Annual Report 2010

For the year ended March 31,2010

CHIYODA CORPORATION

Profile

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

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

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

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

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.

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Contents

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*1,*2: Courtesy of Qatargas Operating Company Limited
*3: Courtesy of Sakhalin Energy Investment
*4: CCR System Construction Project for Seibu Oil's Yamaguchi Refinery,
UOP CCR Platforming™ unit/UOP Polybed™ PSA unit

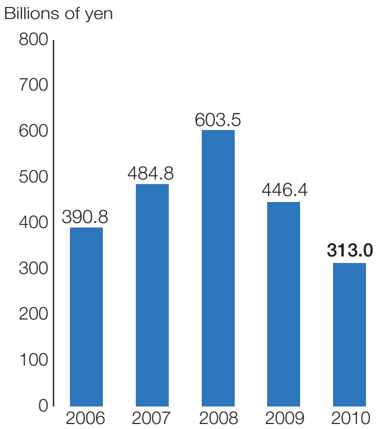
Financial Highlights

Years Ended March 31, 2010, 2009, 2008, 2007 and 2006

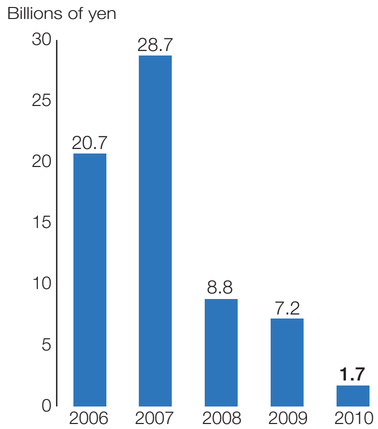
	Millions of yen					Thousands of U.S. dollars
	2010	2009	2008	2007	2006	2010
For the Year						
Revenues	¥312,985	¥446,438	¥603,559	¥484,895	¥390,875	$3,365,440
Cost of revenue	298,766	427,461	583,035	445,158	360,322	3,212,545
Operating income	1,702	7,227	8,839	28,700	20,729	18,301
Income before income taxes and minority interests	4,714	9,651	18,991	37,935	21,906	50,695
Net income	2,953	6,498	9,640	23,531	19,400	31,762
At Year-End						
Total assets	¥328,174	¥357,816	¥378,819	¥442,952	¥279,721	$3,528,755
Total equity	149,253	145,917	81,637	77,414	55,508	1,604,871
Long-term debt	10,000	10,004	22	10,067	10,168	107,763
Current ratio (%)	175.2	161.1	115.0	118.9	125.1	
Per Common Share (Yen and U.S. dollars)						
Earnings per share (EPS)	¥11.39	¥25.58	¥50.15	¥122.41	¥101.27	
Book value per share (BPS)	573.61	561.12	422.24	400.56	288.88	
Dividends per share	3.5	7.5	10.0	15.0	10.0	$0.04
Ratios (%)						
Return on assets (ROA)	1.4	3.1	4.7	10.2	10.0	
Return on equity (ROE)	2.0	5.7	12.2	35.5	42.0	

Notes: 1. U.S. dollar amounts are translated, for convenience only, at the rate of ¥93 = US$1, the approximate exchange rate at March 31, 2010.
2. Yen amounts are rounded down to the nearest million. U.S. dollar amounts and percentages are rounded to the nearest unit.

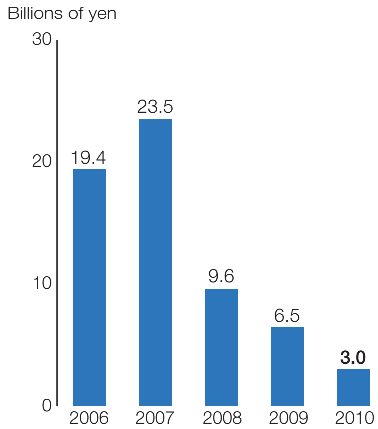
Revenues



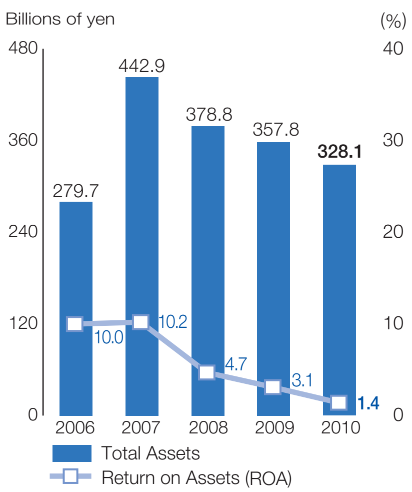
Operating Income



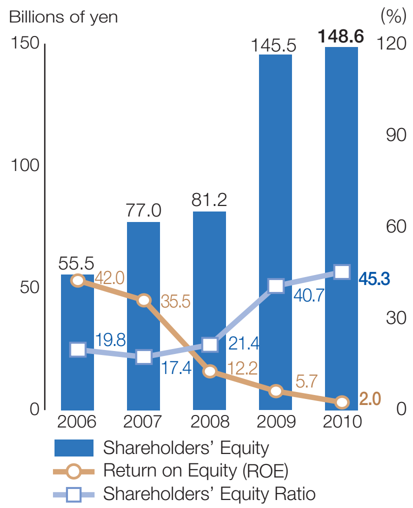
Net Income



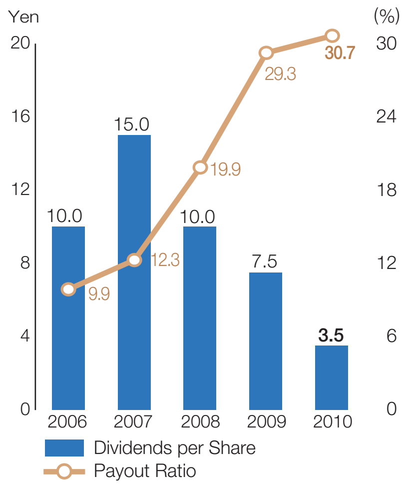
Total Assets and Return on Assets (ROA)



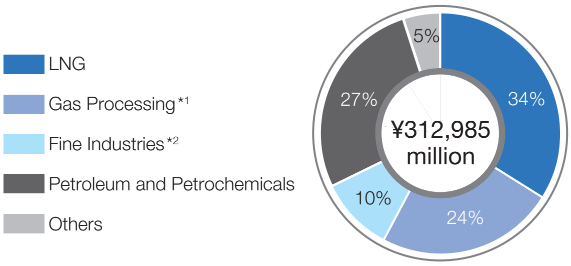
Shareholders' Equity, Return on Equity (ROE) and Shareholders' Equity Ratio



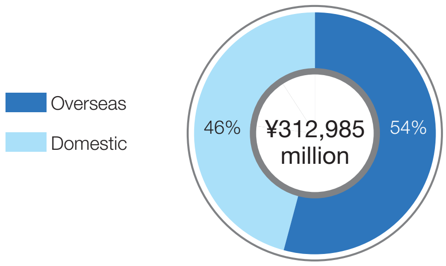
Dividends per Share and Payout Ratio



Revenues by Industry



Revenues by Region



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

To Our Stakeholders

Takashi Kubota
President & CEO

Career Summary

1969: Joined Chiyoda Corporation

1995: General Manager, Second Overseas Project Division

1998: Director, General Manager, Asia & Australia Project Division

2001: Managing Director, International Project Operation

2004: Director, Deputy General Manager, Domestic Project Operation

2005: Managing Director, Technology & Engineering

2007: President & CEO

Fiscal 2009 Results

From a global perspective, the economic conditions in fiscal 2009—the consolidated period ended March 31, 2010—were mixed. In some parts of the world, such as Asia, particularly in China and India, the accelerated pace of recovery was obvious. However, the rally in Europe was lukewarm at best and certainly not hot enough to burn off the recessionary fog that obscured predictions over the direction that the regional economy would take. At home, signs of improvement were evident but lacked the dynamics to support a self-sustained recovery. Consequently, domestic economic conditions remained difficult.

Given this backdrop, the operating environment for the Chiyoda Group presented opportunities as well as challenges. On the opportunity front, we welcomed the prospect of new contracts, as large-scale investment plans began to crystallize everywhere amid growing future demand for oil and gas. On the challenge front, we faced increasingly fierce competition from South Korean contractors whose growth has been rapid and who maintained a remarkably competitive position.

Capitalizing on the positives and skirting the negatives, the Chiyoda Group successfully picked up contracts for engineering, procurement and construction (EPC) services at home and abroad, including a liquefied natural gas (LNG) plant in Papua New Guinea, as well as several contracts for engineering design. The Group also pushed ahead steadily on existing contracts and completed three more trains at super-large LNG plants under construction in Qatar. We have now finished four of the six trains in Ras Laffan, Qatar, including the train completed in fiscal 2008, with each train having an annual production capacity of 7.8 million tonnes.

However, in order to meet the delivery schedule for LNG plant Train 6 and Train 7 for Qatargas (3) and (4), the Group was unfortunately required to adopt measures, including the hiring of more workers, which significantly eroded the project's profitability. In light of the disappointing results on this project, the Group will direct its concerted efforts toward offsetting lost income by being more thorough in risk management, by raising profitability on existing projects and working steadily to ease the backlog of new projects.

Despite the challenges encountered in fiscal 2009, the value of new contracts rebounded dramatically, soaring 105.0% over fiscal 2008, to ¥429,393 million, on a consolidated basis. The backlog of contracts amounted to ¥536,150 million, up 26.1%. However, revenues fell 29.9%, to ¥312,985 million, operating income tumbled 76.4%, to ¥1,702 million, and net income dropped 54.5%, to ¥2,953 million.

Fiscal 2009 Developments

Natural Gas and Electric Power

In addition to the aforementioned EPC services for the LNG plant in Papua New Guinea, other notable overseas contracts included EPC services for a gas processing plant in Qatar and engineering design services for a floating LNG plant in Brazil.

On the project execution front, the Group pushed forward with the construction of large LNG plants and undertook several engineering design/feasibility studies.

Also worth noting, a subsidiary in Qatar began long-term EPC management services for an LNG/gas-processing plant. Long-term services support efforts to expand the plant lifecycle engineering business that the Group has promoted for many years already.

In Japan, major orders included engineering design services associated with the construction of an LNG receiving terminal, and the Group continued to work on existing domestic orders, including construction of three LNG receiving terminals in Niigata and Okayama prefectures.

Petroleum, Petrochemicals and Gas Chemicals

The Group pooled its resources and expertise to win overseas contracts related to planned investment in petroleum refineries by clients in the Middle East and Southeast Asia. These joint efforts were successful, securing contracts for EPC services on a heavy oil cracking unit in Saudi Arabia and engineering design services on a desulfurization plant in Singapore. Through the provision of these services, Group companies will broaden the scope of respective capabilities and raise Chiyoda's reputation as a global operator.

Demand narrowed in Japan, reflecting plans by the petroleum sector to realign and idle facilities and assume a tougher stance on investment priorities. Nevertheless, the Chiyoda Group was awarded contracts for services associated with industrial complexes and for feasibility studies on projects to enhance competitiveness and make facilities more energy-efficient.

Work proceeded smoothly on projects in progress, including the on-schedule completion of a continuous catalyst regeneration-type catalytic reforming unit.

General Chemicals, Industrial Machinery, the Environment and Other Sectors

The Group has achieved a measure of success in the general chemicals and industrial machinery sectors through its emphasis on renewable energy, particularly solar batteries and solar heat energy. The Group also concentrated on the development of eco-related components for vehicles, such as lithium battery parts and advanced material components for on-board use, and is also involved in the refining of non-ferrous metals.

In the pharmaceuticals sector, the Group has expanded its presence and successfully secured its involvement in planned investment projects to build facilities for antibody drugs and high-activation drugs typical of anti-cancer agents.

Management Priorities

Although the path toward economic recovery varies region by region, a common trend has emerged in the placement of orders. We are seeing an increase in contracts for large plants, especially from corporations able to take an aggressive approach on investments for future growth. In this business environment, the Group will make every effort to achieve the profit targets stated in the medium-term management plan "Engineering Excellence, Value Creation 2012," promote growth strategies and reinforce its business fundamentals.

Toward this end, we will address the following four issues in fiscal 2010.

1. Win contracts for new projects

We will strive to diversify our overseas pool of contracts, not only with new projects in the LNG and gas sector but also in other sectors, particularly oil and petrochemicals. To underpin this effort, we will strengthen our technology development capabilities, sharpen our cost competitiveness, and apply newly formulated strategies to attract the right type of new people and keep essential existing personnel and hone their skills.

In Japan, we will look beyond the existing fields of pursuit, by seeking to utilize overseas offices and expand our scope of activities so that we will be in a prime position to be able to participate in the construction of a broader range of industrial facilities and be selected for projects undertaken by domestic clients who seek to establish a wider presence abroad.

2. Complete work on existing projects

The profitability of some ongoing LNG plant construction projects in Qatar has been squeezed significantly by new challenges, notably a shortage of labor, which pushed costs beyond initial estimates. To compensate, we will pursue meticulous project management, not only for profit-pinched LNG projects in Qatar but also for more recently acquired large-scale projects under construction in other countries.

In addition, we will take positive steps to adopt an even stronger stance on safety and ensure that we maintain steady progress on construction work to buttress the trust that our clients have in us.

3. Cultivate new business

We will focus more on environmental activities, where we already boast superior technological capabilities, and for which we utilize a dedicated internal business execution structure to reinforce our presence in non-EPC businesses.

4. Grow the overseas network

We will source adequate personnel to execute projects and run operations at local subsidiaries throughout the Group network, which will help forge a business and execution framework that is more finely tuned to the situation in each region. We will initiate measures to expand the role of overseas offices, particularly design subsidiaries, and will also promote international work demarcation to improve cost-competitiveness.

Return to Shareholders

Targeting a payout ratio of 30%, based on consolidated net income, management subscribes to a dividend policy that emphasizes return to shareholders while retaining sufficient internal reserves to fund future business development.

It is with regret, therefore, that the Group's performance in fiscal 2009 precipitated a drop in dividends, to ¥3.5 per share. Management anticipates a year-end dividend of ¥5 per share for fiscal 2010.

I rely on our stakeholders to understand the challenges we still face and realize that we are committed to overcoming these obstacles. On behalf of the Board of Directors, I respectfully ask for your continued support of Chiyoda and the Group it leads.

August 2010

Takashi Kubota
President & CEO

Topics

Won Order for Papua New Guinea LNG Project

A signing ceremony took place in December 2009 in Brisbane, Australia, for a pivotal project.

The project—to build an LNG plant comprising two trains each with a capacity of 3.3 million tonnes—is the first in Papua New Guinea and calls for construction of facilities for inlet processing, treating, liquefaction, storage and loading of LNG.

Chiyoda formed a joint venture with JGC Corporation to provide a strong and efficient organization for the execution of EPC activities and set the direction that the joint venture would take in this project.

The lead investor, Exxon Mobil Corporation, stated at the signing ceremony that the project will be a catalyst for change in Papua New Guinea. It will be exceedingly worthwhile from a local perspective, creating an economic ripple effect that could potentially double the island country's gross domestic product and establish a solid foundation for industrial growth.

Expectations are therefore high, not only for the plant in operation but also for what the joint venture will contribute during the construction process.

Signing Ceremony in Brisbane, Australia

Focus on Metallurgical Smelting and Refining

Titanium Refinery in Kyushu

In the last few years, worldwide investment in metallurgical smelting and refining has picked up at an aggressive pace. Companies are particularly interested in the extremely sophisticated technologies needed for refining low-grade ore—a process that poses a challenge under existing methods—as well as high-level techniques for extracting specific materials from such ore.

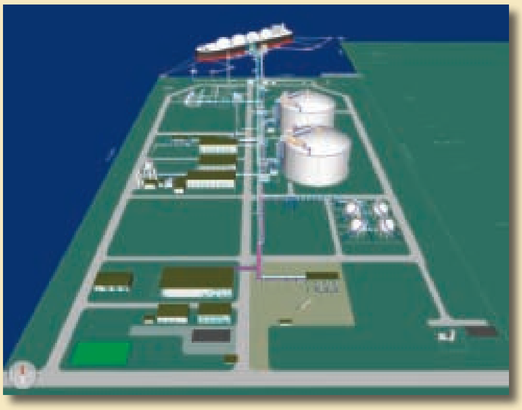
With experience in plant construction in countries all over the world, Chiyoda is vigorously pursuing and undertaking projects at home and abroad. We have established a solid track record, exemplified by the completion in April 2010 of a titanium refinery in Kyushu, where we were responsible for the construction of key sections of the facility.

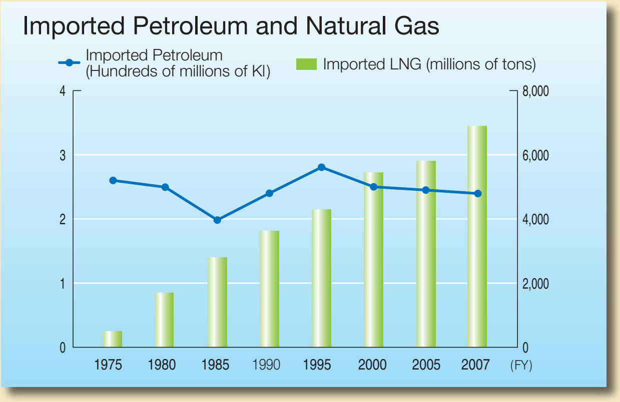
Start of Naoetsu LNG Receiving Terminal Construction Project

In July 2009, Chiyoda kicked off a project to construct an LNG receiving terminal for Inpex Corporation.

In recent years, the soaring price of crude oil and heightened environmental awareness, particularly the wider interest in reducing CO_2 with cleaner-burning fuels, have fostered a greater demand for natural gas in Japan. Construction of the Naoetsu LNG Receiving Terminal will enable Inpex to meet demand with a solid structure for a stable supply of natural gas through a combination of imported LNG and domestic natural gas.

Chiyoda became involved at preliminary stages, initially in April 2007, with conceptual plans for the terminal and then with engineering designs in August of the same year. After more than 90 meetings, we were awarded the EPC contract for terminal construction.





Subsidiary in Brazil Open for Business

To reinforce our presence in South America and promote a more multifaceted, organic approach in our contact with Petrobras S.A., we established a subsidiary—Chiyoda do Brasil Representações Ltda.—with representative authority in Rio de Janeiro, Brazil.

The opening ceremony was held in July 2009 and drew more than 100 guests, including the secretary of energy for the state of Rio de Janeiro and a solid turnout from Petrobras—our No. 1 client in the region—comprising half the invited guests. The success of this event underscores the stellar reputation we have earned from the oil and gas industry and the high expectations that come with this profile.

Opening Ceremony in Rio de Janeiro

Corporate Governance

The basic premise behind corporate governance within the Chiyoda Group is that the management practices that underpin operations must emphasize corporate social responsibility (CSR) and earn the trust and support of all stakeholders, including shareholders, customers and employees. We are continuously striving to reinforce our business platform, ensure sound management practices and enhance management transparency in order to sustain quality growth over the medium to long term. The continuous improvement of corporate governance and further fortification of our internal control structure are regarded as priority issues, and we are striving to carry these out. The state of corporate governance within the Company is described below.

Management Structures

Overview of Corporate Governance System and Reasons for Its Adoption

Chiyoda has created its corporate governance system that utilizes an internal auditing system in addition to the Board of Directors, corporate auditors, the Corporate Auditors Committee and independent auditors. The Company has also adopted the executive officer system in which executive officers and directors assume separate functions, with the former shouldering responsibility for day-to-day operations, thus leaving the latter to focus on decision-making and management supervision. Executive officers provide regular reports on the status of operations at the monthly meeting of the Executive Committee, at which directors are also present.

The Board of Directors, comprising nine directors including four representative directors, meets once a month. This management group monitors the activities of executive officers and ensures that decisions pertaining to key management issues are made rationally and efficiently. To accelerate the decision-making process and fine-tune decisions according to rapidly changing social and economic conditions, the Board of Directors delegates some decision-making authority to the Executive Committee.

The Executive Committee, which in principle meets weekly, consists of four representative directors, and it makes decisions within its authority regarding the execution of operations. The committee also engages in the preliminary discussion of issues that will be brought before the Board of Directors for final approval. In principle, the Executive Committee meets weekly.

Chiyoda has four corporate auditors, three of whom are full-time auditors and three of whom are external auditors. The corporate auditors provide oversight concerning the general execution of duties by directors. Two of the corporate auditors are independent executives, and one corporate auditor has considerable expertise in finance and accounting.

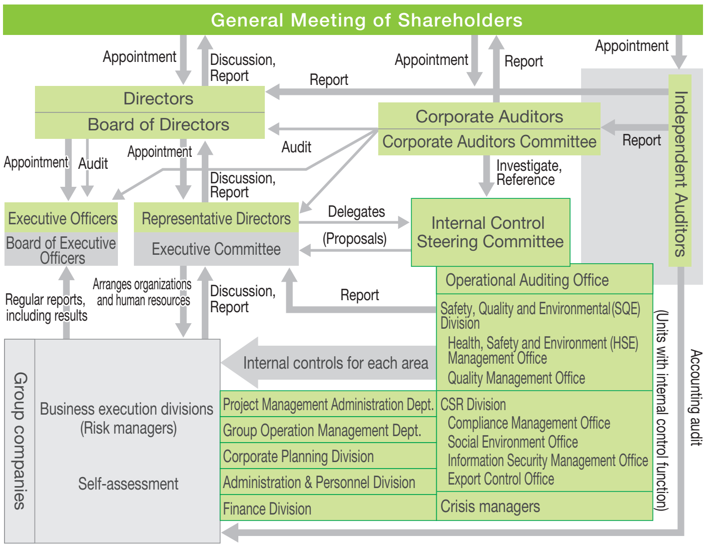
Internal Control Structure

Chiyoda seeks to maintain an effective and efficient operation, ensure reliable financial reporting, comply with prevailing laws and regulations, and protect its assets. To this end, the Company has created the following internal control structure, based on the features that define its business activities.

Compliance

Chiyoda believes that the trust and affinity it has with society and customers underpin the foundation of the Group's corporate activities. To ensure that the Group's business pursuits conform to social standards, management seeks unconditional respect from all members of the Group for domestic and international laws and regulations, global agreements and internal rules.

Corporate Governance and Internal Control Correlation Chart



Compensation for Directors and Corporate Auditors in Fiscal 2009

	Number	Basic Compensation	Performance-linked Compensation	Addition to Reserve for Directors' and Corporate Auditors' Retirement Benefits
Directors	10	¥197 million	¥23 million	¥40 million
Corporate Auditors	4	¥74 million	—	—

Notes:
1. Total compensation for directors was ¥276 million and for corporate auditors, ¥77 million. Total compensation for the four outside executives—three external auditors—was ¥55 million. The total compensation amount in this note includes the provision to reserve for directors' and corporate auditors' retirement benefits (¥15 million for directors and ¥2 million for corporate auditors) for before the abolition of the Regulations on Retirement Benefits for Directors and Corporate Auditors on June 23, 2009.
2. The number of persons shown above indicates the number of directors and corporate auditors who received payment of compensation during the period under review, including two directors who stepped down upon the conclusion of the 81st Ordinary General Meeting of Shareholders held on June 23, 2009.
3. In addition to that mentioned above, directors' retirement benefits amounting to ¥171 million were paid during the current business year. This amount includes the provision to reserve for directors' retirement benefits included in the total compensation for directors and corporate auditors shown in securities reports of previous years.

To this end, the Company instituted the Group code of conduct in April 2006 and established the Compliance Management Office to promote widespread understanding of compliance issues.

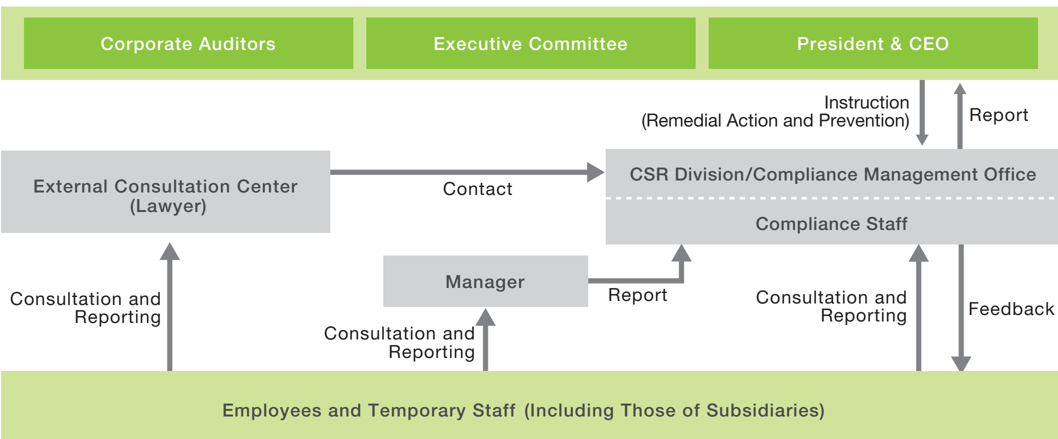
Group companies have access to a compliance-oriented consultation and reporting system (hotline) dubbed "Welcome to All about Compliance," whose purpose is to quickly detect and prevent any unethical conduct or illegal activities, using a framework that properly processes reports and consultations regarding unethical conduct and illegal activities by individuals and organizations.

This hotline is operated jointly by 10 Group companies. It has an External Consultation Center with a lawyer available to everyone in the workplace and staff who specialize in women's workplace issues. In the fiscal years ended March 2009 and 2010, the system received reports as follows.

As feedback, Chiyoda reported the measures it took in each case.

	March 2009	March 2010
Regarding work environment improvements	6 cases	3 cases
Regarding compliance with employment regulations	2 cases	3 cases
Requests for attention to be drawn to a specific issue	0 cases	0 cases
Other	3 cases	2 cases
Total	**11 cases**	**8 cases**

Compliance Consultation and Reporting System "Welcome to All about Compliance"



Board of Directors, Corporate Auditors and Executive Officers (As of July 1, 2010)

Board of Directors

President & CEO	Takashi Kubota *1
Executive Vice President	Yoichi Kanno *1 Corporate Planning, Management & Finance
Executive Vice President	Hiroshi Shibata *1 CFO
Senior Managing Executive Officer	Hiroshi Ogawa *1, 2 Project Operations
Managing Executive Officer	Sumio Nakashima Project Operations
Managing Executive Officer	Satoru Yokoi Business Development Operation
Managing Executive Officer	Kazuo Obokata CSR Division, Operational Auditing Office
Managing Executive Officer	Hiromi Koshizuka *2 Technology Development Business Operation
Director	Kazushi Okawa *2

Corporate Auditors

Hiroshi Ida *3
Wataru Shimono
Masanori Ito *3
Yukihiro Imadegawa *3

*1: Representative Director/Member of Executive Committee
*2: New Appointment
*3: Outside Corporate Auditor

Executive Officers

Managing Executive Officer	Manabu Mitani Projects Logistics & Construction
Managing Executive Officer	Katsutoshi Kimura *2 Corporate Planning, Management & Finance General Manager Finance Division
Managing Executive Officer	Kenjiroh Miura *2 Project Operations General Manager Project Planning & Administration
Managing Executive Officer	Shougo Shibuya *2 Technology & Engineering
Managing Executive Officer	Masahiko Kojima *2 Corporate Planning, Management & Finance General Manager Corporate Planning Division
Executive Officer	Toshiyuki Ohnuma Office of President
Executive Officer	Tsuyoshi Kakizaki General Manager Project Management Administration Division
Executive Officer	Eisaku Yamashita Business Development Operation General Manager Business Development Division 1
Executive Officer	Koichi Shirakawa Project Operations General Manager International Project Division 2
Executive Officer	Takao Kamiji Technology Development Business Operation Business Development Operation General Manager Strategic Business Development Division
Executive Officer	Ryosuke Shimizu Project Operations General Manager Group Operation Division
Executive Officer	Kenji Hotta *2 Corporate Planning, Management & Finance General Manager Corporate Services & HRM Division
Executive Officer	Katsuo Nagasaka *2 Business Development Operation General Manager Business Development Division 2
Executive Officer	Seiichiro Ikeda *2 Technology & Engineering
Executive Officer	Noriyuki Kasuya *2 Corporate Planning, Management & Finance General Manager Corporate Communication Division

Management's Discussion and Analysis

Business Results

The global economy during the fiscal year ended March 31, 2010 showed some clear signs of recovery, which were especially strong in the Asian countries led by China and India. On the other hand, sluggish recovery in European countries continues to exert a negative influence on the economic outlook. Although Japan's economy has been improving steadily, there are still no signs of a full-fledged recovery in the foreseeable future.

The business environment surrounding the Chiyoda Group was characterized by rising expectations of winning new contracts as more plans for large-scale investments began to take shape in various regions of the world to meet the future demand for oil and gas. On the other hand, the Group is increasingly more exposed to intense competition from Korean contractors who have shown remarkable growth in recent times.

Under these circumstances, the Chiyoda Group received orders for both domestic and overseas EPC contracts, including a contract to construct an LNG plant in Papua New Guinea and multiple basic design works. At the same time, the Group diligently continued with the execution of its existing projects and completed three out of the six trains (each train designed to produce 7.8 million tonnes per annum) for ultra large-scale LNG plants in Qatar, the first train of which the Group had already completed in the previous period. However, the projects' profitability deteriorated to a large extent due to some leveraging measures implemented, which included increasing the number of construction workers in an effort to complete work on the sixth and seventh trains for the Qatargas LNG plant within the time stipulated in the contract. In response to these business issues, it endeavored to recover its performance by practicing thorough risk management, and by improving the profitability of existing contracts as well as solidly executing the new contracts. Consequently, new contracts awarded to the Chiyoda Group during this fiscal year increased by 105.0%, to ¥429,393 million, compared with the previous fiscal year, and the contract backlog increased by 26.1%, to ¥536,150 million. Revenues decreased by 29.9%, to ¥312,985 million. Operating income decreased by 76.4%, to ¥1,702 million, and ordinary income decreased by 57.7%, to ¥4,837 million. Net income for the period was ¥2,953 million, a 54.5% decrease from the previous fiscal year.

Results by Business Segment

Natural Gas and Electric Power

The main overseas contracts newly awarded to the Chiyoda Group included an EPC contract for an LNG plant in Papua New Guinea, an EPC contract for a gas processing plant in Qatar and the basic design work for a floating LNG plant in Brazil. Meanwhile, work continued on the construction of a large-scale LNG plant and multiple basic design/investment planning services. Furthermore, our Qatar subsidiary commenced the work under a long-term EPCm service contract for LNG/gas processing plants, awarded during the previous fiscal year. With these long-term service contracts, the Chiyoda Group plans to actively promote the plant life-cycle engineering (PLE) business which the Chiyoda Group has been pursuing for some time.

On the domestic front, the Chiyoda Group was awarded new contracts including the basic design work for an LNG receiving terminal, while it continued to execute three EPC contracts for LNG receiving terminals in Niigata and Okayama prefectures and for other existing projects.

Petroleum, Petrochemicals and Gas Chemicals

The Chiyoda Group's concerted efforts to win oil refinery investment projects in the Middle East and Southeast Asia resulted in receiving orders for an EPC contract in Saudi Arabia for a heavy oil cracking unit and a basic engineering contract for a desulfurization plant in Singapore. Our aim is to strengthen our Group companies and promote our global operations through the execution of these projects.

Domestically, in a market stagnated by shrinking investment plans and the trend of realignment and disuse of facilities in the oil industry, we received engineering study contracts for connecting chemical complexes, competitiveness improvement and energy conservation. As for project execution, we completed the construction of a CCR (continuous catalytic regeneration) unit.

General Chemicals, Industrial Machinery, the Environment and Other Sectors

We achieved some tangible results in the general chemicals and industrial machinery sectors through our concerted efforts in facilities for photovoltaic and solar-powered generation and other renewable energies, lithium ion batteries, parts and components fabricated with advanced materials for eco-friendly vehicles, and non-ferrous metal smelting.

In the pharmaceuticals sector, our efforts were directed towards highly active pharmaceuticals such as antibodies and cancer drugs, which resulted in several orders being received.

Major contracts included in the consolidated results for the period

Overseas	• LNG plant Trains 6 & 7 for Ras Laffan Liquefied Natural Gas Co., Ltd. (3) in Qatar (*) • LNG plant Trains 6 & 7 for Qatar Liquefied Gas Co., Ltd. (3) and (4) in Qatar • Al Khaleej Gas Phase 2 project for ExxonMobil Middle East Gas Marketing Ltd. in Qatar (*) • LNG plant Trains 4 & 5 for Qatar Liquefied Gas Co., Ltd. (2) in Qatar (*) • Pearl GTL project feed gas preparation works for Qatar Shell GTL Ltd. in Qatar
Domestic	• Construction of RFCC complex for Taiyo Oil Co., Ltd. • Expansion of Mizushima LNG receiving terminal for Mizushima LNG Co., Ltd.

(*) Projects completed during the period

Cash Flow Analysis

Assets, Liabilities and Net Assets

• Assets

Total assets decreased by ¥29,642 million from the previous fiscal year. Although cash savings increased by ¥4,255 million due to an improved operating cash flow, current assets decreased by ¥30,128 million due to a ¥3,058 million decrease in jointly controlled assets of joint ventures through the progress of large-scale joint venture projects in Qatar.

• Liabilities

Although there was an increase of ¥15,372 million in accounts payable for construction, the balance of advances received on uncompleted projects decreased by ¥43,493 million. This resulted in a decrease in total liabilities of ¥32,977 million compared with the previous fiscal year.

• Net assets

Net assets were ¥149,253 million as the result of a ¥1,029 million year-on-year increase in retained earnings due to booking net income. The equity ratio increased 4.6 points year on year, to 45.3%.

Cash Flows

• Cash flow from operating activities

Net cash from operating activities was ¥8,613 million despite a ¥21,398 million decrease in working capital (total in notes and accounts receivable–trade, costs on uncompleted construction contracts, notes and accounts payable–trade, and advances received on uncompleted construction contracts). This was due to the jointly controlled assets of a joint venture decreasing by ¥3,058 million according to the progress of large-scale JV projects in Qatar, in addition to booking income before income taxes and minority interests of ¥4,714 million for the fiscal year.

Jointly controlled assets of the joint venture are shown on the JV balance sheet as the assets controlled by Chiyoda. In real terms, it is equivalent to the portion of the current deposit balance under the JV name that is allocated to Chiyoda.

- **Cash flow from investment activities**

Net cash from investment activities was ¥2,722 million in the negative due to ¥1,864 million paid for software, etc.

- **Cash flow from financing activities**

Net cash from financing activities was ¥2,079 million in the negative due to ¥1,940 million paid in dividends and other factors.

As the result of the factors described above, the account balance for the fiscal year for cash and cash equivalents was ¥139,790 million, which was a year-on-year increase of ¥4,254 million.

Issues Requiring the Group's Attention

It is clear that clients with a vision to the future with regard to growth and development are the key to the Group's success in securing big projects, irrespective of the speed or degree of economic recovery in various regions.

The profit, targets and strengthening of our operating base growth strategies laid out in the new medium-term management plan—Engineering Excellence, Value Creation 2012—were formulated with the challenges of the current business environment in mind. To achieve stated targets and successfully execute the strategic blueprint, the Group will emphasize the following issues during fiscal 2010, the second year of Engineering Excellence, Value Creation 2012.

Secure Orders for New Projects

Group companies will focus their efforts on winning new orders not only in the areas of LNG- and gas-related projects but in other industry sectors such as oil and petrochemicals. Toward this end, measures will be drawn up to reinforce R&D capabilities and cost-competitiveness, and to retain and train essential personnel.

In Japan, the objective will be to look beyond existing fields of pursuit to maximize the Group's overseas presence and develop business activities that will lead to orders for various industrial facilities and for projects by domestic clients expanding their operations abroad.

Complete Existing Orders

The profitability of some LNG projects under construction in Qatar is being squeezed, due mainly to factors such as a shortage of workers causing costs to exceed initial estimates. The Group must therefore carefully manage the progress of big projects, not only in Qatar but also in other areas, and reinforce its reputation for reliability among clients by taking an even stronger stance on safety and ensuring the steady execution of construction work.

Cultivate New Business

Efforts will be directed into areas in the environment sector where the Company boasts a superior technological capability, and the Company will implement an internal business execution structure for non-EPC businesses to underpin new business development.

Strengthen Group Operations

Management plans to attract essential personnel to execute projects and run operations at local subsidiaries throughout the Group network. This will create a business and execution structure that is fine-tuned to each region. The Group will utilize its international specialized capabilities to underpin its cost-competitiveness, along with measures to reinforce and extend the function of its overseas design subsidiaries.

Business Risks

The primary issues that could affect investor decisions regarding investment risk, such as material issues related to the Chiyoda Group's financial position, performance and cash flow, and the Chiyoda Group's response to such issues, include but are not limited to, the issues outlined below. The Chiyoda Group recognizes the potential occurrence of these risks and works to avoid them to the maximum extent possible. The Chiyoda Group also moves to respond as quickly as possible to minimize the impact of issues if and when they occur.

Chiyoda Group management acknowledges that the issues outlined below may present risks in the future and has made them the focus of risk management.

Changes in Exchange Rates

In overseas construction projects, payments made to Chiyoda for construction are often in currencies different to those made by Chiyoda to subcontractors and/or vendors for equipment and materials. Foreign currency exchange rates may therefore affect the financial results of the projects. The Chiyoda Group works to avoid and minimize such foreign currency fluctuation risks by using forward foreign exchange contracts and matching planned outlays in multiple currencies with construction payments and receivables.

Rapid Changes in Economic Trends

Cancellation, delays or revisions of the investment plans of customers, or other factors resulting from changes in worldwide economic trends, could impact the Chiyoda Group's performance. In addition, construction execution plans and budgets and collection of receivables may be affected by worsening business conditions of business partners involved in plant construction, including subcontractors and suppliers of equipment and materials.

The Group will work to avoid or minimize risk by scrupulously analyzing the credit standing of business partners, while monitoring economic trends to confirm whether or not to transact business or under what conditions business should be transacted.

Terrorism, Conflicts and Other Force Majeure Events

Force majeure events such as terrorism, conflicts, and natural disasters, etc., may cause direct losses, delays in procuring or delivering materials and equipment, threats to the safety of workers, cessation of construction work or other problems at construction sites in Japan and overseas.

Whilst a top priority is placed on the avoidance of human injury, the Chiyoda Group has structured a threat management system that includes cooperation with customers and other related parties to support rapid initial response should such events occur. In addition, the Chiyoda Group will take other steps to avoid or minimize these risks, including negotiating contractual provisions that rationally allocate additional costs to customers.

Plant Accidents

The possibility exists that a serious incident such as an explosion or fire may occur at plants that the Chiyoda Group is constructing or has completed. The Chiyoda Group could be adjudged responsible for such accidents, including being held liable for damages, which could impact the Chiyoda Group's performance.

The Chiyoda Group works to avoid or minimize this risk in ways such as taking all possible measures to preclude the occurrence of such incidents, including quality control and safety management. Other countermeasures include maintaining the appropriate insurance coverage and negotiating contracts that rationally allocate customer responsibility for damages.

Chiyoda Corporation and Consolidated Subsidiaries

Consolidated Financial Statements for the Years Ended March 31, 2010 and 2009, and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Chiyoda Corporation:

We have audited the accompanying consolidated balance sheets of Chiyoda Corporation (the "Company") and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Chiyoda Corporation and consolidated subsidiaries as of March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

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

June 11, 2010

Consolidated Balance Sheets

March 31, 2010 and 2009

ASSETS	Millions of Yen 2010	Millions of Yen 2009	Thousands of U.S. Dollars (Note 1) 2010
CURRENT ASSETS:			
Cash and cash equivalents (Note 14)	¥ 139,790	¥ 135,536	$ 1,503,125
Short-term investments (Note 14)	53	52	577
Notes and accounts receivable—trade (Notes 3 and 14)	39,864	33,090	428,647
Allowance for doubtful accounts	(2)	(3)	(29)
Costs and estimated earnings on long-term construction contracts (Notes 4 and 14)	11,454	17,560	123,166
Costs of construction contracts in process	7,283	16,920	78,318
Accounts receivable—other (Note 3)	4,958	5,177	53,321
Jointly controlled assets of joint venture (Note 14)	69,917	100,426	751,805
Deferred tax assets (Note 11)	15,523	9,872	166,914
Prepaid expenses and other	1,876	2,215	20,172
Total current assets	290,719	320,848	3,126,018
PROPERTY, PLANT AND EQUIPMENT (Note 7):			
Land	11,938	11,953	128,376
Buildings and structures	15,193	14,752	163,370
Machinery and equipment	592	870	6,371
Tools, furniture and fixtures	5,157	5,010	55,452
Construction in progress	48	1	525
Total	32,931	32,588	354,097
Accumulated depreciation	(11,480)	(10,586)	(123,447)
Net property, plant and equipment	21,450	22,001	230,649
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 5 and 14)	5,153	3,765	55,417
Investments in and advances to unconsolidated subsidiaries and associated companies (Note 6)	2,714	3,203	29,192
Software	3,195	3,546	34,360
Deferred tax assets (Note 11)	1,745	1,348	18,765
Other assets	3,528	3,435	37,935
Allowance for doubtful accounts	(333)	(333)	(3,583)
Total investments and other assets	16,004	14,967	172,087
TOTAL	¥ 328,174	¥ 357,816	$ 3,528,755

See notes to consolidated financial statements.

Consolidated Balance Sheets

March 31, 2010 and 2009

LIABILITIES AND EQUITY	Millions of Yen 2010	Millions of Yen 2009	Thousands of U.S. Dollars (Note 1) 2010
CURRENT LIABILITIES:			
Current portion of long-term debt (Notes 7, 13 and 14)	¥ 17	¥ 28	$ 192
Notes and accounts payable—trade (Notes 3 and 14)	89,523	77,020	962,621
Advance receipts on construction contracts	48,168	91,661	517,945
Income taxes payable (Note 14)	4,675	5,457	50,270
Deposits received	4,497	4,468	48,362
Allowance for warranty costs for completed works	4,486	3,801	48,243
Allowance for losses on construction contracts	4,427	4,302	47,605
Accrued expenses and other (Note 3)	10,162	12,478	109,279
Total current liabilities	165,960	199,218	1,784,519
NON-CURRENT LIABILITIES:			
Long-term debt (Notes 7, 13 and 14)	10,022	10,030	107,763
Liability for retirement benefits (Note 8)	2,305	2,288	24,793
Provision for treatment of PCB waste	123		1,322
Other liabilities	510	361	5,485
Total non-current liabilities	12,960	12,681	139,364
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 3, 13, 15 and 16)			
EQUITY (Notes 9, 10 and 18):			
Common stock—authorized, 570,000 thousand shares; issued, 260,324 thousand shares in 2010 and 260,292 thousand shares in 2009	43,396	43,392	466,628
Preferred stock—authorized, 80,000 thousand shares			
Capital surplus	37,112	37,108	399,060
Retained earnings	70,759	69,730	760,860
Unrealized gain (loss) on available-for-sale securities	102	(775)	1,106
Deferred loss on derivatives under hedge accounting	(156)	(1,368)	(1,685)
Foreign currency translation adjustments	(1,315)	(1,469)	(14,148)
Treasury stock—at cost, 1,117 thousand shares in 2010 and 963 thousand shares in 2009	(1,215)	(1,105)	(13,070)
Total	148,683	145,513	1,598,750
Minority interests	569	404	6,120
Total equity	149,253	145,917	1,604,871
TOTAL	¥ 328,174	¥ 357,816	$ 3,528,755

Consolidated Statements of Income

Years Ended March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	2010
REVENUE (Notes 3 and 4)	¥ 312,985	¥ 446,438	$ 3,365,440
COST OF REVENUE (Notes 3 and 4)	298,766	427,461	3,212,545
Gross profit	14,219	18,977	152,895
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 3 and 12)	12,517	11,749	134,593
Operating income	1,702	7,227	18,301
OTHER INCOME (EXPENSES):			
Interest and dividend income	2,017	5,101	21,695
Interest expense	(249)	(340)	(2,687)
Equity in earnings of associated companies	144	137	1,550
Foreign exchange gain (loss)	1,214	(435)	13,055
Reversal of allowance for doubtful accounts		127	
Loss on valuation of investment securities		(1,859)	
Provision for treatment of PCB waste	(123)		(1,322)
Other—net	9	(306)	102
Other income—net	3,012	2,423	32,393
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	4,714	9,651	50,695
INCOME TAXES (Note 11):			
Current	8,532	7,120	91,751
Deferred	(6,806)	(3,996)	(73,188)
Total income taxes	1,726	3,123	18,562
MINORITY INTERESTS IN NET INCOME	34	29	370
NET INCOME	¥ 2,953	¥ 6,498	$ 31,762

	Yen		U.S. Dollars
	2010	2009	2010
PER SHARE OF COMMON STOCK (Notes 2.t and 17):			
Basic net income	¥ 11.39	¥ 25.58	$ 0.12
Diluted net income	11.39	25.58	0.12
Cash dividends applicable to the year	3.50	7.50	0.04

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Years Ended March 31, 2010 and 2009

	Thousands			
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings
BALANCE, APRIL 1, 2008	192,279	¥ 12,935	¥ 6,718	¥ 65,155
Net income				6,498
Issuance of common stock to a third party (Note 9)	67,080	30,454	30,387	
Issuance of common stock by stock option plan (Notes 9 and 10)	30	3	3	
Cash dividends, ¥10.00 per share				(1,922)
Repurchase of treasury stock	(60)			
Net change in the year				
BALANCE, MARCH 31, 2009	259,328	43,392	37,108	69,730
Net income				2,953
Issuance of common stock by stock option plan (Notes 9 and 10)	32	3	3	
Cash dividends, ¥7.50 per share				(1,944)
Changes in the scope of consolidation				20
Repurchase of treasury stock	(153)			
Net change in the year				
BALANCE, MARCH 31, 2010	259,207	¥ 43,396	¥ 37,112	¥ 70,759

	Common Stock	Capital Surplus	Retained Earnings
BALANCE, MARCH 31, 2009	$ 466,588	$ 399,020	$ 749,793
Net income			31,762
Issuance of common stock by stock option plan (Notes 9 and 10)	39	39	
Cash dividends, $0.08 per share			(20,913)
Changes in the scope of consolidation			217
Repurchase of treasury stock			
Net change in the year			
BALANCE, MARCH 31, 2010	$ 466,628	$ 399,060	$ 760,860

See notes to consolidated financial statements.

Millions of Yen						
Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
¥ (847)	¥ (1,668)	¥ (6)	¥ (1,059)	¥ 81,228	¥ 410	¥ 81,638
				6,498		6,498
				60,841		60,841
				6		6
				(1,922)		(1,922)
			(46)	(46)		(46)
71	299	(1,462)		(1,091)	(6)	(1,097)
(775)	(1,368)	(1,469)	(1,105)	145,513	404	145,917
				2,953		2,953
				7		7
				(1,944)		(1,944)
				20		20
			(109)	(109)		(109)
878	1,211	153		2,243	164	2,408
¥ 102	¥ (156)	¥ (1,315)	¥ (1,215)	¥ 148,683	¥ 569	¥ 149,253

Thousands of U.S. Dollars (Note 1)						
Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
$ (8,338)	$ (14,712)	$ (15,799)	$ (11,892)	$ 1,564,660	$ 4,346	$ 1,569,008
				31,762		31,762
				79		79
				(20,913)		(20,913)
				217		217
			(1,178)	(1,178)		(1,178)
9,444	13,026	1,650		24,122	1,773	25,896
$ 1,106	$ (1,685)	$ (14,148)	$ (13,070)	$ 1,598,750	$ 6,120	$ 1,604,871

Consolidated Statements of Cash Flows

Years Ended March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	2010
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 4,714	¥ 9,651	$ 50,695
Adjustments for:			
Income taxes paid	(7,531)	(72)	(80,979)
Depreciation and amortization	2,059	1,957	22,143
Reversal of allowance for doubtful accounts—net	(6)	(158)	(67)
Provision for warranty costs for completed works	678	1,754	7,297
Provision for loss on construction contracts	125	43	1,344
Provision for (reversal of) retirement benefits—net	374	(56)	4,024
Loss on valuation of investment securities		1,859	
Foreign exchange loss (gain)—net	78	(26)	842
Equity in earnings of associated companies	(144)	(137)	(1,550)
Changes in operating assets and liabilities:			
Decrease (increase) in trade notes and accounts receivable, and costs and estimated earnings on long-term construction contracts	469	(13,859)	5,051
Decrease in costs of construction contracts in process	9,692	171	104,216
Decrease in jointly controlled assets of joint venture	30,508	92,256	328,053
Increase in interest and dividend receivable	(694)	(3,753)	(7,465)
Increase in trade notes and accounts payable	12,031	2,772	129,367
Decrease in advance receipts on construction contracts	(43,592)	(93,209)	(468,731)
Increase (decrease) in deposits received	1	(511)	19
Decrease in accounts receivable—other	656	2,654	7,061
Decrease in accrued liability of a defined contribution pension plan	(800)	(811)	(8,604)
Other—net	(9)	8,446	(102)
Total adjustments	3,898	(679)	41,921
Net cash provided by operating activities	8,613	8,971	92,616
INVESTING ACTIVITIES:			
Payments for time deposits	(539)		(5,804)
Proceeds from withdrawal of time deposits	539	888	5,804
Payments for purchases of investment securities	(535)	(65)	(5,761)
Purchases of property, plant and equipment	(922)	(563)	(9,914)
Purchases of intangible assets	(942)	(1,156)	(10,135)
Proceeds from collections of long-term loans	51		551
Payments for acquisition of shares (ARROW HUMAN RESOURCES Co., Ltd. for 2010 and IT Engineering Ltd. for 2009) affecting scope of consolidation, net of cash acquired	(388)	(215)	(4,176)
Other—net	14	40	159
Net cash used in investing activities	(2,722)	(1,072)	(29,276)
FORWARD	¥ 5,890	¥ 7,898	$ 63,340

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	2010
FORWARD	¥ 5,890	¥ 7,898	$ 63,340
FINANCING ACTIVITIES:			
Proceeds from long-term debt		10,000	
Repayments of long-term debt	(18)	(10,039)	(193)
Proceeds from issuance of common stock	7	60,577	79
Payments of cash dividends	(1,940)	(1,920)	(20,863)
Payments of cash dividends to minority shareholders	(7)	(10)	(78)
Other—net	(121)	(59)	(1,303)
Net cash (used in) provided by financing activities	(2,079)	58,548	(22,358)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	152	(999)	1,640
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,963	65,447	42,621
INCREASE IN CASH AND CASH EQUIVALENTS FROM NEWLY CONSOLIDATED SUBSIDIARY	290		3,122
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	135,536	70,089	1,457,381
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 139,790	¥ 135,536	$ 1,503,125
ADDITIONAL INFORMATION:			
ARROW HUMAN RESOURCES Co., Ltd. was included in the scope of consolidation for the year ended March 31, 2010, through the acquisition of shares. The acquisition cost and payments for the acquisition were as follows:			
Current assets	¥ 719		$ 7,734
Investments and other assets	127		1,370
Current liabilities	(545)		(5,870)
Long-term liabilities	(139)		(1,496)
Net assets acquired	161		1,738
Goodwill	599		6,450
Shares of minor shareholders	(6)		(69)
Pre-acquisition carrying amount of investment	(75)		(807)
Cash acquired	(291)		(3,135)
Net of cash acquired	¥ 388		$ 4,176

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years Ended March 31, 2010 and 2009

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications and rearrangements have been made in the 2009 financial statements in order for them to conform to classifications and presentations used in 2010.

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 ¥93 to $1, the approximate rate of exchange at March 31, 2010. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements for the year ended March 31, 2010 include the accounts of the Company and its 19 significant (17 in 2009) subsidiaries (together, the "Group").

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

Investments in two (three in 2009) 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 over the fair value of the net assets of the acquired subsidiary at the date of acquisition is being amortized over a period of 20 years.

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

b. ***Construction Contracts***—For the year ended March 31, 2009, revenues on construction contracts greater than ¥100 million and having a construction duration exceeding one year are recognized on the percentage-of-completion method based on the ratio of costs incurred to total estimated costs. Under this method, related costs and estimated earnings in excess of progress billings are presented as a current asset.

In December 2007, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No. 15 "Accounting Standard for Construction Contracts" and ASBJ Guidance No. 18 "Guidance on Accounting Standard for Construction Contracts." Under the previous Japanese GAAP, either the completed-contract method or the percentage-of-completion method was permitted to account for construction contracts. Under this new accounting standard, the construction revenue and construction costs should be recognized by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on construction contracts. This standard is applicable to construction contracts and software development contracts and effective for fiscal years beginning on or after April 1, 2009.

The Group applied the new accounting standard effective April 1, 2009. The effect of this change was not material.

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

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 payments received on the other contracts are presented as current liabilities.

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

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

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

e. ***Investment Securities***—All marketable securities are classified as available-for-sale securities and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of securities sold is determined based on the moving-average method.

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

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

g. ***Property, Plant and Equipment***—Property, plant and equipment are stated at cost. Depreciation is computed by the declining-balance method, except for buildings owned by the Company which are depreciated using the straight-line method, at rates based on the estimated useful lives of the assets. The range of useful lives is from 11 to 57 years for buildings and structures, from 4 to 17 years for machinery and equipment, and from 2 to 15 years for tools, furniture and fixtures. Equipment held for lease is depreciated by the straight-line method over the respective lease periods.

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

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

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

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

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

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

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

The transitional obligation of ¥5,696 million ($61,251 thousand) is being amortized and charged to income over 15 years using the straight-line amortization method and presented as an operating expense in the consolidated statements of income for the years ended March 31, 2010 and 2009.

Retirement benefits to directors, officers and corporate auditors of the Company are provided at the amount which would be required if all directors, officers and corporate auditors terminated at March 31, 2009.

Effective June 23, 2009, the Company terminated its unfunded retirement benefit allowance for all directors, officers and corporate auditors under the resolution of shareholders meeting and board meeting. The outstanding balance of retirement benefit allowance for directors, officers and corporate auditors of the Company was reclassified to non-current liabilities—other liabilities in the year ended March 31, 2010.

Retirement benefits to directors, officers and corporate auditors of the Company's certain consolidated subsidiaries are provided at the amount which would be required if all directors, officers and corporate auditors terminated at March 31, 2010 and 2009.

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

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

Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions with certain "as if capitalized information" disclosed in the notes to the lessee's financial statements.

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

All other leases are accounted for as operating leases.

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

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

q. ***Foreign Currency Transactions***—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date.

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

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

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

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

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

The foreign currency forward 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.

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

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

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

u. ***New Accounting Pronouncements***

Business Combinations—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 current accounting standard for business combinations allows companies to apply the pooling of interests method of accounting when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. The revised standard requires to account for such business combination by the purchase method and the pooling of interests method of accounting is no longer allowed.

(2) The current accounting standard accounts for the research and development costs to be charged to income as incurred. Under the revised standard, an in-process research and development (IPR&D) acquired by the business combination is capitalized as an intangible asset.

(3) The current accounting standard accounts for a bargain purchase gain (negative goodwill) to be systematically amortized within 20 years. Under the revised standard, the acquirer recognizes a bargain purchase gain in profit or loss on the acquisition date after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed with a review of such procedures used.

This standard is applicable to business combinations undertaken on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method—The current accounting standard requires to unify accounting policies within the consolidation group. However, the current guidance allows to apply the equity method for the financial statements of its foreign associated company which have been prepared in accordance with generally accepted accounting principles in their respective jurisdictions without unification of accounting policies.

In March 2008, the ASBJ issued ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments." The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP unless they are not material: (1) amortization of goodwill; (2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; (3) expensing capitalized development costs of R&D; (4) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting; (5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to the financial statements have been incorporated; and (6) exclusion of minority interests from net income, if contained.

This standard is applicable to equity method of accounting for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

Asset Retirement Obligations—In March 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No. 18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21 "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

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

(1) *Changes in accounting policies*

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

(2) *Changes in presentations*

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

(3) *Changes in accounting estimates*

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

(4) *Corrections of prior period errors*

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

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

Segment Information Disclosures—In March 2008, the ASBJ revised ASBJ Statement No. 17 "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No. 20 "Guidance on Accounting Standard for Segment Information Disclosures." Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

3. TRANSACTIONS WITH UNCONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES

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

	Millions of Yen		Thousands of U.S. Dollars
Transactions for the Year Ended March 31	2010	2009	2010
Revenue	¥ 3	¥ 122	$ 39
Cost of revenue	(2,288)	(6,041)	(24,606)
Selling, general and administrative expenses	(271)	(1,290)	(2,915)
Balances at March 31			
Notes and accounts receivable—trade	¥ 2	¥ 23	$ 24
Accounts receivable—other	2	18	24
Notes and accounts payable—trade	(84)	(297)	(913)
Accrued expenses and other	(14)	(106)	(158)

The Company guaranteed the indebtedness of a certain unconsolidated subsidiary in the amount of ¥2,586 million ($27,814 thousand) at March 31, 2010.

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, 2010 and 2009, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Costs and estimated earnings	¥ 563,887	¥ 1,191,100	$ 6,063,304
Amounts billed	(552,432)	(1,173,540)	(5,940,137)
Net	¥ 11,454	¥ 17,560	$ 123,166

5. INVESTMENT SECURITIES

Investment securities at March 31, 2010 and 2009, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Non-current—Equity securities	¥ 5,153	¥ 3,765	$ 55,417

The costs and aggregate fair values of investment securities at March 31, 2010 and 2009, were as follows:

	Millions of Yen			
March 31, 2010	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale—Equity securities	¥ 3,377	¥ 507	¥ 375	¥ 3,508
March 31, 2009				
Securities classified as available-for-sale—Equity securities	¥ 3,400	¥ 193	¥ 966	¥ 2,626

	Thousands of U.S. Dollars			
March 31, 2010	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale—Equity securities	$ 36,316	$ 5,456	$ 4,041	$ 37,730

Available-for-sale securities whose fair value was not readily determinable at March 31, 2009, were as follows. The similar information for 2010 is disclosed in Note 14.

March 31, 2009	Carrying Amount Millions of Yen
Available-for-sale—Equity securities	¥ 1,138

The information of the available-for-sale securities which were sold during the year ended March 31, 2010 was as follows:

	Millions of Yen		
March 31, 2010	Proceeds	Realized Gains	Realized Losses
Available-for-sale—Equity securities	¥ 13	¥ 4	¥ 12

	Thousands of U.S. Dollars		
March 31, 2010	Proceeds	Realized Gains	Realized Losses
Available-for-sale—Equity securities	$ 143	$ 44	$ 134

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

Investments in and advances to unconsolidated subsidiaries and associated companies at March 31, 2010 and 2009, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Investments	¥ 2,702	¥ 3,190	$ 29,053
Long-term receivables	12	13	138
Total	¥ 2,714	¥ 3,203	$ 29,192

7. LONG-TERM DEBT

Long-term debt at March 31, 2010 and 2009, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Long-term loans from banks, maturing serially through 2012, with interest rates ranging from 2.4% to 5.7% at 2010 and 2009:			
Collateralized	¥ 4	¥ 22	$ 43
Uncollateralized	10,000	10,000	107,526
Obligations under finance lease	35	37	386
Total	10,039	10,059	107,955
Less current portion	(17)	(28)	(192)
Long-term debt, less current portion	¥ 10,022	¥ 10,030	$ 107,763

Annual maturities of long-term debt, excluding finance leases (see Note 13), at March 31, 2010, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2011	¥ 4	$ 43
2012	10,000	107,526
Total	¥ 10,004	$ 107,569

Commitment-line contracts at March 31, 2010, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Commitment-line contracts	¥ 15,000	$ 161,290
Unused commitments	¥ 15,000	$ 161,290

The following assets were pledged as collateral for long-term debt at March 31, 2010:

	Millions of Yen	Thousands of U.S. Dollars
Land	¥ 381	$ 4,098
Buildings and structures—net of accumulated depreciation	449	4,828
Total	¥ 830	$ 8,927

8. RETIREMENT BENEFITS

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

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

Liability for retirement benefits includes retirement benefits to directors, officers and corporate auditors in the amount of ¥200 million ($2,158 thousand) and ¥681 million for the years ended March 31, 2010 and 2009, respectively. The retirement benefits to directors and corporate auditors are paid subject to the approval of the shareholders.

As discussed in Note 2.m, the Company's outstanding balance of the retirement benefit allowance for directors, officers and corporate auditors amounted to ¥292 million is reclassified to non-current liabilities—other liabilities due to the termination effective June 23, 2009.

The liability for employees' retirement benefits at March 31, 2010 and 2009, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Projected benefit obligation	¥ 26,403	¥ 26,682	$ 283,909
Fair value of plan assets	(18,886)	(17,827)	(203,082)
Unrecognized transitional obligation	(3,044)	(3,661)	(32,733)
Unrecognized actuarial loss	(3,395)	(5,287)	(36,514)
Unrecognized prior service cost	1,028	1,204	11,055
Net accrued pension liabilities	2,105	1,110	22,634
Prepaid pension cost		496	
Liability for employees' retirement benefits	¥ 2,105	¥ 1,606	$ 22,634

The components of net periodic benefit costs for the years ended March 31, 2010 and 2009, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Service cost	¥ 736	¥ 1,027	$ 7,923
Interest cost	369	381	3,975
Expected return on plan assets	(265)	(303)	(2,854)
Amortization of transitional obligation	608	610	6,546
Recognized actuarial loss	845	610	9,091
Amortization of prior service cost	(176)	(176)	(1,895)
Subtotal	2,119	2,149	22,786
Payment to defined contribution pension trust	246	237	2,646
Net periodic benefit costs	¥ 2,365	¥ 2,387	$ 25,433

Assumptions used for the years ended March 31, 2010 and 2009, are set forth as follows:

	2010	2009
Discount rate	1.5%	1.5%
Expected rate of return on plan assets	1.6%	1.6%
Recognition period of actuarial gain/loss	10 years	10 years
Amortization period of transitional obligation	15 years	15 years
Amortization period of prior service cost	10 years	10 years

9. EQUITY

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

a. *Dividends*

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) 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 (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

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

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

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

c. Treasury Stock and Treasury Stock Acquisition Rights

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

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

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

d. Issuance of New Ordinary Shares to a Third Party

On April 30, 2008, the Company issued new ordinary shares to a third party based on the resolution of the Board of Directors meeting held on March 31, 2008. Details are as follows:

(1) Allocated third party: Mitsubishi Corporation
(2) Number of shares issued: Ordinary shares, 67,080 thousand shares
(3) Issue price: ¥907 per share
(4) Aggregate issue amount: ¥60,841 million

The Company's common stock and capital surplus were increased by ¥30,454 million and ¥30,387 million, respectively.

10. STOCK OPTIONS

The stock options outstanding as of March 31, 2010 were as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2002 Stock Option	8 directors 8 officers 623 employees	7,896,000 shares	July 12, 2002	¥232 ($2.49)	From July 1, 2004 to June 30, 2009

The stock option activity was as follows:

	2002 Stock Option (Shares)
Year Ended March 31, 2009	
Vested	
March 31, 2008—Outstanding	66,000
Exercised	(30,000)
March 31, 2009—Outstanding	36,000
Year Ended March 31, 2010	
Vested	
March 31, 2009—Outstanding	36,000
Exercised	(32,000)
Lapse	(4,000)
March 31, 2010—Outstanding	
Exercise price	¥232
Average stock price at exercise	¥768
Fair value price at grant date	

11. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 41% for the years ended March 31, 2010 and 2009.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2010 and 2009, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Deferred tax assets:			
Cost of revenue	¥ 13,528	¥ 5,600	$ 145,469
Allowance for employees' bonus	1,246	1,367	13,399
Allowance for warranty costs for completed works	1,715	1,422	18,449
Allowance for losses on construction contracts	1,780	1,661	19,149
Deferred loss on derivatives under hedge accounting		1,033	
Retirement benefits	836		8,993
Other	2,966	4,714	31,893
Less valuation allowance	(874)	(1,278)	(9,404)
Total	21,199	14,521	227,948
Deferred tax liabilities:			
Profit/loss in joint venture	3,785	2,992	40,704
Other	145	316	1,565
Total	3,931	3,309	42,269
Net deferred tax assets	¥ 17,268	¥ 11,212	$ 185,679

Net deferred tax assets as of March 31, 2010 and 2009 were recorded in the accompanying consolidated balance sheets as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Deferred tax assets—current assets	¥ 15,523	¥ 9,872	$ 166,914
Deferred tax assets—investments and other assets	1,745	1,348	18,765

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2010 and 2009, is as follows:

	2010	2009
Normal effective statutory tax rate	41 %	41 %
Expenses not deductible for income tax purposes	4	2
Non-taxable dividend income	(8)	(1)
Inhabitant taxes per capita levy	1	
Tax credit	13	(2)
Temporary difference on change in tax act		(5)
Increase in valuation allowance for deferred tax assets		3
Equity in earnings of associated companies	(1)	(1)
Lower income tax rates applicable to subsidiaries	(6)	(4)
Lower tax basis of enterprise tax	(7)	(1)
Actual effective tax rate	37 %	32 %

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥1,741 million ($18,726 thousand) and ¥1,797 million for the years ended March 31, 2010 and 2009, respectively.

13. 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:

	Millions of Yen			Thousands of U.S. Dollars		
	2010			2010		
	Finance Leases			Finance Leases		
	On Balance	Off Balance	Operating Leases	On Balance	Off Balance	Operating Leases
Due within one year	¥ 13	¥ 90	¥ 132	$ 149	$ 973	$ 1,424
Due after one year	22	117	1,424	236	1,260	15,286
Total	¥ 35	¥ 207	¥ 1,554	$ 386	$ 2,233	$ 16,711

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 should be capitalized to recognize lease assets and lease obligations in the balance sheet. However, the ASBJ Statement No. 13 permits leases without ownership transfer of the leased property to the lessee whose lease inception was before March 31, 2008 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 the 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 such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense, interest expense and other information of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis was as follows:

Year Ended March 31, 2010

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

	Thousands of U.S. Dollars			
	Buildings and Structures	Tools, Furniture and Fixtures	Other	Total
Acquisition cost	$ 726	$ 4,182	$ 828	$ 5,736
Accumulated depreciation	205	2,741	555	3,503
Net leased property	$ 520	$ 1,440	$ 272	$ 2,233

Obligations under finance leases:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 90	$ 973
Due after one year	117	1,260
Total	¥ 207	$ 2,233

Year Ended March 31, 2009

	Millions of Yen			
	Buildings and Structures	Tools, Furniture and Fixtures	Other	Total
Acquisition cost	¥ 67	¥ 475	¥ 77	¥ 619
Accumulated depreciation	12	244	43	299
Net leased property	¥ 55	¥ 230	¥ 33	¥ 319

Obligations under finance leases:

	Millions of Yen
Due within one year	¥ 110
Due after one year	209
Total	¥ 319

Depreciation expense as lessee, which is not reflected in the accompanying consolidated statements of income, computed by the straight-line method was ¥111 million ($1,193 thousand) and ¥138 million for the years ended March 31, 2010 and 2009, respectively.

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

The minimum rental commitments under noncancelable operating leases at March 31, 2009 were as follows:

Year Ended March 31, 2009

	Millions of Yen
Due within one year	¥ 144
Due after one year	1,545
Total	¥ 1,690

14. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

On March 10, 2008, the ASBJ revised ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No. 19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." This accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010 with early adoption permitted from the beginning of the fiscal years ending before March 31, 2010. The Group applied the revised accounting standard and the new guidance effective March 31, 2010.

(1) ***Group Policy for Financial Instruments***

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

(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 certificate of deposits which mature shortly and are used for cash surpluses. Short-term investments include deposits at call which will mature after three month of the date of acquisition. Both certificate of deposits and deposits at call are exposed to default risk of its 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 mostly 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, and are exposed to the market risks from changes in interest rates.

Derivatives are foreign currency forward contracts, which are entered to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables. Please see Notes 2.s and 15 for more detail about derivatives.

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

Credit risk management

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

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

With respect to foreign currency forward contract, the Group limits the counterparty to those derivatives to major financial institutions for losses arising from credit risk.

Market risk management (foreign exchange risk)

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.

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

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

Liquidity risk management

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

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

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

(a) *Fair values of financial instruments*

	Millions of Yen		
March 31, 2010	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	¥ 139,790	¥ 139,790	
Short-term investments	53	53	
Notes and accounts receivable	39,864	39,864	
Costs and estimated earnings on long-term construction contracts	11,454	11,454	
Jointly controlled assets of joint venture	69,917	69,917	
Investment securities	3,508	3,508	
Total	¥ 264,589	¥ 264,589	
Notes and accounts payable—trade	¥ 89,523	¥ 89,523	
Income taxes payable	4,675	4,675	
Long-term debt	10,004	10,004	
Total	¥ 104,202	¥ 104,202	

	Thousands of U.S. Dollars		
March 31, 2010	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	$ 1,503,125	$ 1,503,125	
Short-term investments	577	577	
Notes and accounts receivable	428,647	428,647	
Costs and estimated earnings on long-term construction contracts	123,166	123,166	
Jointly controlled assets of joint venture	751,805	751,805	
Investment securities	37,730	37,730	
Total	$ 2,845,053	$ 2,845,053	
Notes and accounts payable—trade	$ 962,621	$ 962,621	
Income taxes payable	50,270	50,270	
Long-term debt	107,569	107,569	
Total	$ 1,120,461	$ 1,120,461	

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

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

Jointly Controlled Assets of Joint Venture

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

Investment Securities

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

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

Notes and Accounts Payable—Trade and Income Taxes Payable

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

Long-Term Debt (Bank Loans)

The carrying amounts of long-term bank loans approximate fair value, because terms are based on floating rate and the Group's credit standing is deemed not to be changed since it has borrowed.

Above schedules include current portion of long-term bank loans, excluding obligations under finance lease.

Derivatives

The information of the fair value for derivatives is included in Note 15.

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

March 31, 2010	Carrying Amount: Millions of Yen	Carrying Amount: Thousands of U.S. Dollars
Investment securities that do not have a quoted market price in an active market	¥ 1,641	$ 17,654
Investments in equity instruments that do not have a quoted market price in an active market	2	31
Investments in unconsolidated subsidiaries and associated companies that do not have a quoted market price in an active market	2,702	29,053

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

	Millions of Yen			
March 31, 2010	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥ 139,790			
Short-term investments	53			
Notes and accounts receivable, and costs and estimated earnings on long-term construction contacts	50,932	¥ 341	¥ 45	
Jointly controlled assets of joint venture	69,917			
Total	¥ 260,692	¥ 341	¥ 45	

	Thousands of U.S. Dollars			
March 31, 2010	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	$ 1,503,125			
Short-term investments	577			
Notes and accounts receivable, and costs and estimated earnings on long-term construction contacts	547,657	$ 3,667	$ 489	
Jointly controlled assets of joint venture	751,805			
Total	$ 2,803,166	$ 3,668	$ 489	

Please see Note 7 for annual maturities of long-term debt and Note 13 for obligations under finance leases, respectively.

15. DERIVATIVES

As noted in Note 14, the Group applied ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" and ASBJ Guidance No. 19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." The accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010; therefore, the required information is disclosed only for 2010.

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

	Millions of Yen			
March 31, 2010	Contract Amount	Contract Amount Due after One Year	Fair Value (Loss)	Unrealized Gain (Loss)
Foreign currency forward contracts:				
Selling U.S.$/buying yen	¥ 24,754		¥ (74)	¥ (74)
Selling Euro/buying yen	2,236		(1)	(1)
Selling GBP/buying yen	278			
Buying U.S.$/selling yen	2,599			
Buying Euro/selling yen	6			
Total	¥ 29,876		¥ (77)	¥ (77)

	Thousands of U.S. Dollars			
March 31, 2010	Contract Amount	Contract Amount Due after One Year	Fair Value (Loss)	Unrealized Gain (Loss)
Foreign currency forward contracts:				
Selling U.S.$/buying yen	$ 266,179		$ (804)	$ (804)
Selling Euro/buying yen	24,050		(14)	(14)
Selling GBP/buying yen	2,997		(1)	(1)
Buying U.S.$/selling yen	27,953		(6)	(6)
Buying Euro/selling yen	73		(3)	(3)
Total	$ 321,254		$ (831)	$ (831)

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

March 31, 2010	Hedged Item	Millions of Yen Contract Amount	Millions of Yen Contract Amount Due after One Year	Millions of Yen Fair Value (Loss)
Foreign currency forward contracts—Accounted for under deferred hedge accounting method:				
Selling U.S.$/buying yen	Foreign currency forecasted transaction	¥ 11,833	¥ 3,361	¥ (216)
Selling Euro/buying yen		1,016		29
Buying U.S.$/selling yen		4,540		150
Buying Euro/selling yen		1,553	240	(61)
Buying GBP/selling yen		114		(8)
Buying Euro/selling U.S.$		2,934	2,292	(161)
Total		¥ 21,993	¥ 5,893	¥ (268)
Other*:				
Selling U.S.$/buying yen	Receivables	¥ 76		
Buying U.S.$/selling yen		440		
Buying Euro/selling yen	Payables	424		
Buying GBP/selling yen		4		
Total		¥ 945		

March 31, 2010	Hedged Item	Thousands of U.S. Dollars Contract Amount	Thousands of U.S. Dollars Contract Amount Due after One Year	Thousands of U.S. Dollars Fair Value (Loss)
Foreign currency forward contracts—Accounted for under deferred hedge accounting method:				
Selling U.S.$/buying yen	Foreign currency forecasted transaction	$ 127,246	$ 36,141	$ (2,325)
Selling Euro/buying yen		10,928		317
Buying U.S.$/selling yen		48,825		1,615
Buying Euro/selling yen		16,703	2,581	(665)
Buying GBP/selling yen		1,229		(92)
Buying Euro/selling U.S.$		31,555	24,645	(1,740)
Total		$ 236,487	$ 63,369	$ (2,890)
Other*:				
Selling U.S.$/buying yen	Receivables	$ 819		
Buying U.S.$/selling yen		4,740		
Buying Euro/selling yen	Payables	4,563		
Buying GBP/selling yen		46		
Total		$ 10,170		

* 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

Derivative Transactions to Which Hedge Accounting Is Not Applied at March 31, 2009

	Millions of Yen		
March 31, 2009	Contract Amount	Fair Value	Unrealized Loss
Buying:			
Euro	¥ 19	¥ 18	
GBP	21	14	¥ (6)
Selling:			
U.S.$	14,990	15,022	(31)
Euro	1,331	1,332	(1)

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

The fair value of derivatives accounted for by matching method are included in note and account receivables/payables because they are accounted together with their hedged items.

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

16. CONTINGENT LIABILITIES

At March 31, 2010, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees on employees' housing loans	¥ 405	$ 4,362
Performance bond for an unconsolidated subsidiary	2,586	27,814

17. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2010 and 2009 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2010	Net Income	Weighted-Average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥ 2,953	259,301	¥ 11.39	$ 0.12
Effect of dilutive securities—Stock options		4		
Diluted EPS—Net income for computation	¥ 2,953	259,306	¥ 11.39	$ 0.12

Year Ended March 31, 2009	Millions of Yen Net Income	Thousands of Shares Weighted-Average Shares	Yen EPS
Basic EPS—Net income available to common shareholders	¥ 6,498	254,000	¥ 25.58
Effect of dilutive securities—Stock options		42	
Diluted EPS—Net income for computation	¥ 6,498	254,043	¥ 25.58

18. SUBSEQUENT EVENT

The following appropriation of retained earnings at March 31, 2010, is scheduled for approval at the Company's shareholders meeting on June 24, 2010:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥3.50 ($0.04) per share	¥ 907	$ 9,755

19. SEGMENT INFORMATION

Information about geographical segments and sales to foreign customers of the Company and consolidated subsidiaries for the years ended March 31, 2010 and 2009, was as follows:

(1) ***Geographical Segments***

	Millions of Yen					
Year Ended March 31, 2010	Japan	Asia	Other	Subtotal	Eliminations (Corporate)	Consolidated
Revenue:						
Sales to customers	¥ 303,372	¥ 8,586	¥ 1,026	¥ 312,985		¥ 312,985
Interarea transfer	922	2,998	35	3,956	¥ (3,956)	
Total sales	304,295	11,585	1,061	316,942	(3,956)	312,985
Operating expenses	303,560	10,620	1,059	315,240	(3,956)	311,283
Operating income	¥ 734	¥ 965	¥ 2	¥ 1,702		¥ 1,702
Total assets	¥ 319,561	¥ 9,413	¥ 1,772	¥ 330,747	¥ (2,572)	¥ 328,174

Notes to Consolidated Financial Statements

Years Ended March 31, 2010 and 2009

	Thousands of		
Year Ended March 31, 2010	Japan	Asia	Other
Revenue:			
Sales to customers	$ 3,262,072	$ 92,331	$ 11,037
Interarea transfer	9,920	32,244	377
Total sales	3,271,992	124,575	11,414
Operating expenses	3,264,095	114,195	11,389
Operating income	$ 7,897	$ 10,380	$ 25
Total assets	$ 3,436,143	$ 101,221	$ 19,055

Notes: 1. The Company and consolidated subsidiaries operate within three geographic segments based on the companies are located.
The segments consisted of the following countries in 2010:

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

2. Corporate assets mainly consist of long-term loans and investment securities of the Company.
Corporate assets as of March 31, 2010 were ¥2,992 million ($32,181 thousand).

	Millions of		
Year Ended March 31, 2009	Japan	Asia	Other
Revenue:			
Sales to customers	¥ 429,879	¥ 16,548	¥ 9
Interarea transfer	16	2,103	42
Total sales	429,896	18,651	52
Operating expenses	424,825	16,497	46
Operating income	¥ 5,070	¥ 2,154	¥ 5
Total assets	¥ 347,936	¥ 10,338	¥ 636

Notes: 1. The Company and consolidated subsidiaries operate within three geographic segments based on the countries where the companies are located.
The segments consisted of the following countries in 2009:

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

2. Corporate assets mainly consist of long-term loans and investment securities of the Company.
Corporate assets as of March 31, 2009 were ¥3,273 million.

U.S. Dollars		
Subtotal	Eliminations (Corporate)	Consolidated
$ 3,365,440		$ 3,365,440
42,542	$ (42,542)	
3,407,983	(42,542)	3,365,440
3,389,680	(42,541)	3,347,139
$ 18,302		$ 18,301
$ 3,556,420	$ (27,665)	$ 3,528,755

Yen		
Subtotal	Eliminations (Corporate)	Consolidated
¥ 446,438		¥ 446,438
2,161	¥ (2,161)	
448,600	(2,161)	446,438
441,369	(2,157)	439,211
¥ 7,230	¥ (3)	¥ 7,227
¥ 358,912	¥ (1,095)	¥ 357,816

(2) ***Sales to Foreign Customers***

Year Ended March 31, 2010	Millions of Yen				
	Asia	The Middle and Near East	Oceania	Other	Total
Overseas sales (A)	¥ 12,709	¥ 147,336	¥ 6,730	¥ 2,330	¥ 169,107
Consolidated sales (B)					312,985
(A)/(B)	4.06%	47.07%	2.15%	0.75%	54.03%

Year Ended March 31, 2010	Thousands of U.S. Dollars				
	Asia	The Middle and Near East	Oceania	Other	Total
Overseas sales (A)	$ 136,665	$ 1,584,260	$ 72,376	$ 25,059	$ 1,818,361
Consolidated sales (B)					3,365,440
(A)/(B)	4.06%	47.07%	2.15%	0.75%	54.03%

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

The segments consisted of the following countries in 2010:

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

Year Ended March 31, 2009	Millions of Yen				
	Asia	The Middle and Near East	Russia and Central Asia	Other	Total
Overseas sales (A)	¥ 20,380	¥ 277,627	¥ 23,308	¥ 1,966	¥ 323,282
Consolidated sales (B)					446,438
(A)/(B)	4.56%	62.19%	5.22%	0.44%	72.41%

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

The segments consisted of the following countries in 2009:

Asia: Singapore, Indonesia, Malaysia, Thailand and others
The Middle and Near East: Qatar, UAE and others
Russia and Central Asia: Russia
Other: Australia, Algeria 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.

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

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Chiyoda Corporation:

We have audited the accompanying consolidated balance sheets of Chiyoda Corporation (the "Company") and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Chiyoda Corporation and consolidated subsidiaries as of March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

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

Deloitte Touche Tohmatsu LLC

June 11, 2010

Member of
Deloitte Touche Tohmatsu

Global Network (As of July 1, 2010)

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Engineering

Chiyoda Advanced Solutions Corporation
Services: Advanced engineering consulting
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Chiyoda Keiso Co., Ltd.
Services: Design, procurement and construction for electrical and instrumentation facilities
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Yokohama 221-0022, Japan
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Fax: (81) 45-441-1434
URL: http://www.ckc.chiyoda.co.jp/

Chiyoda Kosho Co., Ltd.
Services: Design, construction and maintenance for domestic projects
34-26, Tsurumichuo 4-chome, Tsurumiku,
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Fax: (81) 45-506-7667
URL: http://www.cks-ykh.co.jp/

Chiyoda TechnoAce Co., Ltd.
Services: Design and construction for pharmaceutical facilities
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URL: http://www.cta.chiyoda.co.jp/

Chiyoda U-Tech Co., Ltd.
Services: Consulting and human resources placement
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Yokohama 230-0051, Japan
Tel: (81) 45-502-7618
Fax: (81) 45-503-5399
URL: http://www.utc-yokohama.com/

IT Engineering Limited
Services: IT consulting and solution provider
1-25, Shinurashima-cho 1-chome,
Kanagawa-ku, Yokohama 221-0031, Japan
Tel: (81) 45-441-9123
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Business Support

Arrow Business Consulting Corporation
Services: Consulting for finance and accounting
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Yokohama 230-0051, Japan
Tel: (81) 45-502-5774
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Arrowhead International Corporation
Services: Travel services and supply of spare parts
7-8, Shibakoen 1-chome, Minato-ku,
Tokyo 105-0011, Japan
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Fax: (81) 3-5470-0890
URL: http://www.arrowhead.co.jp/

Arrow Human Resources Co., Ltd.
Services: Placement of technicians and office staff and reemployment support
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Mandaluyong City 1555, Philippines
Tel: (63) 2-571-7596
Fax: (63) 2-571-7599
URL: http://www.chiyodaphil.com.ph

Chiyoda & Public Works Co., Ltd.
Room 308~309, Sedona Hotel
No. 1, Kaba Aye Pagoda Road,
Yankin Township, Yangon, Myanmar
Tel: (95) 1-545605
Fax: (95) 1-545227

Chiyoda Singapore (Pte) Limited
14 International Business Park Jurong East,
Singapore 609922
Tel: (65) 6563-3488
Fax: (65) 6567-5231
URL: http://www.chiyoda.com.sg/

Chiyoda (Thailand) Limited
140/42 ITF Tower II, 20th Floor,
Silom Road, Kwaeng Suriyawong,
Khet Bangrak, Bangkok 10500, Thailand
Tel: (66) 2-231-6441/6442
Fax: (66) 2-231-6443

L&T-Chiyoda Limited
B.P. Estate National Highway No. 8,
Chhani Baroda-391740, Gujarat State, India
Tel: (91) 265-2771003/2772855
Fax: (91) 265-2774985
URL: http://www.lntchiyoda.com/

PT. Chiyoda International Indonesia
9th Floor, Mid-Plaza Bldg., Jalan Jenderal
Sudirman Kav. 10-11 Jakarta, 10220,
Indonesia
Tel: (62) 21-570-4693
Fax: (62) 21-573-5723

Corporate Information (As of March 31, 2010)

Chiyoda Corporation

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

Established
January 20, 1948

Paid-in Capital
¥43,396 million

Number of Employees
1,281 (Non-Consolidated)
3,670 (Consolidated)

Annual Fiscal Close
March 31

Shareholders' Meeting
June

Number of Shares per Unit
1,000

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

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

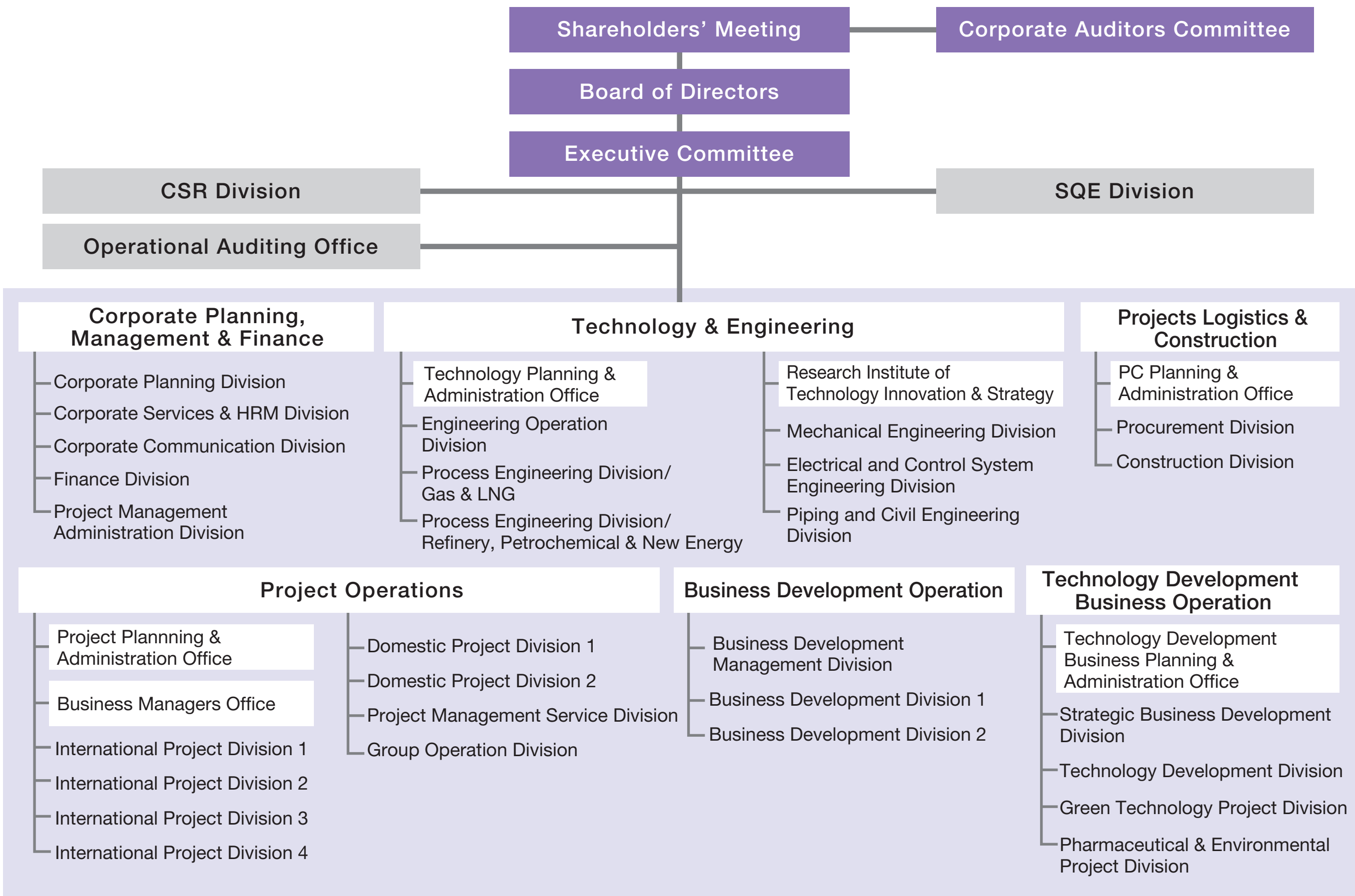
Authorized Shares
650,000,000

Capital Stock Issued
260,324,529

Number of Shareholders
14,069

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

Organization Chart

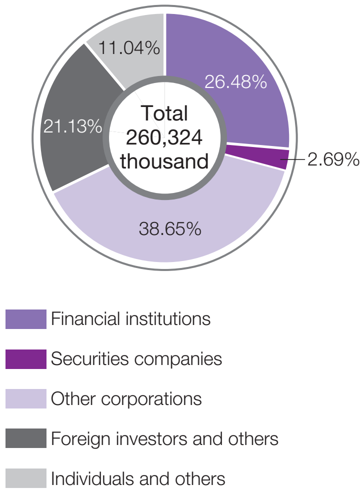


(As of July 1, 2010)

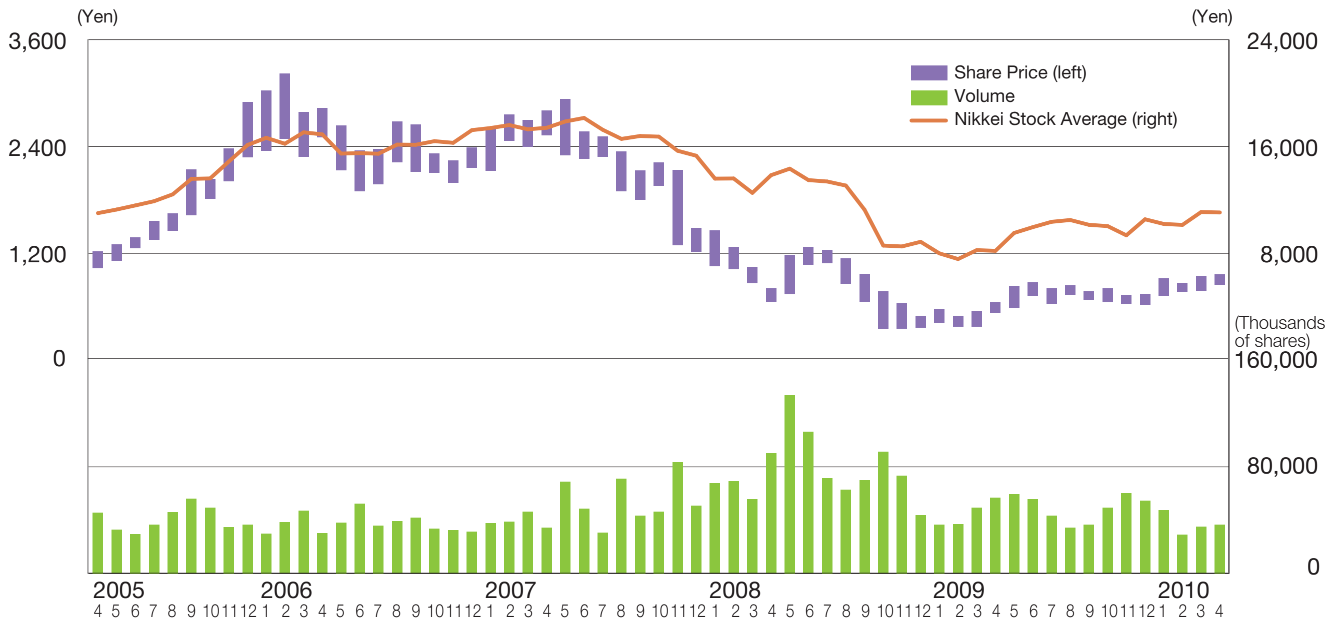
Major Shareholders

	Number of Shares Owned (Thousands of shares)	Ratio of Number of Shares Owned to Aggregate Number of Shares Issued (%)
Mitsubishi Corporation	86,931	33.53
The Master Trust of Japan, Ltd. (Trust Account)	16,857	6.50
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	9,033	3.48
Japan Trustee Services Bank, Ltd. (Trust Account)	8,224	3.17
Mitsubishi UFJ Trust and Banking Corporation	8,032	3.09
The Bank of New York, Treaty JASDAEC Account	4,534	1.75
Japan Trustee Services Bank, Ltd. (Trust Account 9)	3,851	1.48
JP Morgan Securities Japan Co., Ltd.	2,952	1.13
Tokio Marine & Nichido Fire Insurance Co., Ltd.	2,760	1.06
Meiji Yasuda Life Insurance Co.	2,549	0.98

Breakdown by Shareholder



Monthly Stock Price Range on the Tokyo Stock Exchange



CHIYODA CORPORATION

12-1, Tsurumichuo 2-chome, Tsurumi-ku,
Yokohama 230-8601, Japan
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Member 2009/10

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CHIYODA GROUP

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

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