



# CHIYODA

*Engineering a Better Tomorrow*

**ANNUAL REPORT 2000**

Fiscal Year Ended March 31, 2000

**CHIYODA CORPORATION**

## CONTENTS

- 1** Profile
- 2** A Message from the Management
- 4** Review of Operations
  - 4** Hydrocarbon Sector
  - 6** Non-Hydrocarbon Sector
  - 8** Main Projects
- 10** Financial Section
- 30** Corporate Directory
- 31** Board of Directors
- 31** Corporate Data

## PROFILE

Since its founding in 1948, Chiyoda Corporation has earned a strong reputation as a global engineering company with roots in the hydrocarbon processing industry. Leveraging its vast accumulated experience, Chiyoda has set its sights on becoming an integrated provider of engineering and construction services to customers around the world. The Company is now applying its technological and engineering expertise to the development of such areas as environmental systems, nonferrous metal processing, pharmaceutical manufacturing, food processing, factory automation, automotive plants, theme parks, and aerospace development. To better serve globally competitive markets, Chiyoda believes in continuous renewal to realize its mission of becoming the engineering company of choice for customers worldwide.



*Ethylene Plant (800,000 t/y)*  
*Exxon Chemical Singapore Private Ltd.*  
*(Chawan, Jurong Island, Singapore)*



*Ethylene Glycol Plant (450,000 t/y)*  
*Eastern Petrochemical Company (SHARQ)*  
*(Al-Jubail, The Kingdom of Saudi Arabia)*



*LNG Plant (3,300,000 t/y x 2)*  
*Oman LNG L.L.C.*  
*(Qalhat, Sultanate of Oman)*



Kiyomitsu Nishio  
President

***Dear shareholders, employees, and friends,***

For the fiscal year ending 31 March 2000, our operating and net income improved significantly, thereby returning Chiyoda to profitability for the first time in four years. Earnings from construction orders improved, and the Company managed to complete all unprofitable projects—which had severely burdened operating results in the past. Although Chiyoda has managed to return to modest profitability in fiscal 2000, it is with great regret that I have to inform our shareholders that we were not able to pay dividends for the year.

Domestic orders continued to be firm overall and totaled ¥53 billion, with impressive results from the chemical, pharmaceutical, and energy sectors. Regrettably, new international hydrocarbon-related orders fell short of expectations, and Chiyoda was only able to book orders worth ¥27 billion. This resulted in total orders of ¥80 billion for both domestic and international operations, in contrast to a target of ¥120 billion. The international market, particularly Asia and the Middle East, continued to be distinguished by intense competition and a dearth of major projects during fiscal 2000.

During fiscal 2000, the Company undertook significant rationalization measures, including most notably a reduction in personnel, which will enable it to reduce fixed costs by 13% as we move forward. Although the number of employees has been reduced, we have been diligent in ensuring that highly skilled employees were retained in order that core competencies necessary for project execution remain intact. In addition, several non-performing Group companies were liquidated, while the remaining companies were either streamlined or consolidated.

Environmental issues are of deep concern to Chiyoda and a key issue in Japan. In June 1999, the Company established an Environmental Project Division to consolidate Chiyoda's environment-related skills and technologies. We have recently successfully completed the development of our ambient-temperature catalytic dioxin decomposition technology for fly ash from incinerators.

Since our alliance with Kellogg Brown & Root, Inc. (KBR), was concluded, exchanges between the two companies have grown, as both parties are committed to expanding the relationship. We have enhanced our mutual understanding through these efforts and are convinced that the relationship will result in significant contributions to the profitability of both companies.

### **Resolutions for Fiscal 2001**

The most important issue facing Chiyoda is the need to secure a steady flow of orders that will sustain profitability. During fiscal 2001, we anticipate a modest improvement in capital spending in Asia and the Middle East. We will focus our efforts on improving international bookings while maintaining a healthy domestic order book. Chiyoda is resolved not to lose the trust of its customers and to make the improved financial results of fiscal 2000 a solid foundation for future growth.

The Company continues to focus on client satisfaction and continuous work process improvement in order to improve the competitiveness of its operations. Specific efforts include reducing overall project costs and schedules, reducing indirect costs, increasing use of low-cost engineering centers, and improving asset productivity through the use of advanced IT applications. We will continue to refine existing proprietary technologies and will only commit to R&D projects that have well defined business goals. In addition, we will continue our efforts to acquire new technologies with global applications in order to provide differentiation through technology.

I am pleased to announce that the LNG plant constructed by Chiyoda for the Qatar Liquefied Gas Co., Ltd. (QATARGAS), was chosen as the 1999 International Project of the Year by the Project Management Institute (PMI), the leading international nonprofit professional association in the area of Project Management. It was a real honor for Chiyoda to be presented with such a prestigious award.

Finally, I would like to acknowledge the support of various individuals and corporations this past year, in particular Mitsubishi Corporation, the Bank of Tokyo-Mitsubishi, Ltd., and KBR. Chiyoda will do its very best to live up to the hopes placed in us by all concerned and we will approach fiscal 2001 determined to improve all aspects of our operations. I hope that we can benefit from your continuing support in the months and years to come.

June 29, 2000



Kiyomitsu Nishio  
President

## Petroleum-, Petrochemical-, and Gas-Related Industries

# Hydrocarbon Sector



*Chiyoda completed a polycarbonate resin production plant in September 1999 at Jurong Island, Singapore, for Teijin Polycarbonate Singapore Pte., Ltd.*

### • Overview of the International Market

Southeast Asian countries have partially recovered from the financial and economic crises precipitated by the currency crisis of 1997, but investment in large-scale projects remains weak, which has resulted in shrinking demand for Chiyoda plants and other facilities in the region. There has also been a knock-on effect—as demand for hydrocarbon products in Asia remains slack, exporters to Asia located in other regions have also delayed or canceled investments in new facilities. Capital tie-ups and mergers among major oil companies throughout the world have resulted in all our planned new projects being put on hold. Given these adverse circumstances, Chiyoda did not have many projects to pursue in fiscal 2000, and the volume of new orders was substantially less than the Company had anticipated.

### • Middle East

Chiyoda is engaged in several major projects in the Middle East, which remains a major area of operations for the Company. Two large-scale petrochemical projects were completed—an aromatics project in Saudi Arabia and a methanol/methyl tertiary-butyl ether (MTBE) project in Qatar. The Qatar plant started methanol production in June 1999 and MTBE production in July 1999,

with the first shipment of 5,000 tons of methanol being exported to Canada in August 1999. Chiyoda's ethylene oxide/ethylene glycol (EO/EG) project in Saudi Arabia is proceeding very smoothly and is expected to be completed in advance of the contract date. One Middle East project was suspended and, although Chiyoda vigorously pursued two other major projects in the region, the Company was not ultimately awarded either contract.

In the LNG sector, Chiyoda has won high praise from Shell and other shareholders in Oman LNG L.L.C. for the Company's role in completing the largest grassroots LNG project in the world in just 38 months, well ahead of the contract date. Chiyoda's quality control procedures, Health Safety and Environment (HSE), and technical standards have also been highly praised by all interested parties. In Qatar, the Ras Laffan Liquefied Natural Gas Co., Ltd. (RASGAS), awarded Chiyoda an important contract to supply Front End Engineering Design (FEED) for two new trains, each of which are to be designed to have a capacity of 4.4 million tons a year.

### • Asia and China

In the Southeast Asian petrochemical sector, Chiyoda currently has one major project under way—the construction of an ethylene plant for ExxonMobil Chemical Company, as part of a world-scale US\$2 billion petrochemical complex at Jurong Island in Singapore. The chemical complex, which is fully integrated with existing facilities, includes a 480,000 tons a year polyethylene unit and a 275,000 tons a year polypropylene unit and is due for start up in the fourth quarter of calendar 2000.

The Company completed two remarkable projects in Asia. One is a condensate splitter unit for Shell Eastern Petroleum Pte., Ltd., and Petrochemical Corporation of Singapore Pte., Ltd., and the other is Taiwan CPDC's caprolactam plant with the world's largest production capacity of 120,000 tons a year.

Investment in Southeast Asia is gradually picking up, and Chiyoda received an important order from Teijin Polycarbonate Singapore Pte., Ltd., for a polycarbonate plant.



**Chiyoda successfully completed the 480,000 t/y Benzene and 220,000 t/y Cyclohexane production plant on schedule with 9.3 million incident-free manhours, in Al-Jobail, Saudi Arabia.**

China is a key emerging market where many major oil and chemical companies have large-scale investment plans. Chiyoda won two important contracts in China—the Company became the first Japanese contractor to be engaged in China on the construction of an LPG underground storage terminal, a project undertaken for BP Ningbo Huadong LPG Co., Ltd.

The other order is for a petrochemical project.

Chiyoda hopes to secure follow-up contracts by demonstrating its superior ability in the execution of these projects.

In LNG operations, Chiyoda has been awarded the FEED contract for Indonesia's next multi-train LNG project, Tangguh, with facilities to be constructed at Teluk Berau. When construction starts, this will be one of the biggest ongoing multi-billion dollar projects in the world. Also in Indonesia, Chiyoda has been selected by PT Badak NGL to carry out engineering, procurement and construction (EPC) work in connection with the modernization of trains constructed in the 1980s at the Batak plant in Bontang, the largest gas liquefaction complex ever constructed.

#### • CIS and South America

The Commonwealth of Independent States (CIS) and South America are also important markets for us—we are encouraged by the prospects of winning new contracts for natural gas projects in Sakhalin and other parts of Russia. In South America, we have been bidding for a variety of contracts in Venezuela and Argentina. The bid selection processes are underway and the results will be announced in fiscal 2001.

#### • Japan

In the domestic hydrocarbon sector, investment in new facilities has been restrained but Chiyoda has been awarded several crucial consulting contracts, including the Pacesetter Programme in partnership with Shell Global Solutions International B.V. Since LNG is becoming ever more important as its environmental impact is much less than that of other fuels, Japanese energy companies have been importing LNG from the Middle



East and Asia. In the fiscal year under review, Chiyoda was awarded a contract by the Tokyo Electric Power Company to improve its LNG facilities

#### • Outlook and Strategies

Chiyoda is confident that, from the beginning of fiscal 2000, the Company will be able to boost the flow of new petroleum and petrochemical contracts, given the continuing recovery in the economies of Southeast Asia. The wave of mergers in the oil and petrochemical industries appears to be abating, and this gives the Company cause for hope that the newly merged giants will now embark on new projects that have been stalled because of the uncertainties surrounding the mergers. Oil price hikes have greatly improved the financial position of many major oil producers; to take one example, the Saudi Arabian Oil Company (Saudi Aramco) is poised to embark on several contracts and will decide which contractors to use in fiscal 2001. In the coming fiscal year, in alliance with KBR, Chiyoda intends to reinforce its Rainbow Service® operations in the United States, which can provide EPC services of the high standard demanded by Japanese companies there. Chiyoda is also committed to the continued and sustained exploration of promising markets in the Middle East, Southeast Asia, the CIS, and Latin America. We are optimistic, too, that fiscal 2001 will bring an impressive array of new contracts in the domestic petroleum sector.

In LNG, the traditional import markets of Japan, Taiwan, and Korea are witnessing a trend towards the abolition of regulations governing electricity supply, and gas and power companies throughout the region are thus cautious in their attitude to new large-volume purchasing contracts. This is delaying the start of LNG projects in Australia and Southeast Asia. Consequently, there is a movement visible on the part of LNG ventures to capital participation in LNG receiving terminal projects in emerging LNG-consuming countries. Competition is

***In April 2000, an LNG complex of 6.6 million t/y capacity for Oman LNG L.L.C. was completed and started LNG shipment at Qalhat, the Sultanate of Oman. The complex was completed ahead of the contractual schedule with many excellent achievements. Chiyoda's contribution to the successful completion was enormous.***

intensifying among enterprises based on the Arabian peninsula that want to start grassroots and expansion projects targeting LNG-consuming India. Meanwhile, grassroots and expansion projects are shifting into a higher gear in Africa and Venezuela to cater to the North American and European markets, where deregulation of gas supplies is progressing. With an eye to these developments, Chiyoda intends to secure as many orders as it can in the coming year through alliances with other highly competitive contractors, leveraging the success it has had in the past year in Oman and in winning FEED contracts for other LNG ventures.

#### • Technology Spotlight

CT-BISA®, Chiyoda's new proprietary Bisphenol-A production technology, has established an excellent reputation in the industry because of the high quality Bisphenol-A produced using the technology. Prospects for Bisphenol-A are bright given continuing strong demand for polycarbonates in the world. Chiyoda was able to secure a plant expansion order in Japan in 1999 and has been received many requests and contacts from the clients. The CT-BISA® process won a 1999 Institute Award from Japan Petroleum Institute. We are confident that we will be able to win major petrochemical contracts as the recovery in Asian economies continues, and have had many inquiries for CT-BISA® technology from all over the world.

*Chiyoda completed Taiwan CPDC's Caprolactam Plant Project with the world's largest production capacity of 120,000 t/y. Chiyoda's biofiner carrier was installed in the waste water treatment facilities of the project.*



## Non-Hydrocarbon Sector

#### • Environmental Systems

In the course of the year under review, Chiyoda received several substantial orders for incinerators from companies in the waste products management industry in addition to undertaking a variety of land improvement and water management projects. Chiyoda was also chosen to install flue gas desulphurization equipment at the new electric power station being built by Kobe Steel, Ltd., in its hometown of Kobe.

#### • General Industrial Projects

In the general industrial sector, Chiyoda has always put the customer first and was rewarded in fiscal 2000 with a number of significant improvement and refurbishment construction orders. The Company completed construction of a tri-acetate cellulose (TAC) film production line for Konica Corp. TAC film is used in LCD polarizing plates and the factory where it will be manufactured was completed in Kobe in March 2000.

#### • Pharmaceuticals and Chemicals

In the pharmaceuticals sector, among several contracts won during fiscal 2000, two are worthy of particular note—one from Nippon Shinyaku Co., Ltd., for the construction of a new drug manufacturing plant, and another from Bayer Yakuhin, Ltd., for a chemical compounds R&D facility.

Chiyoda successfully completed its first overseas full-scale EPC pharmaceutical project in China, for Kirin Kunpeng (China) Bio-Pharmaceutical Co., Ltd.

Chiyoda received several orders for the refurbishment and expansion of facilities from the Japanese chemical industry despite a feeling among industry insiders that there is excess capacity in the sector.



*In September 1999, Chiyoda completed a pharmaceutical plant in Shanghai, China, for Kirin Kunpeng (China) Bio-Pharmaceutical Co., Ltd.*

#### • Automotive Plants

In the automobile sector, Chiyoda successfully completed many innovative projects. Chiyoda was the managing contractor for the construction of the most advanced diesel engine production facility in North America. This was a factory built in Ohio for DMAX, Ltd., a joint venture between General Motors Corp. and Isuzu Motors Ltd., and which has recently begun production of direct injection common rail V-8 diesels for General Motors' 2000 medium-duty pickup range.

Chiyoda achieved new standards in body-in-white quality assurance for General Motors (Thailand) Ltd. through turnkey delivery of body shop tooling and supply of stamping dies and their close matching, which raises the precision of the alignments of parts in the post-welded automobile body. Chiyoda also simultaneously completed integrated assembly shop turnkey projects for Opel Polska Sp.zo.o. and GM (Thailand), and a body shop turnkey project for GM India, Ltd., was realized within a very limited time frame. The success of these projects has led to new engineering contracts in the United States and Thailand.

#### • Short- and Medium-Term Outlook

In the chemical and pharmaceutical sectors, Chiyoda has high hopes that the coming few years will see an improvement in investments in comparatively large facilities overseas by our Japanese customers. Chiyoda anticipates that demand will continue to be firm for small- and medium-scale plant investments in Japan, and the Company is focusing on securing firm orders in these two sectors.

In the non-ferrous metals sector, and in particular in the copper refinery market, overseas there is a real thirst for investment in plant, and Chiyoda is aiming to leverage its vast expertise and secure a significant proportion of new orders in this market.



#### • Technology Outlook

At the end of June 1999, Chiyoda completed a movable demonstration plant using ambient-temperature catalytic dioxin decomposition technology, and is currently conducting demonstration tests at local government incineration facilities on actual fly ash. The data Chiyoda has amassed from these demonstration tests shows excellence of the technology. The results have been announced at academic conferences and in specialist magazines, and Chiyoda thinks this success will lead to increased demand for the technology. In November 1999, Chiyoda displayed this demonstration plant at INCHEM TOKYO '99, where it was a resounding success. In March 2000, a second movable demonstration model was completed in response to requests from customers, and Chiyoda is promoting sales by conducting further demonstration tests at local government facilities.

The Company is currently developing new applications for the technology used in these plants, including the simultaneous treatment of fly ash and flue gas. This project is being sponsored by NEDO (New Energy and Industrial Technology Development Organization—Government Agency).

A Dioxin Task Team was set up within the Environmental Project Division with the main responsibility for turning the technology into a commercially viable product. Chiyoda's Research and Development Center conducted the applied research, in fields ranging from dioxin analysis technology to data accumulation and operational responsiveness.

*In August 1999, Chiyoda completed this research center for Japan Tissue Engineering Co., Ltd., one of the world's leading tissue engineering companies, in Gamagori, Aichi Prefecture.*

**Petroleum-, Petrochemical-, and Gas-Related Industries**  
**Hydrocarbon Sector**
**NEW CONTRACTS**

- P.T. Badak NGL**  
 Project type: LNG Plant (DCS Retrofit)  
 Location: Bontang, Indonesia  
 Scheduled completion: September 2002
  
- PERTAMINA/BP Amoco Arco**  
 Project type: LNG Plant (FEED)  
 Location: Irian Jaya, Indonesia  
 Capacity: 3,000,000 t/y  
 Scheduled completion: March 2001
  
- Abu Dhabi Gas Liquefaction Company, Ltd.**  
 Project type: LP & BOG Capture Maximization (FEED)  
 Location: Das Island, U.A.E.  
 Scheduled completion: December 2000
  
- Ras Laffan Liquefied Natural Gas Co., Ltd.**  
 Project type: LNG Plant Expansion (FEED)  
 Location: Ras Laffan, Qatar  
 Capacity: 4,400,000 t/y x 2  
 Scheduled completion: September 2000
  
- BF Goodrich Company**  
 Project type: Speciality Chemicals Plant (FEED)  
 Location: Jurong, Singapore  
 Capacity: 27,000 t/y (Pheno)  
 Completion: September 1999
  
- SAL Petrochemical (Zhanjiagang) Co., Ltd.**  
 Project type: Polystyrene Plant  
 Location: Zhanjiagang, China  
 Capacity: 120,000 t/y  
 Scheduled completion: April 2002
  
- Mitsubishi Gas Chemical Company, Inc.**  
 Project type: Expansion of Chemical Plant  
 Location: Niigata, Japan  
 Scheduled completion: April 2000
  
- Teijin Polycarbonate Singapore Pte. Ltd.**  
 Project type: Polycarbonate Plant No.2  
 Location: Sakra, Singapore  
 Scheduled completion: November 2000
  
- Tokyo Electric Power Company**  
 Project type: LNG Facility  
 Location: Japan  
 Scheduled completion: January 2000
  
- Tokyo Electric Power Company**  
 Project type: LPG Facility  
 Location: Chiba, Japan  
 Scheduled completion: July 2000
  
- BP Ningbo Huadong LPG Co., Ltd.**  
 Project type: LPG Underground Storage Terminal  
 Location: Daxie Development Zone, Ningbo, China  
 Capacity: 1,600,000 t/y  
 Scheduled completion: June 2002

**BACKLOG OF CONTRACTS**

- Oman LNG L.L.C.**  
 Project type: LNG Plant  
 Location: Qalhat, Sultanate of Oman  
 Capacity: 3,300,000 t/y x 2  
 Scheduled completion: April 2000
  
- Exxon Chemical Singapore Private Ltd.**  
 Project type: Ethylene Plant  
 Location: Chawan, Jurong Island, Singapore  
 Capacity: 800,000 t/y  
 Scheduled completion: September 2000
  
- Eastern Petrochemical Company (SHARQ)**  
 Project type: Ethylene Glycol Plant  
 Location: Al-Jubail Industrial City, Saudi Arabia  
 Capacity: 450,000 t/y  
 Scheduled completion: August 2000
  
- State Concern Azerchimia**  
 Project type: Utility Modernization of Ethylene Plant  
 Location: Sumgait, Azerbaijan  
 Scheduled completion: March 2001
  
- China Petrochemical International Company**  
 Project type: PTA Plant  
 Location: Luoyang, China  
 Capacity: 225,000 t/y  
 Scheduled completion: June 2000
  
- Kansai International Airport Co., Ltd.**  
 Project type: Expansion work for Tank  
 Location: Osaka, Japan  
 Scheduled completion: August 2000
  
- Tokyo Electric Power Company**  
 Project type: LNG Facility  
 Location: Chiba, Japan  
 Scheduled completion: July 2001

**PROJECTS COMPLETED**

- Ministry of Oil and Gas Industry and Mineral Resources**  
 Project type: Naphtha Hydrotreater, Reformer with Continuous Catalytic Reforming (CCR), and Utilities and Off-site Facilities  
 Location: Turkmenbashi, Turkmenistan  
 Capacity: 750,000 t/y (Naphtha Hydrotreater), 750,000 t/y (Reformer with CCR)  
 Completion: January 2000
  
- Saudi Chevron Petrochemical Co.**  
 Project type: Benzene Plant and Cyclohexane Plant  
 Location: Al-Jubail Industrial City, Saudi Arabia  
 Capacity: 480,000 t/y (Benzene Plant), 220,000 t/y (Cyclohexane Plant)  
 Completion: May 1999
  
- Qatar Fuel Additives Co., Ltd. (QAFAC)**  
 Project type: Methanol/MTBE Plant  
 Location: Mesaieed, Qatar  
 Capacity: 2,500 t/d (Methanol), 1,830 t/d (MTBE)  
 Completion: June 1999
  
- China Petrochemical Development Corp. (CPDC)**  
 Project type: Caprolactam Plant  
 Location: Kaohsiung, Taiwan  
 Capacity: 120,000 t/y  
 Completion: December 1999
  
- Teijin Polycarbonate Singapore Pte. Ltd.**  
 Project type: Polycarbonate Plant No.1  
 Location: Sakra, Singapore  
 Completion: September 1999
  
- Tokyo Electric Power Company**  
 Project type: LNG Facility  
 Location: Chiba, Japan  
 Completion: February 2000
  
- Tokyo Gas Co., Ltd.**  
 Project type: Isolde Plant  
 Location: Tokyo, Japan  
 Completion: April 1999

(As of March 31, 2000)

## Non-Hydrocarbon Sector

### NEW CONTRACTS

- Nippon Shinyaku Co., Ltd.**  
Project type: Finishing Plant  
Location: Odawara, Japan  
Scheduled completion: April 2001
- Bayer Yakuhin, Ltd.**  
Project type: Chemistry Building  
Location: Kyoto, Japan  
Scheduled completion: May 2001
- Banyu Pharmaceutical Co., Ltd.**  
Project type: Bulk Pharmaceutical Plant & Research Building  
Location: Okazaki, Japan  
Scheduled completion: 2001
- Konica Corporation**  
Project type: Enhancing the TAC Film Products Plant  
Location: Kobe, Japan  
Scheduled completion: March 2001
- Jyogashima Suisan Co., Ltd.**  
Project type: Seafood Processing Factory  
Location: Miura-city, Japan  
Capacity: 2,400 Kg/d  
Scheduled completion: September 2000
- Fuji Coca-Cola Bottling Co., Ltd.**  
Project type: Office & Storehouse  
Location: Shizuoka, Japan  
Capacity: 1,979 m<sup>2</sup>  
Scheduled completion: July 2000
- Kobe Steel, Ltd.**  
Project type: Flue Gas Desulfurization Plant  
Location: Kobe, Japan  
Capacity: 700MW  
Scheduled completion: March 2004
- AM General Corporation**  
Project type: Program Management (Body, Paint, G/A Shops)  
Location: Mishawaka, Indiana, U.S.A.  
Capacity: 40,000 Cars/y  
Scheduled completion: December 2002

### BACKLOG OF CONTRACTS

- Fujisawa Pharmaceutical Co., Ltd**  
Project type: Finishing Facility  
Location: Toyama, Japan  
Scheduled completion: June 2001
- Department of Foreign Affairs and International Trade**  
Project type: Canadian Embassy Staff Quarters  
Location: Tokyo, Japan  
Capacity: 4,950m<sup>2</sup> (total floor area)  
Scheduled completion: March 2001
- Oriental Land Co., Ltd.**  
Project type: 5 Ride-attractions (Theme park)  
Location: Chiba, Japan  
Scheduled completion: August 2001
- Ishiya Co., Ltd.**  
Project type: Procurement of Façade Materials for Curling Hall  
Location: London, England  
Capacity: 50 Containers  
Scheduled completion: September 2000
- Japan Nuclear Fuel Limited**  
Project type: Utility Facility  
Location: Aomori, Japan  
Scheduled completion: January 2003
- National Space Development Agency of Japan (NASDA)**  
Project type: Development of Image Processing Unit  
Location: Japan  
Scheduled completion: March 2001

### PROJECTS COMPLETED

- Kyowa Hakko Kogyo Co., Ltd.**  
Project type: Bulk Pharmaceutical Plant  
Location: Yamaguchi, Japan  
Completion: January 2000
- Central Glass Co., Ltd.**  
Project type: Bulk Pharmaceutical Plant  
Location: Yamaguchi, Japan  
Capacity: 800 t/y  
Completion: March 2000
- Konica Corporation**  
Project type: TAC Film Products Plant  
Capacity: 20,000,000 m<sup>2</sup>/y  
Completion: March 2000
- C.E.Z. a.s.**  
Project type: Flue Gas Desulfurization Plant  
Location: Tusimice, Czech  
Capacity: 4 x 200MW  
(Lignite Fired Power Station)  
Completion: December 1999
- Onahama Smelting & Refining Co., Ltd.**  
Project type: Neutralized Gypsum Plant  
Location: Fukushima, Japan  
Capacity: 8,000 t/m  
Completion: November 1999
- Pipavav Ship Dismantling and Engineering Limited**  
Project type: Ship-Breaking Yard  
Location: Pipavav, India  
Capacity: 8 VLCCs (120,000GT)  
Completion: March 2000
- Kirin Kumpang (China) Bio-Pharmaceutical Co., Ltd.**  
Project type: Parenteral Drug Facility  
Location: Pudong New Area, Shanghai, China  
Completion: September 1999
- General Motors (Thailand) Limited**  
Project type: Body Shop & Die Supply  
Location: Rayong, Thailand  
Capacity: 40,000 Vehicles/y  
Completion: March 2000
- General Motors (Thailand) Limited**  
Project type: General Assembly Shop  
Location: Rayong, Thailand  
Capacity: 40,000 Vehicles/y  
Completion: March 2000
- General Motors India Limited**  
Project type: Body Shop  
Location: Halol, India  
Capacity: 137,000 Vehicles/y  
Completion: December 1999
- Opel Polska Sp. Zo. o.**  
Project type: General Assembly Shop  
Location: Gliwice, Poland  
Capacity: 24,000 Vehicles/y  
Completion: March 2000

(As of March 31, 2000)



## FINANCIAL SECTION

### CONSOLIDATED FIVE-YEAR FINANCIAL SUMMARY

Years ended March 31

	Millions of Yen				
	2000	1999	1998	1997	1996
<b>For the Year:</b>					
Construction contracts .....	<b>¥168,963</b>	¥312,234	¥303,476	¥445,350	¥389,671
Cost of construction contracts .....	<b>154,112</b>	308,703	329,446	478,031	371,875
Income (loss) before income taxes and minority interests.....	<b>1,553</b>	(10,534)	(49,796)	(50,305)	3,449
Net income (loss).....	<b>698</b>	(11,623)	(51,795)	(53,320)	1,597
<b>At Year-End:</b>					
Total assets.....	<b>¥153,099</b>	¥213,920	¥257,746	¥350,537	¥352,913
Total shareholders' equity.....	<b>8,181</b>	6,208	5,931	57,761	112,817
Working capital.....	<b>(19,594)</b>	(22,942)	(29,624)	20,945	74,019
Current ratio (%) .....	<b>84.5</b>	87.7	87.4	107.6	133.4
Long-term debt .....	<b>12,545</b>	13,518	7,569	8,401	8,936
<b>Per Common Share (Yen):</b>					
Net income (loss).....	<b>¥ 3</b>	¥ (58)	¥ (265)	¥ (273)	¥ 8
Shareholders' equity.....	<b>28</b>	25	30	296	578
<b>Other Statistics:</b>					
Number of shares outstanding* (thousands) .....	<b>248,357</b>	248,357	195,224	195,224	195,224

\*At year-end

## Operating Results

In fiscal 2000, ended March 31, 2000, total revenues from construction contracts on a consolidated basis reached ¥179,028 million (US\$1,689 million), a decrease of 45.8% from the previous year.

The cost of construction contracts decreased 50.1%, to ¥154,112 million (US\$1,454 million).

The cost of construction contracts as a percentage of construction contract revenues was 91.2%, an improvement of 7.7 percentage points from the previous fiscal year due to an improvement in gross profit from ongoing engineering and construction projects. Selling, general and administrative expenses decreased ¥1,476 million, to ¥15,004 million (US\$142 million) by the reduction of fixed costs. As a result, income before taxes and minority interests was ¥1,553 million (US\$15 million), up from a loss in the previous year, and net income per common share became ¥3 (US\$0.03). In light of this performance, the Company decided to forgo the payment of dividends for fiscal 2000.

During the term, the Company was awarded a total of ¥79,297 million (US\$748 million) in contracts. International contracts accounted for ¥26,322 million (US\$248 million), or 33.2% of the total, with domestic contracts making up the remaining ¥52,975 million (US\$499 million). The backlog of contracts at March 31, 2000, stood at ¥133,955 million (US\$1,264 million), with domestic contracts accounting for ¥86,635 million (US\$817 million) of the total and international contracts for ¥47,319 million (US\$445 million).

## Financial Position

As of March 31, 2000, total assets amounted to ¥153,099 million (US\$1,444 million), ¥60,821 million lower than a year earlier. Underpinning this decline was a ¥56,391 million fall in total current assets, to ¥107,129 million (US\$1,011 million). This fall in total current assets was due mainly to a ¥14,957 million downturn in marketable securities, to ¥25,321 million

(US\$239 million), a ¥14,249 million downturn in notes and accounts receivable—trade, to ¥22,867 million (US\$216 million), and a ¥14,070 million contraction in cash and cash equivalents, to ¥33,286 million (US\$314 million).

Total investments and other assets decreased ¥2,753 million, to ¥33,064 million (US\$312 million), primarily from the decrease of other investments.

On the other side of the balance sheet, total current liabilities decreased ¥59,739 million, to ¥126,723 million (US\$1,196 million), mainly because of reductions in notes and accounts payable—trade, advance receipts on construction contracts, and short-term bank loans. As a result, the current ratio was down from the previous fiscal year-end, to 84.5%.

Total shareholders' equity rose ¥1,973 million, to ¥8,181 million (US\$77 million). The shareholder's equity ratio was 5.3%, up from a year earlier.

## Cash Flows

Net cash used in operating activities totaled ¥16,524 million (US\$156 million), comprising ¥698 million (US\$7 million) in net income and ¥10,161 million (US\$95 million) in outflows from non-cash adjustments, and ¥16,028 million (US\$151 million) used by net changes in operating assets and liabilities.

Net cash provided by investing activities amounted to ¥20,716 million (US\$195 million), down ¥9,235 million, due primarily to proceeds from sales of marketable securities of ¥17,392 million (US\$164 million).

Net cash used in financing activities totaled ¥17,468 million (US\$165 million), as net decrease in short-term bank loans and repayments of long-term debt more than offset proceeds from long-term debt.

As a result, cash and cash equivalents, end of year, decreased ¥14,070 million, to ¥33,286 million (US\$314 million).



# CONSOLIDATED BALANCE SHEETS

Chiyoda Corporation and Consolidated Subsidiaries  
March 31, 2000 and 1999

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2000	1999*	2000
<b>Current Assets:</b>			
Cash and cash equivalents .....	¥ 33,286	¥ 47,356	\$ 314,019
Marketable securities (Notes 5 and 8) .....	25,321	40,278	238,877
Short-term investments.....	1,460	1,774	13,774
Notes and accounts receivable—trade (Notes 3 and 8).....	22,867	37,116	215,726
Allowance for doubtful accounts .....	(182)	(177)	(1,717)
Costs and estimated earnings on long-term construction contracts (Note 4) .....	4,887	9,668	46,104
Costs of construction contracts in process (Note 4) .....	12,005	18,211	113,255
Prepaid expenses and other (Note 3) .....	7,485	9,294	70,613
Total current assets .....	<u>107,129</u>	<u>163,520</u>	<u>1,010,651</u>
<b>Property, Plant and Equipment (Note 8):</b>			
Land .....	3,937	4,089	37,142
Buildings and structures .....	10,079	11,022	95,085
Machinery and equipment.....	15,267	17,342	144,028
Construction in progress.....	26	10	245
Total .....	<u>29,309</u>	<u>32,463</u>	<u>276,500</u>
Accumulated depreciation .....	<u>(16,403)</u>	<u>(17,880)</u>	<u>(154,745)</u>
Net property, plant and equipment .....	<u>12,906</u>	<u>14,583</u>	<u>121,755</u>
<b>Investments and Other Assets:</b>			
Investment securities (Note 5) .....	2,295	2,393	21,651
Investments in and advances to unconsolidated subsidiaries and associated companies (Note 6) .....	3,674	4,580	34,660
Long-term loans—net (Note 7).....	3,310	3,446	31,226
Long-term receivables—net (Note 7).....	16,256	17,091	153,358
Other investments.....	6,743	8,406	63,614
Allowance for doubtful accounts .....	(131)	(99)	(1,236)
Foreign currency translation adjustments .....	917		8,651
Total investments and other assets.....	<u>33,064</u>	<u>35,817</u>	<u>311,924</u>
<b>Total</b> .....	<u>¥153,099</u>	<u>¥213,920</u>	<u>\$1,444,330</u>

See notes to consolidated financial statements.

**LIABILITIES AND SHAREHOLDERS' EQUITY**

 Thousands of  
U.S. Dollars  
(Note 1)

	Millions of Yen		2000
	2000	1999*	
<b>Current Liabilities:</b>			
Short-term bank loans (Note 8).....	¥ 68,927	¥ 81,311	\$ 650,255
Current portion of long-term debt (Note 8).....	2,472	3,683	23,321
Notes and accounts payable—trade (Note 3) .....	36,596	59,664	345,245
Advance receipts on construction contracts .....	9,588	28,216	90,453
Allowance for financial support to subsidiaries .....	1,000	2,997	9,434
Accrued expenses and other .....	8,140	10,591	76,792
Total current liabilities.....	<u>126,723</u>	<u>186,462</u>	<u>1,195,500</u>
<b>Non-Current Liabilities:</b>			
Long-term debt (Note 8) .....	12,545	13,518	118,349
Liabilities for retirement benefits (Note 9).....	5,168	6,952	48,755
Other non-current liabilities .....	80	62	755
Foreign currency translation adjustments .....		34	
Total non-current liabilities .....	<u>17,793</u>	<u>20,566</u>	<u>167,859</u>
<b>Minority Interest</b> .....	<u>402</u>	<u>684</u>	<u>3,792</u>
<b>Contingent Liabilities</b> (Notes 3 and 13)			
<b>Shareholders' Equity</b> (Note 10):			
Common stock, ¥50 par value— authorized, 700,000 thousand shares; issued and outstanding, 248,357 thousand shares.....	20,385	20,385	192,311
Additional paid-in capital.....	23,654	23,654	223,151
Accumulated deficit .....	(35,858)	(37,831)	(338,283)
Treasury stock.....	(0)	(0)	(0)
Total shareholders' equity .....	<u>8,181</u>	<u>6,208</u>	<u>77,179</u>
<b>Total</b> .....	<u>¥153,099</u>	<u>¥213,920</u>	<u>\$1,444,330</u>

# CONSOLIDATED STATEMENTS OF OPERATIONS

Chiyoda Corporation and Consolidated Subsidiaries  
Years ended March 31, 2000 and 1999

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2000	1999	2000
<b>Construction Contracts</b> (Note 3) .....	<b>¥168,963</b>	¥312,234	<b>\$1,593,991</b>
<b>Cost of Construction Contracts</b> .....	<b>154,112</b>	308,703	<b>1,453,887</b>
Gross profit .....	<b>14,851</b>	3,531	<b>140,104</b>
<b>Selling, General and Administrative Expenses</b> .....	<b>15,004</b>	16,480	<b>141,547</b>
Operating loss .....	<b>153</b>	12,949	<b>1,443</b>
<b>Other Income (Expenses):</b>			
Interest and dividend income (Note 3) .....	<b>1,236</b>	1,689	<b>11,660</b>
Interest expense .....	<b>(1,556)</b>	(1,935)	<b>(14,679)</b>
Gain (loss) on sales of marketable and investment securities .....	<b>4,962</b>	(3,233)	<b>46,810</b>
Loss on devaluation of marketable securities .....	<b>(1,630)</b>	(990)	<b>(15,377)</b>
Equity in earnings of associated companies .....	<b>791</b>	711	<b>7,462</b>
Foreign exchange gain (loss) .....	<b>(414)</b>	316	<b>(3,906)</b>
Amortization of negative goodwill .....	<b>186</b>	—	<b>1,755</b>
Reversal of allowance for financial support to subsidiaries .....	<b>1,474</b>	—	<b>13,906</b>
Additional retirement benefits paid to employees .....	<b>(2,639)</b>	(3,693)	<b>(24,896)</b>
Provision for doubtful accounts .....	<b>(1,043)</b>	(1,769)	<b>(9,840)</b>
Gain on sales of property, plant and equipment .....	<b>168</b>	14,663	<b>1,585</b>
Gain on liquidation of subsidiaries .....	<b>386</b>	—	<b>3,642</b>
Loss on devaluation of land .....	<b>(210)</b>	—	<b>(1,981)</b>
Provision for loss on investment in subsidiaries and associated companies and investment securities .....	—	(1,437)	—
Provision for financial support to subsidiaries .....	—	(1,515)	—
Other—net .....	<b>(5)</b>	(392)	<b>(47)</b>
Other income—net .....	<b>1,706</b>	2,415	<b>16,094</b>
<b>Income (Loss) before Income Taxes and Minority Interests</b> .....	<b>1,553</b>	(10,534)	<b>14,651</b>
<b>Income Taxes</b> (Note 11):			
Current .....	<b>756</b>	1,151	<b>7,132</b>
Deferred .....	<b>87</b>	—	<b>821</b>
Total .....	<b>843</b>	1,151	<b>7,953</b>
<b>Minority Interests in Net (Income) Loss</b> .....	<b>(12)</b>	62	<b>(113)</b>
<b>Net Income (Loss)</b> .....	<b>¥ 698</b>	¥ (11,623)	<b>\$ 6,585</b>
	Yen		U.S. Dollars (Note 1)
<b>Net Income (Loss) per Common Share</b> (Note 2.1) .....	<b>¥ 3</b>	¥ (58)	<b>\$ 0.03</b>

See notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Chiyoda Corporation and Consolidated Subsidiaries  
Years ended March 31, 2000 and 1999

	Thousands	Millions of Yen			
	Shares of Common Stock	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Treasury Stock
<b>Balance, April 1, 1998</b> .....	195,224	¥14,753	¥18,022	¥(26,843)	¥(1)
Issuance of common stock (issued on March 30, 1999, at ¥212 per share) .....	53,133	5,632	5,632		
Net loss .....				(11,623)	
Bonuses to directors .....				(7)	
Adjustment of deficit for newly consolidated subsidiaries .....				642	
Decrease in treasury stock .....					1
<b>Balance, March 31, 1999</b> .....	248,357	20,385	23,654	(37,831)	(0)
Adjustment of deficit for:					
The adoption of deferred tax accounting method .....				348	
Newly consolidated subsidiaries .....				(57)	
Liquidation of consolidated subsidiaries .....				150	
Additional application of equity method .....				840	
Net income .....				698	
Bonuses to directors .....				(6)	
Increase in treasury stock .....					(0)
<b>Balance, March 31, 2000</b> .....	<u>248,357</u>	<u>¥20,385</u>	<u>¥23,654</u>	<u>¥(35,858)</u>	<u>¥(0)</u>

	Thousands of U.S. Dollars (Note 1)			
	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Treasury Stock
<b>Balance, March 31, 1999</b> .....	\$192,311	\$223,151	\$(356,905)	\$(0)
Adjustment of deficit for:				
The adoption of deferred tax accounting method .....			3,292	
Newly consolidated subsidiaries .....			(538)	
Liquidation of consolidated subsidiaries .....			1,415	
Additional application of equity method .....			7,925	
Net income .....			6,585	
Bonuses to directors .....			(57)	
Increase in treasury stock .....				(0)
<b>Balance, March 31, 2000</b> .....	<u>\$192,311</u>	<u>\$223,151</u>	<u>\$(338,283)</u>	<u>\$(0)</u>

See notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

Chiyoda Corporation and Consolidated Subsidiaries  
Years ended March 31, 2000 and 1999

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2000	1999*	2000
<b>Operating Activities:</b>			
Income (loss) before income taxes and minority interests .....	¥ 1,553	¥(10,534)	\$ 14,651
Adjustments for:			
Income taxes paid .....	(604)	(1,199)	(5,698)
Depreciation and amortization.....	2,134	3,126	20,132
(Reversal of) provision for allowance for doubtful accounts—net.....	(4,788)	356	(45,170)
Provision for loss on investment in subsidiaries and associated companies and investment securities.....		1,437	
Reversal of retirement benefits—net.....	(1,784)	(1,589)	(16,830)
(Reversal of) provision for financial support to subsidiaries .....	(1,681)	1,515	(15,858)
(Gain) loss on sales of marketable and investment securities—net .....	(4,962)	3,233	(46,810)
Loss on devaluation of marketable securities .....	1,630	990	15,377
Gain on sales of property, plant and equipment—net.....		(14,626)	
Foreign exchange loss—net.....	379		3,575
Bonuses to directors.....	(6)	(7)	(57)
Equity in earnings of associated companies.....	(791)	(711)	(7,462)
Changes in operating assets and liabilities:			
Decrease in notes and accounts receivable and costs and estimated earnings on long-term construction contracts .....	19,030	20,001	179,528
Decrease in costs of construction contracts in process.....	6,206	2,573	58,547
Decrease in interest and dividend receivable.....	432	513	4,075
Decrease in trade notes and accounts payable.....	(23,068)	(9,061)	(217,622)
Decrease in advance receipts on construction contracts.....	(18,628)	(4,328)	(175,736)
Other—net.....	8,424	(1,197)	79,471
Total adjustments .....	(18,077)	1,026	(170,538)
Net cash used in operating activities .....	(16,524)	(9,508)	(155,887)
<b>Investing Activities:</b>			
Proceeds from sales of marketable securities .....	17,392	1,953	164,075
Proceeds from sales of investment securities.....	734	1,421	6,925
Purchases of property, plant and equipment.....	(1,101)		(10,387)
Proceeds from sales of property, plant and equipment .....	1,300	24,197	12,264
Other—net.....	2,391	2,380	22,557
Net cash provided by investing activities .....	20,716	29,951	195,434
<b>Financing Activities:</b>			
Net decrease in short-term bank loans .....	(15,199)	(30,414)	(143,387)
Proceeds from long-term debt .....	2,437	10,000	22,991
Repayments of long-term debt .....	(4,621)	(2,212)	(43,594)
Proceeds from issuance of common stock .....		11,264	
Other—net.....	(85)	1,126	(802)
Net cash used in financing activities .....	(17,468)	(10,236)	(164,792)
<b>Foreign Currency Translation Adjustments on Cash and Cash Equivalents .....</b>	<b>(967)</b>		<b>(9,123)</b>
<b>Cash and Cash Equivalents of Newly Consolidated Subsidiaries, Beginning of Year .....</b>	<b>1,026</b>		<b>9,679</b>
<b>Cash and Cash Equivalents of Exclusion of Consolidated Subsidiaries, Beginning of Year .....</b>	<b>(853)</b>		<b>(8,047)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents.....</b>	<b>(14,070)</b>	<b>10,207</b>	<b>(132,736)</b>
<b>Cash and Cash Equivalents, Beginning of Year .....</b>	<b>47,356</b>	<b>37,149</b>	<b>446,755</b>
<b>Cash and Cash Equivalents, End of Year .....</b>	<b>¥33,286</b>	<b>¥ 47,356</b>	<b>\$314,019</b>

See notes to consolidated financial statements.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Chiyoda Corporation and Consolidated Subsidiaries  
Years ended March 31, 2000 and 1999

## 1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Effective April 1, 1999, consolidated statements of cash flows are required to be prepared under Japanese accounting standards, and those for the years ended March 31, 2000 and 1999, are presented herein.

A restructuring plan was introduced in 1998. The Company plans to seek support from shareholders, such as Mitsubishi Corporation, The Bank of Tokyo-Mitsubishi, Ltd. and Kellogg Brown & Root. Most of this plan has been successfully achieved as scheduled, however, due to the continuing lack of capital spending, combined with severe competition, new orders remain far below the plan. This has required additional restructuring including recognizing to effectively employ the resources and continuous support of the shareholders mentioned above. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

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. Also, certain reclassifications have been made to the 1999 financial statements in order for them to conform to the classifications used in 2000. In addition, the accompanying notes include certain information which is not required under accounting principles and practices generally accepted in Japan but is presented herein as additional information.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which 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 ¥106 to \$1, the approximate rate of exchange at March 31, 2000. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

## 2. Summary of Significant Accounting Policies

### **a. Consolidation**

The consolidated financial statements for the year ended March 31, 2000, include the accounts of the Company and its 33 (29 in 1999) significant subsidiaries (together, the "Group"). Effective April 1, 1999, the Group changed its consolidation scope of subsidiaries and associated companies from the application of the ownership concept to the control or influence concept in accordance with the new accounting standard for consolidation. Under the control or influence concept, those companies in which the Parent, directly and indirectly, has a control over operations are fully consolidated.

The consolidated financial statements for the year ended March 31, 1999, have not been retroactively restated to conform with the new consolidation accounting standard. The effect of accumulated deficit at April 1, 1999 arising from the change in the consolidation scope has been recognized as "Adjustment to accumulated deficit for newly consolidated subsidiaries" in the consolidated statements of shareholders' equity for the year ended March 31, 2000.

Investments in four (two in 1999) associated companies are accounted for by the equity method. Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

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

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

### **b. Construction Contracts**

Revenues on construction contracts greater than ¥5 billion and having a construction duration of more than 18 months is recognized on the percentage-of-completion method in the ratio of costs incurred to total estimated costs. Under this method, related costs and estimated earnings in excess of progress billings are presented as a current asset.

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

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

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

### **c. Cash and Cash Equivalents**

Cash equivalents include time deposits and short-term investments, all of which mature or become due within three months of the date of acquisition. The amount of cash and cash equivalents at March 31, 1999 was restated to conform with the presentation in 2000 from ¥49,130 million to ¥47,356 million.

### **d. Marketable and Investment Securities**

Marketable securities and other investment securities are, in principle, stated at cost as determined by the moving-average method. However, where its market value declines to less than half of the carrying value and such decline is deemed to be other than temporary, the value of the securities is written down to market.

### **e. Allowance for Doubtful Accounts**

Investments in and advances to unconsolidated subsidiaries and associated companies, long-term loans, long-term receivables and other investments are presented net of specific reserves for doubtful accounts provided for individual customers in the amounts of ¥2,188 million (\$20,642 thousand) and ¥5,743 million for the years ended March 31, 2000 and 1999, respectively.

An additional allowance for doubtful accounts is provided as a general reserve for possible losses arising from doubtful notes, accounts and loans receivable and plus the amount deductible for tax purposes.

### **f. Property, Plant and Equipment**

Property, plant and equipment are stated at cost. Depreciation is computed using the declining-balance method, except for the buildings owned by the Company and leased property owned by a certain leasing subsidiary which are computed using the straight-line method, based on the estimated useful lives of the assets.

### **g. Retirement Benefits**

The Company's provision for employees' retirement benefits is calculated to state the liability at the actuarially computed present value of severance payment costs for employees eligible for severance payments at each balance sheet date, less the amount funded in the pension plan.

The amounts contributed to the fund, including prior service costs, are charged to income when paid.

Retirement benefits to directors and corporate auditors are provided at the amount which would be required based on the Company's regulations, if all directors and corporate auditors terminated their offices at the end of each period.

### **h. Research and Development Costs**

Research and development costs are charged to income when incurred.

### **i. Leases**

All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's consolidated financial statements.

### **j. Income Taxes**

Effective April 1, 1999, the Group adopted the new accounting standard for interperiod allocation of income taxes based on the asset and liability method. Under the new accounting standards, deferred income taxes are recorded to reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured by applying currently enacted tax laws to the temporary differences. The cumulative effect of the application of interperiod tax allocation in prior years in the amount of ¥348 million (\$3,292 thousand) is included as an adjustment to accumulated deficit as of April 1, 1999. Such cumulative effect is calculated by applying the income tax rate stipulated by enacted tax laws as of April 1, 1999.

### **k. Foreign Currency Translations**

Short-term receivables and payables (including the current portion of long-term debt) denominated in foreign currencies are translated into Japanese yen at rates prevailing at the respective balance sheet dates except for those which are translated using the exchange rates set forth in the applicable forward exchange contracts.

Long-term receivables and payables denominated in foreign currencies are translated into Japanese yen at rates prevailing at the transaction dates except for those which are translated using the exchange rates set forth in the applicable forward exchange contract.

Foreign exchange gains and losses are recognized in the fiscal periods in which they occur.

The financial statements of foreign subsidiaries and associated companies are translated into Japanese yen at the exchange rates in effect at their respective balance sheet dates in compliance with Japanese accounting practices. "Foreign currency translation adjustments" in the consolidated financial statements result from such translation.

### I. Per Share Information

The computation of net income (loss) per share is based on the weighted average number of shares of common stock outstanding during each year. The average number of common shares used in the computation was 248,357 thousand shares for 2000 and 199,652 thousand shares for 1999, respectively.

Fully diluted net income per share is not disclosed because it is anti-dilutive.

### 3. Transactions with Non-Consolidated Subsidiaries and Associated Companies

Significant transactions with and balances due from/(to) non-consolidated subsidiaries and associated companies at March 31, 2000 and 1999, are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Transactions:			
Construction contract revenues .....	<b>¥6,425</b>	¥63,180	<b>\$60,613</b>
Interest and dividend income .....	<b>454</b>	195	<b>4,283</b>
Due from/(to):			
Notes and accounts receivable—trade .....	<b>685</b>	6,043	<b>6,462</b>
Short-term loans included in “Prepaid expenses and other” .....	<b>130</b>	1,183	<b>1,226</b>
Notes and accounts payable—trade .....	<b>(15)</b>	(911)	<b>(142)</b>

The Company has guaranteed the indebtedness of certain non-consolidated subsidiaries and associated companies in the amount of ¥6,130 million (\$57,830 thousand) at March 31, 2000.

### 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, 2000 and 1999, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Costs and estimated earnings .....	<b>¥76,245</b>	¥161,532	<b>\$719,292</b>
Amounts billed .....	<b>(71,358)</b>	(151,864)	<b>(673,188)</b>
Net .....	<b>¥ 4,887</b>	¥ 9,668	<b>\$ 46,104</b>

Costs of construction contracts in process which are accounted for by the completed-contract method at March 31, 2000 and 1999, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Costs incurred .....	<b>¥29,740</b>	¥28,882	<b>\$280,566</b>
Amounts billed .....	<b>(17,735)</b>	(10,671)	<b>(167,311)</b>
Net .....	<b>¥12,005</b>	¥18,211	<b>\$113,255</b>

## 5. Marketable and Investment Securities

The carrying amounts of marketable and debt securities and the related aggregate market values at March 31, 2000 and 1999, excluding those for certain securities for which market information was not available, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Current:			
Carrying amount.....	<b>¥24,097</b>	¥38,950	<b>\$227,330</b>
Aggregate market value.....	<b>20,553</b>	38,541	<b>193,896</b>
Net unrealized loss .....	<b>¥(3,544)</b>	¥ (409)	<b>\$ (33,434)</b>
Non-current:			
Carrying amount.....	<b>¥ 13</b>	¥ 9	<b>\$ 123</b>
Aggregate market value.....	<b>14</b>	7	<b>132</b>
Net unrealized gain (loss).....	<b>¥ 1</b>	¥ (2)	<b>\$ 9</b>

The difference between the above carrying value and the amounts shown in the accompanying consolidated balance sheets principally consists of money management funds and non-marketable securities for which there is no readily-available market from which to obtain or calculate the market value thereof.

## 6. Investments in and Advances to Non-consolidated Subsidiaries and Associated Companies

Investments in and advances to non-consolidated subsidiaries and associated companies at March 31, 2000 and 1999, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Investments.....	<b>¥3,139</b>	¥2,630	<b>\$29,613</b>
Advances .....	<b>535</b>	1,950	<b>5,047</b>
Total.....	<b>¥3,674</b>	¥4,580	<b>\$34,660</b>

## 7. Long-Term Loans and Long-Term Receivables

Long-term receivables at March 31, 2000 and 1999, include ¥15,440 million (\$145,660 thousand) from Nigerian National Petroleum Company ("NNPC") relating to services performed by the Company in 1998. The Company has negotiated payment terms with NNPC but the collectibility of the receivable is uncertain due to the economical and political circumstances in Nigeria. A portion of the outstanding balance, ¥1,698 million (\$16,019 thousand), was collected on June 19, 2000.

The Company also has receivables and other assets at March 31, 2000 and 1999, totaling ¥6,261 million (\$59,066 thousand) from KAFCO, a Bangladesh company, and its related parties as follows. KAFCO has been under financial reconstruction with assistance by International Finance Organization and the other related countries.

	Millions of Yen	Thousands of U.S. Dollars
Account receivable.....	¥ 316	\$ 2,981
Prepaid expenses and other .....	537	5,066
Investment securities.....	1,347	12,708
Long-term loan .....	4,061	38,311

Management expects to fully collect on these receivables and the financial statements do not include any adjustments that might result from the outcome of these uncertainties.

## 8. Short-Term Bank Loans and Long-Term Debt

Short-term bank loans bear interest ranging from 1.500% to 2.625% at March 31, 2000 and principally 1.4% at March 31, 1999 per annum. Short-term debt at March 31, 2000, consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
Collateralized .....	¥23,332	\$220,113
Uncollateralized .....	45,595	430,142
Total .....	<u>¥68,927</u>	<u>\$650,255</u>

Long-term debt at March 31, 2000 and 1999, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Long-term loans from banks and insurance companies, maturing serially through 2010, with interest rates ranging from 0.71% to 7.70% (2000) and from 1.87% to 7.70% (1999):			
Collateralized .....	¥ 1,476	¥ 2,220	\$ 13,925
Uncollateralized .....	13,541	14,981	127,745
Total .....	15,017	17,201	141,670
Current portion .....	(2,472)	(3,683)	(23,321)
Total .....	<u>¥12,545</u>	<u>¥13,518</u>	<u>\$118,349</u>

Subordinated loan in the amount of ¥10,000 million (\$94,340 thousand) from The Bank of Tokyo-Mitsubishi, Ltd. was included in 'Uncollateralized' at March 31, 2000.

Annual maturities of long-term debt at March 31, 2000, were as follows:

Years Ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2001 .....	¥ 2,472	\$ 23,321
2002 .....	1,079	10,179
2003 .....	10,914	102,962
2004 .....	230	2,170
2005 and thereafter .....	322	3,038
Total .....	<u>¥15,017</u>	<u>\$141,670</u>

The following assets were pledged as collateral for short-term bank loans at March 31, 2000:

	Millions of Yen	Thousands of U.S. Dollars
Marketable securities .....	¥21,959	\$207,160
Land .....	746	7,038
Buildings—net of accumulated depreciation .....	288	2,717
Total .....	<u>¥22,993</u>	<u>\$216,915</u>

The following assets were pledged as collateral for long-term debt at March 31, 2000:

	Millions of Yen	Thousands of U.S. Dollars
Notes and accounts receivable—trade .....	¥ 960	\$ 9,057
Land .....	695	6,557
Buildings—net of accumulated depreciation .....	1,323	12,481
Total .....	<u>¥2,978</u>	<u>\$28,095</u>



---

## 9. Retirement and Pension Plan

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

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

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

Retirement benefits at March 31, 2000, include retirement benefits to directors and corporate auditors in the amount of ¥437 million (\$4,123 thousand). The retirement benefits to directors and corporate auditors are paid subject to the approval of the shareholders.

The assets of the fund as of March 31, 2000 and 1999, totaled ¥6,675 million (\$62,972 thousand) and ¥7,587 million, respectively.

Severance and pension expenses aggregated ¥1,719 million (\$16,217 thousand) and ¥2,711 million for the years ended March 31, 2000 and 1999, respectively.

---

## 10. Shareholders' Equity

At March 31, 2000 and 1999, the authorized number of shares was 700,000 thousand shares of common stock with a par value of ¥50 per share and 80,000 thousand shares of non-voting, non-cumulative preferred stock without par value.

Under the Commercial Code of Japan (the "Code"), at least 50% of the issue price of new shares, with a minimum of the par value thereof, is required to be designated as stated capital. The portion which is to be designated as stated capital is determined by resolution of the Board of Directors. Proceeds in excess of the amounts designated as stated capital are to be credited to additional paid-in capital.

Under the Code, amounts equal to at least 10% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each fiscal period must be set aside as a legal reserve until such reserve equals 25% of stated capital. This reserve amount, which is included in accumulated deficit, totals ¥2,970 million (\$28,019 thousand) and ¥2,927 million as of March 31, 2000 and 1999, respectively, and is not available for dividends but may be used to reduce a deficit or may be transferred to stated capital.

The Company may also transfer, upon approval of the shareholders, a portion of unappropriated retained earnings available for dividends to the capital stock account.

---

## 11. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 42% and 47% for the years ended March 31, 2000 and 1999, respectively.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2000, are as follows:

Year Ending March 31, 2000	Millions of Yen	Thousands of U.S. Dollars
Deferred tax assets:		
Tax loss carryforwards .....	¥44,388	\$418,755
Cost of construction contracts .....	2,321	21,896
Retirement benefits .....	2,147	20,255
Loss on long-term construction contracts .....	734	6,925
Write-off of accounts receivable .....	701	6,613
Allowance for doubtful accounts .....	671	6,330
Allowance for loss on investment .....	581	5,481
Loss on devaluation of costs of construction contracts in process .....	425	4,009
Allowance for financial support to subsidiaries.....	420	3,962
Other .....	2,245	21,179
Less valuation allowance.....	(54,379)	(513,009)
Total .....	254	2,396
Deferred tax liabilities .....	57	538
Net deferred tax assets .....	¥ 197	\$ 1,858

---

A reconciliation between the normal effective statutory tax rate for the year ended March 31, 2000, and the actual effective tax rates reflected in the accompanying consolidated statement of operations, is as follows:

	Year Ended March 31, 2000
Normal effective statutory tax rate.....	42%
Expenses not deductible for income tax purposes.....	12
Effect of taxation on dividends.....	(8)
Inhabitant taxes per capita levy.....	4
Foreign income taxes.....	13
Tax loss carryforwards.....	(28)
Equity in earnings of associated companies.....	(22)
Operating losses of subsidiaries.....	45
Lower income tax rates applicable to income in certain foreign countries.....	(4)
Actual effective tax rate.....	<u>54%</u>

The normal effective tax rate reflected in the accompanying consolidated statement of operations for the year ended March 31, 1999, differs from the actual effective tax rate, primarily due to the effect of permanently non-deductible expenses and temporary differences in the recognition of asset and liability items for tax and financial reporting purposes.

Under the current Japanese tax regulations, a net operating loss can be carried forward for five years and deducted from any future taxable income. The Company and consolidated subsidiaries have a net operating loss carryforward of approximately ¥105,830 million (\$998,396 thousand) at March 31, 2000.

## 12. Research and Development Costs

Research and development costs charged to income were ¥1,041 million (\$9,821 thousand) and ¥410 million for the years ended March 31, 2000 and 1999, respectively.

## 13. Leases

Income from equipment and a subsidiary lease for the years ended March 31, 2000 and 1999, was ¥340 million (\$3,208 thousand) and ¥323 million, respectively.

The Company and a subsidiary lease certain machinery, computer equipment, office space and other assets. Total rental expenses under the above leases were ¥93 million (\$877 thousand) and ¥41 million for the years ended March 31, 2000 and 1999, respectively.

Pro forma information of leased property under finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2000 and 1999, was as follows:

	For Lessor					
	Millions of Yen			Thousands of U.S. Dollars		
	Machinery and Equipment	Other	Total	Machinery and Equipment	Other	Total
<b>Year Ended March 31, 2000</b>						
Acquisition cost .....	<b>¥1,473</b>	<b>¥134</b>	<b>¥1,607</b>	<b>\$13,896</b>	<b>\$1,264</b>	<b>\$15,160</b>
Accumulated depreciation .....	<b>1,229</b>	<b>93</b>	<b>1,322</b>	<b>11,594</b>	<b>877</b>	<b>12,471</b>
Net leased property .....	<b>¥ 244</b>	<b>¥ 41</b>	<b>¥ 285</b>	<b>\$ 2,302</b>	<b>\$ 387</b>	<b>\$ 2,689</b>

	For Lessee					
	Millions of Yen			Thousands of U.S. Dollars		
	Machinery and Equipment	Other	Total	Machinery and Equipment	Other	Total
Year Ended March 31, 1999						
Acquisition cost .....	¥ 302	¥ 31	¥ 333	\$ 2,849	\$ 292	\$ 3,141
Accumulated depreciation .....	138	12	150	1,302	113	1,415
Net leased property .....	¥ 164	¥ 19	¥ 183	\$ 1,547	\$ 179	\$ 1,726

	Millions of Yen		Thousands of U.S. Dollars	
	Unearned Lease Income (As Lessor)	Obligations under Finance Lease (As Lessee)	Unearned Lease Income (As Lessor)	Obligations under Finance Lease (As Lessee)
	<b>Year Ended March 31, 2000</b>			
Due within one year .....	<b>¥248</b>	<b>¥ 92</b>	<b>\$2,340</b>	<b>\$ 868</b>
Due after one year .....	<b>300</b>	<b>91</b>	<b>2,830</b>	<b>858</b>
Total .....	<b>¥548</b>	<b>¥183</b>	<b>\$5,170</b>	<b>\$1,726</b>

	Millions of Yen	
	Unearned Lease Income (As Lessor)	Obligations under Finance Lease (As Lessee)
	Year Ended March 31, 1999	
Due within one year .....	¥279	¥24
Due after one year .....	563	29
Total .....	<b>¥842</b>	<b>¥53</b>

Depreciation expense for lessor, which is reflected in the accompanying consolidated statements of operations, computed by the straight-line method was ¥238 million (\$2,245 thousand) for the year ended March 31, 2000.

Depreciation expense for lessee, which is not reflected in the accompanying consolidated statements of operations, computed by the straight-line method was ¥93 million (\$877 thousand) for the year ended March 31, 2000.

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

## 14. Derivatives

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

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

The basic policies for the use of derivatives are approved by the management and the execution and control of derivatives are controlled by the Company's Financing Department. Each derivative transaction is periodically reported to the Company's Accounting Department and executive directors.

Forward exchange contracted amounts which are assigned to associated assets or liabilities and are reflected on the balance sheet at year end are not subject to the disclosure of market value information.

The total of forward exchange contracted amounts which were not reflected on the consolidated balance sheets and currency option contracts as of March 31, 2000 and 1999, were as follows:

Year Ended March 31, 2000	Millions of Yen		
	Amount of Foreign Currency	Equivalent Yen Valued at Forward Exchange Rate	Equivalent Yen Valued at Forward Exchange Rate as of March 31, 2000
Foreign exchange forward contracts:			
Buying forward:			
U.S. dollars.....	<b>48,658 thousand</b>	<b>¥5,182</b>	<b>¥5,025</b>
German marks .....	<b>9,569 thousand</b>	<b>629</b>	<b>485</b>
Singapore dollars.....	<b>5,872 thousand</b>	<b>354</b>	<b>355</b>
Other.....		<b>169</b>	<b>162</b>
Total.....		<b>¥6,334</b>	<b>¥6,027</b>
Selling forward:			
U.S. dollars.....	<b>8,186 thousand</b>	<b>¥ 866</b>	<b>¥ 853</b>
Other.....		<b>20</b>	<b>20</b>
Total.....		<b>¥ 886</b>	<b>¥ 873</b>

	Millions of Yen	
	Contract Amount	Fair Value
Currency options contracts:		
Call:		
U.S. dollars .....	¥3,804	
(Option premiums on balance sheet) .....	(166)	¥18
Put:		
U.S. dollars .....	¥3,312	
(Option premiums on balance sheet) .....	(166)	¥49

Year Ended March 31, 2000	Millions of Yen		
	Amount of Foreign Currency	Equivalent Yen Valued at Forward Exchange Rate	Equivalent Yen Valued at Forward Exchange Rate as of March 31, 1999
Foreign exchange forward contracts:			
Buying forward:			
U.S. dollars.....	106,022 thousand	¥12,281	¥12,321
German marks .....	33,802 thousand	2,430	2,215
Singapore dollars.....	26,944 thousand	1,881	1,845
Other .....		994	971
Total .....		<u>¥17,586</u>	<u>¥17,352</u>
Selling forward:			
U.S. dollars.....	26,294 thousand	¥ 3,241	¥ 2,871
Other .....		95	80
Total .....		<u>¥ 3,336</u>	<u>¥ 2,951</u>

## 15. Subsequent Event

The following proposed disposition of accumulated deficit of the Company at March 31, 2000, was approved at the shareholders meeting held on June 29, 2000:

	Millions of Yen	Thousands of U.S. Dollars
Balance of accumulated deficit at March 31, 2000 to be carried forward .....	¥41,961	\$395,858

## 16. Segment Information

Information about foreign operations and sales to foreign customers of the Company and consolidated subsidiaries for the years ended March 31, 2000 and 1999, was as follows:

### (1) Foreign Operations

Year Ended March 31, 2000	Millions of yen						Eliminations (Corporate)	Consolidated
	Japan	Asia	Europe	North America	Other	Subtotal		
Construction contract revenue:								
Outside customers.....	¥161,075	¥5,367	¥520	¥2,001		¥168,963		¥168,963
Intersegment .....	19,406	547	390	76		20,419	¥(20,419)	
Total.....	<u>180,481</u>	<u>5,914</u>	<u>910</u>	<u>2,077</u>		<u>189,382</u>	<u>(20,419)</u>	<u>168,963</u>
Operating expenses .....	181,553	5,908	923	1,918	¥ 30	190,332	(21,216)	169,116
Operating income (loss).....	<u>¥ (1,072)</u>	<u>¥ 6</u>	<u>¥ (13)</u>	<u>¥ 159</u>	<u>¥ (30)</u>	<u>¥ (950)</u>	<u>¥ 797</u>	<u>(153)</u>
Other income and expenses—net .....								<u>1,706</u>
Income before income taxes and minority interests .....								<u>¥ 1,553</u>
Assets .....	<u>¥153,614</u>	<u>¥6,005</u>	<u>¥427</u>	<u>¥1,081</u>	<u>¥418</u>	<u>¥161,545</u>	<u>¥ (8,446)</u>	<u>¥153,099</u>

Year Ended March 31, 2000	Thousands of U.S. Dollars							Eliminations (Corporate)	Consolidated
	Japan	Asia	Europe	North America	Other	Subtotal			
Construction contract revenue:									
Outside customers .....	\$1,519,576	\$50,632	\$4,906	\$18,877		\$1,593,991		\$1,593,991	
Intersegment .....	183,075	5,161	3,679	717		192,632	\$(192,632)		
Total .....	1,702,651	55,793	8,585	19,594		1,786,623	(192,632)	1,593,991	
Operating expenses.....	1,712,764	55,736	8,708	18,094	\$ 283	1,795,585	(200,151)	1,595,434	
Operating income (loss) .....	\$ (10,113)	\$ 57	\$ (123)	\$ 1,500	\$ (283)	\$ (8,962)	\$ 7,519	(1,443)	
Other income and expenses—net .....								16,094	
Loss before income taxes and minority interests.....								\$ 14,651	
Assets .....	\$1,449,189	\$56,651	\$4,028	\$10,198	\$3,943	\$1,524,009	\$ (79,679)	\$1,444,330	

Year Ended March 31, 1999	Millions of yen							Eliminations (Corporate)	Consolidated
	Japan	Asia	Europe	North America	Other	Subtotal			
Construction contract revenue:									
Outside customers .....	¥296,288	¥10,562	¥ 145	¥5,202	¥ 37	¥312,234		¥312,234	
Intersegment .....	19,465	995	6,750	412	7	27,629	¥(27,629)		
Total .....	315,753	11,557	6,895	5,614	44	339,863	(27,629)	312,234	
Operating expenses .....	326,781	13,782	6,890	5,213	60	352,726	(27,543)	325,183	
Operating income (loss) .....	¥ (11,028)	¥ (2,225)	¥ 5	¥ 401	¥(16)	¥ (12,863)	¥ (86)	(12,949)	
Other income and expenses—net .....								2,415	
Loss before income taxes and minority interests .....								¥ (10,534)	
Assets .....	¥215,470	¥ 4,013	¥ 471	¥1,707	¥ 25	¥221,686	¥ (7,766)	¥213,920	

Notes: 1. The Company and consolidated subsidiaries are summarized in five segments by geographic area based on the countries where the Companies are located.

The segments consisted of the following countries in 2000 and 1999, respectively:

Year Ended March 31, 2000

Asia: Indonesia, Singapore, Philippines, Myanmar, Malaysia

Europe: United Kingdom, Germany, Poland

North America: United States of America

Other: Nigeria

Year Ended March 31, 1999

Asia: Indonesia, Singapore, Philippines, Myanmar

Europe: United Kingdom, Germany

North America: United States of America

Other: Australia

2. Corporate assets mainly consist of long-term loans and investment securities of the Company. Corporate assets as of March 31, 2000 and 1999, were ¥1,834 million (\$17,302 thousand) and ¥5,691 million, respectively.

**(2) Sales to Foreign Customers**

	Millions of Yen			
	Asia	The Near and Middle East	Other	Total
<b>Year Ended March 31, 2000</b>				
Overseas sales (A) .....	<b>¥44,038</b>	<b>¥35,722</b>	<b>¥20,083</b>	<b>¥ 99,843</b>
Consolidated sales (B) .....				<b>168,963</b>
(A)/(B).....	<b>26.06%</b>	<b>21.14%</b>	<b>11.89%</b>	<b>59.09%</b>

	Thousands of U.S. Dollars			
	Asia	The Near and Middle East	Other	Total
<b>Year Ended March 31, 2000</b>				
Overseas sales (A).....	<b>\$415,453</b>	<b>\$337,000</b>	<b>\$189,462</b>	<b>\$ 941,915</b>
Consolidated sales (B).....				<b>1,593,991</b>

	Millions of Yen			
	Asia	The Near and Middle East	Other	Total
<b>Year Ended March 31, 1999</b>				
Overseas sales (A).....	¥86,742	¥112,127	¥27,950	¥226,819
Consolidated sales (B).....				312,234
(A)/(B).....	27.78%	35.91%	8.95%	72.64%

Note: The Company and consolidated subsidiaries are summarized in three segments by geographic area based on the countries where the Companies are located.

The segments consist of the following countries:

Year Ended March 31, 2000

Asia: China, Singapore, Thailand and others

The Near and Middle East: Qatar, Oman,

Saudi Arabia and others

Other: Poland, Turkmenistan, Azerbaijan,

United States of America and others

Year Ended March 31, 1999

Asia: Indonesia, Singapore, Malaysia, Myanmar and others

The Near and Middle East: Qatar, Oman, Saudi Arabia and others

Other: Poland, Turkmenistan, Slovakia,

United States of America, Canada and others

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



## OPINION OF INDEPENDENT PUBLIC ACCOUNTANTS

**Tohmatsu & Co.**  
MS Shibaura Building  
13-23, Shibaura 4-chome,  
Minato-ku, Tokyo 108-8530, Japan

Tel: +81-3-3457-7321  
Fax: +81-3-3769-8508  
www.tohmatsu.co.jp

**Deloitte  
Touche  
Tohmatsu**

### Independent Auditors' Report

To the Board of Directors and Shareholders of Chiyoda Corporation:

We have examined the consolidated balance sheets of Chiyoda Corporation and consolidated subsidiaries as of March 31, 2000 and 1999, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As described in Note 7, the balance sheet at March 31, 2000 includes receivables and other accounts from Nigerian National Petroleum Company and KAFCO totaling ¥15,440 million (\$145,660 thousand) and ¥6,261 million (\$59,066 thousand), respectively. The collectability of these receivables is uncertain due principally to the economical and political circumstances in the respective countries. Management expects to fully collect on these receivables. In addition, as discussed in Note 1, the Company is in a restructuring plan and constant support from certain shareholders has been and will be required. The financial statements do not include any adjustments that might result from the ultimate outcome of these uncertainties.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Chiyoda Corporation and consolidated subsidiaries as of March 31, 2000 and 1999, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

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



June 29, 2000

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan. The standards, procedures and practices to audit and opinion on such financial statements are those which are generally accepted and applied in Japan.

**OFFICES****Yokohama Head Office**

Bldgs. No. 1, 2, and 3,  
12-1, Tsurumichuo 2-chome,  
Tsurumi-ku, Yokohama 230-8601, Japan  
Tel: 81-45-521-1231 Fax: 81-45-503-0200

**Chiyoda Research Park**

13, Moriya-cho 3-chome,  
Kanagawa-ku, Yokohama 221-0022, Japan  
Tel: 81-45-441-1268 Fax: 81-45-441-1299

**REPRESENTATIVE OFFICES****Chiyoda Abu Dhabi Representative Office**

P.O. Box 43928 Old ADGAS Building,  
4th Floor—Suite No. 22 Corniche Road,  
Abu Dhabi, United Arab Emirates  
Tel: 971-2-6271-733 Fax: 971-2-6271-744

**Chiyoda Beijing Representative Office**

Room No. 616, China World Trade Center  
No. 1, Jianguomenwai Avenue,  
Beijing 100004, China  
Tel: 86-10-6505-2678 Fax: 86-10-6505-1118

**Chiyoda Jakarta Representative Office**

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

**Chiyoda Singapore Representative Office**

14 International Business Park, Jurong East,  
Singapore 609922, The Republic of Singapore  
Tel: 65-560-1274 Fax: 65-560-2563

**Chiyoda Tehran Branch Office**

2nd Floor, No. 16,  
Mahtab St., Aftab St.,  
Vanak Avenue,  
Tehran 19949 Iran  
Tel: 98-21-8036391 Fax: 98-21-8058967

**Singapore Human Resources Office**

10 Anson Road, #28-06A International Plaza,  
Singapore 079903, The Republic of Singapore  
Tel: 65-324-0080 Fax: 65-324-0090

**OVERSEAS SUBSIDIARIES****Chiyoda International Corporation**

1177 West Loop South, Suite 1302,  
Houston, TX 77027, U.S.A.  
Tel: 1-713-965-9005 Fax: 1-713-965-0075

**Chiyoda International Limited**

4th Floor, Dorland House, 20 Regent Street,  
London SW1Y 4PH, U.K.  
Tel: 44-20-7867-1221 Fax: 44-20-7867-1414

**Chiyoda Deutschland GmbH**

Technologie Park, Bergisch Gladbach,  
Friedrich-Ebert-Strasse, 51429 Bergisch  
Gladbach, Germany  
Tel: 49-2204-843080 Fax: 49-2204-843090

**Chiyoda Singapore (Pte) Limited**

14 International Business Park, Jurong East,  
Singapore 609922, The Republic of Singapore  
Tel: 65-563-3488 Fax: 65-567-5231

**Chiyoda Asia Pacific (Pte) Limited**

14 International Business Park, Jurong East,  
Singapore 609922, The Republic of Singapore  
Tel: 65-425-0368 Fax: 65-569-6102

**Chiyoda Malaysia Sdn. Bhd.**

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

**Chiyoda (Thailand) Limited**

*Bangkok Head Office*  
5th Floor, Dusit Thani Office Bldg.,  
No. 946, Rama IV Road,  
Bangkok 10500, Thailand  
Tel: 66-2-236-8037 Fax: 66-2-236-6841

*Sriracha Office*

P.O. Box 7, Ao-Udom,  
Sriracha, Chonburi 20230, Thailand  
Tel: 66-38-352-315/8 Fax: 66-38-352-321

**PT. Chiyoda International Indonesia**

7th Floor, Aspac Kuningan Building,  
JL H.R. Rasunasaid KAV. X-2 No. 4,  
Jakarta 12950, Indonesia  
Tel: 62-21-252-1066 Fax: 62-21-252-1101

**L&T-Chiyoda Limited**

B.P. Estate, National Highway No. 8,  
Chhani, Baroda-391740,  
Gujarat State, India  
Tel: 91-265-771003 Fax: 91-265-774985

**C&E Corporation**

C&E Corporation Bldg.,  
Meralco Avenue Corner,  
General Araneta Street,  
Pasig City, Metro Manila, Philippines  
Tel: 63-2-636-1001/8 Fax: 63-2-636-1013

**Chiyoda Petrostar Ltd.**

*Al-Khobar Office*  
P.O. Box 31707, Al Khobar 31952,  
The Kingdom of Saudi Arabia  
Tel: 966-3-864-0839/966-3-898-0034  
Fax: 966-3-864-0986

*Jeddah Head Office*

P.O. Box 6188, Jeddah 21442,  
The Kingdom of Saudi Arabia  
Tel: 966-2-647-0558 Fax: 966-2-647-1908

**Chiyoda Nigeria Limited**

*Lagos Head Office*  
Plot PC-12, 1st Floor, (All CO Plaza),  
Afribank Street, Victoria Island,  
Lagos, Nigeria  
Tel: 234-1-2613291 Fax: 234-1-2612565  
Tlx: 21218 THRU C.I. TOKYO

*Kaduna Branch Office*

Kachia Road, 17KM, P.O. Box 1144,  
Kaduna, Nigeria

**Chiyoda Star Company**

1177 West Loop South, Suite 1302,  
Houston, TX 77027, U.S.A.  
Tel: 1-713-965-9005  
Fax: 1-713-965-0075/0602

**Chiyoda & Public Works Co., Ltd.**

No. 1 A, Thanthumar Road, 29 Ward,  
Thuwunna, Thingangyun Township,  
Yangon, The Union of Myanmar  
Tel: 95-1-565615/579330  
Fax: 95-1-579870

**Chiyoda Polska Sp. ZO**

Ul.P. Skargi 8, #230, 40-091 Katowice, Poland  
Tel/Fax: 48-32-587-000

**Kellogg-Chiyoda Service Ltd.**

c/o W.S. Walker & Company,  
1st Floor, Caledonian House, Mary Street,  
P.O. Box 265G George Town,  
Grand Cayman, Cayman Island

(As of September 1, 2000)

## BOARD OF DIRECTORS

### Chairman

Naoyoshi Uehara\*

### President

Kiyomitsu Nishio\*

### Executive Vice President

Nicholas C. Gallinaro\*

### Senior Managing Directors

Toshikuni Hirai\*

Nobuo Seki\*

### Managing Directors

Hiroshi Ohtsuka

Naotake Naritomi

### Directors

Albert J. Stanley

Shoei Kaneko

Yoshihiro Shirasaki

Takashi Kubota

Yoshio Ishiwata

Akira Kadoyama

Yosuke Norimitsu

Hiroshi Kobayashi

Masato Miyamori

Hideo Nakatani

### Corporate Auditors

Michihiko Kawana

Kazuo Takayanagi

Hisatomi Uga

Tsuneyoshi Kajiwara

\*Representative Director

(As of August 1, 2000)

## CORPORATE DATA

### Established

January 20, 1948

### Number of Employees

3,956

[Parent Company: 2,003]

### Main Business Activities

Planning, design, procurement, construction, commissioning, and operation assistance of public- and private-sector facilities in such areas as petroleum, gas, petrochemicals, general chemicals, coal, electric power, nonferrous metal processing, waterworks, biochemistry, pharmaceutical manufacturing, medical treatment, food processing, factory automation and computer-integrated manufacturing, automotive industry, theme park development, space development, and distribution as well as related facilities for pollution prevention, environmental preservation and enhancement, and disaster prevention

### Paid-in Capital

¥20,385,420,890

### Capital Stock Issued

248,357,059 shares

### Number of Shareholders

19,324

### Stock Exchange Listings

Tokyo, Osaka, Nagoya, Sapporo

### Transfer Agent of Common Stock

The Mitsubishi Trust and Banking Corporation  
4-5, Marunouchi 1-chome, Chiyoda-ku,  
Tokyo 100-0005, Japan

(As of March 31, 2000)

