CHIYODA CORPORATION

ANNUAL REPORT FY2013

For the year ended March 31, 2014

Courtesy of Mizushima LNG Co., Ltd.

Profile

Founded in 1948 in the post war period to reconstruct Japan, Chiyoda started its engineering business for domestic projects mainly in the petroleum refining, gas processing and petrochemical fields, and expanded into overseas projects in the 1960's. Since then, Chiyoda has been and is growing steadily under the corporate philosophy of enhancing its business by aiming for harmony between energy and the environment and contributing to the sustainable development of society.

Global situations are dramatically changing, especially those related to energy, including increasing demand in developing countries caused by economic growth, "Shale Revolution" and "Gas Shift," as well as there being a call to develop renewable energies. We have to recognize that it is time for us to meet these challenges.

Under these challenges, we set up last year a mid-term management plan (MT-Plan), "Seize the moment, Open up new frontiers," and will pursue the growth strategies and operating foundation strategies under the MT-Plan.

Our engineering company will be a company that can shoulder the full task of building any infrastructure that demands cutting-edge technologies. We will seize the moment and open up new frontiers to create value through our "Asset Management."

Contents

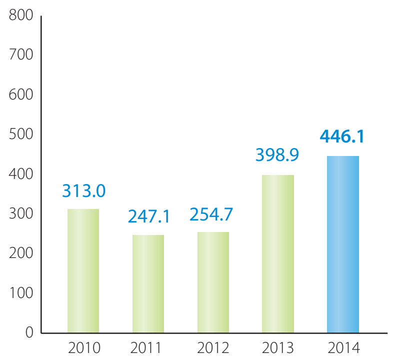
Financial Highlights

Years Ended March 31, 2014, 2013, 2012, 2011 and 2010

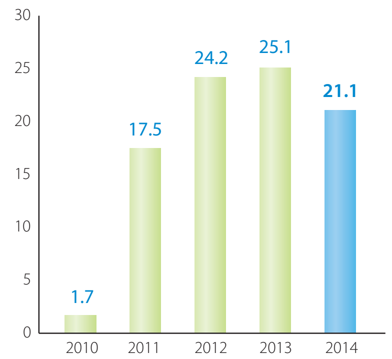
	2014	2013	2012	2011	2010
***For the Year** (Millions of Yen)*					
Revenues	¥446,147	¥398,918	¥254,675	¥247,082	¥312,985
Cost of revenue	404,685	356,402	215,783	215,563	298,766
Operating income	21,079	25,113	24,197	17,544	1,702
Income before income taxes and minority interests	22,538	26,747	23,543	11,476	4,714
Net income	13,447	16,077	14,364	7,979	2,953
***At Year-End** (Millions of Yen)*					
Total assets	¥475,288	¥435,379	¥365,795	¥353,392	¥328,174
Total equity	198,031	189,356	168,737	155,758	149,253
Current ratio (%)	156.3	166.3	165.5	173.8	175.2
***Per Common Share** (Yen)*					
Earnings per share (EPS)	¥51.91	¥62.06	¥55.44	¥30.79	¥11.39
Book value per share (BPS)	758.31	727.24	648.95	599.15	573.61
Dividend per share	16.0	19.0	17.0	11.0	3.5
***Ratios** (%)*					
Return on assets (ROA)	5.0	6.4	6.6	4.6	1.4
Return on equity (ROE)	7.0	9.0	8.9	5.3	2.0

Note: Yen amounts are rounded down to the nearest million. U.S. dollar amounts and percentages are rounded to the nearest unit.

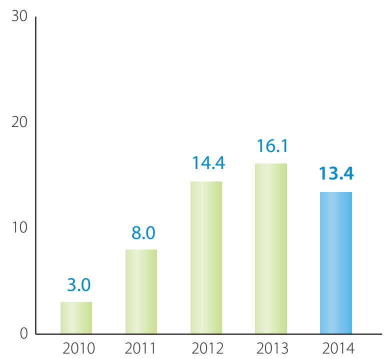
Revenues
(Billions of yen)



Operating Income
(Billions of yen)



Net Income
(Billions of yen)

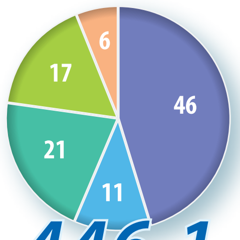


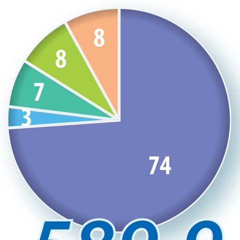
Forward-Looking Statements: This annual report contains forward-looking statements about Chiyoda Corporation's outlooks, plans, forecasts, results and other items that may take place in the future. Such statements are based on data available as of July 1, 2014. Unknown risks and other uncertainties that 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.

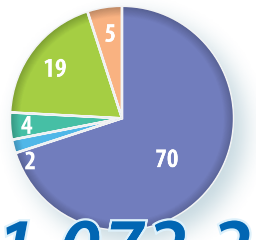
At a Glance

(Billions of yen)

	Revenues	New Orders	Backlog of Contracts
	446.1 Billion yen	589.9 Billion yen	1,072.2 Billion yen
LNG	203.0 (46%)	437.0 (74%)	755.6 (70%)
Gas Processing*1	47.5 (11%)	14.3 (2%)	21.6 (2%)
Fine Industries*2	94.3 (21%)	41.0 (7%)	42.6 (4%)
Petroleum and Petrochemicals	76.0 (17%)	49.2 (8%)	203.4 (19%)
Others	25.3 (6%)	48.4 (8%)	49.1 (5%)

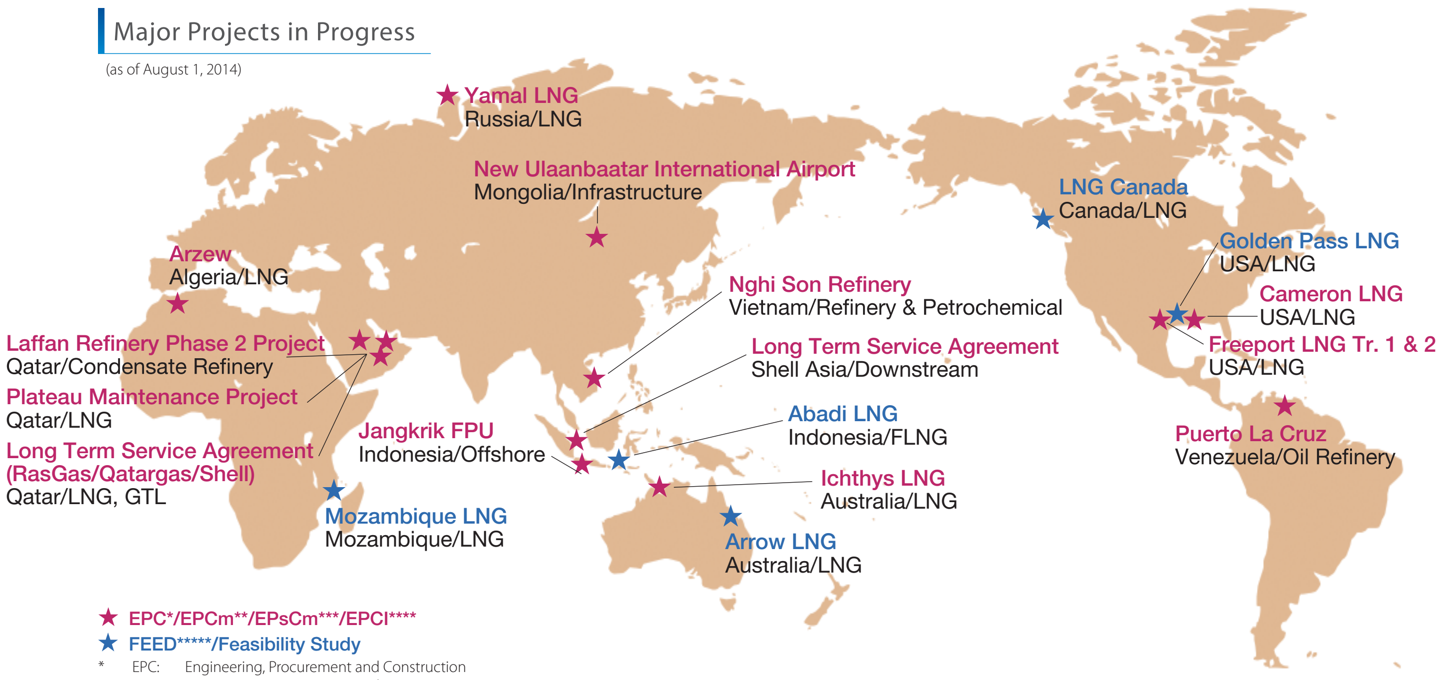






Major Projects in Progress

(as of August 1, 2014)

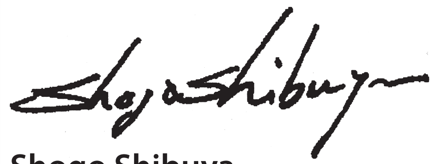


★ EPC*/EPCm**/EPsCm***/EPCI****
★ FEED*****/Feasibility Study

* EPC: Engineering, Procurement and Construction
** EPCm: Engineering, Procurement and Construction management
*** EPsCm: Engineering, Procurement support and Construction management
**** EPCI: Engineering, Procurement, Construction and Installation
***** FEED: Front-end Engineering and Design

*1: Classified as "Other Gas Related Works" in "Consolidated Financial Results" *2: Classified as "General Chemicals/Industrial Facilities" in "Consolidated Financial Results"
*3: Courtesy of Qatargas Operating Company Limited *4: Courtesy of Shell *5: Courtesy of Solar Frontier K.K. *6: Courtesy of Kashima Aromatics Co., Ltd. *7: Water Treatment Plant

To Our Shareholders



Shogo Shibuya
President & CEO
Chiyoda Corporation

Thank you for your continuing support over the past 12 months.

We would like to present Chiyoda Group's corporate overview for the fiscal year ended March 31, 2014, which was the first fiscal year of our Medium-Term Management Plan entitled "Seize the moment, Open up new frontiers."

Various measures have been implemented in accordance with the growth strategies and operation foundation strategies that are key to the Plan and which are aimed at achieving the vision for the Chiyoda Group 10 years on. As a result, we have received orders for large LNG EPC (Engineering, Procurement, and Construction) projects in the United States, and orders for studies and basic design for LNG projects in Canada, Russia, and Africa. In doing so, we have created the groundwork for receiving further EPC project orders in the future.

In the field of infrastructure, we received an order for the construction of an international airport in Mongolia and orders for several mega-solar projects in Japan.

In terms of backlog projects, we completed an LNG plant in Papua New Guinea, a polycrystalline silicon plant in Malaysia and an LNG receiving terminal project in Japan, and steady progress is being made on the construction of an LNG plant in Australia and an oil refinery in Vietnam. As a result, revenues were up year on year.

The world is currently facing an increasing demand for energy due to economic growth in emerging countries, the Shale Revolution taking place mainly in North America, marine energy development, and the increasing pressure to develop energy sources with less environmental impact, such as renewable energy. Initiatives taken over this past fiscal year in response to these needs include efforts to capture further project demand in North America, entering a capital alliance with a marine resource development consulting company in the United Kingdom, constructing and operating a concentrating solar power (CSP) generation demonstration plant in Italy, and commercialization of a large-scale hydrogen storage and transport system.

In the upcoming fiscal year ending in March 2015, each and every executive and employee will use his or her utmost effort to continue steadily progressing projects in our existing businesses including LNG, oil, and industrial facilities while, at the same time, fostering the growth of new businesses into large and successful ones.

We have decided to pay a dividend of ¥16 per share, in line with our earnings for fiscal year 2013. We ask all of our shareholders for their continued support in our ongoing efforts.

June 2014

Results of Operations

Analysis of Results

During the fiscal year under review, despite there being a lull in the European debt crisis, we saw changes in the world economy affected by the slowdown in the economy of emerging countries such as China, the future policy trends of USA and geo-political concerns. However, in the energy field, with which the Chiyoda Group has close links, preparations for investment in numerous gas related facilities are being encouraged by the continuing increase in energy demand, the Shale Revolution and the tide of Gas Shift. The Japanese economy has gradually recovered, largely due to the measures taken by the government which are intended to pull Japan out of deflation.

Faced with these conditions, the Chiyoda Group entered the U.S. market as part of its drive to become involved in the planned construction of numerous LNG projects throughout the world, especially in the North America. While the Group continued to strengthen its core business in the fields of oil and gas, it is also accelerating its expansion into new business fields such as offshore and upstream, and new and renewable energy including Chiyoda's own technologies for a Hydrogen Supply Chain and solar power generation.

Execution of ongoing projects continued smoothly, including LNG plants in Papua New Guinea and Australia, an overseas project for Japanese clients in Vietnam, refinery projects in Saudi Arabia, Qatar and Venezuela, and LNG receiving terminals in Japan.

Consolidated new orders for the fiscal year amounted to 589,867 million yen (46.4% increase year on year). The backlog and revenues were 1,072,218 million yen (19.1% increase) and 446,147 million yen (11.8% increase) respectively. The operating income amounted to 21,079 million yen (16.1% decrease year on year), ordinary income to 22,837 million yen (10.5% decrease), and net income resulted in 13,447 million yen (16.4% decrease).

Results by Business Segment

LNG Plants/Other Gas Related Works

The Group was awarded Engineering, Procurement and Construction (EPC) contracts for huge natural gas liquefaction facilites in U.S. to be fed by shale gas. The EPC execution of an LNG plant in Papua New Guinea was completed and another LNG project in Australia is progressing as planned. Moreover the Group has been executing Front End Engineering Design (FEED) works for an LNG plant in Mozambique and a Floating LNG (FLNG) facility in Indonesia. Our Qatari subsidiary is executing the Engineering, Procurement and Construction management (EPCm) works for the maintenance and modification of existing LNG and gas processing plants built mainly by the Group. In Japan, the Naoetsu LNG Receiving Terminal was completed, and several EPC works on LNG receiving terminals and the expansion/modification works of existing plants are ongoing in parallel.

LNG plants and other gas-related works constitute our core business and, in this regard, we will pursue any such project whether onshore/offshore, overseas/domestic or conventional/unconventional.

Petroleum/Petrochemicals/Gas Chemicals

Several EPC works are ongoing globally for a refinery and petrochemical complex in Vietnam and a refinery project in Qatar. The group completed the EPC works for a heavy oil cracking unit in Saudi Arabia and a petrochemical plant in Singapore. Additionally, our subsidiary in Singapore is performing the project management services under an Enterprise Framework Agreement for downstream projects within Asia, while the Engineering, Procurement support and Construction management (EPsCm) services for heavy crude oil upgrading facilities in Venezuela continue.

In Japan, we continued to perform the EPC work for a Trans-Alkylation Unit, the diagnosis of existing facilities, maintenance and upgrading works, studies and construction works aimed at energy saving in the facilities, and studies to fortify the infrastructure of a refinery in case of the possible catastrophe.

Mining/Mineral Refining/Offshore/General Chemicals/Environment/Other Fields

As part of the Mid-Term Business Plan to expand our business fields, we are targeting new orders and are steadily executing backlog contracts, both overseas and domestically, for offshore and upstream projects, and non-hydrocarbon projects. The Group, in cooperation with our strategic alliance partner Xodus Group, started providing integrated services in the offshore/upstream field especially for domestic customers.

EPC works for polycrystalline silicon plants in Malaysia and a nickel refinery in the Philippines were successfully completed. We have been reinforcing our efforts and developing our sales activities to meet the needs of Japanese companies expanding their operations overseas.

We are operating a demonstration plant in Italy for a Concentrating Solar Power (CSP) system, and accelerating our efforts to prove this technology in order to develop the business opportunities for the CSP system, including EPC projects.

The Group is moving forward with the EPC execution of a new international airport in Mongolia and is preparing bids for further airport and/or railway projects. While we are performing works on a demonstration project for an industrial wastewater treatment/water recycling system in Saudi Arabia, we have started business development for the EPC works for medium-small sized water treatment projects in an effort to expand our recycled water-related business into the Middle East, by establishing a framework in our group company to execute these works.

In Japan, we won a number of EPC works for large-scale photovoltaic power generation systems and are executing and expanding our sales activities by enhancing our group operation in this field. We are also active in the pharmaceutical field, having completed the construction of pharmaceutical facilities for bulk vaccine and in vitro diagnostics, and are executing EPC works for fluid infusion facilities, nanotechnology research development facilities in cooperation with industry, government and academia, and newly awarded bio-medicine plant. On the other hand, to achieve a hydrogen-based society, we are studying/discussing with the parties concerned (both overseas and domestic) to establish a hydrogen supply chain through our own-developed technology to transport and deliver large volumes of hydrogen.

Outlook for the Next Fiscal Year

Chiyoda will continue to accelerate its sales activities and win contracts in areas where Chiyoda can best leverage its technological advantages. We will also continue to work diligently on the execution of existing overseas and domestic projects including the large project in Australia.

In consideration of these circumstances, and assuming an exchange rate of ¥100/dollar, our forecasts for the fiscal year ending March 31, 2015 include 800.0 billion yen in new consolidated contracts and 465.0 billion yen in revenues. Our forecast for the consolidated operating income is 19.0 billion yen, consolidated ordinary income is 21.0 billion yen, and the consolidated net income is 13.5 billion yen.

Topics

Continuing to lead in the LNG business

As a leading contractor with a track record of constructing more than 40% (based on production capability) of LNG plants worldwide, including a super-large LNG plant in Qatar, we are leveraging our technical expertise and knowledge for projects in various stages of the LNG value chain, from gas production to end-use.

The global market for LNG plants is expanding into new regions such as East Africa and North America, where shale gas has revitalized the business, as well as forging ahead in the traditional production centers of the Middle East, Southeast Asia, and Oceania. The industry is also seeing the development of new technologies, such as floating liquefied natural gas (FLNG) facilities.

We are well positioned at the forefront of new developments in the USA, a prime expanding market for LNG plants, where we have been awarded an Engineering, Procurement, and Construction (EPC) contract by Cameron LNG LLC. We will continue our activities in this field and plan to open up new markets and advance to new frontiers in LNG.

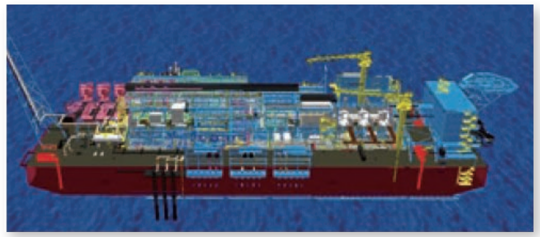
Signing the EPC contract with Cameron LNG of the US (from left to right: Philip K. Asherman, President and CEO of CB&I; Octávio Simões, President of Sempra LNG; Nobuyuki Uchida, President of Chiyoda International Corporation)

Indonesia: First order for an FPU

In February 2014, Eni Muara Bakau awarded Group company PT Chiyoda International Indonesia, in collaboration with three local companies, a contract for Engineering, Procurement, Construction, Installation (EPCI) and test run assistance for a Floating Production Unit (FPU).

The FPU will be used in developing the Jangkrik and Jangkrik North East deep-sea gas field in Kalimantan. Gas extracted from the seabed will be processed offshore on the FPU before being delivered to Bontang LNG Plants, which were constructed by Chiyoda.

We are accelerating our involvement in the floating business worldwide. Our medium-term business plan targets the offshore and upstream sphere of the industry as part of our growth strategy and this project is our first EPCI contract in this field.



Computer-graphics for FPU

Qatar/Middle East: Expanding global operations

Chiyoda Almana Engineering LLC, our Group company in Qatar, is developing a Project Lifecycle Engineering (PLE) business that has close links with the local communities and, to date, we have been awarded nine long-term service contracts by eight local companies.

In 2013, we won an EPC contract with RasGas Company Limited for the onshore facilities of a natural gas flow assurance project (to prevent hydrate formation). This is just one example where our Group's global operations are taking a lead role in expanding our business.

Saudi Arabia: Completion of construction of coker unit

In July 2009, Saudi Aramco Total Refining and Petrochemical Company (SATORP) of Saudi Arabia contracted Chiyoda for the construction of Saudi Arabia's first heavy oil cracking facilities (103,000 barrels/day) as part of the Jubail Export Refinery project. The project was completed in October 2013 and 29 million man hours were expended without lost time incident.

A coker unit is a heavy oil cracking facility that converts residual oil from a vacuum distillation column into naphtha, light and heavy gas oils, liquefied petroleum gas (LPG), petroleum coke, and other refined products.

View of the completed Coker Unit

As crude oil prices rise, oil companies will be looking to make use of heavy oil, which is difficult to process. Chiyoda is ready to provide the oil companies with its know-how and technological expertise in this area.

Japan: Construction work finished on the Naoetsu LNG Terminal

INPEX CORPORATION celebrated completion of construction of its first LNG receiving facility, the Naoetsu LNG Terminal, on 9 December 2013.

INPEX is a supplier of imported LNG to Japan, particularly LNG from the Ichthys Project currently under construction in Australia. INPEX developed the terminal as a base from which the imported LNG will be delivered via natural gas pipelines to industrial plants and urban gas suppliers throughout Japan. Chiyoda is supporting stable natural gas supplies for Japan through its involvement both in natural gas liquefaction/export and LNG receiving terminals.

View of the completed Naoetsu LNG Terminal *Source: Courtesy of INPEX*

Mozambique: Concludes MOU on engineer training

Chiyoda has used its extensive experience to provide learning opportunities to engineers from various countries in design and engineering techniques for LNG and other hydrocarbon processing plants.

The latest opportunity for these young engineers came in January 2014, when Chiyoda concluded a Memorandum of Understanding (MOU) on training Mozambique engineers during Prime Minister Shinzo Abe's visit to the country.

Chiyoda will deliver comprehensive training for the engineers to acquire technical knowledge and practical engineering skills, which will provide support for Mozambique's sustainable development.

Joaquim Caronga, CFO of ENH, and Takashi Kubota, Executive Chairman of Chiyoda, signing the MOU, witnessed by Japanese Prime Minister Shinzo Abe and Mozambique President Armando Emilio Guebuza

Corporate Governance

The Chiyoda Group believes that CSR-oriented management that earns the support and trust of all its stakeholders, including shareholders, customers, and employees, is the basis of its corporate activities. We are therefore working in various ways to enhance corporate governance and actively implement CSR-oriented management, including maintaining transparency and soundness.

Corporate Governance System

Chiyoda has established the Compliance & CSR Unit and the Operational Auditing Unit to raise the quality and transparency of management, improve response to stakeholders and reinforce risk management and the compliance system. We also established the Safety, Quality and Environmental (SQE) Unit and an internal control system directly linked to management.

To ensure speedy and accurate decision-making to deal with rapidly changing social and economic conditions, Chiyoda has adopted the executive officer system, which separates the functions of directors, who are responsible for management supervision, from those of executive officers, who are responsible for the execution of business operations.

The Board of Directors and Meetings of the Board of Directors

The Board of Directors is composed of 9 directors. Important matters concerning the Company are reported and resolved at meetings of the Board of Directors. The Executive Committee, made up of the four representative directors, examines matters before they are submitted for resolution at meetings of the Board of Directors. It makes decisions about business execution matters by unanimous resolution.

Audit & Supervisory Board

Chiyoda has also adopted the corporate auditor system. The Audit & Supervisory Board is made up of three outside corporate auditors who closely monitor the execution of duties by directors and executive officers. The corporate auditors attend meetings of the Executive Committee and express their opinion when necessary. In addition, their responsibilities include deciding the content of resolutions submitted to the General Meeting of Shareholders, such as the appointment or dismissal of accounting auditors, auditing consolidated financial documents in close cooperation with the accounting auditors, and preparing audit reports.

Executive Officer System

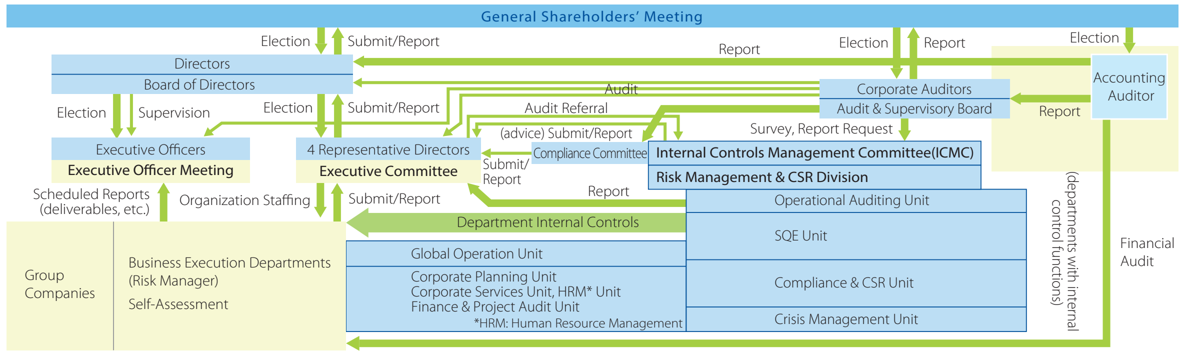
Where necessary, executive officers cooperate with outside specialists such as corporate lawyers in carrying out duties assigned to them at meetings of the Board of Directors and the Executive Committee. Executive officers provide regular progress reports at executive officer and Executive Committee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

Reinforcing Internal Controls

The Chiyoda Group constantly conducts self-assessments of existing internal control functions and reinforces internal control systems. In addition, the Group has established the Operational Auditing Unit as an autonomous unit to perform evaluations. Chiyoda has a system in place for auditing the development and operation of a suitable overall internal control framework and constituent components, and for submitting reports to the Executive Committee.

- To ensure the transparency of information and raise the effectiveness of audits, Chiyoda aims to establish an integrated framework of internal controls and a real-time monitoring system for senior management.
- To prevent insider trading, an information management system is in place that encompasses Group companies. All important information is appropriately reported to the Board of Directors and the Executive Committee.

Corporate Governance and Internal Controls



External Director and Outside Corporate Auditors (as of June 25, 2014)

External Director and Outside Audit & Supervisory Board Members

The Company employs one external director and three outside audit & supervisory board members. The names of external director and outside audit & supervisory board members, and the Company's rationale for selecting them (including the rationale for designation as independent directors of Mikio Kobayashi and Yukihiro Imadegawa, both of whom are on file with the Tokyo Stock Exchange as independent directors) are as follows:

Name	Rationale for Election as External Director and Outside Audit & Supervisory Board Member
Masaji Santo	The individual is able to suitably perform his duties as an external director by putting to use his experience as the former President of Mitsubishi Chile Ltda. and as a Senior Vice President of Mitsubishi Corporation.
Munehiko Nakano	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 corporate auditor with Lawson, Inc. and a finance and accounting executive with Mitsubishi Corporation.
Mikio Kobayashi	Based on his experience as Representative Director and President of Ryoshin Credit Service Co., Ltd. and Representative Director and Deputy President of Japan Property Solutions Co., Ltd., he contributes to ensuring the soundness of the Company's business management by conducting audits from a neutral and objective perspective. **<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 audit & supervisory board member having no conflict of with general Company shareholders.
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 audit & supervisory board member having no conflict of interest with general Company shareholder.

There are no particular relationships of interest between Company and the external director and outside audit & supervisory board members.

Rationale for Adoption of Current System

Based on its establishment of a corporate auditor system, the Chiyoda Group efficiently executes business operations under an executive officer system. The Board of Directors has adopted an existing system of corporate governance that is capable of sufficiently performing management supervisory functions from an objective and neutral standpoint with the participation of one external director and three outside audit & supervisory board members.

Director Compensation

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	10	¥192 million	¥69 million	¥47 million
Audit & Supervisory Board Members	3	¥ 55 million	—	—

Notes:
1. *Total director compensation is ¥308 million. Total audit & supervisory board member compensation is ¥55 million. Total outside audit & supervisory board member (three individuals) compensation is ¥55 million.*
2. *The number of directors above discloses the number of directors and audit & supervisory board members receiving compensation during the fiscal period, including two directors who retired as of the General Shareholders' Meeting held on June 25, 2013.*

Corporate Information (As of March 31, 2014)

Corporate Data

Chiyoda Global Headquarters
Minato Mirai Grand Central Tower
4-6-2, Minatomirai, Nishi-ku, Yokohama 220-8765, Japan
Tel: (81)45-225-7777 (voice guidance)

Established
January 20, 1948

Paid-in Capital
¥ 43,396 million

Number of Employees
1,630 (Non-Consolidated)
6,062 (Consolidated)

Annual Fiscal Close
March 31

Shareholders' Meeting
June

Organization Chart
(As of May 1, 2014)

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

Risk Management & CSR Division
- SQE Unit
- Compliance & CSR Unit
- Operational Auditing Unit
- Crisis Management Unit

Corporate Planning Management & Finance Division
- Corporate Planning Unit
  - IR & Public Relations Sec.
- Corporate Services Unit
- HRM* Unit
- Finance & Project Audit Unit
  - Legal Sec.
- Investment Promotion Team

Business Development Division
- Strategic Business Planning & Administration Unit
  - Corporate Relations Sec.
- Business Development Unit 1
- Business Development Unit 2
- Business Development Unit 3
- Energy Infrastructure Planning Unit

Global Project Management Division
- Project Administration Unit
- Project Management Unit
- IT Management Unit
- Global Operation Unit
- Global Human Resource Planning Unit
  - BPM* Team
  - Work Process Innovation Task Team
  - Chiyoda Globalization Task Force Team Change the Mindset

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

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

Offshore & Upstream Project Operations
- Offshore & Upstream Business Planning Unit
- Offshore & Upstream Business Operation Unit

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

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

Downstream & Non Hydrocarbon Project Operations
- Oil & Petrochemical Project Unit
- Gas Energy Project Unit
- International Downstream & Non-Hydrocarbon Project Unit
- Project Team

Infrastructure Project Operations
- IP* Planning & Administration Unit
- Strategic Business & Investment Management Unit
- Hydrogen Supply Chain Development Unit
- Green Infrastructure Project Unit
- Green Materials Project Unit
- Pharmaceutical & Environmental Project Unit
- Technology Development Unit
  - Research & Development Center

ChAS Project Operations
- ChAS Business Planning & Administration Unit
- ChAS Marketing Unit
- Advanced Process Engineering Unit
- Plant Diagnosis Unit
- Project Lifecycle Engineering Unit
- Program Management Consulting Unit
- Space Solution Unit

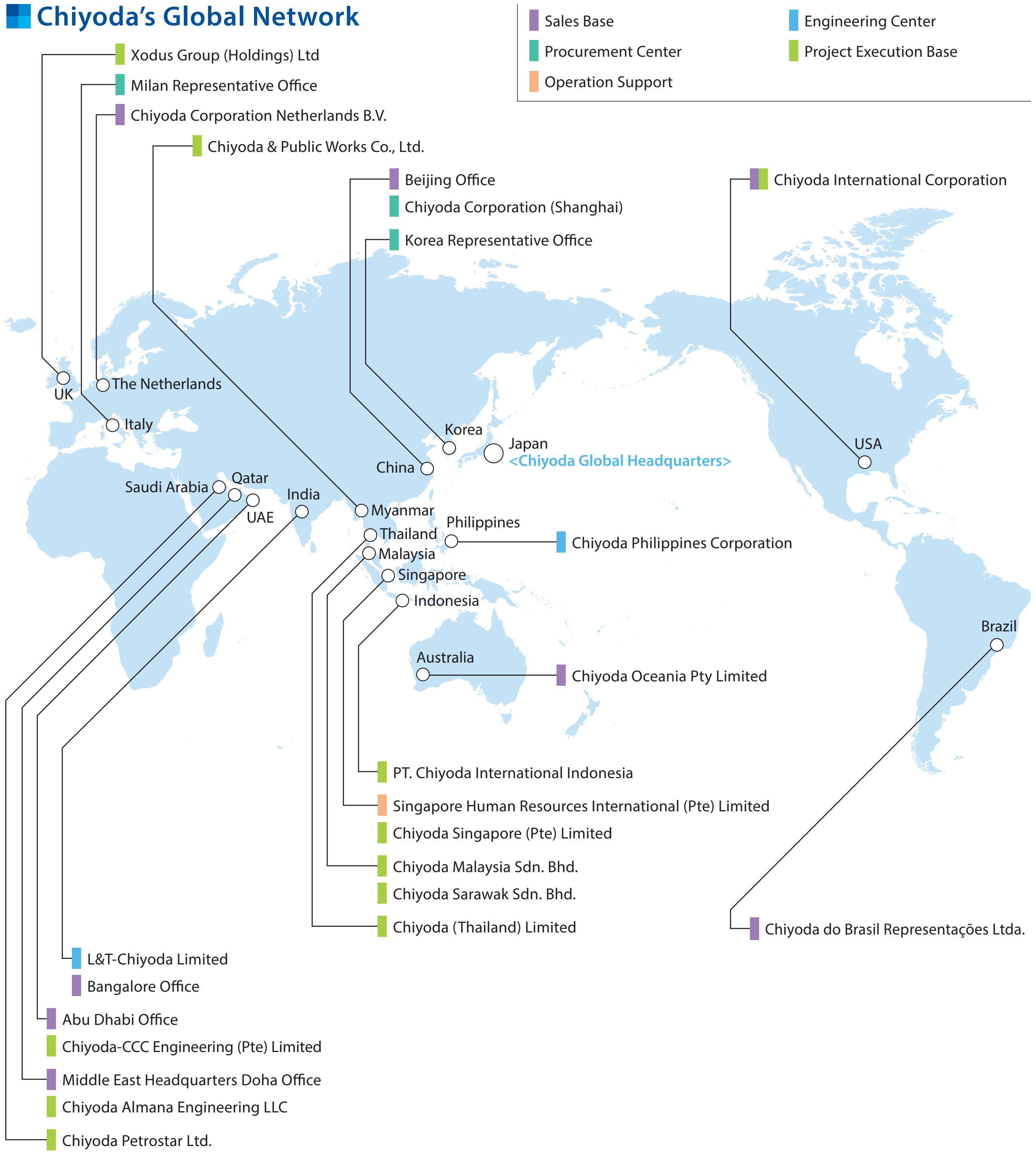
Global Project Management-Asia (GPM-A) Operations
- GPM-A Project Unit

HRM: Human Resource Management BPM: Business Process Management PLC: Project Logistics & Construction IP: Infrastructure Project

Global Network

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

Chiyoda's Global Network



Directors and Officers (As of June 25, 2014)

Board of Directors

Representative Directors

Executive Chairman	Takashi Kubota
President & CEO	Shogo Shibuya
Senior Executive Vice President	Keiichi Nakagaki
Senior Executive Vice President	Hiroshi Ogawa
Executive Vice President & CFO	Masahito Kawashima

Directors

Executive Vice President	Katsuo Nagasaka
Senior Vice President	Ryosuke Shimizu
Senior Vice President	Masahiko Kojima
Director	Masaji Santo*1

Audit & Supervisory Board Members

Munehiko Nakano*3 | Mikio Kobayashi*2/*3 | Yukihiro Imadegawa*3

Executive Officers

Executive Vice President	Satoru Yokoi	Vice President	Eisuke Oki
Executive Vice President	Tadashi Izawa	Vice President	Masao Ishikawa
Executive Vice President	Takao Kamiji	Vice President	Yasumitsu Abe
Senior Vice President	Katsutoshi Kimura	Vice President	Toshiyuki Kariya
Senior Vice President	Mamoru Nakano	Vice President	Seiichiro Ikeda
Senior Vice President	Akira Fujisawa	Vice President	Arata Sahara*2
Senior Vice President	Nobuyuki Uchida	Vice President	Terunobu Iio*2
Senior Vice President	Hiromi Koshizuka	Vice President	Yasuo Hosono
Vice President	Shuichi Wada*2	Vice President	Hideaki Tomiku*2
Vice President	Noriyuki Kasuya	Vice President	Mitsuya Ogawa

*1: External
*2: New Assignments
*3: Outside Corporate Auditor

Stock Information (As of March 31, 2014)

Authorized Shares
570,000,000

Capital Stock Issued
260,324,529

Number of Shareholders
14,375

Number of Share per Unit
1,000

Stock Code
ISIN: JP3528600004
SEDOL1: 6191704 JP
TSE: 6366

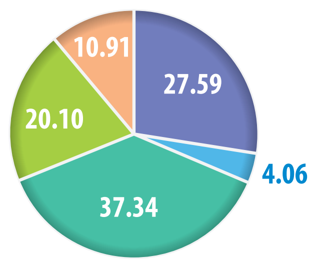
Transfer Agent of Common Stock
Mitsubishi UFJ Trust and Banking Corporation
1-4-5 Marunouchi, Chiyoda-ku, Tokyo

Major Shareholders (as of March 31,2014)

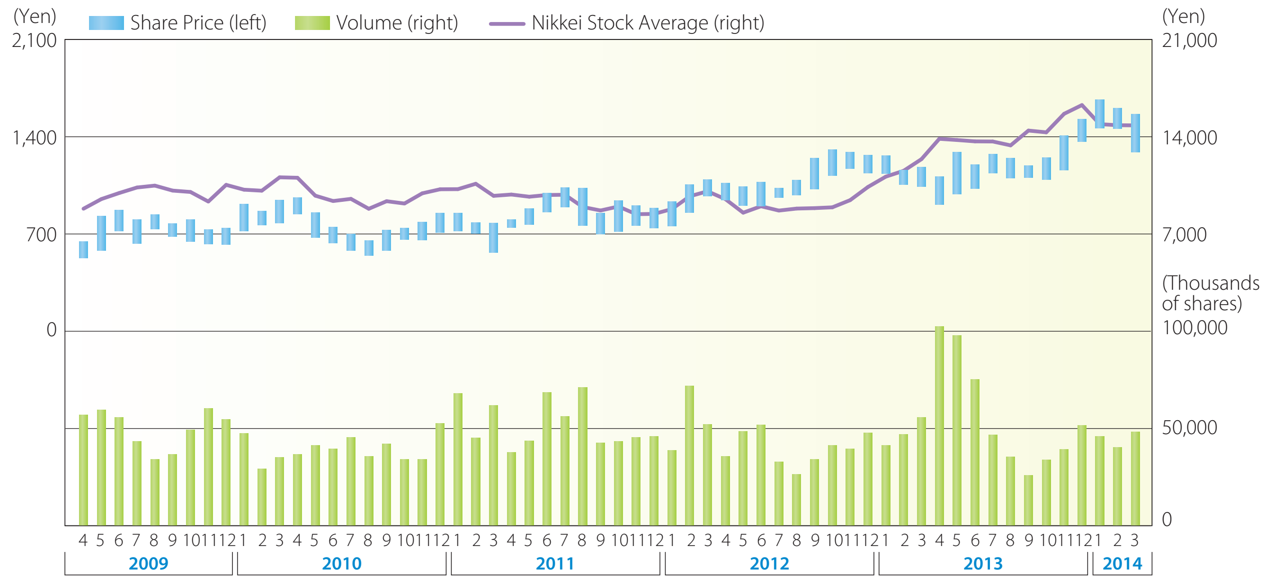
	Number of Shares Owned (Thousands of Shares)	Ratio Shares Owned (%)
Mitsubishi Corporation	86,931	33.39
The Master Trust Bank of Japan, Ltd. (Trust Account)	16,056	6.16
Japan Trustee Services Bank, Ltd. (Trust Account)	14,863	5.70
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	9,033	3.47
The Mitsubishi UFJ Trust and Banking Corporation	6,960	2.67
BNP Paribas Securities (Japan) Limited	3,522	1.35
Trust & Custody Services Bank, Ltd.	2,814	1.08
State Street Bank and Trust Company 505225	2,592	0.99
Meiji Yasuda Life Insurance Company	2,265	0.87
The Bank of New York Mellon SA/NV10	2,138	0.82

Breakdown by shareholder

Total Number of Shares Issued:
260,325
thousand



Monthly Stock Price Range on the Tokyo Stock Exchange



CHIYODA CORPORATION

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

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.

(As of August 2014)

FTSE4Good

Selected in FTSE Group's responsible investment index

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Network Japan
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CHIYODA GROUP

CHIYODA CORPORATION

Consolidated Financial Statements

For the Year Ended March 31, 2014, and Independent Auditor's Report

Consolidated Balance Sheet

(March 31, 2014)

ASSETS	Millions of Yen 2014	Millions of Yen 2013	Thousands of U.S. Dollars (Note 1) 2014
CURRENT ASSETS:			
Cash and cash equivalents (Note 13)	¥ 145,303	¥ 180,229	$ 1,410,712
Held-to-maturity securities—current (Notes 5 and 13)		2,400	
Short-term investments (Note 13)	64	226	622
Notes and accounts receivable—trade (Note 13)	56,502	37,917	548,564
Allowance for doubtful accounts	(3)	(3)	(31)
Costs and estimated earnings on long-term construction contracts (Notes 4 and 13)	16,503	27,477	160,227
Costs of construction contracts in process	33,826	15,295	328,412
Accounts receivable—other	4,936	8,476	47,927
Jointly controlled assets of joint venture (Note 13)	127,466	94,696	1,237,539
Deferred tax assets (Note 10)	18,868	13,162	183,185
Prepaid expenses and other	5,629	3,329	54,650
Total current assets	409,096	383,206	3,971,810
PROPERTY, PLANT AND EQUIPMENT:			
Land	5,265	5,375	51,122
Buildings and structures	12,557	11,711	121,916
Machinery and equipment	944	1,124	9,166
Tools, furniture, and fixtures	7,106	5,450	68,990
Construction in progress	286	494	2,783
Total	26,159	24,156	253,979
Accumulated depreciation	(11,201)	(9,609)	(108,753)
Net property, plant and equipment	14,958	14,547	145,226
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 5 and 13)	21,131	23,740	205,163
Investments in and advances to unconsolidated subsidiaries and associated companies (Note 6)	8,155	5,164	79,177
Goodwill	12,395	675	120,343
Software	7,056	5,987	68,512
Asset for retirement benefits	34		333
Other assets (Note 10)	2,528	2,138	24,552
Allowance for doubtful accounts	(68)	(80)	(669)
Total investments and other assets	51,233	37,624	497,414
TOTAL	¥ 475,288	¥ 435,379	$ 4,614,451

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2014	Millions of Yen 2013	Thousands of U.S. Dollars (Note 1) 2014
CURRENT LIABILITIES:			
Short-term bank loans	¥ 1,283		$ 12,464
Current portion of long-term debt (Notes 7, 12 and 13)	82	¥ 91	800
Notes and accounts payable—trade (Note 13)	145,392	117,769	1,411,574
Advance receipts on construction contracts	80,182	79,210	778,473
Income taxes payable (Note 13)	5,513	8,500	53,527
Deposits received	4,985	6,822	48,398
Allowance for warranty costs for completed works	507	480	4,924
Allowance for losses on construction contracts	4,002	1,291	38,856
Asset retirement obligations		5	
Accrued expenses and other	19,730	16,259	191,553
Total current liabilities	261,679	230,431	2,540,573
LONG-TERM LIABILITIES:			
Long-term debt (Notes 7, 12 and 13)	10,040	10,135	97,477
Liability for retirement benefits (Note 8)	2,080	2,310	20,202
Provision for treatment of PCB waste	365	364	3,543
Asset retirement obligations	970	957	9,424
Other (Note 10)	2,121	1,822	20,598
Total long-term liabilities	15,578	15,591	151,246
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 7, 12, 14 and 15)			
EQUITY (Notes 9 and 18):			
Common stock—authorized, 570,000 thousand shares; issued, 260,324 thousand shares in 2014 and 2013	43,396	43,396	421,324
Capital surplus	37,112	37,112	360,316
Retained earnings	109,525	100,988	1,063,358
Treasury stock—at cost, 1,310 thousand shares in 2014 and 1,279 thousand shares in 2013	(1,390)	(1,349)	(13,498)
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities	4,920	6,584	47,768
Deferred gain on derivatives under hedge accounting	648	2,890	6,291
Foreign currency translation adjustments	2,486	(1,235)	24,137
Defined retirement benefit plans	(287)		(2,787)
Total	196,411	188,386	1,906,910
Minority interests	1,619	969	15,721
Total equity	198,031	189,356	1,922,632
TOTAL	¥ 475,288	¥ 435,379	$ 4,614,451

Consolidated Statement of Income

(Year Ended March 31, 2014)

	Millions of Yen 2014	Millions of Yen 2013	Thousands of U.S. Dollars (Note 1) 2014
REVENUE	¥ 446,147	¥ 398,918	$ 4,331,530
COST OF REVENUE	404,685	356,402	3,928,981
Gross profit	41,462	42,515	402,548
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Note 11)	20,383	17,402	197,897
Operating income	21,079	25,113	204,651
OTHER INCOME (EXPENSES):			
Interest and dividend income	2,590	2,321	25,151
Interest expense	(233)	(206)	(2,271)
Equity in (losses) earnings of associated companies	(374)	145	(3,636)
Foreign exchange loss	(145)	(1,681)	(1,408)
Gain on sales of fixed assets		1,704	
Loss on disposal of fixed assets		(244)	
Loss on valuation of investment securities		(230)	
Retirement benefit expenses (Note 8)	(299)		(2,906)
Other—net	(78)	(173)	(762)
Other income—net	1,459	1,634	14,165
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	22,538	26,747	218,816
INCOME TAXES (Note 10):			
Current	13,101	11,669	127,196
Deferred	(3,773)	(1,313)	(36,639)
Total income taxes	9,327	10,356	90,556
NET INCOME BEFORE MINORITY INTERESTS	13,210	16,391	128,260
MINORITY INTERESTS IN NET INCOME	(236)	314	(2,294)
NET INCOME	¥ 13,447	¥ 16,077	$ 130,555

	Yen 2014	Yen 2013	U.S. Dollars 2014
PER SHARE OF COMMON STOCK (Notes 2.y and 17):			
Basic net income	¥ 51.91	¥ 62.06	$ 0.50
Cash dividends applicable to the year	16.00	19.00	0.16

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

(Year Ended March 31, 2014)

	Millions of Yen 2014	Millions of Yen 2013	Thousands of U.S. Dollars (Note 1) 2014
NET INCOME BEFORE MINORITY INTERESTS	¥ 13,210	¥ 16,391	$ 128,260
OTHER COMPREHENSIVE INCOME (LOSS) (Note 16):			
Unrealized (loss) gain on available-for-sale securities	(1,664)	5,075	(16,156)
Deferred (loss) gain on derivatives under hedge accounting	(2,242)	2,448	(21,768)
Foreign currency translation adjustments	3,625	1,081	35,194
Share of other comprehensive income of associates accounted for using the equity method	104	85	1,016
Total other comprehensive (loss) income	(176)	8,690	(1,713)
COMPREHENSIVE INCOME	¥ 13,034	¥ 25,082	$ 126,546
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ 13,087	¥ 24,723	$ 127,061
Minority interests	(53)	358	(514)

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

(Year Ended March 31, 2014)

	Thousands	Millions of Yen										
						Accumulated Other Comprehensive Income (Loss)						
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2012	259,065	¥ 43,396	¥ 37,112	¥ 89,346	¥ (1,328)	¥ 1,509	¥ 442	¥ (2,358)		¥ 168,120	¥ 617	¥ 168,737
Net income				16,077						16,077		16,077
Cash dividends, ¥17.00 per share				(4,404)						(4,404)		(4,404)
Change of scope of consolidation				(31)						(31)		(31)
Purchase of treasury stock	(19)				(21)					(21)		(21)
Net change in the year						5,075	2,448	1,123		8,646	351	8,998
BALANCE, MARCH 31, 2013	259,045	43,396	37,112	100,988	(1,349)	6,584	2,890	(1,235)		188,386	969	189,356
Net income				13,447						13,447		13,447
Cash dividends, ¥19.00 per share				(4,921)						(4,921)		(4,921)
Change of scope of consolidation				12						12		12
Purchase of treasury stock	(31)				(40)					(40)		(40)
Net change in the year						(1,664)	(2,242)	3,721	¥ (287)	(472)	650	178
BALANCE, MARCH 31, 2014	259,014	¥ 43,396	¥ 37,112	¥ 109,525	¥ (1,390)	¥ 4,920	¥ 648	¥ 2,486	¥ (287)	¥ 196,411	¥ 1,619	¥ 198,031

	Thousands of U.S. Dollars (Note 1)										
					Accumulated Other Comprehensive Income (Loss)						
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2013	$ 421,324	$ 360,316	$ 980,469	$ (13,103)	$ 63,924	$ 28,059	$ (11,991)		$ 1,828,999	$ 9,409	$ 1,838,409
Net income			130,555						130,555		130,555
Cash dividends, $0.18 per share			(47,785)						(47,785)		(47,785)
Change of scope of consolidation			119						119		119
Purchase of treasury stock				(395)					(395)		(395)
Net change in the year					(16,156)	(21,768)	36,128	$ (2,787)	(4,582)	6,311	1,728
BALANCE, MARCH 31, 2014	$ 421,324	$ 360,316	$ 1,063,358	$ (13,498)	$ 47,768	$ 6,291	$ 24,137	$ (2,787)	$ 1,906,910	$ 15,721	$ 1,922,632

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

(Year Ended March 31, 2014)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 22,538	¥ 26,747	$ 218,816
Adjustments for:			
Income taxes paid	(13,709)	(130)	(133,101)
Depreciation	3,196	2,580	31,034
Amortization of goodwill	825	41	8,016
(Reversal of) allowance for doubtful accounts—net	(12)	(11)	(116)
(Reversal of) allowance for warranty costs for completed works	(4)	187	(45)
Allowance for loss on construction contracts	2,534	723	24,610
Liability for retirement benefits—net	(768)	(185)	(7,461)
Loss (gain) on sales and disposals of fixed assets	31	(1,460)	301
Foreign exchange gain—net	(224)	(125)	(2,179)
Equity in losses (earnings) of associated companies	374	(145)	3,636
Changes in operating assets and liabilities:			
Increase in trade notes and accounts receivable, and costs and estimated earnings on long-term construction contracts	(1,896)	(20,453)	(18,416)
Increase in costs of construction contracts in process	(16,974)	(1,714)	(164,801)
Increase in trade notes and accounts payable	23,650	30,130	229,617
(Decrease) increase in advance receipts on construction contracts	(2,111)	992	(20,504)
Decrease (increase) in accounts receivable—other	2,519	(3,170)	24,456
Increase in jointly controlled assets of joint venture	(31,955)	(28,603)	(310,252)
(Decrease) increase in deposits received	(2,141)	619	(20,787)
Increase in interest and dividend receivable	(713)	(674)	(6,925)
Other—net	(2,334)	8,799	(22,668)
Total adjustments	(39,715)	(12,599)	(385,587)
Net cash (used in) provided by operating activities	¥ (17,177)	¥ 14,147	$ (166,770)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
INVESTING ACTIVITIES:			
Net decrease in time deposits	192	127	1,866
Purchases of marketable securities		(2,400)	
Proceeds from redemption of marketable securities	2,400		23,300
Purchases of property, plant and equipment	(1,981)	(3,620)	(19,238)
Proceeds from sales of property, plant and equipment	90	7,020	879
Purchases of intangible assets	(3,294)	(3,502)	(31,988)
Payments for asset retirement obligations	(7)	(66)	(67)
Payments for purchases of investment securities	(4,046)	(2,450)	(39,285)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(9,134)		(88,682)
Payments of short-term loans receivable	(445)		(4,327)
Proceeds from collections of short-term loans receivable		81	
Payments of long-term loans receivable	(712)	(514)	(6,915)
Proceeds from collections of long-term loans	101	35	983
Other—net	41	32	400
Net cash used in investing activities	(16,796)	(5,257)	(163,075)
FINANCING ACTIVITIES:			
Net increase in short-term bank loans	11		109
Proceeds from long-term debt		10,000	
Repayments of long-term debt	(264)	(10,000)	(2,570)
Payments of cash dividends	(4,914)	(4,397)	(47,713)
Payments of cash dividends to minority shareholders	(8)	(7)	(85)
Other—net	(72)	(27)	(704)
Net cash used in financing activities	(5,249)	(4,432)	(50,963)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	3,974	2,024	38,584
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	¥ (35,249)	¥ 6,482	$ (342,224)
INCREASE IN CASH AND CASH EQUIVALENTS FROM NEWLY CONSOLIDATED SUBSIDIARY	323		3,137
DECREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM EXCLUSION OF SUBSIDIARIES FROM CONSOLIDATION		(22)	
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	180,229	173,769	1,749,799
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 145,303	¥ 180,229	$ 1,410,721

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(Year Ended March 31, 2014)

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2013 consolidated financial statements to conform to the classifications used in 2014.

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 ¥103 to $1, the approximate rate of exchange at March 31, 2014. 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 as of March 31, 2014, include the accounts of the Company and its 29 significant (18 in 2013) subsidiaries (together, the "Group").

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

Investments in five (two in 2013) associated companies are accounted for by the equity method in 2014. Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

Most of the foreign consolidated subsidiaries have a December 31 year-end which does not accord with that of the Company. As a result, adjustments have been made for any significant transactions which took place during the period between the year-end of these subsidiaries and the year-end of the Company.

Effective the year ended March 31, 2014, one of these consolidated subsidiaries changed its fiscal year end to March 31 to improve the accuracy of group consolidation and closing. As a result of this change in the fiscal year end, the consolidated financial statements for the year ended March 31, 2014, included the results for a 15-month period for this consolidated subsidiary from January 1, 2013 to March 31, 2014.

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

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

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements—In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) exclusion of minority interests from net income, if contained in net income.

c. Business Combinations—In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." The accounting standard for business combinations allowed companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting of interests. For business combinations that do not meet the uniting of interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling of interests method of accounting is no longer allowed. (2) The previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (IPR&D) acquired in the business combination are capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

The Company acquired 76% of total voting right of Xodus Group (Holdings) Limited on June 28, 2013, and accounted for it by the purchase method of accounting. The related goodwill is systematically amortized over 10 years.

d. ***Construction Contracts***—In December 2007, 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, 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 is deemed to be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on construction contracts.

Concerning the construction contracts, the Group applies the accounting methods as follows:

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

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

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

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

f. ***Held-to-Maturity Securities and Investment Securities***—Held-to-maturity securities and investment securities are classified and accounted for, depending on management's intent, as follows: (1) held-to-maturity debt securities, for which there is a positive intent and ability to hold to maturity, are reported at cost; and (2) available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

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

g. ***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.

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

i. ***Allowance for Doubtful Accounts***—The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

j. ***Property, Plant and Equipment***—Property, plant and equipment are stated at cost. Depreciation is computed by the declining-balance method, except for buildings owned by the Company that are depreciated using the straight-line method, at rates based on the estimated useful lives of the assets. The range of useful lives is from 8 to 57 years for buildings and structures, from 4 to 17 years for machinery and equipment, and from 4 to 15 years for tools, furniture, and fixtures. Equipment held for leases is depreciated by the straight-line method over the respective lease periods.

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

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

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

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

o. ***Allowance for Losses on Construction Contracts***—The allowance for losses on construction contracts is provided for an estimated amount of probable losses to be incurred in future years in respect of construction projects in progress. When there are losses on completed-contract method applied contracts, the allowance for losses on construction contracts is offset against the costs of construction contracts in process in the balance sheet.

p. ***Provision for Treatment of PCB Waste***—A 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.

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

Effective April 1, 2000, the Company and its domestic consolidated subsidiaries adopted a new accounting standard for 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 projected benefit obligations are attributed to periods on a straight-line basis. Actuarial gains and losses are amortized on a straight-line basis over 10 years within the average remaining service period. Past service costs are amortized on a straight-line basis over 10 years within the average remaining service period.

The transitional obligation of ¥5,696 million ($55,300 thousand) is being amortized and charged to income over 15 years using the straight-line amortization method and included in an operating expense in the consolidated statements of income for the years ended March 31, 2014 and 2013.

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

(a) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments (see Note 2.aa).

(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014. As a result, asset for retirement benefits of ¥34 million ($333 thousand) and liability for retirement benefits of ¥2,080 million ($20,202 thousand) was recorded as of March 31, 2014, and accumulated other comprehensive income for the year ended March 31, 2014, decreased by ¥287 million ($2,787 thousand). In addition, net assets per share decreased by ¥1.11 for the year ended March 31, 2014.

r. ***Asset Retirement Obligations***—In March 2008, the ASBJ issued 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 normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

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

t. ***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.

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 notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the balance sheet.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company continues to account for leases that 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.

u. ***Income Taxes***—The provision for income taxes is computed based on the pretax income included in the consolidated statement 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 income tax rates 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.

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

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

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

Derivative financial instruments are classified and accounted for as follows:

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

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

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

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

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

y. ***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 statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

Diluted net income per share is not disclosed because there is no potential stock, which has a dilutive effect for the fiscal years ended March 31, 2014 and 2013.

z. ***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 following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation—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.

aa. ***New Accounting Pronouncements***

Accounting Standard for Retirement Benefits—On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

The major change is as follows:

Amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases

The revised accounting standard also made certain amendments relating to the method of attributing expected benefits to periods and relating to the discount rate and expected future salary increases.

The Company expects to apply the above from April 1, 2014. The effects of applying the revised accounting standard are estimated as follows: (1) Retained earnings as of April 1, 2014, would be decreased by ¥579 million ($5,629 thousand). (2) Operating income and income before income taxes and minority interests for the next fiscal year ending March 31, 2015, would not be material.

3. BUSINESS COMBINATION

On June 28, 2013, the Company acquired 76% of total voting rights of Xodus Group (Holdings) Limited ("Xodus Group"). Xodus Group provides integrated services from conceptual definition through design and construction to operation in international oil & gas and low carbon industries. This acquisition was made to complement the Company's competence in offshore and upstream projects. The results of operations for Xodus Group are included in the Company's consolidated financial statements from July 1, 2013.

The Company accounted for this business combination by the purchase method of accounting.

The acquisition cost was ¥9,899 million ($96,112 thousand) in cash in accordance with the Share Purchase Agreement dated June 28, 2013. The total cost of acquisition has been allocated to the assets acquired and the liabilities assumed based on their respective fair values. Goodwill recorded in connection with the acquisition totaled ¥5,695 million ($55,297 thousand) for the reason that excess earnings are expected as a result from Xodus Group's business expansion in the future.

The assets acquired and the liabilities assumed at the acquisition date are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 5,061	$ 49,141
Fixed assets	2,540	24,669
Total assets	¥ 7,602	$ 73,810
Current liabilities	¥ 2,856	$ 27,728
Fixed liabilities	166	1,616
Total liabilities	¥ 3,022	$ 29,345

If this business combination had been completed as of April 1, 2013, the beginning of the current fiscal year, the unaudited condensed pro forma consolidated statement of income for the year ended March 31, 2014, would be as follows:

	Millions of Yen	Thousands of U.S. Dollars
Sales	¥ 6,370	$ 61,848
Operating income	(585)	(5,688)
Income before income taxes and minority interests	(966)	(9,383)
Net income	(676)	(6,568)

After the above stated business combination, the Company acquired additional shares of Xodus Group during this fiscal year ended March 31, 2014. The acquisition cost was ¥505 million ($4,910 thousand) in cash. Goodwill recorded in connection with the acquisition totaled ¥587 million ($5,706 thousand).

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, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Costs and estimated earnings	¥ 379,837	¥ 329,290	$ 3,687,743
Amounts billed	(363,334)	(301,813)	(3,527,516)
Net	¥ 16,503	¥ 27,477	$ 160,227

5. HELD-TO-MATURITY SECURITIES AND INVESTMENT SECURITIES

Held-to-maturity securities and investment securities at March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Current—Held-to-maturity securities		¥ 2,400	
Noncurrent—Equity securities	¥ 21,131	23,740	$ 205,163

The costs and aggregate fair values of held-to-maturity securities and investment securities at March 31, 2014 and 2013, were as follows:

March 31, 2014

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as—				
Available-for-sale—equity securities	¥ 11,465	¥ 7,128	¥2	¥ 18,591

March 31, 2013

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale—equity securities	¥ 11,455	¥ 9,991	¥ 112	¥ 21,334
Held-to-maturity	2,400			2,400

March 31, 2014

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as—				
Available-for-sale—equity securities	$ 111,320	$ 69,204	$ 23	$ 180,501

Available-for-sale securities whose fair value was not readily determinable at March 31, 2013, were as follows. Similar information for 2014 is disclosed in Note 13.

March 31, 2013	Carrying Amount Millions of Yen
Securities classified as—	
Available-for-sale—equity securities	¥ 2,406

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

Investments in and advances to unconsolidated subsidiaries and associated companies at March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Investments	¥ 7,183	¥ 4,686	$ 69,743
Long-term receivables	971	477	9,434
Total	¥ 8,155	¥ 5,164	$ 79,177

7. LONG-TERM DEBT

Long-term debt at March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Long-term loans principally from banks, due serially through 2018, with interest rates ranging from 1.9% to 2.0% at 2014 and 2013—Unsecured	¥ 10,023	¥ 10,221	$ 97,315
Obligations under finance leases	99	5	962
Total	10,122	10,226	98,277
Less current portion	(82)	(91)	(800)
Long-term debt, less current portion	¥ 10,040	¥ 10,135	$ 97,477

Annual maturities of long-term debt, excluding finance leases (see Note 12), at March 31, 2014, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2015	¥ 4	$ 43
2016	4	44
2017	4	40
2018	10,004	97,128
2019	4	40
2020 and thereafter	1	17
Total	¥ 10,023	$ 97,315

Commitment-line contracts at March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Commitment-line contracts	¥ 15,000	$ 145,631
Unused commitments	¥ 15,000	$ 145,631

8. RETIREMENT AND PENSION PLANS

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

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

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

One of domestic consolidated subsidiaries implemented a defined benefit pension plan and a defined contribution pension plan in this fiscal year ended March 31, 2014, by which the former severance lump-sum payment plan was terminated, and changed the accounting method to calculate retirement benefit obligations from the simplified method to the principle method. As a result, retirement benefit expenses of ¥299 million ($2,906 thousand) is recorded as other expense for the year ended March 31, 2014.

Year Ended March 31, 2014

(1) The changes in defined benefit obligation for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥ 20,630	$ 200,294
Current service cost	593	5,761
Interest cost	326	3,171
Actuarial losses	176	1,713
Benefits paid	(1,691)	(16,418)
The amount of obligation processing with the changes from simplified method to the principle method	1,751	17,007
Balance at end of year	¥ 21,787	$ 211,529

(2) The changes in plan assets for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥ 17,705	$ 171,893
Expected return on plan assets	707	6,868
Actuarial losses	853	8,283
Contributions from the employer	1,477	14,344
Benefits paid	(1,691)	(16,418)
The amount of asset processing with the changes from simplified method to the principle method	1,318	12,803
Balance at end of year	¥ 20,370	$ 197,775

(3) The changes in the liability recorded in the consolidated balance sheet by using the simplified method for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥ 943	$ 9,162
Benefit costs	300	2,920
Benefits paid	(46)	(451)
Contribution to the plans	(332)	(3,225)
Decrease by implementation of defined contribution plans	(173)	(1,683)
The amount of expense processing with the changes from simplified method to the principle method	(433)	(4,203)
Change of scope of consolidation	71	691
Others	299	2,906
Balance at end of year	¥ 629	$ 6,115

Others are benefit costs recognized by changing the pension plans and the accounting method to calculate retirement benefit obligations from the simplified method to the principle method.

(4) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2014

	Millions of Yen	Thousands of U.S. Dollars
Funded defined benefit obligation	¥ 23,088	$ 224,160
Plan assets	(21,511)	(208,847)
	1,577	15,313
Unfunded defined benefit obligation	469	4,555
Net liability for defined benefit obligation	¥ 2,046	$ 19,869

	Millions of Yen	Thousands of U.S. Dollars
Liability for retirement benefits	¥ 2,080	$ 20,202
Asset for retirement benefits	(34)	(333)
Net liability for defined benefit obligation	¥ 2,046	$ 19,869

(5) The components of net periodic benefit costs for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Service cost	¥ 593	$ 5,761
Interest cost	326	3,171
Expected return on plan assets	(707)	(6,868)
Amortization of prior service cost	(176)	(1,711)
Recognized actuarial losses	2	27
Amortization of transitional obligation	608	5,911
Benefit costs in simplified method	300	2,920
Others	299	2,906
Net periodic benefit costs	¥ 1,248	$ 12,117

Others are benefit costs recognized by changing the pension plans and the accounting method to calculate retirement benefit obligations from the simplified method to the principle method.

(6) Accumulated other comprehensive income on defined retirement benefit plans as of March 31, 2014

	Millions of Yen	Thousands of U.S. Dollars
Unrecognized prior service cost	¥ (323)	$ (3,137)
Unrecognized actuarial losses	157	1,524
Unamortized transitional obligation	608	5,911
Total	¥ 442	$ 4,298

(7) Plan assets as of March 31, 2014

a. *Components of plan assets*

Plan assets consisted of the following:

Debt investments	26%
Equity investments	37
General accounts	25
Others	12
Total	100%

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

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

(8) Assumptions used for the year ended March 31, 2014, were set forth as follows:

Discount rate	1.5 %
Expected rate of return on plan assets	3.7

(9) The Company and consolidated subsidiaries have ¥550 million ($5,342 thousand) of payables to defined contribution plans.

Year Ended March 31, 2013

The liability for retirement benefits at March 31, 2013, consisted of the following:

	Millions of Yen
Projected benefit obligation	¥ 23,727
Fair value of plan assets	(19,858)
Unrecognized transitional obligation	(1,217)
Unrecognized actuarial loss	(839)
Unrecognized prior service cost	499
Net amount booked in the consolidated balance sheet	2,310
Net liability for employees' retirement benefits	¥ 2,310

The components of net periodic benefit costs for the year ended March 31, 2013, were as follows:

	Millions of Yen
Service cost	¥ 721
Interest cost	326
Expected return on plan assets	(275)
Amortization of transitional obligation	608
Recognized actuarial loss	591
Amortization of prior service cost	(176)
Subtotal	1,796
Payment to defined contribution pension trust	372
Net periodic benefit costs	¥ 2,168

Assumptions used for the year ended March 31, 2013, are set forth as follows:

Discount rate	1.5%
Expected rate of return on plan assets	1.6%
Recognition period of actuarial gain/loss	10 years
Amortization period of transitional obligation	15 years
Amortization period of prior service cost	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 Companies Act permits companies to distribute dividends in kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

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

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

c. Treasury Stock and Treasury Stock Acquisition Rights

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

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

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

10. 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 38% for the years ended March 31, 2014 and 2013.

The tax effects of significant temporary differences, which resulted in deferred tax assets and liabilities at March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Deferred tax assets:			
Cost of revenue	¥ 14,927	¥ 11,438	$ 144,926
Allowance for employees' bonus	1,438	1,641	13,965
Allowance for losses on construction contracts	1,305	104	12,679
Retirement benefits		792	
Defined retirement benefit plans	647		6,282
Future deductible depreciation	1,079	636	10,478
Costs of construction contracts in process	657	566	6,385
Other	3,224	4,220	31,306
Less valuation allowance	(1,084)	(1,082)	(10,530)
Total	22,195	18,317	215,493
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	2,460	3,414	23,889
Deferred gain on derivatives under hedge accounting	433	1,852	4,208
Profit/loss in joint venture	145	402	1,412
Other	457	380	4,438
Total	3,496	6,050	33,949
Net deferred tax assets	¥ 18,699	¥ 12,267	$ 181,543

Prior to April 1, 2013, "Allowance for losses on construction contracts" and "Costs of construction contracts in process" were included in "Other" within the deferred tax assets section. From this fiscal year ended March 31, 2014, the amounts are disclosed separately due to the increase in materiality.

Prior to April 1, 2013, "Enterprise tax" and "Loss on valuation of investment securities" were disclosed separately. From this fiscal year ended March 31, 2014, the amounts are included in "Other" within the deferred tax assets section due to the decrease in materiality.

Net deferred tax assets as of March 31, 2014 and 2013, were recorded in the accompanying consolidated balance sheet as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Current assets—Deferred tax assets	¥ 18,868	¥ 13,162	$ 183,185
Investments and other assets—Other assets	685	570	6,655
Long-term liabilities—Other	(854)	(1,465)	(8,296)

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2014, is as follows:

	2014
Normal effective statutory tax rate	38 %
Expenses not deductible for income tax purposes	1
Nontaxable dividend income	(1)
Tax rate changes due to tax reform	3
Actual effective tax rate	41 %

For the year ended March 31, 2013, a reconciliation was not disclosed because the difference is less than 5% of the normal effective statutory tax rate.

New tax reform laws enacted in 2014 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2014, from approximately 38% to 35%. The effect of this change was to decrease deferred tax assets in the consolidated balance sheet as of March 31, 2014, by ¥740 million ($7,191 thousand) and to increase income taxes—deferred in the consolidated statement of income for the year then ended by ¥757 million ($7,354 thousand).

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥2,424 million ($23,537 thousand) and ¥2,323 million for the years ended March 31, 2014 and 2013, respectively.

12. LEASES

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

Obligations under finance leases and future minimum payments under noncancelable operating leases were as follows:

Year Ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars	
	Finance Leases	Operating Leases	Finance Leases	Operating Leases
Due within one year	¥ 77	¥ 214	$ 756	$ 2,084
Due after one year	21	917	205	8,908
Total	¥ 99	¥ 1,132	$ 962	$ 10,992

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 without ownership transfer 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 accounted 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, 2013

	Millions of Yen			
	Buildings and Structures	Tools, Furniture, and Fixtures	Other	Total
Acquisition cost	¥ 16	¥ 51	¥ 26	¥ 93
Accumulated depreciation	9	42	18	70
Net leased property	¥ 6	¥ 8	¥ 8	¥ 23

Obligations under finance leases for the year ended March 31, 2013, were as follows:

	Millions of Yen
	2013
Due within one year	¥ 9
Due after one year	13
Total	¥ 23

Depreciation expense as lessee, which is not reflected in the accompanying consolidated statement of income, computed by the straight-line method was ¥13 million for the year ended March 31, 2013. Lease payments were approximately equal to the depreciation expense.

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

For the year ended March 31, 2014, pro forma information of leased property whose lease inception was before March 31, 2008, on an "as if capitalized" basis was not disclosed because the balances are not material.

13. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) *Group Policy for Financial Instruments*

The Group uses financial instruments for cash surpluses, if any, invested in low-risk financial assets, such as certificates of deposit 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 have short maturities 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 used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables, and from changes in interest rates, respectively. Please see Notes 2.x and 14 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 terms and balances of major customers to identify the default risk of customers at an 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 contracts, the Group limits the counterparty to those derivatives to major financial institutions that can bear losses arising from credit risk.

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

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

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

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

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

Liquidity risk management

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

(4) *Fair Values of Financial Instruments*

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, another rational valuation technique is used instead. Also, please see Note 14 for the detail of fair value for derivatives.

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

March 31, 2014

	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	¥ 145,303	¥ 145,303	
Short-term investments	64	64	
Notes and accounts receivable	56,502	56,502	
Costs and estimated earnings on long-term construction contracts	16,503	16,503	
Jointly controlled assets of joint venture	127,466	127,466	
Investment securities	18,591	18,591	
Total	¥ 364,431	¥ 364,431	
Short-term bank loans	¥ 1,283	¥ 1,283	
Current portion of long-term debt	4	4	
Notes and accounts payable—trade	145,392	145,392	
Income taxes payable	5,513	5,513	
Long-term debt	10,018	10,018	
Total	¥ 162,212	¥ 162,212	

March 31, 2013

	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	¥ 180,229	¥ 180,229	
Held-to-maturity securities—current	2,400	2,400	
Short-term investments	226	226	
Notes and accounts receivable	37,917	37,917	
Costs and estimated earnings on long-term construction contracts	27,477	27,477	
Jointly controlled assets of joint venture	94,696	94,696	
Investment securities	21,334	21,334	
Total	¥ 364,280	¥ 364,280	
Current portion of long-term debt	¥ 88	¥ 88	
Notes and accounts payable—trade	117,769	117,769	
Income taxes payable	8,500	8,500	
Long-term debt	10,132	10,132	
Total	¥ 136,490	¥ 136,490	

March 31, 2014

	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	$ 1,410,712	$ 1,410,712	
Short-term investments	622	622	
Notes and accounts receivable	548,564	548,564	
Costs and estimated earnings on long-term construction contracts	160,227	160,227	
Jointly controlled assets of joint venture	1,237,539	1,237,539	
Investment securities	180,501	180,501	
Total	$ 3,538,168	$ 3,538,168	
Short-term bank loans	$ 12,464	$ 12,464	
Current portion of long-term debt	43	43	
Notes and accounts payable—trade	1,411,574	1,411,574	
Income taxes payable	53,527	53,527	
Long-term debt	97,271	97,271	
Total	$ 1,574,881	$ 1,574,881	

Cash and Cash Equivalents, Held-to-Maturity Securities—Current, 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 the joint venture are jointly controlled cash recognized based on the Company's share of the venture. The carrying values of jointly controlled assets of the joint venture approximate fair value because of their short maturities.

Investment Securities

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

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

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

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

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

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

Derivatives

The information of the fair value for derivatives is included in Note 14.

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

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Investment securities that do not have a quoted market price in an active market	¥ 2,537	¥ 2,403	$ 24,633
Investments in equity instruments that do not have a quoted market price in an active market	2	2	28
Investments in unconsolidated subsidiaries and associated companies that do not have a quoted market price in an active market	7,183	4,686	69,743

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

March 31, 2014

	Millions of Yen		
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years
Cash and cash equivalents	¥ 145,266		
Short-term investments	64		
Notes and accounts receivable, and costs and estimated earnings on long-term construction contracts	71,347	¥ 1,658	
Jointly controlled assets of joint venture	127,466		
Total	¥ 344,144	¥ 1,658	

March 31, 2013

	Millions of Yen		
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years
Cash and cash equivalents	¥ 180,194		
Held-to-maturity securities—current	2,400		
Short-term investments	226		
Notes and accounts receivable, and costs and estimated earnings on long-term construction contracts	64,861	¥ 532	
Jointly controlled assets of joint venture	94,696		
Total	¥ 342,378	¥ 532	

March 31, 2014

	Thousands of U.S. Dollars		
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years
Cash and cash equivalents	$ 1,410,357		
Short-term investments	622		
Notes and accounts receivable, and costs and estimated earnings on long-term construction contracts	692,689	$ 16,102	
Jointly controlled assets of joint venture	1,237,539		
Total	$ 3,341,209	$ 16,102	

Please see Note 7 for annual maturities of long-term debt and Note 12 for obligations under finance leases.

14. DERIVATIVES

Derivative Transactions to Which Hedge Accounting Is Not Applied

March 31, 2014

	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value (Loss)	Unrealized Gain (Loss)
Foreign currency forward contracts:				
Selling U.S.$/buying yen	¥ 21,406	¥ 2	¥ (18)	¥ (18)
Selling Euro/buying yen	4,771		(1)	(1)
Selling GBP/buying yen	1,259			
Selling AUD/buying yen	6,939		13	13
Buying U.S.$/selling yen	56	22	8	8
Buying Euro/selling yen	13		5	5
Buying AUD/selling Euro	1,699		(59)	(59)
Buying TWD/selling U.S.$	39			
Total	¥ 36,185	¥ 24	¥ (54)	¥ (54)

March 31, 2013

	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value (Loss)	Unrealized Gain (Loss)
Foreign currency forward contracts:				
Selling U.S.$/buying yen	¥ 14,267		¥ (15)	¥ (15)
Selling Euro/buying yen	11,243			
Selling GBP/buying yen	284			
Selling AUD/buying yen	1,933		(4)	(4)
Buying U.S.$/selling yen	276	¥ 36	52	52
Buying Euro/selling yen	79	51	12	12
Total	¥ 28,085	¥ 87	¥ 45	¥ 45

March 31, 2014

	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	$ 207,829	$ 25	$ (181)	$ (181)
Selling Euro/buying yen	46,327		(18)	(18)
Selling GBP/buying yen	12,223		(6)	(6)
Selling AUD/buying yen	67,369		129	129
Buying U.S.$/selling yen	552	213	80	80
Buying Euro/selling yen	126		53	53
Buying AUD/selling Euro	16,502		(574)	(574)
Buying TWD/selling U.S.$	387		(9)	(9)
Total	$ 351,319	$ 239	$ (525)	$ (525)

Derivative Transactions to Which Hedge Accounting Is Applied

March 31, 2014

		Millions of Yen		
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value (Loss)
Foreign currency forward contracts—Accounted for under deferred hedge accounting method:				
Selling U.S.$/buying yen	Foreign currency forecasted transaction	¥ 9,921	¥ 5,689	¥ (405)
Buying U.S.$/selling yen		909	193	29
Buying Euro/selling yen		22		7
Buying Euro/selling U.S.$		10,074	5,329	296
Buying TWD/selling U.S.$		84		(1)
Buying KRW/selling U.S.$		4,029	2,766	184
Total		¥ 25,041	¥ 13,978	¥ 111
Other*[1]:				
Selling U.S.$/buying yen	Receivables	¥ 32		
Buying U.S.$/selling yen	Payables	365		
Buying Euro/selling yen		186		
Total		¥ 584		
Interest rate swaps*[2] (fixed rate payment, floating rate receipt)	Long-term debt	¥ 10,000	¥ 10,000	
Total		¥ 10,000	¥ 10,000	

March 31, 2013

	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.$/buying yen	Foreign currency forecasted transaction	¥ 1,863	¥ 513	¥ (220)
Buying U.S.$/selling yen		4,489	1,056	851
Buying Euro/selling yen		584	461	116
Buying SGD/selling yen		221		3
Total		¥ 7,158	¥ 2,031	¥ 752
Other*1:				
Selling U.S.$/buying yen	Receivables	¥ 693		
Buying U.S.$/selling yen	Payables	948	¥ 101	
Buying Euro/selling yen		372		
Buying SGD/selling yen		18		
Total		¥ 2,032	¥ 101	
Interest rate swaps*2 (fixed rate payment, floating rate receipt)	Current portion of long-term debt	¥ 10,000	¥ 10,000	
Total		¥ 10,000	¥ 10,000	

March 31, 2014

	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	$ 96,325	$ 55,234	$ (3,936)
Buying U.S.$/selling yen		8,831	1,877	286
Buying Euro/selling yen		218		74
Buying Euro/selling U.S.$		97,807	51,740	2,879
Buying TWD/selling U.S.$		816		(19)
Buying KRW/selling U.S.$		39,122	26,858	1,795
Total		$ 243,120	$ 135,710	$ 1,079
Other*1:				
Selling U.S.$/buying yen	Receivables	$ 311		
Buying U.S.$/selling yen	Payables	3,551		
Buying Euro/selling yen		1,811		
Total		$ 5,674		
Interest rate swaps*2 (fixed rate payment, floating rate receipt)	Long-term debt	$ 97,087	$ 97,087	
Total		$ 97,087	$ 97,087	

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

*2 Interest rate swap contracts accounted for under a specific method, are treated as part of the hedged long-term debt thus, their fair values are integrally computed with those of the hedged long-term debt. See Note 13 for the fair value of long-term debt.

15. CONTINGENT LIABILITIES

At March 31, 2014, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees on employees' housing loans	¥ 89	$ 871
Performance bond for an unconsolidated subsidiary	1,907	18,520

16. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Unrealized (loss) gain on available-for-sale securities:			
(Losses) gains arising during the year	¥ (2,619)	¥ 7,564	$ (25,429)
Reclassification adjustments to profit or loss		231	
Amount before income tax effect	(2,619)	7,796	(25,429)
Income tax effect	955	(2,721)	9,273
Total	¥ (1,664)	¥ 5,075	$ (16,156)
Deferred (loss) gain on derivatives under hedge accounting:			
Gains arising during the year	¥ 2,651	¥ 6,362	$ 25,739
Adjustment to acquisition cost of assets	(3,573)	(2,299)	(34,697)
Reclassification adjustments to profit or loss	(2,729)	(117)	(26,503)
Amount before income tax effect	(3,652)	3,945	(35,462)
Income tax effect	1,410	(1,497)	13,693
Total	¥ (2,242)	¥ 2,448	$ (21,768)
Foreign currency translation adjustments—			
Adjustments arising during the year	¥ 3,625	¥ 1,081	$ 35,194
Total	¥ 3,625	¥ 1,081	$ 35,194
Share of other comprehensive income of associates accounted for using the equity method—			
Gains arising during the year	¥ 104	¥ 85	$ 1,016
Total	¥ 104	¥ 85	$ 1,016
Total other comprehensive (loss) income	¥ (176)	¥ 8,690	$ (1,713)

17. NET INCOME PER SHARE

A reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2014 and 2013, is as follows:

Year Ended March 31, 2014

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted-Average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥ 13,447	259,030	¥ 51.91	$ 0.50

There is no dilutive effect for the year ended March 31, 2014.

Year Ended March 31, 2013

	Millions of Yen	Thousands of Shares	Yen
	Net Income	Weighted-Average Shares	EPS
Basic EPS—Net income available to common shareholders	¥ 16,077	259,053	¥ 62.06

There is no dilutive effect for the year ended March 31, 2013.

18. SUBSEQUENT EVENT

The following appropriation of retained earnings at March 31, 2014, was approved at the Company's shareholders' meeting on June 25, 2014:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥16.00 ($0.15) per share	¥ 4,144	$ 40,235

19. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) ***Description of Reportable Segments***

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

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

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

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

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

Year Ended March 31, 2014

	Millions of Yen				
	Reportable Segment Engineering	Other*1	Total	Reconcili-ations*2	Consoli-dated*3
Sales:					
Sales to external customers	¥ 441,615	¥ 4,532	¥ 446,147		¥ 446,147
Intersegment sales or transfers	14	6,280	6,295	¥ (6,295)	
Total	¥ 441,629	¥ 10,813	¥ 452,443	¥ (6,295)	¥ 446,147
Segment profit	¥ 20,788	¥ 282	¥ 21,070	¥ 8	¥ 21,079
Segment assets	470,188	4,773	474,961	326	475,288
Segment liabilities	267,501	1,781	269,283	7,973	277,257
Other:					
Depreciation	3,175	21	3,196		3,196
Amortization of goodwill	795	29	825		825
Investment in associated companies	5,375		5,375		5,375
Increase in property, plant and equipment and intangible assets	4,126	27	4,154		4,154

Year Ended March 31, 2013

	Millions of Yen				
	Reportable Segment Engineering	Other*1	Total	Reconcili-ations*2	Consoli-dated*3
Sales:					
Sales to external customers	¥ 392,037	¥ 6,881	¥ 398,918		¥ 398,918
Intersegment sales or transfers	9	8,504	8,513	¥ (8,513)	
Total	¥ 392,046	¥ 15,385	¥ 407,432	¥ (8,513)	¥ 398,918
Segment profit	¥ 24,499	¥ 848	¥ 25,348	¥ (235)	¥ 25,113
Segment assets	429,400	4,874	434,274	1,104	435,379
Segment liabilities	236,130	1,943	238,073	7,949	246,023
Other:					
Depreciation	2,593	22	2,616	(36)	2,580
Amortization of goodwill	5	35	41		41
Investment in associated companies	1,151		1,151		1,151
Increase in property, plant and equipment and intangible assets	9,215	43	9,259	(300)	8,958

Year Ended March 31, 2014

	Thousands of U.S. Dollars				
	Reportable Segment Engineering	Other*1	Total	Reconcili-ations*2	Consoli-dated*3
Sales:					
Sales to external customers	$ 4,287,526	$ 44,004	$ 4,331,530		$ 4,331,530
Intersegment sales or transfers	142	60,978	61,120	$ (61,120)	
Total	$ 4,287,668	$ 104,982	$ 4,392,651	$ (61,120)	$ 4,331,530
Segment profit	$ 201,825	$ 2,740	$ 204,566	$ 84	$ 204,651
Segment assets	4,564,932	46,344	4,611,277	3,174	4,614,451
Segment liabilities	2,597,104	17,300	2,614,404	77,414	2,691,819
Other:					
Depreciation	30,825	208	31,034		31,034
Amortization of goodwill	7,725	291	8,016		8,016
Investment in associated companies	52,186		52,186		52,186
Increase in property, plant and equipment and intangible assets	40,061	269	40,331		40,331

Notes for the year ended March 31, 2014:

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

*2 The detail of the reconciliations is as follows:

(1) The reconciliation in segment profit of ¥8 million ($84 thousand) is the elimination of intersegment trades.

(2) The reconciliation in segment assets of ¥326 million ($3,174 thousand) is the result of the elimination of intersegment trades of ¥(2,047) million ($(19,881) thousand) and the Group's assets of ¥2,374 million ($23,056 thousand), which are not included in the reportable segment.

(3) The reconciliation in segment liabilities of ¥7,973 million ($77,414 thousand) is the result of the elimination of intersegment trades of ¥(2,026) million ($(19,672) thousand) and the Group's liabilities of ¥10,000 million ($97,087 thousand), which are not included in the reportable segment.

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

Notes for the year ended March 31, 2013:

*[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 the reconciliations is as follows:

(1) The reconciliation in segment profit of ¥(235) million is the elimination of intersegment trades.

(2) The reconciliation in segment assets of ¥1,104 million is the result of the elimination of intersegment trades of ¥(2,066) million and the Group's assets of ¥3,170 million, which are not included in the reportable segment.

(3) The reconciliation in segment liabilities of ¥7,949 million is the result of the elimination of intersegment trades of ¥(2,050) million and the Group's liabilities of ¥10,000 million, which are not included in the reportable segment.

(4) The reconciliation in depreciation of ¥(36) million is the elimination of intersegment trades.

(5) The reconciliation in increase in property, plant and equipment and intangible assets of ¥(300) million is the elimination of intersegment trades.

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

Related Information

(1) *Information about Products and Services*

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

(2) *Information about Geographical Areas*

(*a*) *Revenue*

Year Ended March 31, 2014

	Millions of Yen	Thousands of U.S. Dollars
Japan	¥ 128,743	$ 1,249,936
Australia	114,894	1,115,482
Papua New Guinea	68,990	669,810
Malaysia	53,380	518,254
Others	80,138	778,046
Total	¥ 446,147	$ 4,331,530

Year Ended March 31, 2013

	Millions of Yen
Japan	¥ 150,800
Malaysia	83,685
Papua New Guinea	66,143
Australia	44,559
Others	53,729
Total	¥ 398,918

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

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

Year Ended March 31, 2014

	Millions of Yen	Thousands of U.S. Dollars
Japan	¥ 12,454	$ 120,914
Asia	1,746	16,957
Others	757	7,354
Total	¥ 14,958	$ 145,226

Year Ended March 31, 2013

	Millions of Yen
Japan	¥ 12,935
Asia	1,377
Others	234
Total	¥ 14,547

(3) *Information about Major Customers*

Year Ended March 31, 2014

Name	Related Segment	Millions of Yen	Thousands of U.S. Dollars
Ichthys Lng Pty Ltd.	Engineering	¥ 109,964	$ 1,067,617
Esso Highlands Ltd.	Engineering	68,788	667,847
Tokuyama Malaysia Sdn. Bhd	Engineering	49,934	484,804

Year Ended March 31, 2013

Name	Related Segment	Millions of Yen
Tokuyama Malaysia Sdn. Bhd	Engineering	¥ 82,921
Esso Highlands Ltd.	Engineering	65,159
Ichthys Lng Pty Ltd.	Engineering	42,185

(4) ***Information about Goodwill by Segments***

Ending balance of goodwill as of March 31, 2014 and 2013, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Engineering	¥ 11,930	¥ 180	$ 115,829
Other*	464	494	4,513
Total	¥ 12,395	¥ 675	$ 120,343

* Other involves temporary staffing services.

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Deloitte.

Deloitte Touche Tohmatsu LLC
Shinagawa Intercity
2-15-3, Konan
Minato-ku, Tokyo 108-6221
Japan
Tel:+81 (3) 6720 8200
Fax:+81 (3) 6720 8205
www.deloitte.com/jp

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Chiyoda Corporation:

We have audited the accompanying consolidated balance sheet of Chiyoda Corporation and its consolidated subsidiaries as of March 31, 2014, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Chiyoda Corporation and its consolidated subsidiaries as of March 31, 2014, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 25, 2014

Member of
Deloitte Touche Tohmatsu Limited

CHIYODA CORPORATION

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

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.

(As of August 2014)

FTSE4Good

Selected in FTSE Group's responsible investment index

THE GLOBAL COMPACT

Network Japan
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CHIYODA GROUP