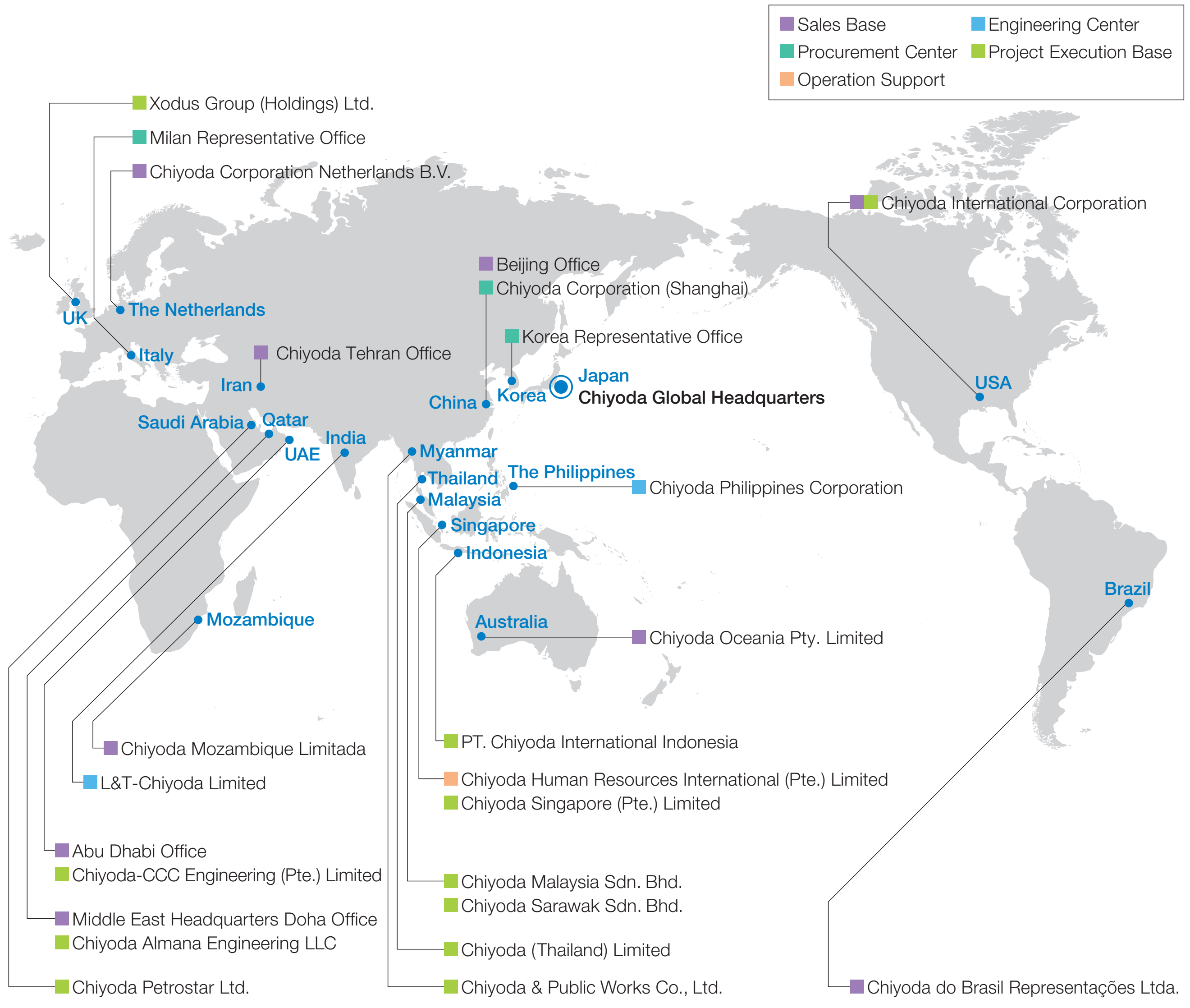
Project Logistics & Construction Division
- PLC* Planning & Administration Unit
- Procurement Unit
- Construction Unit
- Commissioning Unit

ChAS & Life Science Project Operations
- ChAS/Life Science Business Planning & Administration Unit
- ChAS Marketing Unit
- Advanced Process Engineering Unit
- Plant Diagnosis Unit
- AI Solution Unit
- Consulting Unit
- Pharmaceutical Industries Project Unit
- Space & Bio Engineering Unit

* PLC: Project Logistics & Construction
** TIP: Technology Development, Investment and Project

GLOBAL NETWORK

Chiyoda's global network enables project life cycle engineering to be offered all over the world. Chiyoda has expanded its network to provide prompt support for customers' business activities on a global scale. Our services cover the entire life cycles of projects—from planning, engineering, procurement and construction through to operation and maintenance. With a view toward meeting the ever-changing needs of our customers, we offer services by utilizing local offices and group companies with thorough knowledge of the latest local and global circumstances in countries around the world.



STOCK INFORMATION

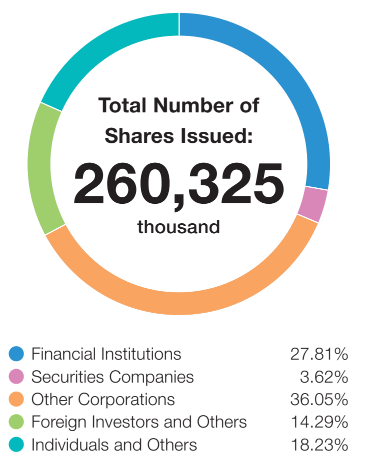
(As of March 31, 2017)

Authorized Shares	570,000,000
Capital Stock Issued	260,324,529
Number of Shareholders	20,380
Number of Shares per Unit	1,000
Stock Code	ISIN: JP3528600004 SEDOL1: 6191704 JP TSE: 6366

Major Shareholders	Number of Shares Owned (Thousands of Shares)	Ratio of Shares Owned (%)
Mitsubishi Corporation	86,931	33.57
The Master Trust Bank of Japan, Ltd. (Trust account)	20,652	7.97
Japan Trustee Services Bank, Ltd. (Trust account)	11,593	4.48
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	9,033	3.49
Trust & Custody Services Bank, Ltd.	6,631	2.56
Mitsubishi UFJ Trust and Banking Corporation	4,274	1.65
STATE STREET BANK AND TRUST COMPANY	3,707	1.43
Japan Trustee Services Bank, Ltd. (Trust account 9)	3,568	1.38
Japan Trustee Services Bank, Ltd. (Trust account 5)	2,970	1.15
Meiji Yasuda Life Insurance Company	2,265	0.87

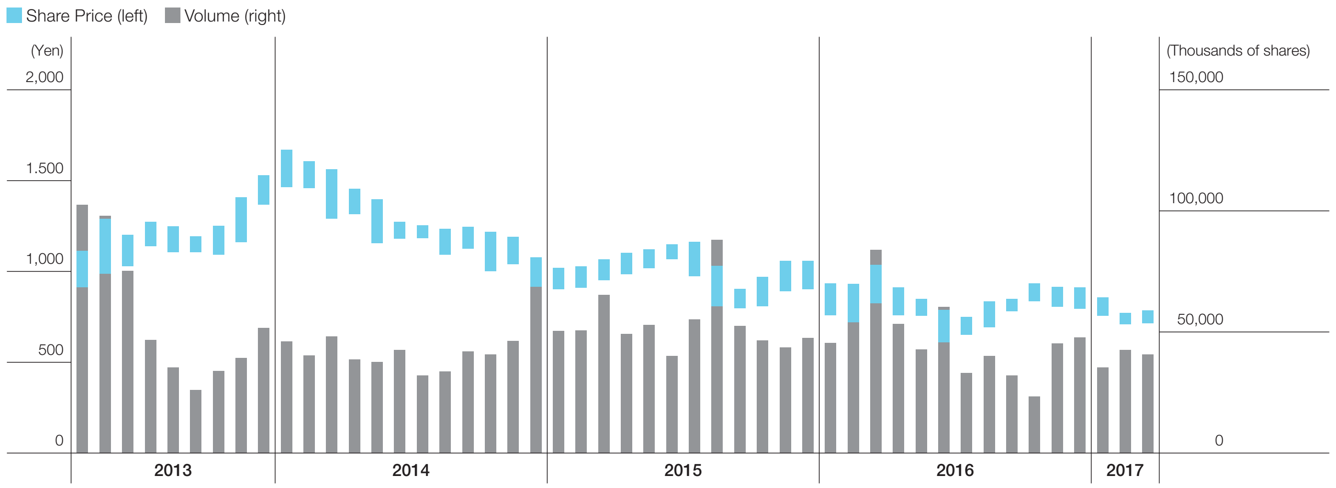
Note: Ratio of Shares Owned excludes treasury shares of 1,351,100.

Breakdown by Shareholder



Monthly Share Price (April 2013 – March 2017)

on the Tokyo Stock Exchange



Minato Mirai Grand Central Tower
4-6-2, Minatomirai, Nishi-ku,
Yokohama 220-8765, Japan
Tel: (81)45-225-7777 (voice guidance)
http://www.chiyoda-corp.com/en/

MEMO

CORPORATE PHILOSOPHY

Enhance our business in aiming for harmony between energy and the environment, and contribute to the sustainable development of society as an integrated engineering company through the use of our collective wisdom and painstakingly developed technology.

UN GLOBAL COMPACT Network Japan WE SUPPORT

FTSE4Good

FTSE Blossom Japan

Member of SNAM Sustainability Index 2017

CONSOLIDATED FINANCIAL STATEMENTS FY2016

For the year ended March 31, 2017, and Independent Auditor's Report

CONSOLIDATED BALANCE SHEETS

(March 31, 2017)

ASSETS	Millions of Yen 2017	Millions of Yen 2016	Thousands of U.S. Dollars (Note 1) 2017
CURRENT ASSETS:			
Cash and cash equivalents (Note 14)	¥ 138,889	¥ 136,919	$ 1,240,081
Short-term investments (Note 14)	4,483	7,795	40,034
Notes and accounts receivable—trade (Note 14)	40,377	35,651	360,509
Costs and estimated earnings on long-term construction contracts (Notes 4 and 14)	19,487	33,644	173,999
Costs of construction contracts in process	24,220	35,053	216,257
Accounts receivable—other	7,761	7,112	69,295
Jointly controlled assets of joint venture (Note 14)	164,283	179,360	1,466,813
Deferred tax assets (Note 11)	9,586	12,889	85,593
Prepaid expenses and other (Note 21)	17,696	8,888	158,006
Allowance for doubtful accounts	(1,541)	(2,285)	(13,762)
Total current assets	425,244	455,030	3,796,828
PROPERTY, PLANT AND EQUIPMENT:			
Land	5,266	5,266	47,018
Buildings and structures	13,892	13,887	124,044
Machinery and equipment	547	635	4,888
Tools, furniture and fixtures	7,236	7,439	64,607
Construction in progress	22	22	203
Total	26,965	27,251	240,763
Accumulated depreciation	(13,806)	(13,309)	(123,276)
Net property, plant and equipment	13,158	13,942	117,487
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 5 and 14)	2,748	14,113	24,540
Investments in and advances to unconsolidated subsidiaries and associated companies (Note 7)	5,616	29,650	50,143
Goodwill (Note 6)	2,051	3,931	18,317
Software	5,989	7,079	53,481
Asset for retirement benefits (Note 9)	84	94	758
Deferred tax assets (Note 11)	4,967	2,894	44,353
Other assets	1,806	1,861	16,126
Allowance for doubtful accounts	(336)	(379)	(3,002)
Total investments and other assets	22,928	59,247	204,718
TOTAL	¥ 461,331	¥ 528,219	$ 4,119,033

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2017	Millions of Yen 2016	Thousands of U.S. Dollars (Note 1) 2017
CURRENT LIABILITIES:			
Short-term borrowings (Notes 8 and 14)	¥ 203	¥ 333	$ 1,819
Current portion of long-term debt (Notes 8 and 14)	10,023	45	89,491
Notes and accounts payable—trade (Note 14)	160,096	150,078	1,429,436
Advance receipts on construction contracts	85,187	135,667	760,599
Income taxes payable (Note 14)	668	2,841	5,972
Deposits received	1,087	1,209	9,708
Allowance for warranty costs for completed works	319	337	2,855
Allowance for losses on construction contracts	3,315	3,160	29,599
Provision for loss on business of subsidiaries and associated companies	22,919		204,638
Accrued expenses and other	17,360	17,432	155,008
Total current liabilities	301,182	311,106	2,689,131
LONG-TERM LIABILITIES:			
Long-term debt (Notes 8 and 14)	30	10,036	275
Liability for retirement benefits (Note 9)	1,522	2,134	13,593
Provision for treatment of PCB waste	338	340	3,025
Asset retirement obligations	1,010	996	9,018
Other	121	1,477	1,085
Total long-term liabilities	3,023	14,985	26,998
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 8, 13, 15, 16 and 21)			
EQUITY (Notes 10 and 19):			
Common stock—authorized, 570,000 thousand shares; issued, 260,324 thousand shares in 2017 and 2016	43,396	43,396	387,467
Capital surplus	37,112	37,112	331,362
Retained earnings	72,132	115,839	644,043
Treasury stock—at cost, 1,351 thousand shares in 2017 and 1,340 thousand shares in 2016	(1,431)	(1,422)	(12,777)
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities	379	2,386	3,392
Deferred gain (loss) on derivatives under hedge accounting	499	(1,618)	4,460
Foreign currency translation adjustments	2,656	4,171	23,722
Defined retirement benefit plans	592	300	5,290
Total	155,339	200,166	1,386,963
Noncontrolling interests	1,785	1,961	15,940
Total equity	157,125	202,128	1,402,903
TOTAL	¥ 461,331	¥ 528,219	$ 4,119,033

CONSOLIDATED STATEMENTS OF INCOME

(Years Ended March 31, 2017 and 2016)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
REVENUE	¥ 603,745	¥ 611,548	$ 5,390,587
COST OF REVENUE	565,521	570,028	5,049,303
Gross profit	38,223	41,520	341,284
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Note 12)	22,543	25,505	201,284
Operating income	15,680	16,015	140,000
OTHER (EXPENSES) INCOME:			
Interest and dividend income	2,487	2,484	22,207
Gain on sales of investment securities	1,937	2,686	17,296
Interest expense	(209)	(216)	(1,868)
Equity in losses of associated companies (Note 7)	(17,106)	(1,318)	(152,733)
Foreign exchange loss	(3,455)	(665)	(30,848)
Loss on valuation of investment securities	(393)		(3,513)
Impairment loss (Note 6)	(766)	(4,431)	(6,839)
Provision for loss on business of subsidiaries and associated companies (Note 7)	(22,919)		(204,638)
Loss on sales of shares of subsidiaries and associated companies	(1,146)		(10,234)
Other—net	(477)	(93)	(4,262)
Other expenses—net	(42,048)	(1,554)	(375,435)
(LOSS) INCOME BEFORE INCOME TAXES	(26,368)	14,460	(235,435)
INCOME TAXES (Note 11):			
Current	15,026	8,708	134,164
Deferred	(143)	2,255	(1,278)
Total income taxes	14,883	10,963	132,885
NET (LOSS) INCOME	(41,251)	3,496	(368,321)
NET (LOSS) INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(135)	121	(1,207)
NET (LOSS) INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ (41,116)	¥ 3,375	$ (367,113)

	Yen		U.S. Dollars
	2017	2016	2017
PER SHARE OF COMMON STOCK (Notes 2.z and 18):			
Basic net (loss) income	¥ (158.76)	¥ 13.03	$ (1.42)
Cash dividends applicable to the year	6.00	10.00	0.05

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Years Ended March 31, 2017 and 2016)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
NET (LOSS) INCOME	¥ (41,251)	¥ 3,496	$ (368,321)
OTHER COMPREHENSIVE LOSS (Note 17):			
Unrealized loss on available-for-sale securities	(2,006)	(4,831)	(17,917)
Deferred gain on derivatives under hedge accounting	2,129	441	19,017
Foreign currency translation adjustments	(1,102)	(1,135)	(9,843)
Defined retirement benefit plans	291	(775)	2,603
Share of other comprehensive loss of associates	(451)	(83)	(4,030)
Total other comprehensive loss	(1,139)	(6,385)	(10,170)
COMPREHENSIVE LOSS	¥ (42,391)	¥ (2,888)	$ (378,491)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:			
Owners of the parent	¥ (42,228)	¥ (2,844)	$ (377,039)
Noncontrolling interests	(162)	(44)	(1,452)

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Years Ended March 31, 2017 and 2016)

	Thousands	Millions of Yen										
						Accumulated Other Comprehensive Income (Loss)						
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, APRIL 1, 2015	259,001	¥ 43,396	¥ 37,112	¥ 115,831	¥ (1,405)	¥ 7,218	¥ (2,064)	¥ 5,229	¥ 1,076	¥ 206,395	¥ 2,010	¥ 208,405
Net income attributable to owners of the parent				3,375						3,375		3,375
Cash dividends, ¥13.00 per share				(3,367)						(3,367)		(3,367)
Purchase of treasury stock	(16)				(16)					(16)		(16)
Net change in the year						(4,831)	445	(1,057)	(775)	(6,219)	(49)	(6,269)
BALANCE, MARCH 31, 2016	258,984	43,396	37,112	115,839	(1,422)	2,386	(1,618)	4,171	300	200,166	1,961	202,128
Net loss attributable to owners of the parent				(41,116)						(41,116)		(41,116)
Cash dividends, ¥10.00 per share				(2,589)						(2,589)		(2,589)
Purchase of treasury stock	(11)				(8)					(8)		(8)
Net change in the year						(2,006)	2,118	(1,514)	291	(1,111)	(175)	(1,287)
BALANCE, MARCH 31, 2017	258,973	¥ 43,396	¥ 37,112	¥ 72,132	¥ (1,431)	¥ 379	¥ 499	¥ 2,656	¥ 592	¥ 155,339	¥ 1,785	¥ 157,125

	Thousands of U.S. Dollars (Note 1)										
					Accumulated Other Comprehensive Income (Loss)						
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, MARCH 31, 2016	$ 387,467	$ 331,362	$ 1,034,280	$ (12,697)	$ 21,309	$ (14,452)	$ 37,247	$ 2,686	$ 1,787,205	$ 17,509	$ 1,804,714
Net loss attributable to owners of the parent			(367,113)						(367,113)		(367,113)
Cash dividends, $0.09 per share			(23,123)						(23,123)		(23,123)
Purchase of treasury stock				(79)					(79)		(79)
Net change in the year					(17,917)	18,912	(13,524)	2,603	(9,926)	(1,568)	(11,494)
BALANCE, MARCH 31, 2017	$ 387,467	$ 331,362	$ 644,043	$ (12,777)	$ 3,392	$ 4,460	$ 23,722	$ 5,290	$ 1,386,963	$ 15,940	$ 1,402,903

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Years Ended March 31, 2017 and 2016)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
OPERATING ACTIVITIES:			
(Loss) income before income taxes	¥ (26,368)	¥ 14,460	$ (235,435)
Adjustments for:			
Income taxes paid	(13,821)	(1,673)	(123,409)
Depreciation	3,643	3,589	32,529
Impairment loss	766	4,431	6,839
Amortization of goodwill	547	1,256	4,886
(Decrease) increase in allowance for doubtful accounts	(701)	2,387	(6,262)
Decrease in allowance for warranty costs for completed works	(15)	(21)	(139)
Increase (decrease) in allowance for losses on construction contracts	154	(826)	1,380
Decrease in liability for retirement benefits	(428)	(117)	(3,822)
Foreign exchange (gain) loss—net	(186)	813	(1,665)
Increase in provision for loss on business of subsidiaries and associated companies	22,919		204,638
Loss on sales of shares of subsidiaries and associated companies	1,146		10,234
Equity in losses of associated companies	17,106	1,318	152,733
Gain on sales of investment securities	(1,937)	(2,686)	(17,296)
Loss on valuation of investment securities	393		3,513
Changes in operating assets and liabilities:			
Decrease (increase) in trade notes and accounts receivable, and costs and estimated earnings on long-term construction contracts	8,141	(16,491)	72,695
Decrease in costs of construction contracts in process	10,786	24,543	96,305
Increase in trade notes and accounts payable	11,401	13,293	101,798
(Decrease) increase in advance receipts on construction contracts	(48,668)	12,184	(434,543)
(Increase) decrease in accounts receivable—other	(1,901)	5,158	(16,978)
Decrease in jointly controlled assets of joint venture	13,666	3,501	122,019
Increase in interest and dividend receivable	(1,029)	(812)	(9,189)
Other—net	11	(8,781)	98
Total adjustments	21,993	41,065	196,369
Net cash (used in) provided by operating activities—(Forward)	¥ (4,375)	¥ 55,526	$ (39,066)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
Net cash (used in) provided by operating activities—(Forward)	¥ (4,375)	¥ 55,526	$ (39,066)
INVESTING ACTIVITIES:			
Net decrease (increase) in time deposits	3,043	(7,739)	27,170
Purchases of property, plant and equipment	(649)	(806)	(5,803)
Purchases of intangible assets	(1,451)	(1,801)	(12,963)
Payments for purchases of investment securities	(351)	(21,998)	(3,134)
Proceeds from sales of investment securities	15,554	5,463	138,879
Payments of loans receivable	(12,188)	(382)	(108,825)
Proceeds from collections of loans	6,382	489	56,982
Other—net	95	25	853
Net cash provided by (used in) investing activities	10,433	(26,750)	93,159
FINANCING ACTIVITIES:			
Net decrease in short-term borrowings	(50)	(498)	(450)
Repayments of long-term debt	(3)	(4)	(33)
Payments of cash dividends	(2,586)	(3,362)	(23,096)
Other—net	(52)	(76)	(464)
Net cash used in financing activities	(2,693)	(3,942)	(24,045)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(1,395)	(1,159)	(12,462)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,969	23,673	17,584
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	136,919	113,246	1,222,496
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 138,889	¥ 136,919	$ 1,240,081

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the 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 have been made in the 2016 consolidated financial statements to conform to the classifications used in 2017.

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 ¥112 to $1, the approximate rate of exchange at March 31, 2017. 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.

Japanese yen figures less than a million yen are rounded down to the nearest million, except for per share data.

U.S. dollar figures less than a thousand U.S. dollars are rounded down to the nearest thousand, except for per share data.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Consolidation***—The consolidated financial statements as of March 31, 2017, include the accounts of the Company and its 30 (30 in 2016) significant subsidiaries (together, the "Group").

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in seven (seven in 2016) 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.

Most of the foreign consolidated subsidiaries have a December 31 year-end, which is different from that of the Company. As a result, adjustments have been made for any significant transactions which took place during the period between the year-end of these subsidiaries and the year-end of the Company.

The excess of the cost of acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is amortized over a period of 5 to 20 years.

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 also eliminated.

b. ***Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements***—Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification) tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; and (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

c. ***Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method***—ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments," requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; and (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

d. ***Construction Contracts***—Under Japanese GAAP, construction revenue and construction costs are recognized by the percentage-of-completion method if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract is deemed to be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on such construction contracts.

Concerning the construction contracts, the Group applies the following accounting methods:

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

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

Costs of preparation work for unsuccessful proposals and other projects that are not realized are charged to income, as incurred, and are included in cost of revenue.

e. ***Cash Equivalents***—Cash equivalents are short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value. Cash equivalents include time deposits, certificates of deposit, and commercial paper, all of which mature or become due within three months of the date of acquisition.

f. ***Short-Term Investments***—Short-term investments are time deposits, which will mature three months after the date of acquisition. Short-term investments are exposed to insignificant risk of changes in value.

g. ***Investment Securities***—All marketable 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 equity. The cost of securities sold is determined based on the moving-average method.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method or at amortized cost. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

h. ***Jointly Controlled Assets of Joint Venture***—The jointly controlled assets of the joint venture consist of jointly controlled cash recognized based on the Company's share of the venture.

i. ***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 potential losses in the receivables outstanding.

j. ***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 and structures acquired on or after April 1, 2016, that are depreciated using the straight-line method, at rates based on the estimated useful lives of the assets. The range of useful lives is from 8 to 57 years for buildings and structures, from 4 to 17 years for machinery and equipment, and from 4 to 15 years for tools, furniture, and fixtures. Equipment held for lease is depreciated by the straight-line method over the respective lease periods.

Pursuant to an amendment to the Corporate Tax Act, the Company adopted ASBJ PITF No. 32, "Practical Solution on a change in depreciation method due to Tax Reform 2016," and changed its depreciation method for structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method. The effect of this change on profit and loss is immaterial.

k. ***Long-Lived Assets***—The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is 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.

l. ***Software***—Software for internal use is amortized on a straight-line basis over its estimated useful life (five years at the maximum).

m. ***Other Assets***—Intangible assets are carried at cost less accumulated amortization, which is calculated by the straight-line method over their estimated useful lives.

n. ***Allowance for Warranty Costs for Completed Work***—The allowance for warranty costs for completed work is provided based on past rate experience.

o. ***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. When there are losses on completed-contract method applied contracts, the allowance for losses on construction contracts is offset against the costs of construction contracts in process in the balance sheet.

p. ***Provision for Loss on Business of Subsidiaries and Associated Companies***—The provision for loss on business of subsidiaries and associated companies is provided for an estimated amount of probable losses at the end of the fiscal year based on consideration of the financial conditions and business results, etc., of the subsidiaries and associated companies.

q. ***Provision for Treatment of PCB Waste***—Provision for treatment of PCB (Poly Chlorinated Biphenyl) waste is provided based on estimated costs of the treatment for PCB products and equipment as well as their collection and transportation fees.

r. ***Retirement and Pension Plans***—The Company and consolidated subsidiaries have funded or unfunded defined benefit pension plans and defined contribution pension plans for employees. Certain consolidated subsidiaries have defined benefit corporate pension plans or severance lump-sum payment plans, and calculate retirement benefit expenses by using the simplified method.

The Company and its domestic consolidated subsidiaries account for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses are amortized on a straight-line basis over 10 years within the average remaining service period.

Actuarial gains and losses that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees.

s. ***Asset Retirement Obligations***—Under Japanese GAAP, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

t. ***Research and Development Costs***—Research and development costs are charged to income as incurred.

u. ***Leases***—Japanese GAAP require that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the balance sheet.

All other leases are accounted for as operating leases.

v. ***Income Taxes***—The provision for income taxes is computed based on the pretax income included in the consolidated statement of operations. 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 income tax rates to the temporary differences.

The Company and its wholly-owned domestic subsidiaries file a tax return under the consolidated corporate-tax system, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly-owned domestic subsidiaries.

w. ***Foreign Currency Transactions***—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. Foreign exchange gains and losses from translation are recognized in the consolidated statement of operations to the extent that they are not hedged by foreign currency forward contracts.

x. ***Foreign Currency Financial Statements***—Balance sheet accounts of consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date.

y. ***Derivatives and Hedging Activities***—The Group uses derivative financial instruments, including foreign currency forward contracts and interest swap contracts, as a means of hedging exposure to foreign currency risks and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows:

(1) All derivatives are recognized as either assets or liabilities and measured at fair value, with gains or losses recognized in the consolidated statement of operations.

(2) For derivatives used for hedging purposes, if such 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.

Foreign currency forward 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.

Foreign currency deposits are held to hedge foreign exchange risks derived from forecasted purchases of fixed assets denominated in foreign currency.

Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense.

z. ***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.

Diluted net income per share is not disclosed because there was no potential stock having a dilutive effect for the fiscal years ended March 31, 2017 and 2016.

Cash dividends per share presented in the accompanying consolidated statement of operations are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

3. CHANGES IN PRESENTATION

(Consolidated Balance Sheet)

"Deferred tax assets," included within "Other assets" of the investments and other assets section until the previous consolidated fiscal year, is separately stated from the fiscal year ended March 31, 2017, as it has exceeded 1% of the total assets. The prior period consolidated financial statements have been reclassified in accordance with the new presentation.

(Consolidated Statement of Cash Flows)

"Increase (decrease) in deposits received" included within operating activities, which had previously been separately presented, is included in "Other" from the fiscal year ended March 31, 2017, as its materiality has decreased. The prior period consolidated financial statements have been reclassified in accordance with the new presentation.

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, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Costs and estimated earnings	¥ 539,987	¥ 550,114	$ 4,821,314
Amounts billed	(520,499)	(516,469)	(4,647,314)
Net	¥ 19,487	¥ 33,644	$ 173,999

5. INVESTMENT SECURITIES

Investment securities at March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Non-current—Equity securities	¥ 2,748	¥ 14,113	$ 24,540

The costs and aggregate fair values of investment securities at March 31, 2017 and 2016, were as follows:

March 31, 2017

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as—				
Available-for-sale—equity securities	¥ 680	¥ 421		¥ 1,100

March 31, 2016

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as—				
Available-for-sale—equity securities	¥ 8,697	¥ 3,382		¥ 12,080

March 31, 2017

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as—				
Available-for-sale—equity securities	$ 6,072	$ 3,759	$ 5	$ 9,826

The information for the available-for-sale securities which were sold during the years ended March 31, 2017 and 2016, was as follows:

March 31, 2017

	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
Securities classified as—			
Available-for-sale—equity securities	¥ 9,962	¥ 1,937	

March 31, 2016

	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
Securities classified as—			
Available-for-sale—equity securities	¥ 5,467	¥ 2,686	

March 31, 2017

	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses
Securities classified as—			
Available-for-sale—equity securities	$ 88,947	$ 17,296	

6. IMPAIRMENT LOSS OF LONG-LIVED ASSETS

Impairment loss on long-lived assets for the fiscal year ended March 31, 2017, was as follows:

March 31, 2017

			Impairment Loss	
Location	Used Status	Category of Assets	Millions of Yen	Thousands of U.S. Dollars
The United Kingdom	—	Goodwill	¥ 469	$ 4,191
Indonesia	—	Goodwill	296	2,647

Regarding the goodwill recorded in the acquisition of the shares of subsidiaries in UK and Indonesia, the Group concluded that excess earning power have been damaged, as the business plan considered at the time of recognition of the goodwill is lower than the performance of each business carried out by the Group subsidiaries in UK and Indonesia.

Impairment loss on long-lived assets for the fiscal year ended March 31, 2016, was as follows:

March 31, 2016

			Impairment Loss	
Location	Used Status	Category of Assets	Millions of Yen	Thousands of U.S. Dollars
—	—	Goodwill	¥ 4,431	$ 39,217

During the year ended March 31, 2016, the goodwill in relation to the Group subsidiary in UK was impaired in the amount of ¥4,431 million as other expense following a fall in the long term cash flow forecasts resulting from the decline in the price of oil. The carrying amount of goodwill was written down to its recoverable amount. The recoverable amount was measured at its value in use and the discount rate used for computation of the present value of future cash flows was 16.9%.

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

Investments in and advances to unconsolidated subsidiaries and associated companies at March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Investments	¥ 4,959	¥ 28,957	$ 44,280
Long-term receivables	656	693	5,862
Total	¥ 5,616	¥ 29,650	$ 50,143

EMAS CHIYODA Subsea Limited ("ECS"), an associated company of Chiyoda Corporation accounted for by the equity method, experienced financial hardship, brought about by a greater than anticipated slowdown of the subsea market, and filed for bankruptcy protection under Chapter 11 of the U.S Bankruptcy Code in February 2017. The Company recorded its share of ECS's net loss in "equity in losses of associated companies" of ¥15,005 million during the year ended March 31, 2017. In addition, given the current financial state of ECS and its imminent bankruptcy filing, the Company recognized a "provision for loss on business of subsidiaries and associated companies" of ¥22,919 million during the year ended March 31, 2017, related to loans and guarantee obligation.

8. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings as of March 31, 2017 and 2016, mainly consisted of notes to banks. The weighted average interest rates of short-term borrowings as of March 31, 2017 and 2016, were 2.0% and 1.9%, respectively.

Long-term debt at March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Long-term loans principally from banks, due serially through 2024, with interest rates ranging from 1.3% to 2.0% at 2017 and 2016—Unsecured	¥ 10,008	¥ 10,014	$ 89,357
Obligations under finance leases	45	67	409
Total	10,053	10,081	89,767
Less current portion	(10,023)	(45)	(89,491)
Long-term debt, less current portion	¥ 30	¥ 10,036	$ 275

Annual maturities of long-term debt, excluding finance leases, at March 31, 2017, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2018	¥ 10,004	$ 89,321
2019	2	22
2020		
2021		
2022		
2023 and thereafter	1	13
Total	¥ 10,008	$ 89,357

Commitment-line contracts at March 31, 2017, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Commitment-line contracts	¥ 15,000	$ 133,928
Unused commitments	¥ 15,000	$ 133,928

9. RETIREMENT AND PENSION PLANS

The Company and consolidated subsidiaries have funded or unfunded defined benefit pension plans and defined contribution pension plans for employees.

Under defined benefit corporate pension plans, all of which are funded, employees are entitled to certain lump-sum payments or pension payments based on cumulated points which are granted in accordance with years of continuous employment, occupational classification and performance evaluation. Under severance lump-sum payment plans, employees are entitled to certain lump-sum payments based on salary and service period.

Certain consolidated subsidiaries have defined benefit corporate pension plans or severance lump-sum payment plans, and calculate retirement benefit expenses by using the simplified method.

(1) The changes in defined benefit obligation for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Balance at beginning of year	¥ 21,732	¥ 22,151	$ 194,039
Current service cost	1,048	966	9,359
Interest cost	179	228	1,598
Actuarial (gains) losses	(46)	229	(415)
Benefits paid	(1,630)	(1,999)	(14,553)
Prior service cost		32	
Others	(25)	122	(231)
Balance at end of year	¥ 21,257	¥ 21,732	$ 189,796

(2) The changes in plan assets for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Balance at beginning of year	¥ 20,314	¥ 21,815	$ 181,377
Expected return on plan assets	336	418	3,007
Actuarial losses (gains)	126	(852)	1,132
Contributions from the employer	1,007	947	8,992
Benefits paid	(1,614)	(1,990)	(14,419)
Others	(41)	(24)	(371)
Balance at end of year	¥ 20,128	¥ 20,314	$ 179,719

(3) The changes in the liability recorded in the consolidated balance sheet by using the simplified method for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Balance at beginning of year	¥ 621	¥ 700	$ 5,547
Benefit costs	205	288	1,830
Benefits paid	(435)	(97)	(3,889)
Contribution to the plans	(79)	(91)	(706)
Others	(2)	(179)	(25)
Balance at end of year	¥ 308	¥ 621	$ 2,757

(4) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Funded defined benefit obligation	¥ 22,151	¥ 22,892	$ 197,782
Plan assets	(21,245)	(21,429)	(189,694)
Total	905	1,463	8,087
Unfunded defined benefit obligation	531	576	4,746
Net liability arising from defined benefit obligation	¥ 1,437	¥ 2,039	$ 12,834

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Liability for retirement benefits	¥ 1,522	¥ 2,134	$ 13,593
Asset for retirement benefits	(84)	(94)	(758)
Net liability arising from defined benefit obligation	¥ 1,437	¥ 2,039	$ 12,834

(5) The components of net periodic benefit costs for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Service cost	¥ 1,048	¥ 966	$ 9,359
Interest cost	179	228	1,598
Expected return on plan assets	(336)	(418)	(3,007)
Recognized actuarial losses	243	11	2,171
Amortization of prior service cost		(114)	
Benefit costs in simplified method	205	288	1,830
Net periodic benefit costs	¥ 1,338	¥ 963	$ 11,952

(6) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Prior service cost		¥ (146)	
Actuarial losses (gains)	¥ 412	(1,070)	$ 3,683
Total	¥ 412	¥ (1,217)	$ 3,683

(7) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Unrecognized actuarial gains	¥ (805)	¥ (393)	$ (7,195)
Total	¥ (805)	¥ (393)	$ (7,195)

(8) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2017 and 2016, consisted of the following:

	2017	2016
Debt investments	29%	26%
Equity investments	34	35
General accounts	25	25
Others	12	13
Total	100%	100%

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(9) Assumptions used for the years ended March 31, 2017 and 2016, were set forth as follows:

	2017	2016
Discount rate	Mainly 0.7%	Mainly 0.7%
Expected rate of return on plan assets	Mainly 1.6%	Mainly 1.9%

(10) Payables to defined contribution plans of the Company and consolidated subsidiaries for the years ended March 31, 2017 and 2016, were ¥604 million ($5,399 thousand) and ¥653 million, respectively.

10. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria, an Audit & Supervisory Board may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Board of Directors of a company with an audit and supervisory committee (as implemented under the Companies Act effective May 1, 2015) may also declare dividends at any time because such company, by its nature, meets the criteria under the Companies Act. The Company is organized as a company with an audit and supervisory committee, effective June 23, 2016. However, the Company does not meet all the above criteria.

The Companies Act permits companies to distribute dividends in kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act 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.

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

The Companies Act 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 aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act 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 a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

11. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 31% and 33% for the years ended March 31, 2017 and 2016, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Deferred tax assets:			
Provision for loss on business of subsidiaries and associated companies	¥ 7,008		$ 62,578
Tax loss carryforwards	6,140	¥ 4,589	54,825
Cost of revenue	5,834	4,737	52,092
Adjustment of percentage of completion for foreign construction	5,427		48,459
Allowance for employees' bonus	950	1,067	8,487
Allowance for losses on construction contracts	925	970	8,265
Costs of construction contracts in process	767	600	6,849
Future deductible depreciation	550	674	4,918
Allowance for doubtful accounts	391	610	3,493
Deferred loss on derivatives under hedge accounting		671	
Other	3,055	3,428	27,285
Less valuation allowance	(15,675)	(1,694)	(139,951)
Total	15,378	15,655	137,304
Deferred tax liabilities:			
Deferred gain on derivatives under hedge accounting	226		2,023
Unrealized gain on available-for-sale securities	40	987	358
Other	557	171	4,974
Total	824	1,159	7,357
Net deferred tax assets	¥ 14,554	¥ 14,495	$ 129,946

Net deferred tax assets as of March 31, 2017 and 2016, were recorded in the accompanying consolidated balance sheet as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Current assets—Deferred tax assets	¥ 9,586	¥ 12,889	$ 85,593
Investments and other assets—Deferred tax assets	4,967	2,894	44,353
Long-term liabilities—Other		1,287	

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of operations for the years ended March 31, 2017 and 2016, is as follows:

	2017	2016
Normal effective statutory tax rate	*	33%
Expenses not deductible for income tax purposes		1
Nontaxable dividend income		(3)
Jointly controlled assets of joint venture		4
Difference in tax base between corporate income tax and enterprise tax		4
Change in valuation allowance		16
Higher income tax rates applicable to subsidiaries		15
Effect of reduction of income tax rates on deferred tax assets		5
Equity in losses of associated companies		2
Other—net		(1)
Actual effective tax rate		76%

* As loss before income taxes is provided, the amount is abbreviated.

New tax reform laws enacted in 2016 in Japan do not impact on effective rates which are used for calculating deferred tax assets and liabilities, however, there are reclassifications between national tax and local tax. The effect of this change on the consolidated financial statements is immaterial.

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥2,075 million ($18,534 thousand) and ¥1,908 million for the years ended March 31, 2017 and 2016, respectively.

13. LEASES

The Group leases certain machinery, computer equipment, and other assets.

Future minimum payments under noncancelable operating leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Due within one year	¥ 763	¥ 731	$ 6,814
Due after one year	1,730	1,691	15,451
Total	¥ 2,493	¥ 2,423	$ 22,265

14. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) *Group Policy for Financial Instruments*

The Group uses financial instruments for cash surpluses, if any, invested in low-risk financial assets, such as commercial paper. For operating capital, the Group uses bank loans. Derivatives are used, not for speculative purposes, but to manage exposure to the market risk of fluctuation in foreign currency exchange rates and interest rates.

(2) ***Nature and Extent of Risks Arising from Financial Instruments***

Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position, net of payables in foreign currencies, is hedged by using foreign currency forward contracts.

Cash equivalents include commercial paper, which have short maturities and are used for cash surpluses.

Short-term investments include time deposits, which will mature three months after the date of acquisition. Both commercial paper and time deposits are exposed to default risk of the issuing company.

Investment securities are equity securities related to the business, which the Group operates. Marketable securities are exposed to the risk of fluctuations in stock prices.

Payment terms of payables, such as trade notes and trade accounts, are generally less than one year. Although payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, those risks are netted against the balance of receivables denominated in the same foreign currency as noted above.

Bank loans are used for operating capital. Although they are exposed to the market risks from changes in interest rates, the risk is hedged by using interest rate swap contracts.

Derivatives are foreign currency forward contracts and interest rate swap contracts, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables, and from changes in interest rates, respectively. Please see Notes 2.y and 15 for more details about derivatives.

(3) ***Risk Management for Financial Instruments***

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of major customers to identify the default risk of customers at an early stage.

Commercial paper and time deposits are exposed to insignificant default risk because transactions are limited to companies with high credit ratings.

With respect to foreign currency forward contracts, the Group limits the counterparties to those derivatives to major financial institutions that can bear losses arising from credit risk.

Market risk management (risk of foreign exchange and interest rates)

Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk is hedged principally with foreign currency forward contracts.

Interest expense associated with long-term debts is exposed to market risk resulting from changes in interest rates. Such risk is hedged by interest rate swap contracts.

Foreign currency forward contracts are controlled under internal guidelines. The position related to particular construction contracts is identified and is reviewed monthly. Reconciliation of the transaction and balances with customers' confirmation replies is made, and the transactions related to foreign currency forward contracts are executed and accounted for under internal guidelines.

Marketable and investment securities are managed by monitoring the market values and financial position of issuers on a regular basis. The Group assesses the stock price risk quantitatively so as to account for significant declines in market value as impairment losses.

Liquidity risk management

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on their maturity dates. The Group manages its liquidity risk by holding adequate volumes of liquid assets along with timely adequate financial planning.

(4) ***Fair Values of Financial Instruments***

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, another rational valuation technique is used instead. Also, please see Note 15 for the details of fair value for derivatives.

(*a*) *Fair values of financial instruments*

March 31, 2017

	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	¥ 138,889	¥ 138,889	
Short-term investments	4,483	4,483	
Notes and accounts receivable—trade	40,377	40,377	
Allowance for doubtful accounts*	(1,517)	(1,517)	
Costs and estimated earnings on long-term construction contracts	19,487	19,487	
Jointly controlled assets of joint venture	164,283	164,283	
Investment securities	1,100	1,100	
Total	¥ 367,104	¥ 367,104	
Short-term borrowings	¥ 203	¥ 203	
Current portion of long-term debt	10,004	10,028	¥ 24
Notes and accounts payable—trade	160,096	160,096	
Income taxes payable	668	668	
Long-term debt	4	4	
Total	¥ 170,977	¥ 171,002	¥ 24

March 31, 2016

	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	¥ 136,919	¥ 136,919	
Short-term investments	7,795	7,795	
Notes and accounts receivable—trade	35,651	35,651	
Allowance for doubtful accounts*	(2,283)	(2,283)	
Costs and estimated earnings on long-term construction contracts	33,644	33,644	
Jointly controlled assets of joint venture	179,360	179,360	
Investment securities	12,080	12,080	
Total	¥ 403,169	¥ 403,169	
Short-term borrowings	¥ 333	¥ 333	
Current portion of long-term debt	5	5	
Notes and accounts payable—trade	150,078	150,078	
Income taxes payable	2,841	2,841	
Long-term debt	10,009	10,062	¥ 52
Total	¥ 163,268	¥ 163,320	¥ 52

March 31, 2017

	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	$ 1,240,081	$ 1,240,081	
Short-term investments	40,034	40,034	
Notes and accounts receivable—trade	360,509	360,509	
Allowance for doubtful accounts*	(13,548)	(13,548)	
Costs and estimated earnings on long-term construction contracts	173,999	173,999	
Jointly controlled assets of joint venture	1,466,813	1,466,813	
Investment securities	9,826	9,826	
Total	$ 3,277,716	$ 3,277,716	
Short-term borrowings	$ 1,819	$ 1,819	
Current portion of long-term debt	89,321	89,538	$ 217
Notes and accounts payable—trade	1,429,436	1,429,436	
Income taxes payable	5,972	5,972	
Long-term debt	36	36	
Total	$ 1,526,586	$ 1,526,803	$ 217

* Allowance for doubtful accounts corresponding to trade receivable is deducted.

Cash and Cash Equivalents, Short-Term Investments, Notes and Accounts Receivable—Trade, and Costs and Estimated Earnings on Long-Term Construction Contracts

The carrying values of the accounts mentioned above approximate fair value because of their short maturities.

Jointly Controlled Assets of Joint Venture

The jointly controlled assets of the joint venture consists of cash recognized based on the Company's share of the venture. The carrying values of jointly controlled assets of the joint venture approximate fair value because of their short maturities.

Investment Securities

The fair values of investment securities are measured at the quoted market price of the stock exchange for the equity instruments. Fair value information for investment securities by classification is included in Note 5.

The above schedules do not include investment securities whose fair value cannot be reliably determined.

Short-Term Borrowings, Notes and Accounts Payable—Trade and Income Taxes Payable

The carrying values of the accounts mentioned above approximate fair value because of their short maturities.

Current Portion of Long-Term Debt (Bank Loans) and Long-Term Debt (Bank Loans)

The fair value of fixed rate loans is calculated by discounting total principal and interest payments to present value using a discount rate equal to the rate that would be charged if the loan was newly borrowed. The fair value of floating rate loans, which are subject to a specific method for interest rate swaps, is calculated by discounting total principal and interest payments, which are handled together with interest rate swaps, to present value using a discount rate equal to the rate that would be charged if the loan was newly borrowed.

Derivatives

Fair value information for derivatives is included in Note 15.

(*b*) *Carrying amount of financial instruments whose fair values cannot be reliably determined*

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Investment securities that do not have a quoted market price in an active market	¥ 1,645	¥ 2,030	$ 14,690
Investments in equity instruments that do not have a quoted market price in an active market	2	2	23
Investments in unconsolidated subsidiaries and associated companies that do not have a quoted market price in an active market	4,959	28,957	44,280

The impairment losses on investment securities for the year ended March 31, 2017, were ¥393 million ($3,513 thousand).

(5) ***Maturity Analysis for Financial Assets and Securities with Contractual Maturities***

March 31, 2017

	Millions of Yen		
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years
Cash and cash equivalents	¥ 138,847		
Short-term investments	4,483		
Notes and accounts receivable, and costs and estimated earnings on long-term construction contracts*	58,338	¥8	
Jointly controlled assets of joint venture	164,283	—	—
Total	¥ 365,953	¥8	—

March 31, 2016

	Millions of Yen		
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years
Cash and cash equivalents	¥ 136,625		
Short-term investments	7,795		
Notes and accounts receivable, and costs and estimated earnings on long-term construction contracts	67,010	¥3	
Jointly controlled assets of joint venture	179,360	—	—
Total	¥ 390,791	¥3	—

March 31, 2017

	Thousands of U.S. Dollars		
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years
Cash and cash equivalents	$ 1,239,712		
Short-term investments	40,034		
Notes and accounts receivable, and costs and estimated earnings on long-term construction contracts*	520,881	$ 79	
Jointly controlled assets of joint venture	1,466,813	—	—
Total	$ 3,267,441	$ 79	—

* Allowance for doubtful accounts is deducted.

Please see Note 8 for annual maturities of long-term debt.

15. DERIVATIVES

Derivative Transactions to Which Hedge Accounting Is Not Applied

March 31, 2017

	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value (Loss)	Unrealized Gain (Loss)
Foreign currency forward contracts:				
Selling U.S.$/buying yen	¥ 42,679	¥ 328	¥ (62)	¥ (62)
Selling Euro/buying yen	7,071		(5)	(5)
Selling GBP/buying yen	1,471		(1)	(1)
Selling AUD/buying yen	6,199		6	6
Buying U.S.$/selling yen	30	30	(1)	(1)
Selling U.S.$/buying Euro	166		(14)	(14)
Selling U.S.$/buying KRW	637		(25)	(25)
Total	¥ 58,256	¥ 358	¥ (103)	¥ (103)

March 31, 2016

	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value (Loss)	Unrealized Gain (Loss)
Foreign currency forward contracts:				
Selling U.S.$/buying yen	¥ 42,188	¥ 207	¥ (87)	¥ (87)
Selling Euro/buying yen	6,438		(1)	(1)
Selling GBP/buying yen	5,088			
Selling AUD/buying yen	8,665		23	23
Selling MYR/buying yen	1,392		(55)	(55)
Buying Euro/selling U.S.$	98	13	(21)	(21)
Buying AUD/selling Euro	575		(3)	(3)
Buying U.S.$/selling Euro	191		(1)	(1)
Buying AUD/selling GBP	1,029		6	6
Buying U.S.$/selling GBP	195			
Total	¥ 65,863	¥ 221	¥ (141)	¥ (141)

March 31, 2017

	Thousands of U.S. Dollars			
	Contract Amount	Contract Amount Due after One Year	Fair Value (Loss)	Unrealized Gain (Loss)
Foreign currency forward contracts:				
Selling U.S.$/buying yen	$ 381,069	$ 2,931	$ (558)	$ (558)
Selling Euro/buying yen	63,135		(45)	(45)
Selling GBP/buying yen	13,136		(9)	(9)
Selling AUD/buying yen	55,351		60	60
Buying U.S.$/selling yen	271	271	(10)	(10)
Selling U.S.$/buying Euro	1,490		(128)	(128)
Selling U.S.$/buying KRW	5,695		(231)	(231)
Total	$ 520,151	$ 3,203	$ (923)	$ (923)

Derivative Transactions to Which Hedge Accounting Is Applied

March 31, 2017

		Millions of Yen		
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value (Loss)
Foreign currency forward contracts—Accounted for under deferred hedge accounting method:				
Selling U.S.$/buying yen	Foreign currency forecasted transaction	¥ 3,554	¥ 657	¥ (28)
Buying U.S.$/selling yen		237	141	(6)
Buying Euro/selling yen		4		
Buying SEK/selling yen		30		(1)
Total		¥ 3,825	¥ 799	¥ (37)
Other*[1]:				
Selling U.S.$/buying yen	Receivables	¥ 519		
Buying Euro/selling yen		11		
Total		¥ 531		
Interest rate swaps*[2] (fixed rate payment, floating rate receipt)	Long-term debt	¥ 10,000		
Total		¥ 10,000		

March 31, 2016

		Millions of Yen		
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value (Loss)
Foreign currency forward contracts—Accounted for under deferred hedge accounting method:				
Selling U.S.$/buying yen	Foreign currency forecasted transaction	¥ 6,491	¥ 1,465	¥ (266)
Buying U.S.$/selling yen		473		(23)
Buying Euro/selling yen		302	226	(12)
Buying Euro/selling U.S.$		1,292	100	(106)
Buying KRW/selling U.S.$		1,293		33
Total		¥ 9,852	¥ 1,792	¥ (376)
Other*[1]:				
Selling U.S.$/buying yen	Receivables	¥ 415		
Buying U.S.$/selling yen	Payables	64		
Buying Euro/selling yen		22	¥ 22	
Total		¥ 502	¥ 22	
Interest rate swaps*[2] (fixed rate payment, floating rate receipt)	Long-term debt	¥ 10,000	¥ 10,000	
Total		¥ 10,000	¥ 10,000	

March 31, 2017

	Hedged Item	Thousands of U.S. Dollars Contract Amount	Contract Amount Due after One Year	Fair Value (Loss)
Foreign currency forward contracts—				
Accounted for under deferred hedge accounting method:				
Selling U.S.$/buying yen	Foreign currency forecasted transaction	$ 31,736	$ 5,874	$ (251)
Buying U.S.$/selling yen		2,117	1,260	(61)
Buying Euro/selling yen		36		(5)
Buying SEK/selling yen		269		(14)
Total		$ 34,160	$ 7,135	$ (332)
Other*[1]:				
Selling U.S.$/buying yen	Receivables	$ 4,638		
Buying Euro/selling yen		101		
Total		$ 4,746		
Interest rate swaps*[2] (fixed rate payment, floating rate receipt)	Long-term debt	$ 89,285		
Total		$ 89,285		

*[1] Foreign currency forward contracts, which are applied to the foreign currency translation at the contract rate of the assets and liabilities on construction contracts denominated in foreign currencies.

*[2] Interest rate swap contracts accounted for under a specific method, are treated as part of the hedged long-term debt and thus their fair values are integrally computed with those of the hedged long-term debt. See Note 14 for the fair value of long-term debt.

16. CONTINGENT LIABILITIES

At March 31, 2017, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees on employees' housing loans and others	¥ 43	$ 384
Performance bond for unconsolidated subsidiaries and associated companies	1,300	11,608

17. OTHER COMPREHENSIVE LOSS

The components of other comprehensive loss for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen 2017	Millions of Yen 2016	Thousands of U.S. Dollars 2017
Unrealized loss on available-for-sale securities:			
Losses arising during the year	¥ (1,410)	¥ (4,365)	$ (12,593)
Reclassification adjustments to profit or loss	(1,543)	(2,686)	(13,782)
Amount before income tax effect	(2,954)	(7,052)	(26,375)
Income tax effect	947	2,220	8,458
Total	¥ (2,006)	¥ (4,831)	$ (17,917)
Deferred gain on derivatives under hedge accounting:			
Gains arising during the year	¥ 895	¥ 534	$ 7,998
Reclassification adjustments to profit or loss	351	202	3,138
Adjustment to acquisition cost of assets	1,780	(80)	15,898
Amount before income tax effect	3,027	656	27,034
Income tax effect	(897)	(214)	(8,017)
Total	¥ 2,129	¥ 441	$ 19,017
Foreign currency translation adjustments—			
Adjustments arising during the year	¥ (1,102)	¥ (1,135)	$ (9,843)
Total	¥ (1,102)	¥ (1,135)	$ (9,843)
Defined retirement benefit plans:			
Adjustments arising during the year	¥ 169	¥ (1,082)	$ 1,512
Reclassification adjustments to profit or loss	243	(135)	2,171
Amount before income tax effect	412	(1,217)	3,683
Income tax effect	(120)	441	(1,080)
Total	¥ 291	¥ (775)	$ 2,603
Share of other comprehensive loss of associates:			
Loss arising during the year	¥ (1,380)	¥ (83)	$ (12,323)
Reclassification adjustments to profit or loss	928		8,292
Total	¥ (451)	¥ (83)	$ (4,030)
Total other comprehensive loss	¥ (1,139)	¥ (6,385)	$ (10,170)

18. NET (LOSS) INCOME PER SHARE

A reconciliation of the differences between basic and diluted net (loss) income per share ("EPS") for the years ended March 31, 2017 and 2016, was as follows:

Year Ended March 31, 2017

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Loss Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Basic EPS—Net loss available to common shareholders	¥ (41,116)	258,979	¥ (158.76)	$ (1.42)

There is no dilutive effect for the year ended March 31, 2017.

Year Ended March 31, 2016

	Millions of Yen	Thousands of Shares	Yen
	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS
Basic EPS—Net income available to common shareholders	¥ 3,375	258,990	¥ 13.03

There is no dilutive effect for the year ended March 31, 2016.

19. SUBSEQUENT EVENT

The following appropriation of retained earnings at March 31, 2017, was approved at the Company's shareholders' meeting held on June 26, 2017:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥6.00 ($0.05) per share	¥ 1,553	$ 13,873

20. SEGMENT INFORMATION

Under Japanese accounting standards, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) *Description of Reportable Segments*

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated within the Group. The Group globally provides "Engineering" services, including planning, engineering, construction, procurement, commissioning, and maintenance, adapting the most appropriate functions of each related company.

(2) *Methods of Measurement for the Amounts of Sales, Profit (Loss), Assets, Liabilities, and Other Items for Each Reportable Segment*

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

The profit in reporting segments is based on the operating income. Intersegment income and transfers are measured at the quoted market price.

(3) *Information about Sales, Profit, Assets, Liabilities, and Other Items*

Year Ended March 31, 2017

	Millions of Yen				
	Reportable Segment Engineering	Other*1	Total	Reconcili-ations*2	Consoli-dated*3
Sales:					
Sales to external customers	¥ 600,244	¥ 3,501	¥ 603,745		¥ 603,745
Intersegment sales or transfers	21	5,380	5,401	¥ (5,401)	
Total	¥ 600,265	¥ 8,881	¥ 609,147	¥ (5,401)	¥ 603,745
Segment profit	¥ 15,416	¥ 265	¥ 15,682	¥ (2)	¥ 15,680
Segment assets	455,596	4,893	460,489	841	461,331
Segment liabilities	294,553	1,549	296,102	8,103	304,206
Other:					
Depreciation	3,620	22	3,643		3,643
Amortization of goodwill	517	29	547		547
Investment in associated companies	2,868		2,868		2,868
Increase in property, plant and equipment and intangible assets	2,109	21	2,131		2,131

Year Ended March 31, 2016

	Millions of Yen				
	Reportable Segment Engineering	Other*1	Total	Reconcili-ations*2	Consoli-dated*3
Sales:					
Sales to external customers	¥ 607,693	¥ 3,855	¥ 611,548		¥ 611,548
Intersegment sales or transfers	21	6,229	6,250	¥ (6,250)	
Total	¥ 607,715	¥ 10,084	¥ 617,799	¥ (6,250)	¥ 611,548
Segment profit	¥ 15,662	¥ 328	¥ 15,990	¥ 24	¥ 16,015
Segment assets	522,693	4,771	527,464	755	528,219
Segment liabilities	316,597	1,476	318,074	8,016	326,091
Other:					
Depreciation	3,568	21	3,589		3,589
Amortization of goodwill	1,226	29	1,256		1,256
Investment in associated companies	26,929		26,929		26,929
Increase in property, plant and equipment and intangible assets	2,677	20	2,698		2,698

Year Ended March 31, 2017

	Thousands of U.S. Dollars				
	Reportable Segment Engineering	Other*1	Total	Reconcili-ations*2	Consoli-dated*3
Sales:					
Sales to external customers	$ 5,359,327	$ 31,260	$ 5,390,587		$ 5,390,587
Intersegment sales or transfers	189	48,037	48,227	$ (48,227)	
Total	$ 5,359,517	$ 79,297	$ 5,438,815	$ (48,227)	$ 5,390,587
Segment profit	$ 137,648	$ 2,373	$ 140,021	$ (21)	$ 140,000
Segment assets	4,067,824	43,692	4,111,517	7,516	4,119,033
Segment liabilities	2,629,945	13,830	2,643,776	72,353	2,716,130
Other:					
Depreciation	32,326	202	32,529		32,529
Amortization of goodwill	4,618	267	4,886		4,886
Investment in associated companies	25,615		25,615		25,615
Increase in property, plant and equipment and intangible assets	18,836	194	19,030		19,030

Notes for the year ended March 31, 2017:

*1 "Other" represents industry segments, which are not included in the reportable segment, consisting of temporary staffing services and travel services.

*2 The details of the reconciliations are as follows:

(1) The reconciliation in segment profit of ¥(2) million ($(21) thousand) is the elimination of intersegment trades.

(2) The reconciliation in segment assets of ¥841 million ($7,516 thousand) is the result of the elimination of intersegment trades of ¥(1,909) million ($(17,050) thousand) and the Group's assets of ¥2,751 million ($24,566 thousand), which are not included in the reportable segment.

(3) The reconciliation in segment liabilities of ¥8,103 million ($72,354 thousand) is the result of the elimination of intersegment trades of ¥(1,896) million ($(16,931) thousand) and the Group's liabilities of ¥10,000 million ($89,285 thousand), which are not included in the reportable segment.

*3 The calculation of the segment profit is based on the operating income in the consolidated statement of operations.

Notes for the year ended March 31, 2016:

*1 "Other" represents industry segments, which are not included in the reportable segment, consisting of temporary staffing services and travel services.

*2 The details of the reconciliations are as follows:

(1) The reconciliation in segment profit of ¥24 million is the elimination of intersegment trades.

(2) The reconciliation in segment assets of ¥755 million is the result of the elimination of intersegment trades of ¥(1,994) million and the Group's assets of ¥2,749 million, which are not included in the reportable segment.

(3) The reconciliation in segment liabilities of ¥8,016 million is the result of the elimination of intersegment trades of ¥(1,983) million and the Group's liabilities of ¥10,000 million, which are not included in the reportable segment.

*3 The calculation of the segment profit is based on the operating income in the consolidated statement of operations.

Related Information

(1) *Information about Products and Services*

The engineering business represents more than 90% of the total sales of the Group. Accordingly, the presentation of the information about each service is not required under Japanese GAAP.

(2) *Information about Geographical Areas*

(*a*) *Revenue*

Year Ended March 31, 2017

	Millions of Yen	Thousands of U.S. Dollars
Japan	¥ 102,434	$ 914,595
Australia	96,046	857,556
Russia	147,418	1,316,239
U.S.A.	155,142	1,385,203
Others	102,703	916,992
Total	¥ 603,745	$ 5,390,587

Year Ended March 31, 2016

	Millions of Yen
Japan	¥ 111,464
Australia	143,980
Russia	117,274
U.S.A.	79,750
Vietnam	71,885
Others	87,193
Total	¥ 611,548

Note: Revenue is classified by country or region based on the location of construction sites.

(*b*) *Property, plant and equipment*

Year Ended March 31, 2017

	Millions of Yen	Thousands of U.S. Dollars
Japan	¥ 11,338	$ 101,235
Asia	1,493	13,338
Others	326	2,912
Total	¥ 13,158	$ 117,487

Year Ended March 31, 2016

	Millions of Yen
Japan	¥ 11,732
Asia	1,704
Others	504
Total	¥ 13,942

(3) *Information about Major Customers*

Year Ended March 31, 2017

Name	Related Segment	Millions of Yen Revenue	Thousands of U.S. Dollars Revenue
OJSC Yamal LNG	Engineering	¥ 145,868	$ 1,302,392
Cameron LNG LLC	Engineering	130,509	1,165,258
Ichthys Lng Pty Ltd.	Engineering	88,950	794,196

Year Ended March 31, 2016

Name	Related Segment	Millions of Yen Revenue
Ichthys Lng Pty Ltd.	Engineering	¥ 134,100
OJSC Yamal LNG	Engineering	116,803
Nghi Son Refinery and Petrochemical LLC	Engineering	71,867
Cameron LNG LLC	Engineering	63,619

(4) *Information about Impairment Loss on Fixed Assets by Reportable Segment*

Impairment loss of goodwill as of March 31, 2017 and 2016, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Engineering	¥ 766	¥ 4,431	$ 6,839
Total	¥ 766	¥ 4,431	$ 6,839

(5) *Information about Goodwill by Reportable Segment*

The ending balance of goodwill as of March 31, 2017 and 2016, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Engineering	¥ 1,676	¥ 3,527	$ 14,969
Other*	374	404	3,347
Total	¥ 2,051	¥ 3,931	$ 18,317

* Other involves temporary staffing services.

21. RELATED PARTY DISCLOSURES

The material transactions of the Group with unconsolidated subsidiaries and associated companies for the year ended March 31, 2017, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Loan of funds*2	¥ 12,101	$ 108,045
Guarantee obligation*1,*3	13,632	121,720

The material balances due to or from these unconsolidated subsidiaries and associated companies at March 31, 2017, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Prepaid expenses and other*3	¥ 6,396	$ 57,113

*1 This is a guarantee for bonds, etc. related to constructions of associated company guaranteed by the Company.

*2 Regarding loan of funds applicable interest rates are rationally determined upon taking into account the market rate of interest.

*3 ¥18,907 million ($168,816 thousand) of the provision for loss on business of subsidiaries and associated companies is provided for loans and guarantee obligation.

* * * * * *

INDEPENDENT AUDITOR'S REPORT

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Chiyoda Corporation:

We have audited the accompanying consolidated balance sheet of Chiyoda Corporation and its consolidated subsidiaries as of March 31, 2017, and the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 its consolidated subsidiaries as of March 31, 2017, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 26, 2017

Member of
Deloitte Touche Tohmatsu Limited

CHIYODA CORPORATION

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CORPORATE PHILOSOPHY

Enhance our business in aiming for harmony between energy and the environment, and contribute to the sustainable development of society as an integrated engineering company through the use of our collective wisdom and painstakingly developed technology.

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CHIYODA GROUP