CHIYODA CORPORATION

ANNUAL REPORT 2011

For the year ended March 31, 2011

Engineering Excellence, Value Creation

Courtesy of Mizushima LNG Co., Ltd.

Profile

Since its establishment in 1948, Chiyoda Corporation has engaged in engineering and construction work and services at innumerable industrial plants both in Japan and overseas in the fields of oil, natural gas and other energy sources; petrochemicals and chemicals; pharmaceuticals; and general industrial machinery.

Thirty-eight years ago in 1972, Chiyoda's founder was already emphasizing in a booklet entitled Legacy for the Twenty-first Century that sustainable social development should progress by harmonizing nature and industrial development.

We were one of the first companies to state our intention to contribute to sustainable social development through our engineering and technology by providing appropriate solutions to the various energy and environmental issues we currently face, and have been putting those words into action ever since. This booklet is available on our website.

With over 60 years of technological experience, Chiyoda is working to build on its position as the "Reliability No. 1" project company with a high level of customer and investor trust, not only in terms of technology but also in terms of our people and management. At the same time, we will continue to improve our financial strength and to raise our corporate value.

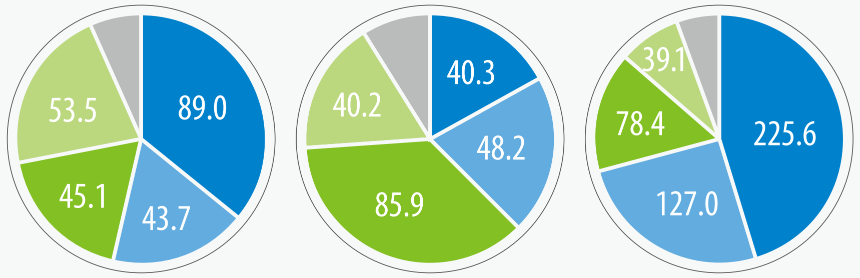
Contents

Cover Photo: The world's largest LNG plant; 7.8 million ton per-annum capacity for each train.
Photo Credit: Qatargas Operating Company, Ltd.
Forward-Looking Statements: This annual report contains forward-looking statements about Chiyoda Corporation's outlooks, plans, forecasts, results and other items that may take place in the future. Such statements are based on data available as of July 1, 2011. Unknown risks and other uncertainties that happen in the future may cause our actual results to be different from the forward-looking statements contained in this report. The risks and uncertainties include business and economic conditions, competitive pressure, changes in laws and regulations, addition or elimination of products, and exchange rate fluctuation, among others.

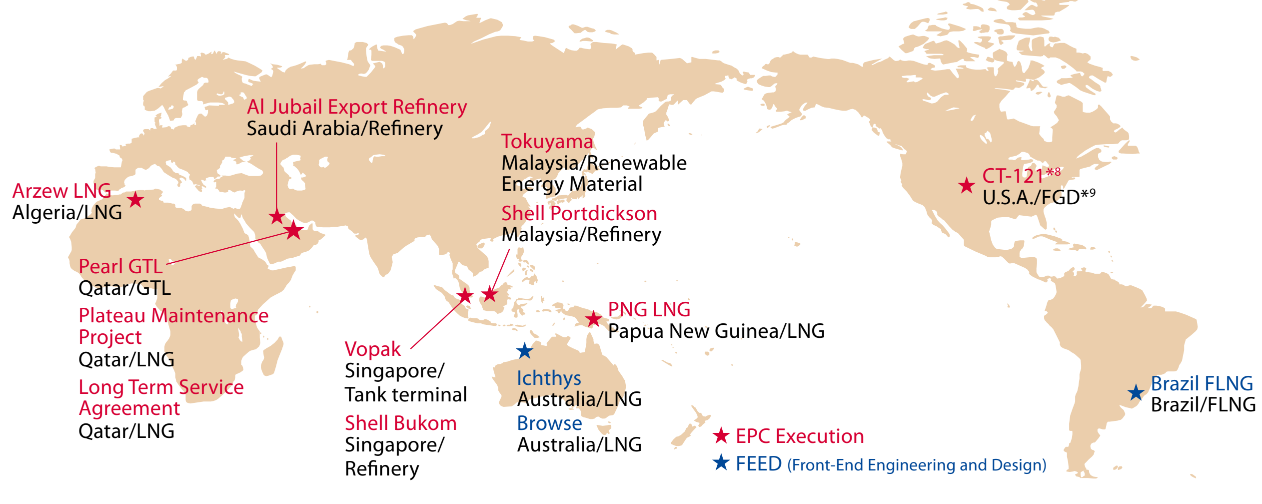
At a Glance

(Billions of yen)

	Revenues	New Orders	Backlog of Contracts
	247.1 Billion yen	235.3 Billion yen	497.6 Billion yen
LNG	89.0 (36%)	40.3 (17%)	225.6 (45%)
Gas Processing*3	43.7 (18%)	48.2 (20%)	127.0 (26%)
Fine Industries*5	45.1 (18%)	85.9 (37%)	78.4 (16%)
Petroleum and Petrochemicals	53.5 (22%)	40.2 (17%)	39.1 (08%)
Other	15.8 (06%)	20.7 (09%)	27.5 (05%)



Major Projects In Progress



*1: Courtesy of Qatargas Operating Company Limited *2: Courtesy of Shell *3: Classified as "Gas and power utilities" in "Consolidated Financial Results" *4: Courtesy of Solar Frontier K.K.
*5: Classified as "Industrial machinery" and "General chemicals" in "Consolidated Financial Results" *6: Courtesy of Kashima Aromatics Co., Ltd. *7: Water Treatment Plant
*8: Licensing/Technical Supervision *9: FGD= Flue Gas Desulfurization

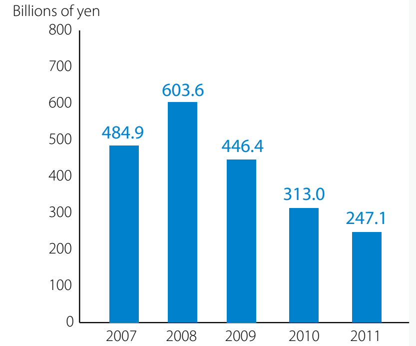
Financial Highlights

Years Ended March 31, 2011, 2010, 2009, 2008 and 2007

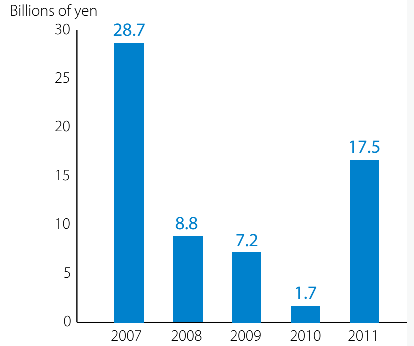
	Millions of yen 2011	2010	2009	2008	2007	Thousands of U.S. dollars 2011
For the Year						
Revenues	¥247,082	¥312,985	¥446,438	¥603,559	¥484,895	$2,976,896
Cost of revenue	215,563	298,766	427,461	583,035	445,158	2,597,148
Operating income	17,544	1,702	7,227	8,839	28,700	211,385
Income before income taxes and minority interests	11,476	4,714	9,651	18,991	37,935	138,276
Net income	7,979	2,953	6,498	9,640	23,531	96,143
At Year-End						
Total assets	¥353,392	¥328,174	¥357,816	¥378,819	¥442,952	$4,257,744
Total equity	155,758	149,253	145,917	81,637	77,414	1,876,613
Current ratio (%)	173.8	175.2	161.1	115.0	118.9	
Per Common Share (Yen and U.S. dollars)						
Earnings per share (EPS)	¥30.79	¥11.39	¥25.58	¥50.15	¥122.41	
Book value per share (BPS)	599.15	573.61	561.12	422.24	400.56	
Dividends per share	11.0	3.5	7.5	10.0	15.0	$0.13
Ratios (%)						
Return on assets (ROA)	4.6	1.4	3.1	4.7	10.2	
Return on equity (ROE)	5.3	2.0	5.7	12.2	35.5	

Notes: 1. U.S. dollar amounts are translated, for convenience only, at the rate of ¥83 = US$1, the approximate exchange rate at March 31, 2011.
2. Yen amounts are rounded down to the nearest million. U.S. dollar amounts and percentages are rounded to the nearest unit.

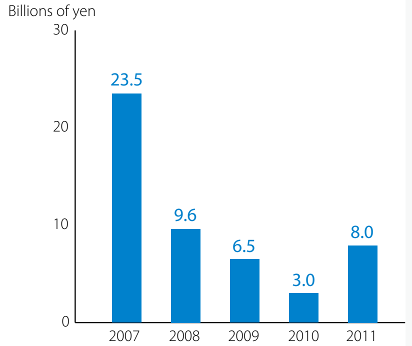
Revenues



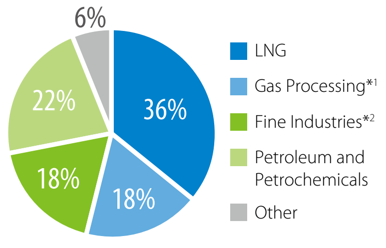
Operating Income



Net Income



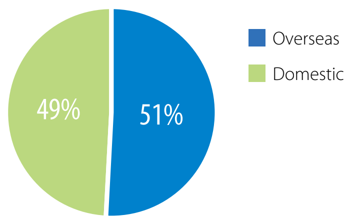
Revenues by Industry



247,082 Millions of yen

*1: Classified as "Gas and power utilities" in "Consolidated Financial Results"
*2: Classified as "Industrial machinery" and "General chemicals" in "Consolidated Financial Results"

Revenues by Region



247,082 Millions of yen

To Our Stakeholders

Takashi Kubota
President & CEO
Chiyoda Corporation

Reliability No.1 Your Partner for Success

Thank you for your exceptional support over this past fiscal year.

I also wish to express our condolences to all of those affected by the Great East Japan Earthquake and the ensuing tsunami, a tragedy that has deeply touched us all.

I would like to present the Chiyoda Group corporate report for the fiscal year ended March 31, 2011.

With the completion of the final two of six LNG trains in Qatar, the country is now capable of producing an annual 77 million tonnes of liquefied natural gas. We are proud to say that Chiyoda was instrumental in engineering and constructing almost all of the LNG plants in Qatar. Such experience in large- scale LNG plant will be invaluable to our ongoing projects in Papua New Guinea and Australia.

A number of plants and related facilities constructed by Chiyoda in Japan were damaged during the Great East Japan Earthquake. We have set up a Reconstruction Support Task Team headquarters to respond to the needs of our clients to resume their operations, putting the expertise and experience of the entire Chiyoda Group to work for the recovery.

Demand for energy and resources around the world remains high, with investment responding in kind. However, we still face the challenge of a strong yen and intense competition from international contractors including Koreans.

This past fiscal year marked the second of our mid-term business plan, "Engineering Excellence, Value Creation 2012." It was a year in which we worked hard on the execution of projects in Qatar and other regions, and won bids in new fields such as renewable energy and non-ferrous metal plants in Southeast Asia. It also was a year in which we set in motion a number of initiatives that will be the foundation for future growth. I can say with confidence that the entire Chiyoda Group management team and staff are united and eager to pursue the goal of creating long-term, stable profit growth.

I ask all of our shareholders for your continued support in our ongoing efforts.

Sincerely yours,

Takashi Kubota
President & CEO
Chiyoda Corporation

Topics

1 CHIYODA AWARDED EPC CONTRACT FOR POLYCRYSTALLINE SILICON PLANT

Chiyoda Corporation and Chiyoda Group company, Chiyoda Sarawak Sdn. Bhd. *1 have been awarded a contract to provide the engineering, procurement, and construction (EPC) work for a polycrystalline silicon plant for Tokuyama Malaysia Sdn. Bhd. *2. Chiyoda began front end engineering services for this plant during spring 2008 and was recently named, in a signed formal contract, as a partner to perform front end engineering and EPC work. Construction on the plant began in early 2011 and the plant is scheduled to begin operations to produce polycrystalline silicon, which is used as a raw material in solar cells, in the spring of 2013.

*1 : Chiyoda Sarawak Sdn. Bhd. is a wholly owned subsidiary of Chiyoda Corporation.
*2 : Tokuyama Malaysia Sdn. Bhd. is a wholly owned subsidiary of Tokuyama Corporation.

Opening ceremony of Chiyoda Sarawak Office:
Chiyoda Managing Executive Officer Koshizuka (center)
and other attendees at the ceremony.

2 CHIYODA COMPLETES RFCC UNIT FOR TAIYO OIL

Chiyoda Corporation's president Kubota and other executives attended a ceremony held on October 28, 2010 to celebrate the completion of construction for a resid fluid catalytic cracking (RFCC) unit built for Taiyo Oil Co., Ltd. The unit will produce gasoline-based materials, propylene, and other petrochemicals from heavy crude oil. Chiyoda achieved the completion of the unit without any accident or injury since construction began in November 2008.

President Kubota (second from left) at the ceremony

RFCC Unit

Courtesy of Taiyo Oil Co., Ltd.

3 CHIYODA OFFICERS ATTEND CEREMONY IN QATAR TO CELEBRATE 77 MILLION-TONNE ANNUAL LNG CAPACITY

A lavish event was held at a specially prepared site in Ras Laffan Industrial City on December 13, 2010 to observe Qatar's achievement of producing 77-million tons of LNG annually.

Chiyoda Corporation's president Kubota and other executives attended the event, receiving warm words of praise from HH Sheikh Hamad, Emir of Qatar. Beginning with the first three LNG trains at Qatargas 1, Chiyoda has undertaken the EPC work for a total of 12 trains in Qatar and, including front end engineering design services, has been involved with all 14 trains (Qatargas trains 1 through 7; RasGas trains 1 through 7), thereby making a significant contribution to the 77-million ton capacity for annual LNG production in Qatar. With our history of success in the country, as well as having a local subsidiary in place, we intend to contribute even further to the greater development of LNG and other resources in Qatar.

Emir HH Shiekh Hamad and other VIPs at the Ceremony

4 CHIYODA COMPLETES CONSTRUCTION OF KUNITOMI CIS SOLAR CELL PLANT AND MEGA SOLAR FACILITY

Chiyoda won a contract from Solar Frontier to build a CIS solar cell plant with a mega solar facility installed on the roof of the plant in Kunitomi, Miyazaki Prefecture. Construction of the mega solar facility was completed in February of 2011 and The Kunitomi CIS Solar Cell Plant began commercial operations in March.

Solar Cell Plant in Kunitomi

Kunitomi Mega Solar

Courtesy of Solar Frontier K.K.

Corporate Governance

The Chiyoda Group recognizes that management focuses on corporate social responsibility (CSR) that inspires the support and trust of shareholders, customers, employees, and other stakeholders. We believe that this is a foundation of our corporate activities. As such, we work toward sustainable long-term qualitative growth, continuing to improve our management basics, and ensuring management soundness and transparency. We have identified improved corporate governance and stronger internal controls structure as important issues for our company. We are working to make real progress in these areas.

The following paragraphs describe the current status of corporate governance at the Chiyoda Group:

Corporate Governance System

Overview and Rational for Adoption of Corporate Governance System

The Chiyoda Group's corporate governance system includes a board of directors, corporate auditors/corporate audit committee, external auditors, and a system of internal controls. We adopted a system of executive officers who are responsible for the execution of business operations. Executive officers are functionally separate from directors, who are responsible for management supervisory functions. Executive officers regularly report the status of business operation execution in a (monthly) executive committee meeting that is also attended by the directors.

The Board of Directors (meeting monthly) is made up of nine directors, four of whom are representative directors. The Board of Directors oversees executive officers in their execution of business operations, ensuring that decisions related to important matters to the Company are rationally and efficiently carried out. The Board delegates a portion of its authority to the Executive Committee to ensure that decisions related to the execution of business operations are implemented quickly in order to respond appropriately to rapidly changing social and economic conditions.

The Executive Committee is made up of the four representative directors who make decisions delegated to them with respect to the execution of business operations. In addition, the Executive Committee also performs preliminary deliberations regarding matters to be brought before the Board of Directors for resolution. As a rule, the Executive Committee meets on a weekly basis.

The Chiyoda Group employs four corporate auditors, three of which serve on a full-time basis. Three of the four corporate auditors are outside corporate auditors. Corporate auditors are responsible for auditing the state of execution of director duties. Of the outside corporate auditors, two are independent auditors, and one corporate auditor is extensively versed in finance and accounting.

Status of Internal Controls System

The Company has structured and is operating the following system of internal controls for the purpose of operational effectiveness/efficiency, financial reporting reliability, legal compliance, and asset preservation, according to the unique nature and characteristics of our business.

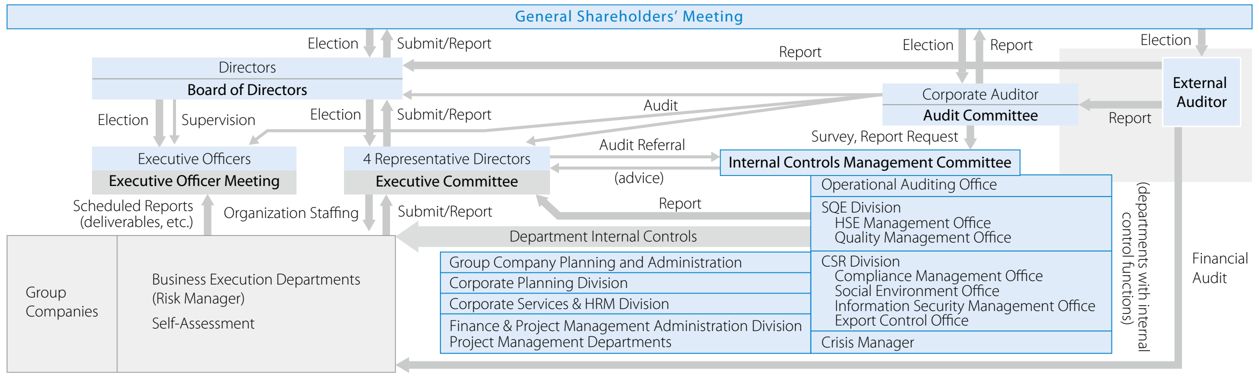
Internal Controls Management Committee

The Company has established an Internal Controls Management Committee to improve our systems of internal controls. The director over the Operational Auditing Office serves as the committee chair, and heads of departments related to internal controls serve as committee members.

The Internal Controls Management Committee receives referrals from the Executive Committee to exchange information and coordinate with each department to determine whether operations are appropriately and efficiently carried out under an adequate system of internal controls. At the end of the fiscal period (or as deemed necessary), the Internal Controls Management Committee offers advice regarding internal controls improvement to the Executive Committee.

The Executive Committee takes advice from the Internal Controls Management Committee under consideration, submitting proposed internal controls improvements to the Board of Directors for decision.

Corporate Governance and Internal Controls



External Directors and Outside Corporate Auditors

Status of External Directors and Outside Corporate Auditors

The Company employs four corporate auditors, three of whom are outside corporate auditors. The Company does not elect external directors.

The names of outside corporate auditors and the Company's rationale for selecting them (including the rationale for designation as independent directors of Hiroshi Ida and Yukihiro Imadegawa, both on file with the Tokyo Stock Exchange as independent directors) are as follows.

Name	Rationale for Election as Outside Corporate Auditor
Hiroshi Ida	The individual is able to contribute to the sound management of the Company through neutral and objective audits based on his experience as a former executive officer with Mitsubishi UFJ Trust and Banking Corporation. <Rationale for Designation as an Independent Director> The individual is not involved in any matters that conflict with the interests of general Company shareholders, and is recognized as an outside corporate auditor having no conflict of interest with general Company shareholders.
Masanori Ito	The individual is able to contribute to the sound management of the Company through neutral and objective audits based on his experience (including expertise in finance and accounting) as a former director and CFO of Space Communications Corporation.
Yukihiro Imadegawa	The individual is able to contribute to the sound management of the Company through neutral and objective audits based on his expertise in corporate law as an attorney. <Rationale for Designation as an Independent Director> The individual is not involved in any matters that conflict with the interests of general Company shareholders, and is recognized as an outside corporate auditor having no conflict of interest with general Company shareholders.

There are no particular relationships of interest between Company and outside corporate auditors.

Rationale for Adoption of Current System

The Board of Directors supervises the performance of executive officers and determines important matters concerning the Company. The Company employs four corporate auditors, three of whom are outside corporate auditors. This leads to a stronger monitoring function over management. The Company employs dedicated staff to assist corporate auditors in their duties, and has set in place a system for coordination between external auditors and corporate auditors and between corporate auditors and the Operational Auditing Office. This system of coordination ensures the viability of audits. Having three outside corporate auditors participating in audits as in the current system ensures that management oversight functions in a fully objective and neutral fashion.

Director Compensation, Etc.

Total Compensation for Each Director Category; Total Compensation by Director Type, and Number of Directors in Question

	Number	Base Compensation	Incentive Compensation	Stock-Based Compensation
Directors	9	¥187 million	¥21 million	¥53 million
Corporate Auditors	4	77	—	—

Notes:
1. Total director compensation is ¥263 million. Total corporate auditor compensation is ¥77 million. Total outside corporate auditor (three individuals) compensation is ¥55 million.
2. The number of directors above discloses the number of directors and corporate auditors receiving compensation during the fiscal period, including one individual who retired as of the 82nd General Shareholders' Meeting held June 24, 2010.

Board of Directors, Corporate Auditors and Executive Officers (As of July 1, 2011)

Board of Directors

Representative Directors / Members of Executive Committee

President & CEO	Takashi Kubota
Executive Vice President	Yoichi Kanno Corporate Planning, Management & Finance
Senior Managing Executive Officer & CFO	Masahito Kawashima*1 Corporate Planning, Management & Finance
Senior Managing Executive Officer	Hiroshi Ogawa Project Operations

Directors

Managing Executive Officer	Satoru Yokoi Business Development Operation, Project Operations
Managing Executive Officer	Kazuo Obokata CSR Division, Operational Auditing Office
Managing Executive Officer	Hiromi Koshizuka Technology Development Business Operation
Managing Executive Officer	Shogo Shibuya*1 Technology & Engineering
Director	Kazushi Okawa

Corporate Auditors

Hiroshi Ida *2　Wataru Shimono　Masanori Ito *2　Yukihiro Imadegawa *2

Executive Officers

Managing Executive Officer	Sumio Nakashima Project Operations
Managing Executive Officer	Katsutoshi Kimura General Manager, Finance & Project Management Administration Division
Managing Executive Officer	Kenjiro Miura Projects Logistics and Construction
Managing Executive Officer	Masahiko Kojima General Manager, Corporate Planning Division
Managing Executive Officer	Koichi Shirakawa Project Operations Project Director
Managing Executive Officer	Takao Kamiji Technology Development Business Operation General Manager, Strategic Business Development Division
Executive Officer	Tsuyoshi Kakizaki Projects Logistics and Construction
Executive Officer	Eisaku Yamashita Business Development Operation General Manager, Business Development Management Division
Executive Officer	Ryosuke Shimizu General Manager, Global Operation Division
Executive Officer	Kenji Hotta General Manager, Corporate Services & HRM Division General Manager, Executive Office
Executive Officer	Katsuo Nagasaka Business Development Operation
Executive Officer	Seiichiro Ikeda General Manager, International Project Division 2
Executive Officer	Noriyuki Kasuya Corporate Planning, Management & Finance Office of the President
Executive Officer	Mitsuya Ogawa General Manager, International Project Division 1
Executive Officer	Nobuyuki Uchida Technology & Engineering Project Manager

*1 : New Appointment on June 23, 2011　*2 : Outside Corporate Auditor

Management's Discussion and Analysis

Results of Operations

Analysis of Results

While emerging economies in Asia enjoyed strong growth during the fiscal year, the financial crisis in Europe and the unstable political situation in the Middle East and Africa have caused worries about the future direction of the global economy. Companies in certain sectors in Japan showed improved earnings, but the devastation of the March 11 earthquake and the impact of electricity shortages cause concern as limiting factors on corporate activities.

Major energy projects are taking shape around the world to meet growing demand for oil and gas, and we are finding competition with major international contractors to be even tougher, particularly with the yen at such strong valuations against other currencies.

Faced with these conditions, we placed particular focus on bidding activities, making the most of our technological superiority in the market. We won bids for the construction of a polycrystalline silicon plant in Malaysia, for an LNG (liquefied natural gas) plant in Australia, and for LNG receiving terminal construction in Fukuoka Prefecture here in Japan. At the same time, we are moving forward in existing construction projects, including an LNG plant project in Papua New Guinea. We also completed construction for LNG plant Trains 6 and 7 to be operated by Qatargas.

As a result, consolidated new contracts for the fiscal year under review amounted to 235,267 million yen (45.2% decrease year on year). Consolidated contract backlog was 497,648 million yen (7.2% decrease). Consolidated revenues amounted to 247,082 million yen (21.1% decrease), while operating income amounted to 17,544 million yen (930.8% increase), ordinary income amounted to 15,732 million yen (225.2% increase), and net income for the period amounted to 7,979 million yen (170.1% increase).

With the recovery of client facilities in mind in the wake of the March 11 earthquake, we set up a Reconstruction Support Task Team for our clients to resume their operations.

Results by Business Segment

Natural Gas and Electric Power

We are currently carrying out work on the LNG plant in Papua New Guinea, EPC (Engineering/Procurement/Construction) services for a gas processing plant in Qatar, and basic design services for a floating LNG plant in Brazil, and we have completed EPC services in Qatar and several basic design services for large-scale LNG plants. Moving forward, we continue to roll out new sales activities to win contracts for various types of basic design services; in Australia, we recently won a contract to provide basic design services for an LNG plant. Under a long-term service contract, the Group's subsidiary in Qatar is undertaking renovation and repair work for the LNG/gas processing plants that were originally built by the Chiyoda Group. The subsidiary is also moving forward with EPCm (Engineering/Procurement/Construction management) services for helium extraction facilities. We are also involved in other sales activities to perform similar services for other LNG and gas processing plants in Qatar.

In Japan, we won a contract to provide EPC services for a CO_2 capture facility incorporating new technologies to reduce future CO_2 emission. In addition to a new contract for LNG receiving terminal in Fukuoka Prefecture, we made progress in construction at three similar projects in Niigata and Okayama Prefectures. We completed one of those projects, the expansion project at the Mizushima LNG receiving terminal.

Petroleum, Petrochemicals and Gas Chemicals

Overseas, the Group brought resources to bear on planned investment projects in oil refineries and other ventures in the Middle East and Southeast Asia. We continue to move forward in Saudi Arabia by providing EPC services for a heavy oil cracking unit and, in Singapore, we completed EPC services for a tank terminal and EPCm services for an existing FCC (Fluid Catalytic Cracking) unit expansion project. Successful engagements at these and other overseas locations have helped us become stronger as a Group of companies, by increasing the scope of our global operations.

Domestically, we completed construction for an RFCC (Residual Fluid Catalytic Cracking) unit and an HS-FCC (High-Severity Fluid Catalytic Cracking) semi-commercial unit (fiscal 2010 portion). We also tailored our sales activities to securing contracts related to oil refinery efficiency improvements, competitiveness, and energy savings. We won a bid for a benzene extraction unit construction project as a result.

General Chemicals, Industrial Machinery, Environment and Others

The Chiyoda Group is moving ahead in new fields of business with a polycrystalline silicon (components for photovoltaic cells) plant project in Malaysia and a nickel refining plant in the Philippines. At the same time, we are also providing EPC services in Japan for projects related to solar cells and lithium ion batteries. We won contracts in Saudi Arabia for survey and research services related to industrial waste water recycle at large industrial complex. The strength of the Japanese yen has encouraged Japanese companies to expand overseas, investing in solar power/solar heat and other projects driven by low-carbon technologies. Accordingly, we have identified these projects as targets of our sales efforts.

Our experience in providing basic design services for high-bioactive drug production facilities—notably producing bioactive drugs (antibodies/vaccines) and cancer medicines—has led to new opportunities for related EPC contracts.

Major contracts included in the consolidated results for the period

Overseas	- LNG plant Trains 6 & 7 for Qatar Liquefied Gas Co., Ltd. (3) and (4)* - LNG plant construction in Papua New Guinea
Domestic	- Solar Frontier K.K., CIS Solar Cell Factory No. 3 (construction) - Chubu Electric Power Co. Inc, Joetsu Thermal Power Station LNG Terminal Facilities (construction) - JX Nippon Oil & Energy Corporation HS-FCC Semi-Commercial Unit (construction; 2010 portion)* - Taiyo Oil Co., Ltd. RFCC Complex Unit (construction)*

* : Projects completed during the period.

OUTLOOK FOR THE NEXT FISCAL YEAR

Chiyoda will continue to promote its sales activities and win contracts in the areas where Chiyoda can best leverage its technological advantages while continuing to work diligently on the execution of existing projects including the large project in Papua New Guinea and other projects overseas and domestic.

In consideration of these circumstances, and assuming an exchange rate of ¥80/dollar, our forecasts for the fiscal year ending March 31, 2012 include 550.0 billion yen in new consolidated contracts and 250.0 billion yen in revenues. Our forecast for the consolidated operating profit is 11.0 billion yen, consolidated ordinary income is 12.0 billion yen, and the consolidated net income is 8.0 billion yen.

Management Policies

1 Basic Management Policies

The shared corporate philosophy of the Chiyoda Group is to "enhance our business in aiming for harmony between energy and the environment and contribute to the sustainable development of a society as an integrated engineering company through the use of our collective wisdom and painstakingly developed technology." We use every effort to conduct business that inspires trust and empathy from our shareholders, our clients, our subcontractors and vendors, our employees, society, and all of our stakeholders.

2 Management Indices Measuring Progress in our Medium-Term Business Plan and Targets

To improve our value as a corporate group, we created the "Engineering Excellence, Value Creation 2012" four-year business plan. This plan began fiscal 2009 and will run through March 2013 (fiscal 2012). We officially announced this plan on May 13, 2009. (See http://www.chiyoda-corp.com/ir/en for our four-year plan and financial report)

With two of the four years of this business plan having passed, we reviewed our progress, recognizing changes in external factors. In conducting our review, we took a pragmatic view of the fact that consolidated new contracts for the fiscal year 2010 underperformed our original projections by a significant margin. We made a careful and thorough study as to whether our current business plan policies and strategies were realistic. We also looked at the likelihood of reaching our quantitative targets.

As a result of this review, we identified the following (3., below) as important policies and issues which we will address over the next two years, in light of the fact that there have been no major changes in our basic approach to the targets we set in our original business plan (management vision and strategies). Our efforts will extend throughout the whole Chiyoda Group as we pursue these policies and issues to create concrete results.

Our medium-term business plan stated a target of 23 billion yen in consolidated net income for the fiscal year 2012 (ending March 2013), the final year of our current plan. However, looking at new orders in the prior fiscal year, we now consider this target to be very difficult to achieve. We intend to execute on these policies and improve the profit and loss to the greatest extent possible, given the current circumstances.

3 Issues

While the ultimate impact of the March 11 earthquake is unclear, the worldwide demand for LNG and other energy resources remains strong. We have noted a rise in orders for large-scale energy facilities, driven by clients who are actively pursuing growth-oriented investments. Meanwhile, we envisage encountering stiffer competition from companies that do business in our major business segments, particularly while the yen continues to be strong compared to other world currencies. Given this business environment, we have identified the following policies and issues as important factors for fiscal 2011 (ending March 2012) that will drive our growth strategy and business fundamentals. These factors reflect our review of our "Engineering Excellence, Value Creation 2012" business plan mentioned above. We will come together as a unified group in pursuit of these initiatives.

GOING FORWARD STRATEGIES FOR GROWTH

(a) Win more LNG contracts/Further strengthen core businesses

First, we will offer support and propose projects to our existing clients, leading to a steady flow of contracts in our core LNG/gas plant business. We will build stronger business fundamentals toward greater operational capacity, reducing costs across the board to bolster our competitive position and inspire even greater trust from our clients.

(b) Expansion into new business fields

The hydrocarbon field is likely to become even more competitive. This has been a field of emphasis for our company, and we will continue to upgrade our ability to compete. We will also spend time and resources in making specific inroads into new fields (infrastructure businesses/solar heat/water recycle, etc.) in which engineering firms have a responsibility to meet the changing needs of society. At the same time, we will create stronger partnerships with our major clients, building a deeper foundation of businesses in the non-hydrocarbon fields.

(c) Strengthen global operations

We intend to move away from a centrally managed structure to one in which local Group subsidiaries can take the lead in their local projects. We will set up new locations overseas, provide more support to existing subsidiaries, and create greater coordination and staff flexibility among Group companies. This new structure will lead to a growth in our global operations that involves all Chiyoda Group companies.

(d) Investments

We will make strategic investment for growth, infrastructure investment for a stronger management, and investments in research and development. As for the strategic investment for growth, we will invest in stronger global operations and strategic fields which are infrastructure/solar heat/water recycle, etc., businesses.

As an infrastructure investment for a stronger management, we intend to make the continual investment in IT systems and the implementation of office integration. We will continue strategic R&D investment and accelerate commercialization.

BUILDING A STRONGER BUSINESS FOUNDATION

(e) Better competitive posture/execution capacity

We will enhance the data management to strengthen the projects and corporate management.

(f) Human resource development and optimum assignment

We will enhance the human resource development system and global resource management.

Chiyoda Corporation and Consolidated Subsidiaries

Consolidated Financial Statements
for the Years Ended March 31, 2011 and 2010,
and Independent Auditors' Report

Consolidated Balance Sheets March 31, 2011 and 2010

ASSETS	Millions of Yen 2011	2010	Thousands of U.S. Dollars (Note 1) 2011
CURRENT ASSETS:			
Cash and cash equivalents (Note 15)	¥ 130,618	¥ 139,790	$ 1,573,711
Short-term investments (Note 15)	79	53	957
Notes and accounts receivable—trade (Notes 3 and 15)	41,539	39,864	500,477
Allowance for doubtful accounts	(3)	(2)	(39)
Costs and estimated earnings on long-term construction contracts (Notes 4 and 15)	14,493	11,454	174,626
Costs of construction contracts in process	12,648	7,283	152,386
Accounts receivable—other (Note 3)	7,284	4,958	87,770
Jointly controlled assets of joint venture (Note 15)	88,662	69,917	1,068,219
Deferred tax assets (Note 11)	18,644	15,523	224,631
Prepaid expenses and other	2,229	1,876	26,857
Total current assets	316,196	290,719	3,809,598
PROPERTY, PLANT AND EQUIPMENT:			
Land	11,938	11,938	143,843
Buildings and structures	15,926	15,193	191,886
Machinery and equipment	1,270	592	15,308
Tools, furniture and fixtures	5,358	5,157	64,563
Construction in progress	5	48	72
Total	34,500	32,931	415,674
Accumulated depreciation	(15,479)	(11,480)	(186,498)
Net property, plant and equipment	19,021	21,450	229,176
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 5 and 15)	5,813	5,153	70,037
Investments in and advances to unconsolidated subsidiaries and associated companies (Note 6)	2,704	2,714	32,581
Software	2,831	3,195	34,116
Deferred tax assets (Note 11)	3,948	1,745	47,569
Other assets	2,964	3,528	35,717
Allowance for doubtful accounts	(87)	(333)	(1,052)
Total investments and other assets	18,174	16,004	218,969
TOTAL	¥ 353,392	¥ 328,174	$ 4,257,744

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2011	2010	Thousands of U.S. Dollars (Note 1) 2011
CURRENT LIABILITIES:			
Current portion of long-term debt (Notes 7, 14 and 15)	¥ 13	¥ 17	$ 167
Notes and accounts payable—trade (Notes 3 and 15)	97,417	89,523	1,173,700
Advance receipts on construction contracts	62,571	48,168	753,874
Income taxes payable (Note 15)	5,986	4,675	72,120
Deposits received	4,541	4,497	54,720
Allowance for warranty costs for completed works	1,190	4,486	14,338
Allowance for losses on construction contracts	1,057	4,427	12,738
Accrued expenses and other (Note 3)	9,109	10,162	109,748
Total current liabilities	181,887	165,960	2,191,410
NON-CURRENT LIABILITIES:			
Long-term debt (Notes 7, 14 and 15)	10,220	10,022	123,140
Liability for retirement benefits (Note 8)	2,809	2,305	33,843
Provision for treatment of PCB waste	131	123	1,580
Asset retirement obligations	224		2,699
Other liabilities (Note 11)	2,361	510	28,453
Total non-current liabilities	15,746	12,960	189,720
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 3, 13, 16 and 17)			
EQUITY (Notes 9, 10 and 20):			
Common stock—authorized, 570,000 thousand shares; issued, 260,324 thousand shares in 2011 and 2010	43,396	43,396	522,848
Preferred stock—authorized, 80,000 thousand shares in 2011 and 2010			
Capital surplus	37,112	37,112	447,140
Retained earnings	77,832	70,759	937,742
Treasury stock—at cost, 1,223 thousand shares in 2011 and 1,117 thousand shares in 2010	(1,295)	(1,215)	(15,606)
Accumulated other comprehensive income (loss):			
Unrealized (loss) gain on available-for-sale securities	(229)	102	(2,762)
Deferred gain (loss) on derivatives under hedge accounting	345	(156)	4,157
Foreign currency translation adjustments	(1,919)	(1,315)	(23,132)
Total	155,242	148,683	1,870,386
Minority interests	516	569	6,226
Total equity	155,758	149,253	1,876,613
TOTAL	¥ 353,392	¥ 328,174	$ 4,257,744

Consolidated Statements of Income Years Ended March 31, 2011 and 2010

	Millions of Yen 2011	Millions of Yen 2010	Thousands of U.S. Dollars (Note 1) 2011
REVENUE (Notes 3 and 4)	¥ 247,082	¥ 312,985	$ 2,976,896
COST OF REVENUE (Notes 3 and 4)	215,563	298,766	2,597,148
Gross profit	31,519	14,219	379,747
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 3 and 12)	13,974	12,517	168,362
Operating income	17,544	1,702	211,385
OTHER INCOME (EXPENSES):			
Interest and dividend income	1,078	2,017	12,994
Interest expense	(256)	(249)	(3,086)
Equity in earnings of associated companies	104	144	1,259
Foreign exchange (loss) gain	(2,882)	1,214	(34,726)
Insurance premiums refunded cancellation	109		1,317
Office integration costs (Note 13)	(4,218)		(50,827)
Loss on adjustment for changes of accounting standard for asset retirement obligations	(146)		(1,759)
Provision for treatment of PCB waste		(123)	
Other—net	142	9	1,720
Other (expenses) income—net	(6,068)	3,012	(73,108)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	11,476	4,714	138,276
INCOME TAXES (Note 11):			
Current	9,194	8,532	110,773
Deferred	(5,665)	(6,806)	(68,254)
Total income taxes	3,529	1,726	42,519
NET INCOME BEFORE MINORITY INTERESTS	7,947	2,987	95,757
MINORITY INTERESTS IN NET INCOME	(32)	34	(386)
NET INCOME	¥ 7,979	¥ 2,953	$ 96,143

	Yen 2011	Yen 2010	U.S. Dollars 2011
PER SHARE OF COMMON STOCK (Notes 2.u and 19):			
Basic net income	¥ 30.79	¥ 11.39	$0.37
Diluted net income		11.39	
Cash dividends applicable to the year	11.00	3.50	0.13

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income Year Ended March 31, 2011

	Millions of Yen 2011	Thousands of U.S. Dollars (Note 1) 2011
NET INCOME BEFORE MINORITY INTERESTS	¥ 7,947	$ 95,757
OTHER COMPREHENSIVE INCOME (Note 18):		
Unrealized loss on available-for-sale securities	(332)	(4,002)
Deferred gain on derivatives under hedge accounting	501	6,046
Foreign currency translation adjustments	(511)	(6,158)
Share of other comprehensive loss of associates accounted for using equity method	(103)	(1,247)
Total other comprehensive income	(445)	(5,362)
COMPREHENSIVE INCOME (Note 18)	¥ 7,502	$ 90,394
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO (Note 18):		
Owners of the parent	¥ 7,545	$ 90,907
Minority interests	(42)	(513)

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Years Ended March 31, 2011 and 2010

	Thousands	Millions of Yen									
						Accumulated Other Comprehensive Income					
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized (Loss) Gain on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2009	259,328	¥ 43,392	¥37,108	¥ 69,730	¥ (1,105)	¥ (775)	¥ (1,368)	¥ (1,469)	¥ 145,513	¥ 404	¥ 145,917
Net income				2,953					2,953		2,953
Issuance of common stock by stock option plan (Notes 9 and 10)	32	3	3						7		7
Cash dividends, ¥7.50 per share				(1,944)					(1,944)		(1,944)
Changes in the scope of consolidation				20					20		20
Repurchase of treasury stock	(153)				(109)				(109)		(109)
Net change in the year						878	1,211	153	2,243	164	2,408
BALANCE, MARCH 31, 2010	259,207	43,396	37,112	70,759	(1,215)	102	(156)	(1,315)	148,683	569	149,253
Net income				7,979					7,979		7,979
Cash dividends, ¥3.50 per share				(907)					(907)		(907)
Changes in the scope of consolidation											
Repurchase of treasury stock	(105)				(79)				(79)		(79)
Net change in the year						(332)	501	(604)	(434)	(52)	(486)
BALANCE, MARCH 31, 2011	259,102	¥ 43,396	¥ 37,112	¥ 77,832	¥ (1,295)	¥ (229)	¥ 345	¥ (1,919)	¥ 155,242	¥ 516	¥ 155,758

	Thousands of U.S. Dollars (Note 1)									
					Accumulated Other Comprehensive Income					
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized (Loss) Gain on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2010	$ 522,848	$ 447,140	$ 852,529	$ (14,645)	$ 1,240	$ (1,888)	$ (15,852)	$ 1,791,371	$ 6,858	$ 1,798,229
Net income			96,143					96,143		96,143
Cash dividends, $0.04 per share			(10,930)					(10,930)		(10,930)
Changes in the scope of consolidation			(1)					(1)		(1)
Repurchase of treasury stock				(961)				(961)		(961)
Net change in the year					(4,002)	6,046	(7,279)	(5,235)	(631)	(5,867)
BALANCE, MARCH 31, 2011	$ 522,848	$ 447,140	$ 937,742	$ (15,606)	$ (2,762)	$ 4,157	$ (23,132)	$ 1,870,386	$ 6,226	$ 1,876,613

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows Years Ended March 31, 2011 and 2010

	Millions of Yen 2011	Millions of Yen 2010	Thousands of U.S. Dollars (Note 1) 2011
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 11,476	¥ 4,714	$ 138,276
Adjustments for:			
Income taxes paid	(7,887)	(7,531)	(95,032)
Depreciation and amortization	2,566	2,059	30,919
Reversal of allowance for doubtful accounts—net	(245)	(6)	(2,955)
(Reversal of) allowance for warranty costs for completed works	(3,271)	678	(39,414)
(Reversal of) allowance for loss on construction contracts	(3,367)	125	(40,572)
Provision for retirement benefits—net	505	374	6,093
Office integration costs	4,218		50,827
Foreign exchange loss—net	169	78	2,043
Equity in earnings of associated companies	(104)	(144)	(1,259)
Changes in operating assets and liabilities:			
(Increase) decrease in trade notes and accounts receivable, and costs and estimated earnings on long-term construction contracts	(4,821)	469	(58,090)
(Increase) decrease in costs of construction contracts in process	(5,330)	9,692	(64,221)
(Increase) decrease in jointly controlled assets of joint venture	(18,744)	30,508	(225,834)
Increase in interest and dividend receivable	(562)	(694)	(6,782)
Increase in trade notes and accounts payable	8,035	12,031	96,813
Increase (decrease) in advance receipts on construction contracts	14,225	(43,592)	171,391
Increase in deposits received	45	1	544
(Increase) decrease in accounts receivable—other	(1,606)	656	(19,354)
Decrease in accrued liability of a defined contribution pension plan		(800)	
Other—net	(530)	(9)	(6,394)
Total adjustments	(16,706)	3,898	(201,277)
Net cash (used in) provided by operating activities—(Forward)	¥ (5,229)	¥ 8,613	$ (63,000)

	Millions of Yen 2011	Millions of Yen 2010	Thousands of U.S. Dollars (Note 1) 2011
Net cash (used in) provided by operating activities—(Forward)	¥ (5,229)	¥ 8,613	$ (63,000)
INVESTING ACTIVITIES:			
Payments for time deposits	(62)	(539)	(752)
Proceeds from withdrawal of time deposits	35	539	429
Payments for purchases of investment securities	(974)	(535)	(11,744)
Purchases of property, plant and equipment	(930)	(922)	(11,205)
Purchases of intangible assets	(713)	(942)	(8,596)
Payments of long-term loans receivable	(24)		(300)
Proceeds from collections of long-term loans	81	51	977
Payments for acquisition of shares (ARROW HUMAN RESOURCES Co., Ltd., for 2010) affecting scope of consolidation, net of cash acquired		(388)	
Other—net	11	14	133
Net cash used in investing activities	(2,577)	(2,722)	(31,058)
FINANCING ACTIVITIES:			
Proceeds from long-term debt	10,208		122,990
Repayments of long-term debt	(10,004)	(18)	(120,530)
Proceeds from issuance of common stock		7	
Payments of cash dividends	(906)	(1,940)	(10,919)
Payments of cash dividends to minority shareholders	(9)	(7)	(117)
Other—net	(93)	(121)	(1,126)
Net cash used in financing activities	(805)	(2,079)	(9,704)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(647)	152	(7,805)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(9,260)	3,963	(111,568)
INCREASE IN CASH AND CASH EQUIVALENTS FROM NEWLY CONSOLIDATED SUBSIDIARY	87	290	1,055
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	139,790	135,536	1,684,224
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 130,618	¥ 139,790	$ 1,573,711

See notes to consolidated financial statements.

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

Under Japanese GAAP, a consolidated statement of comprehensive income is required from the fiscal year ended March 31, 2011 and has been presented herein. Accordingly, accumulated other comprehensive income is presented in the consolidated balance sheet and the consolidated statement of changes in equity. Information with respect to other comprehensive income for the year ended March 31, 2010 is disclosed in Note 18. In addition, "net income before minority interests" is disclosed in the consolidated statement of income from the year ended March 31, 2011.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications and rearrangements have been made in the 2010 financial statements in order for them to conform to the classifications and presentations used in 2011.

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 ¥83 to $1, the approximate rate of exchange at March 31, 2011. 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 yen, except for per share data.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements for the year ended March 31, 2011 include the accounts of the Company and its 20 significant (19 in 2010) subsidiaries (together, the "Group").

Under the control or influence concept, 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 two associated companies are accounted for by the equity method in 2011 and 2010. Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of the Company's investments in consolidated subsidiaries and associated companies over the fair value of the net assets of the acquired subsidiary at the date of acquisition is being amortized over a period of 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 eliminated.

b. Construction Contracts—In December 2007, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No. 15, "Accounting Standard for Construction Contracts" and ASBJ Guidance No. 18, "Guidance on Accounting Standard for Construction Contracts." Under this accounting standard, the construction revenue and construction costs should be 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 can 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 construction contracts. This standard is applicable to construction contracts and software development contracts and was effective for fiscal years beginning on or after April 1, 2009. The Group applied the accounting standard effective April 1, 2009.

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

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 which are not realized are charged to income and are included in costs of revenue.

c. Cash Equivalents—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits and certificate of deposits both of which mature or become due within three months of the date of acquisition.

d. 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.

e. 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.

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

f. 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.

g. 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 which 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 3 to 57 years for buildings and structures, from 4 to 17 years for machinery and equipment, and from 2 to 15 years for tools, furniture and fixtures. Equipment held for lease is depreciated by the straight-line method over the respective lease periods.

As the office integration plan was resolved at the board meeting, the Company and two consolidated subsidiaries have shortened the range of useful lives for those properties which are expected to be retired. The effect of this change was to decrease operating income by ¥330 million ($3,981 thousand) and income before income taxes and minority interests by ¥3,063 million ($36,907 thousand).

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

An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

i. *Other Assets*—Intangible assets are carried at cost less accumulated amortization, which is calculated by the straight-line method over their estimated useful lives. Software for internal use is amortized on a straight-line basis over its estimated useful life (five years at the maximum).

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

k. *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 contract, the allowance for losses on construction contracts on the balance sheet is the net amount of costs of construction contracts in process on the same contract.

l. *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.

m. *Retirement Benefits*—Employees of the Company are, under most circumstances, entitled to payments from the defined contribution pension plan and the defined benefit corporate pension plan. Employees of certain of the Company's consolidated subsidiaries are, under most circumstances, entitled to certain lump-sum severance payments and pension payments.

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

The transitional obligation of ¥5,696 million ($68,630 thousand) is being amortized and charged to income over 15 years using the straight-line amortization method and presented as an operating expense in the consolidated statements of income for the years ended March 31, 2011 and 2010.

The Company terminated its unfunded retirement benefit allowance for all directors, officers and corporate auditors under the resolution of shareholders meeting and board meeting. The outstanding balance of retirement benefit allowance for directors, officers and corporate auditors of the Company was reclassified to non-current liabilities—other liabilities in the years ended March 31, 2011 and 2010, respectively.

Certain of Company's consolidated subsidiaries terminated its unfunded retirement benefit allowance for all directors and officers under the resolution of shareholders meeting and board meeting during the year ended March 31, 2011. The outstanding balance was reclassified to non-current liabilities—other liabilities in the year ended March 31, 2011.

Retirement benefits to directors, officers and corporate auditors of the Company and certain consolidated subsidiaries are provided at the amount when the retirement benefit allowance was terminated.

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

o. *Leases*—In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet.

The Group applied the revised accounting standard effective April 1, 2008. In addition, the Group accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

All other leases are accounted for as operating leases.

p. *Income Taxes*—The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

The Company files 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.

q. *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.

The foreign exchange gains and losses from translation are recognized in the income statement to the extent that they are not hedged by foreign currency forward contracts.

r. *Foreign Currency Financial Statements*—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation were 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.

s. *Asset Retirement Obligations*—In March 2008, the ASBJ published the accounting standard for asset retirement obligations, ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the 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 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 increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard was effective for fiscal years beginning on or after April 1, 2010.

The Company applied this accounting standard effective April 1, 2010. The effect of this change was to decrease operating income by ¥10 million ($131 thousand) and income before income taxes and minority interests by ¥156 million ($1,891 thousand).

t. ***Derivatives and Hedging Activities***—The Company uses a variety of 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 Company does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows:

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

(2) For derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign currency forward 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.

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

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

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

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

v. ***New Accounting Pronouncements***

Accounting Changes and Error Corrections—In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

(1) *Changes in accounting policies*

When a new accounting policy is applied with revision of accounting standards, a new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) *Changes in presentations*

When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.

(3) *Changes in accounting estimates*

A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) *Corrections of prior period errors*

When an error in prior period financial statements is discovered, those statements are restated.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

3. TRANSACTIONS WITH UNCONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES

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

Transactions for the Year Ended March 31

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Revenue	¥ 6	¥ 3	$ 73
Cost of revenue	(1,019)	(2,288)	(12,282)
Selling, general and administrative expenses	(107)	(271)	(1,290)

Balances at March 31

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Notes and accounts receivable—trade		¥ 2	$ 1
Accounts receivable—other	¥ 33	2	402
Notes and accounts payable—trade	(12)	(84)	(154)
Accrued expenses and other	(9)	(14)	(117)

The Company guaranteed the indebtedness of a certain unconsolidated subsidiary in the amount of ¥2,088 million ($25,164 thousand) and ¥2,586 million at March 31, 2011 and 2010, respectively.

4. CONSTRUCTION CONTRACTS

Costs and estimated earnings recognized with respect to construction contracts which are accounted for by the percentage-of-completion method at March 31, 2011 and 2010, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Costs and estimated earnings	¥ 286,840	¥ 563,887	$ 3,455,911
Amounts billed	(272,346)	(552,432)	(3,281,285)
Net	¥ 14,493	¥ 11,454	$ 174,626

5. INVESTMENT SECURITIES

Investment securities at March 31, 2011 and 2010, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Non-current—Equity securities	¥ 5,813	¥ 5,153	$ 70,037

The costs and aggregate fair values of investment securities at March 31, 2011 and 2010, were as follows:

March 31, 2011

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale—Equity securities	¥ 4,371	¥ 480	¥ 683	¥ 4,168

March 31, 2010

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale—Equity securities	¥ 3,377	¥ 507	¥ 375	¥ 3,508

March 31, 2011

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale—Equity securities	$ 52,667	$ 5,786	$ 8,232	$ 50,220

Available-for-sale securities whose fair value was not readily determinable at March 31, 2010, were as follows. The similar information for 2011 is disclosed in Note 15.

March 31, 2010	Carrying Amount Millions of Yen
Available-for-sale—Equity securities	¥ 1,644

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

Investments in and advances to unconsolidated subsidiaries and associated companies at March 31, 2011 and 2010, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Investments	¥ 2,692	¥ 2,702	$ 32,443
Long-term receivables	11	12	138
Total	¥ 2,704	¥ 2,714	$ 32,581

7. LONG-TERM DEBT

Long-term debt at March 31, 2011 and 2010, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Long-term loans principally from banks, due serially through 2013, with interest rates ranging from 1.9% to 2.0% at 2011, and 2.4% to 5.7% at 2010:			
Collateralized		¥ 4	
Unsecured	¥ 10,208	10,000	$ 122,990
Obligations under finance lease	26	35	318
Total	10,234	10,039	123,308
Less current portion	(13)	(17)	(167)
Long-term debt, less current portion	¥ 10,220	¥ 10,022	$ 123,140

Annual maturities of long-term debt, excluding finance leases (see Note 14), at March 31, 2011, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2013	¥ 10,000	$ 120,481
2014	208	2,508
Total	¥ 10,208	$ 122,990

Commitment-line contracts at March 31, 2011, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Commitment-line contracts	¥ 15,000	$ 180,722
Unused commitments	¥ 15,000	$ 180,722

8. RETIREMENT BENEFITS

Employees of the Company are, under most circumstances, entitled to payments from the defined contribution pension plan and the defined benefit corporate pension plan upon retirement or termination.

Employees of certain of the Company's consolidated subsidiaries are, under most circumstances, entitled to certain lump-sum severance payments and pension payments upon retirement or termination.

As discussed in Note 2.m, the outstanding balance of the retirement benefit allowance for directors and officers of certain of Company's consolidated subsidiaries amounting to ¥241 million ($2,910 thousand) at March 31, 2011, and the outstanding balance of the retirement benefit allowance for directors, officers and corporate auditors of the Company amounting to ¥292 million at March 31, 2010, were reclassified to non-current liabilities—other liabilities.

The liability for employees' retirement benefits at March 31, 2011 and 2010, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Projected benefit obligation	¥ 25,241	¥ 26,403	$ 304,111
Fair value of plan assets	(17,818)	(18,886)	(214,675)
Unrecognized transitional obligation	(2,435)	(3,044)	(29,341)
Unrecognized actuarial loss	(3,030)	(3,395)	(36,514)
Unrecognized prior service cost	851	1,028	10,264
Net liability for employees' retirement benefits	¥ 2,809	¥ 2,105	$ 33,843

The components of net periodic benefit costs for the years ended March 31, 2011 and 2010, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Service cost	¥ 846	¥ 736	$ 10,197
Interest cost	364	369	4,388
Expected return on plan assets	(288)	(265)	(3,472)
Amortization of transitional obligation	608	608	7,335
Recognized actuarial loss	739	845	8,908
Amortization of prior service cost	(176)	(176)	(2,123)
Subtotal	2,094	2,119	25,233
Payment to defined contribution pension trust	291	246	3,511
Net periodic benefit costs	¥ 2,385	¥ 2,365	$ 28,744

Assumptions used for the years ended March 31, 2011 and 2010, are set forth as follows:

	2011	2010
Discount rate	1.5%	1.5%
Expected rate of return on plan assets	1.6%	1.6%
Recognition period of actuarial gain/loss	10 years	10 years
Amortization period of transitional obligation	15 years	15 years
Amortization period of prior service cost	10 years	10 years

9. 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. For companies that meet certain criteria, the Board of Directors 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. However, the Company cannot do so because it does not meet all the above criteria. The Company is organized as a company with board committees.

The Companies Act permits companies to distribute dividends-in-kind (non-cash 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 total of 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 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 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.

10. STOCK OPTIONS

There were no stock options outstanding as of March 31, 2011.

The stock option outstanding as of March 31, 2010 and its activity were as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2002 Stock Option	8 directors 8 officers 623 employees	7,896,000 shares	July 12, 2002	¥232 ($2.79)	From July 1, 2004 to June 30, 2009

Year Ended March 31, 2010

	2002 Stock Option (Shares)
Vested	
March 31, 2009—Outstanding	36,000
Exercised	(32,000)
Lapse	(4,000)
March 31, 2010—Outstanding	
Exercise price	¥232
Average stock price at exercise	¥768
Fair value price at grant date	

11. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 41% for the years ended March 31, 2011 and 2010.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2011 and 2010, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Deferred tax assets:			
Cost of revenue	¥ 16,896	¥ 13,528	$ 203,571
Allowance for employees' bonus	1,527	1,246	18,407
Allowance for warranty costs for completed works		1,715	
Allowance for losses on construction contracts		1,780	
Future deductable depreciation	1,906		22,967
Enterprise tax	759		9,156
Retirement benefits	1,117	836	13,461
Other	3,474	2,966	41,855
Less valuation allowance	(744)	(874)	(8,964)
Total	24,937	21,199	300,454
Deferred tax liabilities:			
Profit/loss in joint venture	1,917	3,785	23,098
Other	431	145	5,196
Total	2,348	3,931	28,295
Net deferred tax assets	¥ 22,589	¥ 17,268	$ 272,159

Net deferred tax assets as of March 31, 2011 and 2010 were recorded in the accompanying consolidated balance sheets as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Deferred tax assets—current assets	¥ 18,644	¥ 15,523	$ 224,631
Deferred tax assets—investments and other assets	3,948	1,745	47,569
Other liabilities—non-current liabilities	(3)		(42)

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2011 and 2010, is as follows:

	2011	2010
Normal effective statutory tax rate	41%	41%
Expenses not deductible for income tax purposes	1	4
Non-taxable dividend income	(1)	(8)
Inhabitant taxes per capita levy		1
Tax credit	(5)	13
Equity in earnings of associated companies		(1)
Lower income tax rates applicable to subsidiaries		(6)
Lower tax basis of enterprise tax		(7)
Profit/loss in joint venture	(6)	
Actual effective tax rate	31%	37%

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥1,848 million ($22,271 thousand) and ¥1,741 million for the years ended March 31, 2011 and 2010, respectively.

13. OFFICE INTEGRATION COSTS

The Company is planning to integrate its offices which have been located separately. The office integration costs of ¥4,218 million ($50,827 thousand) have been expensed in the consolidated statements of income consistent with the office integration plan.

It consists of the following:

	Millions of Yen	Thousands of U.S. Dollars
	2011	2011
Non-recurring depreciation on non-current assets and related expenses	¥ 3,673	$ 44,256
Provision for cancellation of leases	545	6,570

As discussed in Note 2.g, the Company and two consolidated subsidiaries have shortened the range of useful lives consistent with the office integration plan.

14. LEASES

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

Obligations under finance leases and future minimum payments under noncancelable operating leases for the years ended March 31, 2011 and 2010 were as follows:

Year Ended March 31, 2011

	Millions of Yen			Thousands of U.S. Dollars		
	Finance Leases			Finance Leases		
	On Balance	Off Balance	Operating Leases	On Balance	Off Balance	Operating Leases
Due within one year	¥ 13	¥ 53	¥ 123	$ 167	$ 647	$ 1,489
Due after one year	12	63	1,298	150	764	15,639
Total	¥ 26	¥ 117	¥ 1,421	$ 318	$ 1,412	$ 17,128

Year Ended March 31, 2010

	Millions of Yen		
	Finance Leases		
	On Balance	Off Balance	Operating Leases
Due within one year	¥ 13	¥ 90	¥ 132
Due after one year	22	117	1,424
Total	¥ 35	¥ 207	¥ 1,554

Pro forma Information of Leased Property Whose Lease Inception Was before March 31, 2008

ASBJ Statement No. 13, "Accounting Standard for Lease Transactions" requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. However, ASBJ Statement No. 13 permits leases that do not transfer ownership of the leased property to the lessee and whose lease inception was before March 31, 2008 to continue to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the financial statements. The Company applied ASBJ Statement No. 13 effective April 1, 2008 and continued to account for such leases as operating lease transactions.

Pro forma information of leased property whose lease inception was before March 31, 2008 on an "as if capitalized" basis was as follows:

Year Ended March 31, 2011

	Millions of Yen			
	Buildings and Structures	Tools, Furniture and Fixtures	Other	Total
Acquisition cost	¥ 67	¥ 279	¥ 72	¥ 419
Accumulated depreciation	25	221	55	302
Net leased property	¥ 41	¥ 58	¥ 17	¥ 117

Year Ended March 31, 2010

	Millions of Yen			
	Buildings and Structures	Tools, Furniture and Fixtures	Other	Total
Acquisition cost	¥ 67	¥ 388	¥ 77	¥ 533
Accumulated depreciation	19	254	51	325
Net leased property	¥ 48	¥ 134	¥ 25	¥ 207

Year Ended March 31, 2011

	Thousands of U.S. Dollars			
	Buildings and Structures	Tools, Furniture and Fixtures	Other	Total
Acquisition cost	$ 813	$ 3,372	$ 873	$ 5,059
Accumulated depreciation	311	2,668	667	3,647
Net leased property	$ 501	$ 704	$ 206	$ 1,412

Obligations under finance leases for the years ended March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Due within one year	¥ 53	¥ 90	$ 647
Due after one year	63	117	764
Total	¥ 117	¥ 207	$ 1,412

Depreciation expense as lessee, which is not reflected in the accompanying consolidated statements of income, computed by the straight-line method was ¥90 million ($1,090 thousand) and ¥111 million for the years ended March 31, 2011 and 2010, respectively.

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

15. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

In March 2008, the ASBJ revised ASBJ Statement No. 10, "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No. 19, "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." This accounting standard and the guidance were applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010. The Group applied the revised accounting standard and the guidance effective March 31, 2010.

(1) *Group Policy for Financial Instruments*

The Group uses financial instruments for cash surpluses, if any, invested in low risk financial assets such as certificate of deposits and deposits at call. 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 certificates of deposit which mature shortly and are used for cash surpluses. Short-term investments include deposits at call which will mature three months after the date of acquisition. Both certificates of deposit and deposits at call are exposed to default risk of the issuing financial institution.

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 entered 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.t and 16 for more detail 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 term and balances of major customers to identify the default risk of customers in early stage.

Certificates of deposit and deposits at call are exposed to insignificant default risk because transactions are limited to major financial institutions.

With respect to foreign currency forward contract, the Group limits the counterparty to those derivatives to major financial institutions who 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 reply is made, and the transactions related to foreign currency forward contracts are executed and accounted for under internal guidelines.

Marketable investment securities are managed by monitoring 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 stock market as impairment losses.

Liquidity risk management

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on 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 price in active markets. If quoted price is not available, other rational valuation techniques are used instead. Also please see Note 16 for the detail of fair value for derivatives.

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

March 31, 2011

	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	¥ 130,618	¥ 130,618	
Short-term investments	79	79	
Notes and accounts receivable	41,539	41,539	
Costs and estimated earnings on long-term construction contracts	14,493	14,493	
Jointly controlled assets of joint venture	88,662	88,662	
Investment securities	4,168	4,168	
Total	¥ 279,561	¥ 279,561	
Notes and accounts payable—trade	¥ 97,417	¥ 97,417	
Income taxes payable	5,986	5,986	
Long-term debt	10,208	10,208	
Total	¥ 113,611	¥ 113,612	

March 31, 2010

	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	¥ 139,790	¥ 139,790	
Short-term investments	53	53	
Notes and accounts receivable	39,864	39,864	
Costs and estimated earnings on long-term construction contracts	11,454	11,454	
Jointly controlled assets of joint venture	69,917	69,917	
Investment securities	3,508	3,508	
Total	¥ 264,589	¥ 264,589	
Notes and accounts payable—trade	¥ 89,523	¥ 89,523	
Income taxes payable	4,675	4,675	
Long-term debt	10,004	10,004	
Total	¥ 104,202	¥ 104,202	

March 31, 2011

	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	$ 1,573,711	$ 1,573,711	
Short-term investments	957	957	
Notes and accounts receivable	500,477	500,477	
Costs and estimated earnings on long-term construction contracts	174,626	174,626	
Jointly controlled assets of joint venture	1,068,219	1,068,219	
Investment securities	50,220	50,220	—
Total	$ 3,368,212	$ 3,368,212	—
Notes and accounts payable—trade	$ 1,173,700	$ 1,173,700	
Income taxes payable	72,120	72,120	
Long-term debt	122,990	122,998	$ 8
Total	$ 1,368,811	$ 1,368,819	$ 8

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

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

Jointly Controlled Assets of Joint Venture

The jointly controlled assets of joint venture are jointly controlled cash recognized based on the Company's share of the venture. The carrying values of jointly controlled assets of joint venture are 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. The information of the fair value for investment securities by classification is included in Note 5.

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

Notes and Accounts Payable—Trade and Income Taxes Payable

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

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 specific method for interest rate swaps is calculated by discounting total principal and interest payments which 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

The information of the fair value for derivatives is included in Note 16.

(*b*) *Financial instruments whose fair values cannot be reliably determined*

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Investment securities that do not have a quoted market price in an active market	¥ 1,641	¥ 1,641	$ 19,780
Investments in equity instruments that do not have a quoted market price in an active market	2	2	35
Investments in unconsolidated subsidiaries and associated companies that do not have a quoted market price in an active market	2,692	2,702	32,442

(*c*) *Maturity analysis for financial assets and securities with contractual maturities*

March 31, 2011

	Millions of Yen			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥ 130,618			
Short-term investments	79			
Notes and accounts receivable, and costs and estimated earnings on long-term construction contacts	53,072	¥ 2,941	¥ 19	
Jointly controlled assets of joint venture	88,662			
Total	¥ 272,432	¥ 2,941	¥ 19	

March 31, 2010

	Millions of Yen			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥ 139,790			
Short-term investments	53			
Notes and accounts receivable, and costs and estimated earnings on long-term construction contacts	50,932	¥ 341	¥ 45	
Jointly controlled assets of joint venture	69,917			
Total	¥ 260,692	¥ 341	¥ 45	

March 31, 2011

	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	Due after 10 Years
Cash and cash equivalents	$ 1,573,711			
Short-term investments	957			
Notes and accounts receivable, and costs and estimated earnings on long-term construction contacts	639,427	$ 35,439	$ 237	
Jointly controlled assets of joint venture	1,068,219			
Total	$ 3,282,315	$ 35,439	$ 237	

Please see Note 7 for annual maturities of long-term debt and Note 14 for obligations under finance leases, respectively.

16. DERIVATIVES

Derivative Transactions to Which Hedge Accounting Is Not Applied at March 31, 2011 and 2010

March 31, 2011

	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value (Loss)	Unrealized Gain (Loss)
Foreign currency forward contracts:				
Selling U.S.$/buying yen	¥ 26,202	¥ 2,163	¥ (35)	¥ (35)
Selling Euro/buying yen	3,472		11	11
Selling GBP/buying yen	264			
Buying U.S.$/selling yen	43			
Buying Euro/selling yen	21	4	1	1
Buying Euro/selling U.S.$	1,238	62	(9)	(9)
Total	¥ 31,243	¥ 2,230	¥ (32)	¥ (32)

March 31, 2010

	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value (Loss)	Unrealized Gain (Loss)
Foreign currency forward contracts:				
Selling U.S.$/buying yen	¥ 24,754		¥ (74)	¥ (74)
Selling Euro/buying yen	2,236		(1)	(1)
Selling GBP/buying yen	278			
Buying U.S.$/selling yen	2,599			
Buying Euro/selling yen	6			
Total	¥ 29,876		¥ (77)	¥ (77)

March 31, 2011

	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	$ 315,689	$ 26,072	$ (427)	$ (427)
Selling Euro/buying yen	41,843		133	133
Selling GBP/buying yen	3,185		(1)	(1)
Buying U.S.$/selling yen	519			
Buying Euro/selling yen	262	50	14	14
Buying Euro/selling U.S.$	14,925	749	(110)	(110)
Total	$ 376,426	$ 26,872	$ (392)	$ (392)

Derivative Transactions to Which Hedge Accounting Is Applied at March 31, 2011 and 2010

March 31, 2011

		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.$/buying yen	Foreign	¥ 2,968	¥ 959	¥ 130
Buying U.S.$/selling yen	currency	3,914	66	(25)
Buying Euro/selling yen	forecasted	1,943		21
Buying GBP/selling yen	transaction	17		(2)
Buying SGD/selling yen		200		9
Buying Euro/selling U.S.$		2,858	143	(21)
Total		¥ 11,902	¥ 1,169	¥ 112
Other*[1]:				
Selling U.S.$/buying yen	Receivables	¥ 2,692	¥ 43	
Selling Euro/buying yen		337		
Buying U.S.$/selling yen	Payables	151		
Buying Euro/selling yen		288		
Buying GBP/selling yen		1		
Total		¥ 3,470	¥ 43	
Interest rate swaps*[2] (fixed rate payment, floating rate receipt)	Long-term debt	¥ 10,000	¥ 10,000	
Total		¥ 10,000	¥ 10,000	

March 31, 2010

	Hedged Item	Millions of Yen 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.$/buying yen	Foreign currency forecasted transaction	¥ 11,833	¥ 3,361	¥ (216)
Selling Euro/buying yen		1,016		29
Buying U.S.$/selling yen		4,540		150
Buying Euro/selling yen		1,553	240	(61)
Buying GBP/selling yen		114		(8)
Buying Euro/selling U.S.$		2,934	2,292	(161)
Total		¥ 21,993	¥ 5,893	¥ (268)
Other*1:				
Selling U.S.$/buying yen	Receivables	¥ 76		
Buying U.S.$/selling yen		440		
Buying Euro/selling yen	Payables	424		
Buying GBP/selling yen		4		
Total		¥ 945		

March 31, 2011

	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	$ 35,759	$ 11,558	$ 1,566
Buying U.S.$/selling yen		47,162	805	(307)
Buying Euro/selling yen		23,414		253
Buying GBP/selling yen		215		(25)
Buying SGD/selling yen		2,415		120
Buying Euro/selling U.S.$		34,434	1,729	(255)
Total		$ 143,401	$ 14,092	$ 1,351
Other*1:				
Selling U.S.$/buying yen	Receivables	$ 32,439	$ 527	
Selling Euro/buying yen		4,062		
Buying U.S.$/selling yen	Payables	1,819		
Buying Euro/selling yen		3,476		
Buying GBP/selling yen		18		
Total		$ 41,816	$ 527	

	Hedged Item	Contract Amount	Contract Amount Due after One Year
Interest rate swaps*2 (fixed rate payment, floating rate receipt)	Long-term debt	$ 120,481	$ 120,481
Total		$ 120,481	$ 120,481

*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 under specific method, are treated as part of the hedged long-term debt, thus their fair values are integrally computed with those of hedged long-term debt. See Note 15 for the fair value of long-term debt.

17. CONTINGENT LIABILITIES

At March 31, 2011, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees on employees' housing loans	¥ 345	$ 4,158
Performance bond for an unconsolidated subsidiary	2,088	25,164

18. COMPREHENSIVE INCOME

Total comprehensive income for the year ended March 31, 2010 consisted of the following:

	Millions of Yen
Total comprehensive income attributable to:	
Owners of the parent	¥ 5,197
Minority interests	88
Total comprehensive income	¥ 5,285

Other comprehensive income for the year ended March 31, 2010 consisted of the following:

	Millions of Yen
Other comprehensive income:	
Unrealized gain on available-for-sale securities	¥ 879
Deferred gain on derivatives under hedge accounting	1,211
Foreign currency translation adjustments	159
Share of other comprehensive income in associates	46
Total other comprehensive income	¥ 2,297

19. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2011 and 2010 is as follows:

Year Ended March 31, 2011

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted-Average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥ 7,979	259,165	¥ 30.79	$0.37

There is no dilutive effect for the year ended March 31, 2011.

Year Ended March 31, 2010

	Millions of Yen	Thousands of Shares	Yen
	Net Income	Weighted-Average Shares	EPS
Basic EPS—Net income available to common shareholders	¥ 2,953	259,301	¥ 11.39
Effect of dilutive securities—Stock options		4	
Diluted EPS—Net income for computation	¥ 2,953	259,306	¥ 11.39

20. SUBSEQUENT EVENT

The following appropriation of retained earnings at March 31, 2011, was approved at the Company's shareholders meeting on June 23, 2011:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥11.00 ($0.13) per share	¥ 2,850	$ 34,338

21. SEGMENT INFORMATION

In March 2008, the ASBJ revised ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures." Under the standard and guidance, 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. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

The segment information for the year ended March 31, 2010 under the revised accounting standard is also disclosed hereunder as required.

(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 among the Group. The Group globally provides "Engineering services," including planning, engineering, construction, procurement, commissioning and maintenance, adapting the most appropriate functions of each related companies.

(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 to those disclosed in Note 2, "Summary of Significant Accounting Policies."

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

(3) Information about sales, profit (loss), assets, liabilities and other items is as follows:

Year Ended March 31, 2011

	Millions of Yen				
	Reportable Segment Engineering	Other *[1]	Total	Reconciliations *[2]	Consolidated *[3]
Sales:					
Sales to external customers	¥ 241,395	¥ 5,687	¥ 247,082		¥ 247,082
Intersegment sales or transfers	4	8,506	8,510	¥ (8,510)	
Total	¥ 241,399	¥ 14,193	¥ 255,593	¥ (8,510)	¥ 247,082
Segment profit	¥ 17,175	¥ 499	¥ 17,674	¥ (129)	¥ 17,544
Segment assets	346,512	7,372	353,885	(492)	353,392
Segment liabilities	187,019	3,009	190,029	7,604	197,633
Other:					
Depreciation	2,562	23	2,586	(19)	2,566
Amortization of goodwill		41	41		41
Investment in associated companies	977		977		977
Increase in property, plant and equipment and intangible assets	2,905	20	2,925	(164)	2,760

Year Ended March 31, 2010

	Millions of Yen				
	Reportable Segment Engineering	Other *[1]	Total	Reconciliations *[2]	Consolidated *[3]
Sales:					
Sales to external customers	¥ 307,558	¥ 5,427	¥ 312,985		¥ 312,985
Intersegment sales or transfers	5	5,904	5,909	¥ (5,909)	
Total	¥ 307,563	¥ 11,331	¥ 318,895	¥ (5,909)	¥ 312,985
Segment profit	¥ 1,387	¥ 389	¥ 1,777	¥ (75)	¥ 1,702
Segment assets	321,801	6,747	328,548	(374)	328,174
Segment liabilities	168,648	2,659	171,308	7,612	178,921
Other:					
Depreciation	2,038	24	2,062	(3)	2,059
Amortization of goodwill		26	26		26
Investment in associated companies	977		977		977
Increase in property, plant and equipment and intangible assets	1,838	8	1,847	(116)	1,730

Year Ended March 31, 2011

	Thousands of U.S. Dollars				
	Reportable Segment Engineering	Other *[1]	Total	Reconciliations *[2]	Consolidated *[3]
Sales:					
Sales to external customers	$ 2,908,376	$ 68,520	$ 2,976,896		$ 2,976,896
Intersegment sales or transfers	48	102,488	102,537	$(102,537)	
Total	$ 2,908,425	$ 171,008	$ 3,079,434	$ (102,537)	$ 2,976,896
Segment profit	$ 206,931	$ 6,019	$ 212,950	$ (1,565)	$ 211,385
Segment assets	4,174,849	88,830	4,263,680	(5,935)	4,257,744
Segment liabilities	2,253,249	36,261	2,289,511	91,619	2,381,130
Other:					
Depreciation	30,870	286	31,157	(237)	30,919
Amortization of goodwill		497	497		497
Investment in associated companies	11,783		11,783		11,783
Increase in property, plant and equipment and intangible assets	35,008	241	35,249	(1,987)	33,262

Notes for the year ended March 31, 2011:

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

*[2] The detail of reconciliations is as follows:

(1) The reconciliation in segment profit ¥(129) million ($(1,565) thousand) is the elimination of intersegment trades.

(2) The reconciliation in segment assets ¥(492) million ($(5,935) thousand) is the result of elimination of intersegment trades ¥(2,628) million ($(31,664) thousand) and the Group's assets of ¥2,135 million ($25,728 thousand) which are not included in the reportable segment.

(3) The reconciliation in segment liabilities ¥7,604 million ($91,619 thousand) is the result of elimination of intersegment trades ¥(2,395) million ($(28,862) thousand) and the Group's liabilities of ¥10,000 million ($120,481 thousand) which are not included in the reportable segment.

(4) The reconciliation in depreciation of ¥(19) million ($(237) thousand) is the elimination of intersegment trades.

(5) The reconciliation in increase in property, plant and equipment and intangible assets of ¥(164) million ($(1,987) thousand) is the elimination of intersegment trades.

*[3] The calculation of the segment profit is based on the operating income on the consolidated statements of income.

Notes for the year ended March 31, 2010:

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

*[2] The detail of reconciliations is as follows:

(1) The reconciliation in segment profit ¥(75) million is the elimination of intersegment trades.

(2) The reconciliation in segment assets ¥(374) million is the result of elimination of intersegment trades ¥(2,521) million and the Group's assets of ¥2,147 million which are not included in the reportable segment.

(3) The reconciliation in segment liabilities ¥7,612 million is the result of elimination of intersegment trades ¥(2,391) million and the Group's liabilities of ¥10,004 million which are not included in the reportable segment.

(4) The reconciliation in depreciation of ¥(3) million is the elimination of intersegment trades.

(5) The reconciliation in increase in property, plant and equipment and intangible assets of ¥(116) million is the elimination of intersegment trades.

*[3] The calculation of the segment profit is based on the operating income on the consolidated statements of income.

Related Information

(*a*) *Information about products and services*

The proportion of engineering business is over 90% of the total sales of the Group. Accordingly, the presentation of the information about each service is not required under Japanese accounting standards.

(*b*) *Information about geographical areas*

Revenue by region for the years ended March 31, 2011 and 2010, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Japan	¥ 120,990	¥ 143,878	$ 1,457,719
Qatar	64,232	143,287	773,885
Papua New Guinea	29,479		355,175
Asia	19,506	12,709	235,023
Others	12,872	13,109	155,092
Total	¥ 247,082	¥ 312,985	$ 2,976,896

Note: Revenue is classified in countries or regions based on location of customers.

The proportion of fixed assets placed in Japan is over 90% in the total fixed assets of the Group. Accordingly, the presentation of the information about fixed assets is not required under Japanese accounting standards.

(*c*) *Information about major customers*

Year Ended March 31, 2011

Name	Related Segment	Millions of Yen	Thousands of U.S. Dollars
Qatar Liquefied Gas Company Ltd. III, IV	Engineering	¥ 48,060	$ 579,038
Esso Highlands Ltd.	Engineering	29,405	354,279

Year Ended March 31, 2010

Name	Related Segment	Millions of Yen
Ras laffan Liquefied Natural Gas Company Ltd. III	Engineering	¥ 38,023
Qatar Liquefied Gas Company Ltd. III, IV	Engineering	35,147

(*d*) *Information about goodwill by segments*

Ending balance of goodwill as of March 31, 2011 and 2010, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Engineering			
Other*	¥ 757	¥ 798	$ 9,127
Total	¥ 757	¥ 798	$ 9,127

* Other involves temporally staffing services and IT services.

Segment Information for the Year Ended March 31, 2010

Geographical segments

Year Ended March 31, 2010

	Millions of Yen					
	Japan	Asia	Other	Subtotal	Eliminations (Corporate)	Consolidated
Revenue:						
Sales to customers	¥ 303,372	¥ 8,586	¥ 1,026	¥ 312,985		¥ 312,985
Interarea transfer	922	2,998	35	3,956	¥ (3,956)	
Total sales	304,295	11,585	1,061	316,942	(3,956)	312,985
Operating expenses	303,560	10,620	1,059	315,240	(3,956)	311,283
Operating income	¥ 734	¥ 965	¥ 2	¥ 1,702		¥ 1,702
Total assets	¥ 319,561	¥ 9,413	¥ 1,772	¥ 330,747	¥ (2,572)	¥ 328,174

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

The segments consisted of the following countries in 2010:

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

2. Corporate assets mainly consist of long-term loans and investment securities of the Company. Corporate assets as of March 31, 2010 were ¥2,992 million.

Sales to foreign customers

Year Ended March 31, 2010

	Millions of Yen				
	Asia	The Middle and Near East	Oceania	Other	Total
Overseas sales (A)	¥ 12,709	¥ 147,336	¥ 6,730	¥ 2,330	¥ 169,107
Consolidated sales (B)					312,985
(A)/(B)	4.06%	47.07%	2.15%	0.75%	54.03%

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

The segments consisted of the following countries in 2010:

Asia: Singapore, Indonesia, Malaysia, Thailand and others
The Middle and Near East: Qatar, UAE and others
Oceania: Papua New Guinea and Australia
Other: Algeria and Brazil

The Company and its consolidated subsidiaries operate predominantly in the engineering business, while certain subsidiaries operate in leasing and software producing businesses which are minor in relation to the total business.

The proportion of engineering business is over 90% in the total sales of the Group. Accordingly, the presentation of industry segment information is not required under Japanese accounting standards.

INDEPENDENT AUDITORS' REPORT

Deloitte.

Deloitte Touche Tohmatsu LLC
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Tel:+81 (3) 3457 7321
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Chiyoda Corporation:

We have audited the accompanying consolidated balance sheets of Chiyoda Corporation (the "Company") and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of income for the years then ended, the consolidated statement of comprehensive income for the year ended March 31, 2011, and the related consolidated statements of changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Chiyoda Corporation and consolidated subsidiaries as of March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

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

Deloitte Touche Tohmatsu LLC
June 23, 2011

Member of
Deloitte Touche Tohmatsu Limited

Global Network (As of July 1, 2011)

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Kawasaki Office
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212-0013, Japan
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Osaka Office
5-24, Miyahara 3-chome,
Yodogawa-ku,
Osaka 532-0003, Japan
Tel: (81) 6-6399-5265

Domestic Subsidiaries & Affiliated Companies

Engineering

Chiyoda Advanced Solutions Corporation
Tel: (81) 45-441-1260
URL: http://www.chiyoda-as.co.jp/

Chiyoda TechnoAce Co., Ltd.
Tel: (81) 45-441-9600
URL: http://www.cta.chiyoda.co.jp/

Chiyoda Keiso Co., Ltd.
Tel: (81) 45-441-1433
URL: http://www.ckc.chiyoda.co.jp/

Chiyoda U-Tech Co., Ltd.
Tel: (81) 45-502-7618
URL: http://www.utc-yokohama.com/

Chiyoda Kosho Co., Ltd.
Tel: (81) 45-506-7662
URL: http://www.cks-ykh.co.jp/

IT Engineering Limited
Tel: (81) 45-441-9123
URL: http://www.ite.co.jp/

Business Support

Arrow Business Consulting Corporation
Tel: (81) 45-502-5774

Arrowhead International Corporation
Tel: (81) 3-5470-0880
URL: http://www.arrowhead.co.jp/

Arrow Human Resources Co., Ltd.
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URL: http://www.ahr.co.jp/

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Jakarta Office
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Korea Representative Office
Tel: (82) 52-256-5721/5722

Middle East Headquarters Doha Office
Tel: (974) 4462-2875/2876

Milan Representative Office
Tel: (39) 02-303517-111

Singapore Human Resources Office
Tel: (65) 6324-0080

The Hague Representative Office
Tel: (31) 70-385-9453

Overseas Subsidiaries & Affiliated Companies

Chiyoda Almana Engineering LLC
12th Floor, Al-Qassar Tower,
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Fax: (974) 4407-4650
URL: http://www.cael.com.qa/

Chiyoda Oceania Pty Limited
Level 28, AMP Tower 140 St Georges Terrace,
Perth WA 6000, Australia
Tel: (61) 8-9278-2599
Fax: (61) 8-9278-2727

Chiyoda Singapore (Pte) Limited
14 International Business Park, Jurong East,
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Fax: (65) 6567-5231
URL: http://www.chiyoda.com.sg/

Chiyoda Corporation (Shanghai)
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Fax: (86) 21-6876-1300

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Fax: (966) 3-864-0986

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Khet Bangrak, Bangkok 10500, Thailand
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Fax: (66) 2-231-6443

Chiyoda do Brasil Representações Ltda.
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CEP 22250-040 Rio de Janeiro-RJ-Brazil
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Fax: (55) 21-3738-6835

Chiyoda Philippines Corporation
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URL: http://www.chiyodaphil.com.ph/

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Fax: (91) 265-2774985
URL: http://www.lntchiyoda.com/

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

Chiyoda & Public Works Co., Ltd.
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Tel: (95) 1-545605
Fax: (95) 1-545227

PT. Chiyoda International Indonesia
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Fax: (62) 21-573-5723

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Chiyoda Sarawak Sdn. Bhd.
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Fax: (60) 86-312041

Corporate Information (As of March 31, 2011)

Chiyoda Corporation

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Tel: (81) 45-521-1231
Fax: (81) 45-503-0200

Established
January 20, 1948

Paid-in Capital
¥43,396 million

Number of Employees
1,304 (Non-Consolidated)
4,104 (Consolidated)

Annual Fiscal Close
March 31

Shareholders' Meeting
June

Number of Shares per Unit
1,000

Stock Code
ISIN: JP3528600004
SEDOL 1: 6191704 JP
TSE: 6366

Transfer Agent of Common Stock
Mitsubishi UFJ Trust and Banking Corporation
1-4-5 Marunouchi, Chiyoda-ku, Tokyo

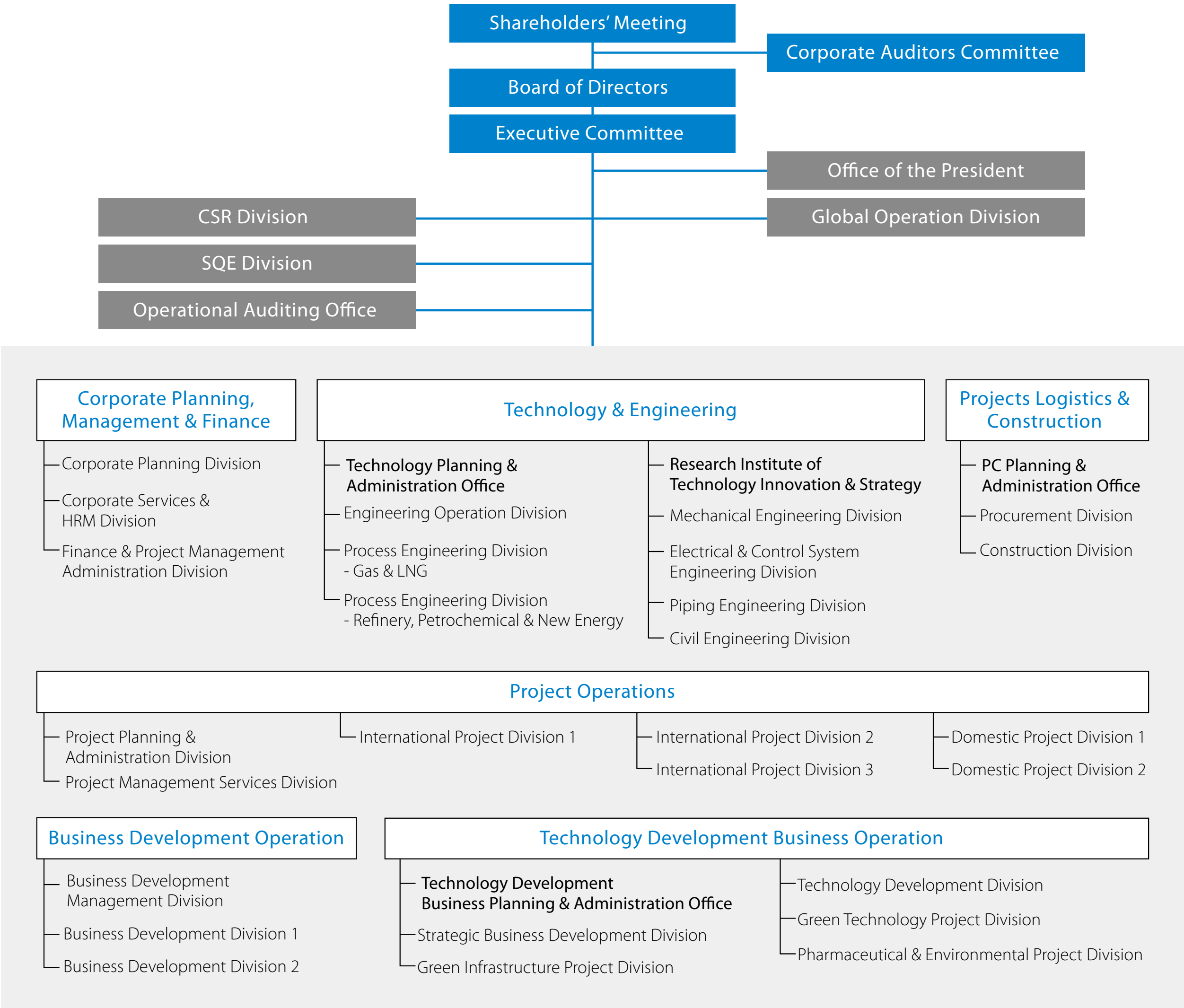
Authorized Shares
650,000,000

Capital Stock Issued
260,324,529

Number of Shareholders
14,428

URL
http://www.chiyoda-corp.com/en/

Organization Chart (As of July 1, 2011)

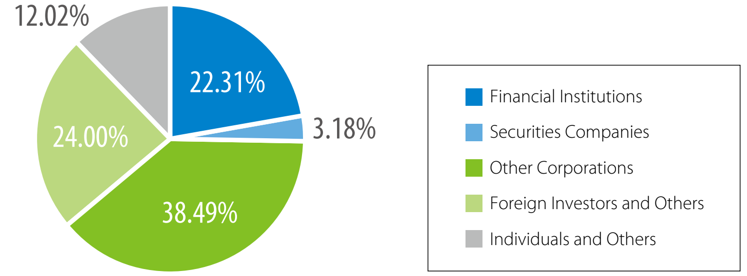


Major Shareholders

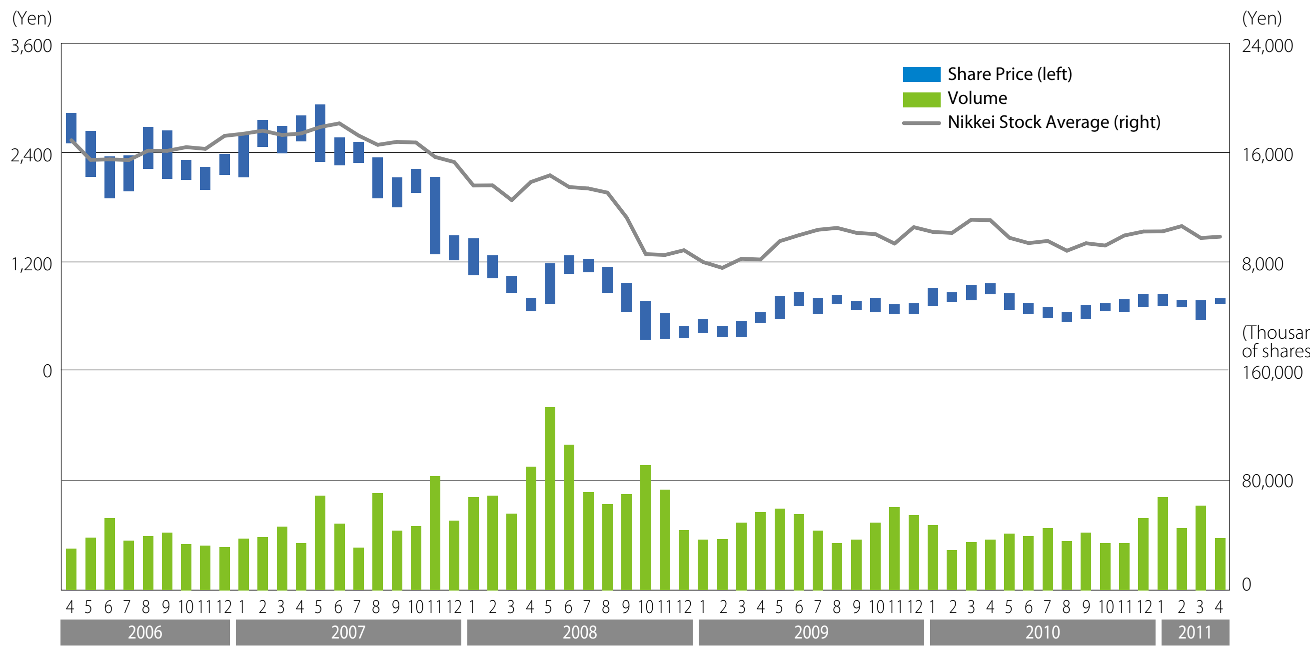
	Number of Shares Owned (thousands of shares)	Ratio of Shares Owned (%)
Mitsubishi Corporation	86,931	33.39
The Master Trust Bank of Japan, Ltd. (Trust Account)	11,892	4.57
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	9,033	3.47
The Mitsubishi UFJ Trust and Banking Corporation	8,032	3.09
Japan Trustee Services Bank, Ltd. (Trust Account)	6,452	2.48
The Chase Manhattan Bank N.A. 385036	5,431	2.09
The Bank of New York, Treaty JASDEC Account	5,002	1.92
State Street Bank and Trust Company	4,970	1.91
State Street Bank and Trust Company 505202	4,270	1.64
JP Morgan Securities Japan Co., Ltd.	3,823	1.47

Breakdown by Shareholder

Total Number of Shares Issued :
260,325 thousand



Monthly Stock Price Range on the Tokyo Stock Exchange



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 a society as an integrated engineering company through the use of our collective wisdom and painstakingly developed technology.

FTSE4Good

Dow Jones Sustainability Indexes
Member 2010/11

CHIYODA GROUP

To commemorate the 60th anniversary of Chiyoda Corporation in 2008, management solicited suggestions from employees of the Chiyoda Group for a new Group logo. The logo adopted is shown at the left.

The new logo design maintains the original significance of the current logo of Chiyoda Corporation by incorporating two inverted triangles signifying consensus, breakthrough and a unified hardware and software system, and a white circle representing "heart." The addition of the letter "G" surrounding the triangles expresses the Group's united efforts to expand globally. Blue stands for progress and technology, and green for internationalization and the environment.