Seize the Moment, Open Up New Frontiers

ANNUAL REPORT FY2015

For the year ended March 31, 2016

CHIYODA CORPORATION

Profile

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

Aiming to raise corporate value, the Group announced in 2013 a four-year business plan, "Seize the moment, Open up new frontiers". The Medium-Term Management Plan includes a growth strategy and an operating foundation strategy. The Group aims to maintain growth as a constant provider of the value and service required by society and customers, by identifying the current trend. The operating foundation strategy provides the base for achieving the sustainable growth of the Group.

The management team and employees of the Group will also reflect the aspects of Environment, Social and Governance (ESG) to fulfil Corporate Social Responsibility (CSR) when implementing each action plan.

Courtesy of Qatargas Operating Company Limited.

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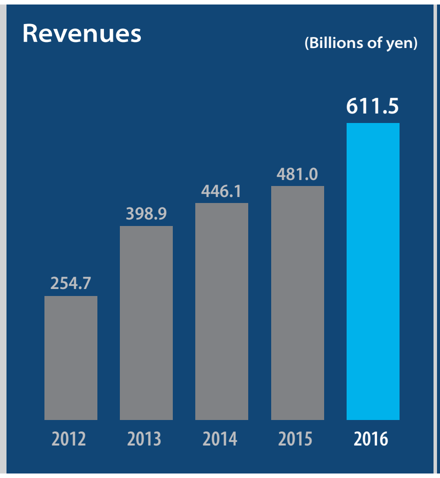
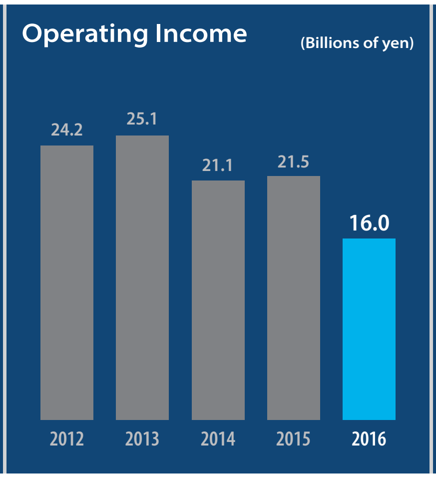
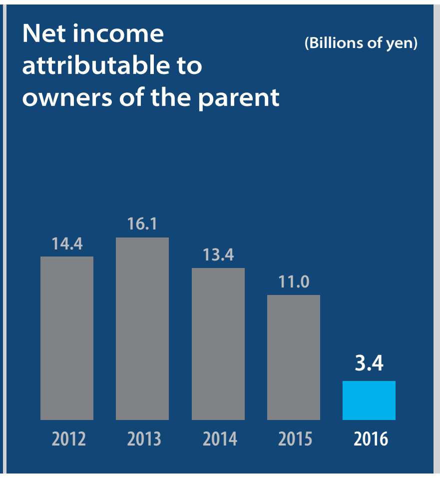
Financial Highlights

Years Ended March 31,	2016	2015	2014	2013	2012
For the Year (Millions of yen)					
Revenues	¥611,548	¥480,979	¥446,147	¥398,918	¥254,675
Cost of revenue	570,028	435,327	404,685	356,402	215,783
Operating income	16,015	21,466	21,079	25,113	24,197
Income before income taxes and minority interests	14,460	22,012	22,538	26,747	23,543
Net income attributable to owners of the parent	3,375	11,029	13,447	16,077	14,364
At Year-End (Millions of yen)					
Total assets	¥528,219	¥515,839	¥475,288	¥435,379	¥365,795
Total equity	202,128	208,405	198,031	189,356	168,737
Current ratio (%)	146.3	151.0	156.3	166.3	165.5
Per Common Share (yen)					
Earnings per share (EPS)	¥ 13.03	¥ 42.58	¥ 51.91	¥ 62.06	¥ 55.44
Book value per share (BPS)	772.89	796.89	758.31	727.24	648.95
Dividend per share	10.0	13.0	16.0	19.0	17.0
Ratios (%)					
Return on assets (ROA)	3.1	4.5	5.0	6.4	6.6
Return on equity (ROE)	1.7	5.5	7.0	9.0	8.9

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







Forward-Looking Statements: This annual report contains forward-looking statements about Chiyoda Corporation's outlook, plans, forecasts, results and other items that may take place in the future. Such statements are based on data available as of May 2016. Unknown risks and other uncertainties that happen in the future may cause our actual results to be different from the forward-looking statements contained in this report. The risks and uncertainties include business and economic conditions, competitive pressure, changes in laws and regulations, addition or elimination of products, and exchange rate fluctuation, among others.

To Our Shareholders

"Take on new challenges for sustainable growth."

Shogo Shibuya *President & CEO, Chiyoda Corporation*

On behalf of the Chiyoda Group, I highly appreciate your continued support over the past 12 months. I am pleased to present our corporate overview for the fiscal year 2015 which is in the latter stage of the current Medium-Term Management Plan, "Seize the moment, Open up new frontiers."

While implementing various measures in accordance with the growth strategies and corporate system defined in the Plan, we have reached some milestones which lead to sustained growth in various fields.

In the field of LNG, a core segment of our business, in addition to ongoing large projects in Australia, Russia and North America, we expanded our business into new areas like Mozambique, to make our position more stable. In the fields of petroleum refineries, petrochemicals and metals, we have won large projects in Saudi Arabia and Indonesia. In the pharmaceutical and life science industries, we made steady progress by receiving an order for a development project on regenerative medicine which has the potential for further orders.

In addition, the Group established EMAS CHIYODA Subsea Ltd. to perform Engineering, Procurement, Construction and Installation (EPCI) for subsea projects. Hereby, the Group is able to provide services for all phases in the subsea value chain development from planning to commissioning. This joint venture is one of our strategic actions to expand our business portfolio.

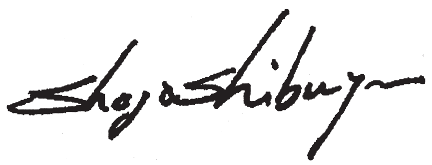
We have implemented systems for data management and human resource training, which were established as part of the plan to strengthen our core business operations. We will continue to take on new challenges for our further growth by making the best use of such systems.

Our financial results, however, deteriorated as a result of an increase in construction costs for some petroleum related projects and the worsening performance of overseas group companies; especially our affiliate in the U.K., which was affected by a prolonged drop in oil prices. In order to recognize the management's responsibility, the Group resolved to cut management compensation. In addition, to regain the trust of stakeholders, we will make every effort to improve profitability through the sound implementation of each project, as well as implementing effective management measures in projects and group companies' operations.

Consequently, we have decided to pay a dividend of ¥10 per share, in line with our earnings excluding impairment loss for the fiscal year 2015.

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

June 2016

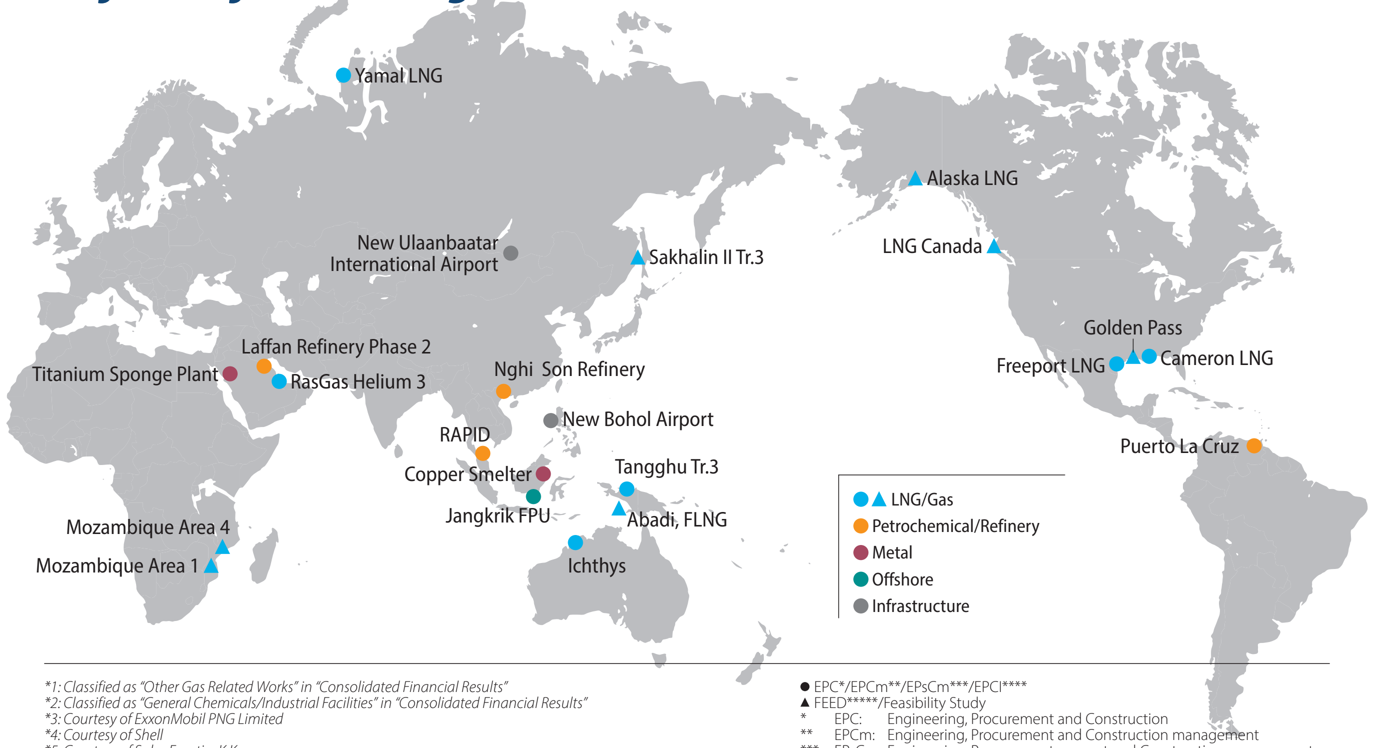


At a Glance




	Revenues	New Orders	Backlog of Contracts
LNG	366.8 60%	155.2 38%	860.3 74%
Gas Processing*1	22.1 4%	11.4 3%	19.8 2%
Petroleum and Petrochemicals	138.8 23%	161.5 40%	198.6 17%
Fine Industries*2	31.0 5%	32.7 8%	32.4 3%
Others	52.8 9%	42.8 11%	53.9 5%

Major Projects in Progress *(As of May 2016)*



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

● EPC*/EPCm**/EPsCm***/EPCI****
▲ FEED*****/Feasibility Study
* EPC: Engineering, Procurement and Construction
** EPCm: Engineering, Procurement and Construction management
*** EPsCm: Engineering, Procurement support and Construction management
**** EPCI: Engineering, Procurement, Construction and Installation
***** FEED: Front-end Engineering and Design

Qualitative Information on Business Performance

Results of Operations

Analysis of Results

The global economic environment remained uncertain. Emerging countries including China slowed down and geopolitical risk in the Middle East increased. The destabilization of Europe due to the recurrent terrorist attacks continued. In a nutshell, global markets were in turmoil. Although oil prices, with an impact on the plant industry and the Group's main business, showed a sign of bottoming out, they fluctuated due to the unwillingness to adjust production among oil-exporting countries. Under those circumstances, our clients were prudent to proceed with their investment plans. The Japanese economy waxed and waned. Some capital investment was made, backed by a high level of corporate earnings and extremely low interest rates. The strong yen from the beginning of the year and lower oil prices led to the market contraction.

Backlog of Contracts
1,165.0

Under such circumstances, the Group was concentrating on the initiatives designed to create sustainable growth by accelerating its growth strategy and operating foundation defined in the Medium-Term Management Plan beyond the mid-point of the 4-year term. The Group had made progress toward the goal in the metal field including new orders received for a titanium sponge plant in Saudi Arabia followed by a large scale project in Indonesia. While keeping a strong presence in the conventional field, the Group also received a letter of intent for a Liquefied Natural Gas (LNG) plant, although it was subject to a Final Investment Decision (FID) to be made. In parallel, the Group was set for expansion in new business fields including offshore and upstream where EMAS CHIYODA Subsea Ltd. was established to implement an Engineering, Procurement, Construction and Installation (EPCI) business, new and renewable energy, including the Hydrogen Supply Chain utilizing its own technologies, and solar power generation utilizing photovoltaic and concentrating solar power technology, and life science like iPS related projects.


Courtesy of Laffan Refinery 2 Company Limited

The ongoing projects including LNG plants in Australia, the USA and Russia, refinery plants in Vietnam, Qatar and Venezuela, a Floating Production Unit (FPU) in Indonesia, a Titanium Sponge plant in Saudi Arabia, airport projects in Mongolia and the Philippines, and LNG receiving terminals and photovoltaic power generation systems in Japan, all progressed on schedule.

Consequently, consolidated new orders for the period amounted to 403,595 million yen (46.0% decrease compared to the same period of the previous fiscal year). The backlog and revenue were 1,164,991 million yen (17.8% decrease from the end of the previous fiscal year), and 611,548 million yen (27.1% increase year on year) respectively. Operating income amounted to 16,015 million yen (25.4% decrease), ordinary income to 16,205 million yen (27.2% decrease), and profit attributable to owners of parent resulted in 3,375 million yen (69.4% decrease).

Operating income was lower than the forecast due to the increase in construction costs to meet the delivery schedule for some petroleum related projects, as well as the worsening performance of overseas group companies including one in England and the prolonged tumble in oil prices. The profit attributable to owners of parent was also lower, mainly due to an extraordinary loss incurred by goodwill impairment in connection with acquisition of the shares of a group company in England.

With great regret about lower earnings, the Group is aiming to improve profitability, and recover stakeholders' trust by performing more rigorous management for profit and loss and for the Group Companies.

Results by Business Segment

LNG Plants/Other Gas Related Works

The Group has been selected as an Engineering, Procurement and Construction (EPC) contractor for an LNG plant in Mozambique, contracts with the client for which are being negotiated and will be finalized in the near future. The EPC execution of LNG plants, two in the USA and one each in Russia and Australia and Front End Engineering and Design (FEED) works for LNG plants in Mozambique and the USA are in progress as planned. The Group has completed the FEED work in Indonesia and is currently under negotiation for an EPC contract. The Group has also completed the FEED work in Canada and is negotiating for an EPC contract with the client. The Group Company in Qatar has been carrying out EPC work for helium recovery facilities and the Engineering, Procurement and Construction management (EPCm) work for the maintenance and modification of the existing LNG and gas processing plants built mainly by the Group. In Japan, several EPC works on LNG receiving terminals and the expansion/modification of the existing plants are in progress.

Revenues

611.5

LNG plants and other gas-related facilities constitute the Group's core business. In that regard, the Group will pursue any such project globally.

Refinery/Petrochemicals/Metal

Engineering, Procurement, Construction and Commissioning (EPCC) is progressing for a Residue Fluid Catalytic Cracking (RFCC) project in Malaysia. EPC is ongoing for a refinery and petrochemical complex in Vietnam and a refinery project in Qatar. Engineering, Procurement support and Construction management (EPsCm) for heavy oil upgrading facilities in Venezuela is going on. Additionally, the Group Company in Singapore is performing project management under the Enterprise Framework Agreement for downstream projects within Asia. For metal fields, the Group has been awarded Engineering and Procurement (EP) work for a Copper Smelter project in Indonesia, in addition to the EPC work for a Titanium Sponge Plant in Saudi Arabia.

In Japan, the Group continues to perform the EPC work for modification to fortify existing facilities in the case of a possible catastrophic event, a petrochemical plant and energy saving measures among several facilities. The Group also continues to expand its sales activities in the petroleum and petrochemical field.

Pharmaceutical/Biochemistry/General Chemistry/Environment/Infrastructure

The Group has been moving forward with the EPC execution for a new international airport in Mongolia and a new Bohol airport in the Philippines.

Meanwhile, the Group has also been responding to the overseas expansion in Japanese clients' businesses in non-hydrocarbon fields. In Japan, the Group has won a number of EPC projects for large-scale photovoltaic power generation systems. The Group has been expanding its sales activities by enhancing its group operations in this field. And the Group has been awarded EPC work for a food factory to support food safety and hygiene control. In the pharmaceutical industry, the Group has been awarded EPC work for an advanced pharmaceutical plant to manufacture injections, and been carrying out EPC work for manufacturing facilities of active pharmaceutical ingredients, vaccine and bio-medicine plants individually. The Group has been also gearing up for the life science field as a growing market, marked by iPS cells and regenerative medicine, applying our pharmaceutical and medical expertise.

New Business Fields

Chiyoda Corporation and Ezra Holdings Limited established a joint venture named EMAS CHIYODA Subsea Ltd. on March 31 of this year, in order to accelerate its expansion of the Offshore & Upstream business field. The transaction has been completed within this fiscal year. In parallel, the Group's strategic alliance partner, Xodus Group has been providing integrated services in the offshore and upstream field for resource exploration companies worldwide. The Group hereby has been set to provide a value chain for resource development on offshore and upstream for all the phases from design to EPCI, including operation and maintenance.

As for new energy fields, the Group has developed its own technology for transporting and delivering a large volume of hydrogen. The Group has been actively collaborating with various parties in order to achieve a hydrogen-based society.

Moreover, the Group has been selected as an EPC contractor for Japan's first demonstration plant to produce and supply renewable jet and diesel fuels, and is currently doing basic design work.

Outlook for the Next Fiscal Year

With its highest backlog of contracts more than one trillion yen, the group will continue to work diligently on the execution of existing large projects in Australia, U.S., and Russia. To materialize the Medium-Term Management Plan, the Group will also continue to accelerate its growth strategy to diversify the business portfolio by expanding new business fields. In consideration of these circumstances and assuming an exchange rate of ¥110/US dollar, its forecast for the fiscal year ending March 31, 2017 include 470.0 billion yen in consolidated new orders and 550.0 billion yen on consolidated revenues. Its forecast for the consolidated operating income is 18.0 billion yen, consolidated ordinary income is 14.0 billion yen, and the consolidated profit attributable to owners of parent is 5 billion yen.

Topics

Growing in the LNG industry

Chiyoda Group's large-scale EPC projects are proceeding well. For the projects in Australia and Russia, modules are being produced across the world. We are employing the modular construction method to enhance the construction efficiency and adapt to the harsh local construction environment. As for the Australian project, some modules are already completed and assembled onsite. For the project in North America, earthworks and foundation construction are in progress.

In those ongoing projects, we are trying to maintain good communication with clients and project partners and trying to be flexible about detailed requirements on specifications and schedules.

Chiyoda has been chosen as a contractor in a number of LNG projects planned around the world, including ones in Mozambique and Canada. As the world's No. 1 leading contractor, we are continuing with our efforts to find new markets and to open a new frontier to achieve further growth.

Enhancing global operations

We are strengthening the performance and the competitiveness of our overseas affiliates to achieve a system of local production for local consumption. The division of work on a worldwide basis by regional strategic bases, included in the Medium-Term Management Plan, is beginning to take shape.

Chiyoda Almana Engineering LLC, Chiyoda's Qatar-based affiliate, is a pioneer in Chiyoda Group's global operations and is active in local-based Project Lifecycle Engineering (PLE).

In 2015, Chiyoda Almana renewed two (2) long-term service agreements while maintaining a total of eight (8) ongoing agreements by the end of 2015. In addition, it won an order for a helium plant EPC project and started to implement the project.

In Southeast Asia, the affiliates have been demonstrating the capability to implement projects. The refinery upgrading project in the Philippines was completed in 2015. Chiyoda Singapore (Pte) Limited won the order and Chiyoda Philippines Corporation implemented the project, working with other affiliates.

Setting up an EPCI venture for offshore construction, the first of its kind in Japan

Chiyoda Group is defining the offshore and upstream business as a growth strategy in the Medium-Term Management Plan. We are putting our efforts into the offshore and upstream business to develop it into one of our pillars, second to LNG.

Chiyoda has set up EMAS CHIYODA Subsea Ltd. (ECS), a joint venture specializing in Engineering, Procurement, Construction and Installation (EPCI) services in the subsea construction field, and it came into operation on April 1, 2016. That, coupled with the capital alliance with the UK-based consultancy Xodus, has completed a value chain system covering all the phases of the offshore and upstream field from conceptual design to its EPCI and its operation.

We will expand the business of ECS by making the most of our client network, including oil majors, and our capability to implement large projects in addition to our past accomplishments. We believe the growth of the company will help ensure energy security at home and abroad.

Winning orders for metal plant projects in Saudi Arabia and Indonesia

In April 2015, Chiyoda won an order for the EPC service of a titanium sponge production plant in Saudi Arabia. In March 2016, Chiyoda won an order for a large-scale EP service of a copper smelting plant in Indonesia.

Chiyoda Group has great experience in this field. We are meeting the requirements of each client, utilizing our comprehensive technology, including environmental protection as well as our expertise in improving smelting and refining technologies and increasing production capacity. We are aiming for further growth in this field, in addition to the LNG, oil and petrochemical industries, Chiyoda's speciality, to create a well-balanced corporate portfolio.

Growing in domestic businesses

While Chiyoda's overseas businesses are greatly expanding, its domestic businesses are steadily growing, too. We are well regarded for our technological expertise and responsiveness to individual client requirements. We are continuing with our efforts to improve on technologies and work closely with domestic affiliates to meet clients' needs to further improve the Chiyoda brand image.

The domestic businesses include two projects completed in 2015: a large LNG project for Hitachi and a new onshore shipping facility of oil products as part of the Japanese government's oil supply infrastructure resilience project. We are also engaged in projects to help shape our future. The projects include a demonstration plant to produce and supply renewable jet and diesel fuels, a state-of-the-art plant for regenerative medicine using iPS cells, and projects related to renewable energy and hydrogen-based society.


Courtesy of FLNG Liquefaction LLC

Freeport LNG Plant site, Texas, USA


Courtesy of INPEX Operations Australia Pty Ltd

Large Scale module for Ichthys LNG, Australia

Most modernized and specialized vessel for subsea construction

Representatives from companies concerned with renewable jet and diesel fuels

Commitment to CSR

Our Mission Chiyoda Group 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.

Chiyoda Group's CSR

We believe the Chiyoda Group's corporate social responsibility is to accurately assess the current demands and deploy engineering to provide the value that society requires for addressing global challenges such as poverty, environmental issues and securing resources, consistent with our Group Corporate Philosophy.

In this respect, we will have all of our employees reflect the principles of such global guidelines as the ISO 26000 Core Subjects, UN Global Compact and Sustainable Development Goals in their behaviors and also work with our business partners and other parties concerned to understand and comply with the principles.

Our Group's basic stance towards communication in our business activities is "Smile and Respect," meaning to smile to express a warm feeling and to show respect to the other party, and we will continue to proactively engage in CSR activities with the aim of being a reliable company for all stakeholders.

Our Values Chiyoda Group CSR Visions

As an integrated engineering company, the Chiyoda Group pledges to contribute to the sustainable development of society through its business activities, and to constantly strive to increase corporate value and earn the trust and understanding of all stakeholders by adhering to the following principles.

CSR Visions	Compliance with International Guidelines: ISO 26000 Core Subjects	Compliance with International Guidelines: UN Global Compact	Action Policies	Activities in This Year
CSR Vision 1 A Reliable Company We strive to be a reliable company to our customers and other business partners by providing world-class technologies and knowledge.	Consumer (customer) issues	—	• Provide industrial plants that earn customer trust through engineering of outstanding quality • Share our CSR principles with suppliers and other business partners	• Initiatives for a stable supply of energy and reduction of greenhouse gases • Contribution to diversification of energy sources • Plant construction that lives up to customer trust • Initiatives for enhanced awareness of information security management and the training • Initiatives for supply chain management
CSR Vision 2 Environmental Initiatives We will work to remain an invaluable company to society by utilizing refined technologies to promote harmony between the global environment and economic and social activities.	The environment	Principle 7: Businesses should support a precautionary approach to environmental challenges; Principle 8: undertake initiatives to promote greater environmental responsibility; and Principle 9: encourage the development and diffusion of environmentally friendly technologies.	• Develop and provide environmentally friendly energy and conservation technologies • Conduct business activities that contribute to environmental conservation	• Continuing research and development for a low-carbon society (energy conservation/ effective utilization of CO_2) • Promotion of business development towards a hydrogen-based society • Expansion and promotion of renewable energy • Execution of projects that consider environmental conservation • Implementation of biodiversity preservation activities
CSR Vision 3 Social Contributions through Business Activities Through our engineering business in Japan and overseas, we contribute to local communities in ways including human resources development, technology transfer and environmental protection.	Community involvement and development	—	• Contribute to society through integrated engineering business activities • Enhance social contribution activities by providing knowledge and labor	• Promotion and support of culture in the community • Contribution to local economic development and human resource development • Tie-ups and cooperation with educational institutions to educate the next generation • Response to the Great East Japan Earthquake • Support for other major disasters
CSR Vision 4 Respect for Human Rights We are dedicated to respecting the human rights of all people. We will create a corporate culture where the diversity, individuality and character of employees are respected, where people are motivated to do their best, and of which employees and their families are proud.	Human rights Labor practices	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and Principle 2: make sure that they are not complicit in human rights abuses. Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; Principle 4: the elimination of all forms of forced and compulsory labour; Principle 5: the effective abolition of child labour; and Principle 6: the elimination of discrimination in respect of employment and occupation.	• Create a lively and energetic working environment and help employees develop their talents • Instill in everyone involved that safety is a core value	• Creation of pleasant work environments • Establishment and enforcement of a safety culture • Enhancement of human resource development systems • Establishment of crisis management systems • Promotion of diversity including active female participation
CSR Vision 5 Commitment to Fairness We are dedicated to achieving even greater transparency and stability by conducting our operations fairly in accordance with the highest ethical standards.	Organizational governance Fair operating practices	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	• Conduct business activities based on strict compliance and a high degree of transparency • Conduct a thorough risk management program	• Compliance Reinforcement Plan and Group Company Liaison Meeting on Compliance established • Continuous compliance training and auditing • Promotion for better understanding of UN Global Compact • Thorough awareness of export controls • Establishment of "Chiyoda Corporation Corporate Governance Policy" • Establishment of the Audit and Supervisory Committee • BCP (Business Continuity Plan)

Basis of Our Actions

Code of Conduct of the Chiyoda Group / Chiyoda Group Compliance Manual (Employee's Practical Guide)

Details of these philosophies, visions and guidelines can be viewed on the Chiyoda website.
http://www.chiyoda-corp.com/company/en/policy/index.html

CSR Vision 2

Environmental Initiatives


Photo: Reforestation in Kamaishi

"SPERA Hydrogen®" System for Large-Scale H_2 Storage and Transportation Technology

The Japanese government has been promoting a "hydrogen society," and Fuel Cell Vehicles (FCVs), hydrogen refueling stations and residential fuel cells (ENE-FARM®) have all been commercialized. A safe technology for the large-scale storage and transportation of hydrogen is required to increase the utilization of hydrogen energy. Chiyoda completed a technical establishment of the "SPERA Hydrogen®" System through a demonstration operation with a pilot plant in 2013, the first in the world.

Chiyoda received the "Jules Verne Award" from the International Association of Hydrogen Energy in 2014, the first Japanese business in the Award's history. In 2015, Chiyoda also received the "JIE Award" from the Japan Institute of Energy, and the "Noguchi Memorial Award" from the Japan Petroleum Institute.

Chiyoda plans to play a role in resolving the issue of global warming through building a "hydrogen society" with the "SPERA Hydrogen®" System Technology.

Commitment to biodiversity

Chiyoda Group is participating in the Japan Business and Biodiversity Partnership. Our aim of "harmony between energy and the environment" defined in our corporate philosophy shares common points with the Vision 2050 "Living in harmony with nature" adopted at the Convention on Biological Diversity (COP10).

Chiyoda Group is making the efforts below for conservation of biodiversity.

(1) Efforts in business operations
- Carbon management toward a low carbon society
- Optimizing energy consumption, detoxifying, reducing and recycling emissions and waste
- Development of eco-friendly technologies

(2) Efforts in CSR activities
- "Chiyoda no mori (Chiyoda's forest)," reforestation in Kamaishi, Iwate Prefecture, as part of reconstruction assistance for earthquake-stricken areas

The report on this activity is posted on the website of Green Wave launched by the UN Secretariat of the Convention on Biological Diversity.

Launching the first project to produce and supply renewable jet and diesel fuels in Japan

On 1 December 2015, Chiyoda Corporation attended a press conference for "Launching the project to produce and supply renewable jet and diesel fuels."

It was sponsored by euglena Company, Limited at a Haneda Airport hangar.

Our role is to build and complete a demonstration plant to produce an ASTM-compliant renewable jet fuel and a next-generation renewable diesel fuel.

Based on the knowledge, experience, and data to be acquired through the operation of the demonstration plant, euglena is aiming to move on to a new program of constructing a full scale commercial plant sometime in the 2020s.

Chiyoda will support these projects to the best of its ability.

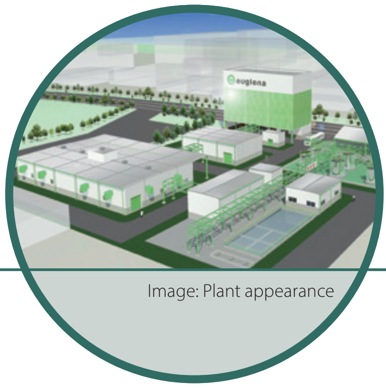


Image: Plant appearance

CSR Vision 3

Social Contributions through Business Activities

Sustainable activities for the community as a corporate citizen

The Group has been supporting its members to participate in social activities, understanding that society is the basis of our sustainable existence. The activities we engage in are mainly categorized as follows:

1. Educational aid in career development for students from elementary school to university
2. Support to communities including disaster-stricken areas
3. Collaboration in social programs with NPOs , or other social welfare organizations

To ensure performing such activities in a sustainable manner, we have established the "CSR Promotion Staff"* system to encourage the participation of all Group members. In FY 2015 as well, our members visited the Tohoku areas hit by the Great East Japan Earthquake to continue the areas' reconstruction support with the Group's monetary donations also made in commemoration of the fifth anniversary of the disaster. More donations for the Kumamoto Earthquake in the Kyushu area were solicited in the Group in April 2016.

*CSR Promotion Staff
CSR Promotion Staff are volunteer members who take the lead in CSR activities, involving of employees in all the Chiyoda Group companies.

In educational aid, the following Chiyoda Group companies received students to develop communication skills and first hand technical knowledge for fostering professionals capable of true leadership on a world stage under the Coupling Internship Program:

(1) Chiyoda Malaysia Sdn. Bhd. (CMSB) hosted 8 students from University of Malaya and Osaka University

(2) Chiyoda Almana Engineering LLC hosted 8 students from Qatar University and Osaka University under the theme of "Practical Global Talent Development System."


Photo: Site visit at one of Petronas plants, Melaka Refinery

Main Activities in FY2015
(Including domestic Group Companies)

Photo: Support to Children Society in Singapore

Dispatch of lecturers to universities	18 people
Training for interns	78 people
Visiting seminars	7 times
Dispatch of volunteers to disaster-stricken areas	64 people
Community cleanup campaigns	95 people
Food aid as TABLE FOR TWO	1,782 meals
ECOCAP program for the purchase of vaccines	For 267 people
Collaboration with NPO (Second Harvest Japan)	3 times
Support to challenged people with the Yokohama City Council of Social Welfare • In-house sale events of goods made by challenged people: 7 times • Inviting 50 people from the Yokohama Blind Association to a concert	

CSR Vision 4

Respect for Human Rights

Photo: Corporate SQEI Convention

Promotion of diversity

Chiyoda Group highly respects the diversity and individuality of employees and their personalities. We are making efforts to create a supportive environment, provide assistance and change the employees' mentality to help them make the most of their potential in the workplace regardless of gender, nationality, age or religion.

As part of the efforts to promote diversity, Chiyoda is engaged in two major activities. One of them is a task team aimed at changing the employees' mentality about female participation in the workplace. The task team, formed in 2014, gathers and exchanges information and organizes lectures by outside lecturers. The team is seeking to build a corporate culture and a system that enable women to fulfill their potential without depending much on their own efforts, supervisors' decisions, the working environment or the atmosphere. The team provides not only female but also male employees with a chance to review their ways of working in the light of development and advancement of women in the workplace.

The other activity is the human rights working group hosted by Global Compact Network Japan. We are discussing various subjects related to "businesses and human rights" with other participants. We feed back what is discussed into our employee training to increase their awareness of human rights. That will help promote Chiyoda's diversity. Those subjects include the clear understanding of LGBT and the attitude toward LGBT people in recruitment.

* LGBT is an initialism for lesbian, gay, bisexual and transgender.

Promotion of a safety culture through lessons learned of excellent construction for domestic and overseas projects

One of the Chiyoda Group's CSR medium-term policies is to instill in everyone involved the idea that safety is a core value. We are making efforts to make all the employees fully understand that safety should be their number-one priority.

In order to share the knowledge and expertise from both outside and inside Chiyoda about Safety, Quality and the Environment (SQE), the Group is holding a series of Corporate SQEI Conventions.

In July 2015, the 8th Convention titled "Promote a Safety Culture through Lessons Learned about Excellent Construction for Domestic and Overseas projects" was a great success attended by more than 500 ardent participants including corporate management executives. Two (2) projects awarded by the incentive scheme of SQE activities in FY2014 were presented and their excellent activities on safety management were shared by all the participants. After the presentation, a panel discussion took place in order to recognize and study each other from the view points of common or different aspects for domestic and overseas projects as well as the issues to be learned or improved. Such panel discussion was also effective for the persons not directly involved in the construction to imagine how important safety is for construction.

In that way, the Group will constantly make efforts to instill the corporate policy "Safety is a core value."

Photo: Medical Seminar during the celebration of International Women's Day in Qatar

CSR Vision 5

Commitment to Fairness

A risk survey conducted

Chiyoda Corporation maps out a risk management plan in accordance with the Corporate Risk Management Policy established in 2015. We identify the risks we should prioritize and carry out a plan-do-check-act (PDCA) cycle on the identified risks.

To identify the risks to be prioritized, a risk survey has been conducted on more than 200 employees, including executives, by the Corporate Risk Management Division. Those employees assessed 100 risks on a risk questionnaire from three perspectives, impact, frequency and risk management. The questionnaire listed risks to the Chiyoda Group in various aspects of its business, such as management, project implementation, natural disaster, IT, information security, and compliance including corruption, human rights and harassment.

The departments in charge, the Corporate Risk Management Division and other relevant departments will work closely together to avoid those identified risks or minimize the effects if the crises should ever arise.

BCP (Business Continuity Plan) drill

We conducted a BCP drill jointly with our domestic subsidiaries on March 11, 2016. We conducted a real-time simulation drill* assuming that an inland earthquake measuring six on the Japanese scale of seven hit the Tokyo Metropolitan area. All the participants actively gathered information, analyzed it and took measures accordingly.

The results of the drill will be reflected in BCM (Business Continuity Management). We will analyze the problems found during the drill. Based on the analysis, we will revise the BCP to enhance its effectiveness. The BCP drill will be held annually in the future.

* Real-time simulation drill: The participants receive information, or reports on damage, and inquiries chronologically about the events likely to occur within several days from a disaster. The participants analyze a wide variety of information flowing in simultaneously. Based on the information, the participants make decisions and give instructions.

The whistle blowing system expanded into overseas subsidiaries and affiliated companies

Chiyoda Corporation has a whistleblowing system. The system is aimed at early detection of illegal activities or unethical behavior by groups of people or individuals and their remedy and prevention by handling information on such activities and behavior according to the established system.

The coverage of the whistleblowing system has been expanded. It was introduced into 16 overseas subsidiaries and affiliated companies in 2015. Until then, the system had been adopted by Chiyoda Corporation and eight domestic subsidiaries and affiliated companies only.

We offer those requesting consultation or whistleblowers convenience and protection. All subsidiaries and affiliated companies, Chiyoda Corporation as the global headquarters, and law firms in Japan and overseas serve as liaison points for those requesting consultation or whistleblowers. The liaisons are open to not only Chiyoda Group's employees but also the employees of the Group's business partners. Chiyoda Corporation has also set up liaison points staffed by women.

Photo: BCP drill

Corporate Governance

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

Corporate Governance System

In order to further reinforce its corporate governance structure, the Company has sifted to a "Company with Audit and Supervisory Committee."

The Company has established the Corporate Risk Management Division, which presides over the Compliance Unit, the SQEI (Safety, Quality, Environment, and Information Security) Management Unit, and the Crisis Management Unit, and the Internal Audit Unit. The Corporate Risk Management Division and the Internal Audit Unit directly report to management to raise the quality and transparency of management, enable timely response to stakeholders, and reinforce the risk management and the compliance system.

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

By shifting to a Company with Audit and Supervisory Committee, with the new functions, the Company will be able to improve and implement the soundness and transparency of management and prompt decision-making, and further enhance its corporate value.

The Board of Directors and Meetings of the Board of Directors

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

Audit and Supervisory Committee

The newly established Audit and Supervisory Committee is composed of 3 directors (including 2 Independent officers) as Audit and Supervisory Committee members who closely monitor the execution of duties by directors and executive officers. The Audit and Supervisory Committee members attend meetings of the Executive Committee and express their opinion when necessary. In addition, their responsibilities include deciding the content of resolutions submitted to the General Meeting of Shareholders, such as the appointment or dismissal of accounting auditors, auditing consolidated financial documents in close cooperation with the accounting auditors, and preparing audit reports.

Executive Officer System

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

Reinforcing Internal Controls

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

Furthermore, the information management system encompasses the Group companies, so that all important information can be appropriately handled among all employees and reported to the Board of Directors and the Executive Committee.

Development and Management of the Internal Control System

1. Framework of Compliance with Laws and Regulations

The Company conducts business activities based on corporate philosophy and the principles provided in the Code of Conduct of the Chiyoda Group, by setting compliance with domestic and international laws and regulations and business execution in accordance with corporate ethics as the top priority.

To enhance the framework of compliance with laws and regulations, the Company has established the Compliance Committee chaired by a Representative Director, which reports on the status of compliance and proposes improvements to the Executive Committee, as necessary. In addition, by creating relevant rules and manuals, conducting various training and providing relevant information, the Company thoroughly raises the awareness of its executives and employees, as well as enhances the effectiveness of compliance through the development of whistle-blowing systems and consultation systems.

2. Framework of Information Retention and Management

3. Framework of Loss and Risk Management

The Company establishes a risk and crisis management framework for each type of risk in accordance with basic policy regarding the Company's risk and crisis management, in-house regulations and various manuals. In addition, the Company establishes an organization that constantly monitors risks throughout the Company to centrally supervise the risk management activities implemented by the risk managers assigned to each division.

The division in charge of risk supervision fulfills the crisis management secretariat function in the event of a crisis and deals with emergency situations, while it engages in constant activities to prevent and manage risks including providing relevant information and promoting awareness.

In terms of risk management associated with receiving contract awards and executing awarded projects, which are the Company's core business, the Company develops several examination systems. In addition, an organization is established to be responsible for internal checking including cold-eye reviews and project audits.

4. Framework to Ensure Efficiency

5. Framework of internal control in the Chiyoda Group

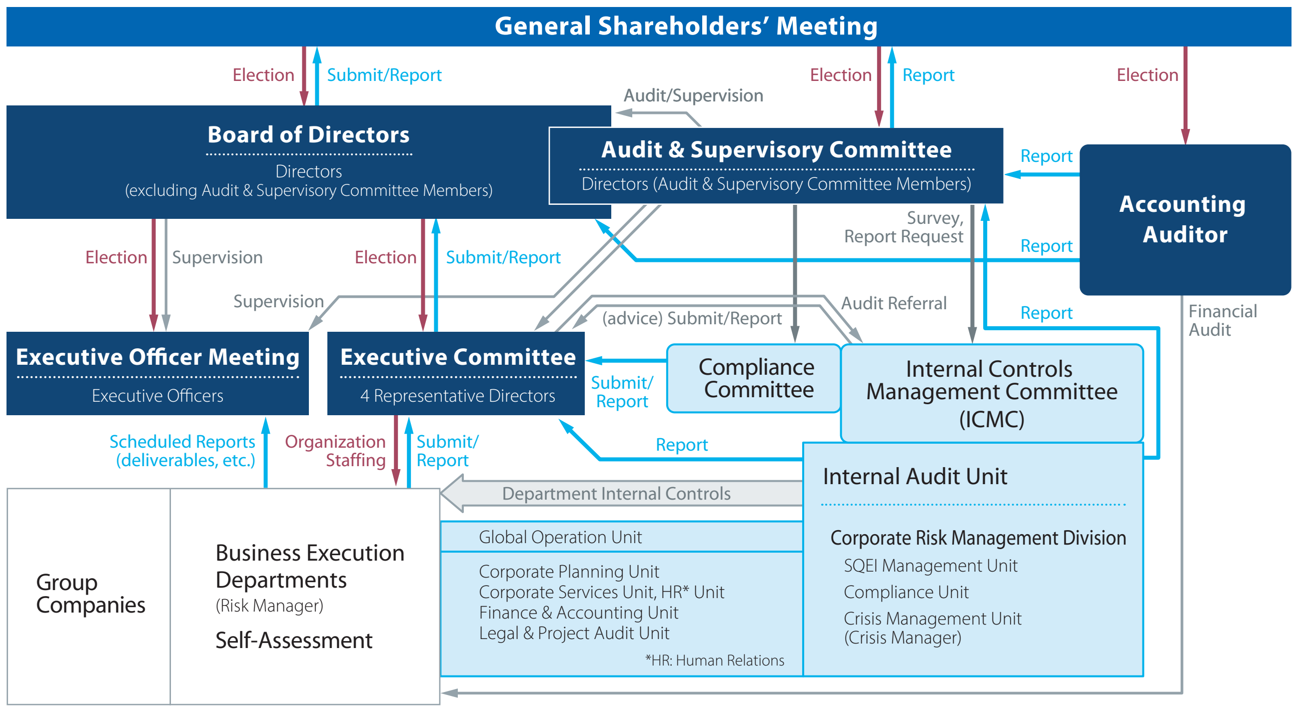
The Chiyoda Group clearly sets forth the values to be shared by all group executives and employees in its corporate philosophy and the Code of Conduct of the Chiyoda Group, while the Company and the group companies conduct business based on close mutual cooperation.

6. Framework to Ensure the Effectiveness of Audits by Audit & Supervisory Committee Members

7. Framework for Reporting to the Audit & Supervisory Committee Members

8. Framework for Securing the Appropriateness of Financial Reporting

Corporate Governance and Internal Controls



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

Corporate Information *(As of March 31, 2016)*

Corporate Data

Chiyoda Global Headquarters	Minato Mirai Grand Central Tower 4-6-2, Minatomirai, Nishi-ku, Yokohama 220-8765, Japan Tel: (81)45-225-7777 (voice guidance)
Established	January 20, 1948
Paid-in Capital	¥ 43,396 million
Number of Employees	1,573 (Non-Consolidated) 5,866 (Consolidated)
Annual Fiscal Close	March 31
Shareholders' Meeting	June

Organization Chart
(As of April 1, 2016)

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

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

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

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

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

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

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

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

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

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

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

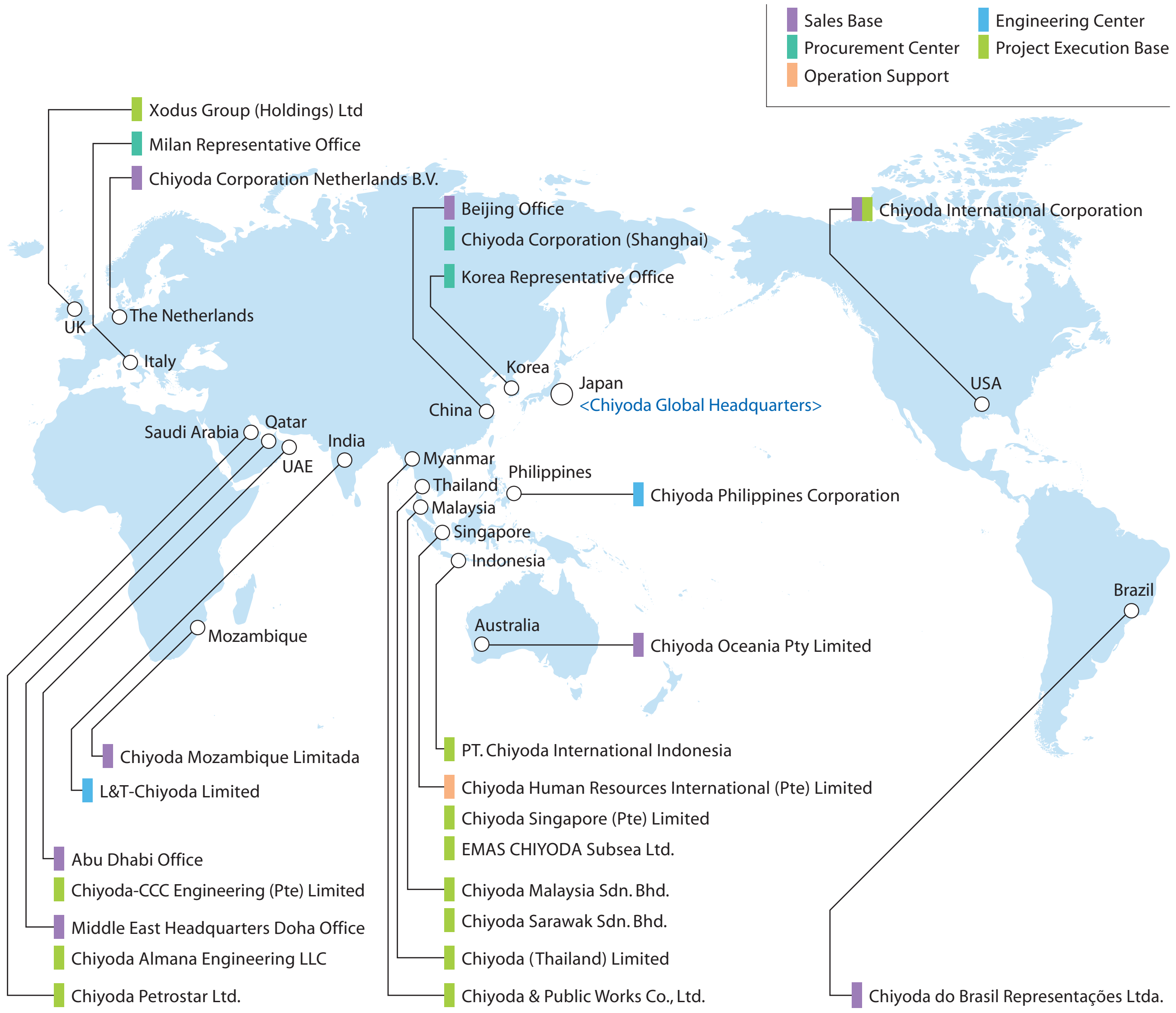
Technology Development, Investment and Project Operations
- TIP* Planning & Administration Unit
- Strategic Business & Investment Management Unit
- Hydrogen Supply Chain Development Unit
- Green Infrastructure Project Unit
- Environmental Project Unit
- Technology Development Unit
  - Research & Development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

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

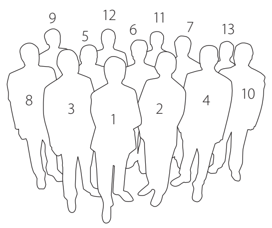
PLC: Project Logistics & Construction TIP: Technology Development, Investment and Project

Global Network

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



Directors and Officers *(As of June 25, 2016)*



Board of Directors

Representative Directors

President & CEO
1. Shogo Shibuya

Senior Executive Vice President
2. Keiichi Nakagaki
3. Hiroshi Ogawa

Executive Vice President & CFO
4. Masahito Kawashima

Directors

Executive Vice President
5. Katsuo Nagasaka
6. Masahiko Kojima
7. Ryosuke Shimizu
8. Arata Sahara

Director
9. Nobuo Tanaka*
10. Tetsuji Nakagawa*

Audit & Supervisory Committee Member
11. Mikio Kobayashi*
12. Hideaki Takaishi
13. Yukihiro Imadegawa*

** External Director*

Executive Officers

Executive Vice President
Tadashi Izawa

Senior Vice President
Masao Ishikawa
Yasumitsu Abe
Toshihiro Shimazaki
Mamoru Nakano
Akira Fujisawa
Nobuyuki Uchida
Hiromi Koshizuka

Vice President
Shuichi Wada
Hideo Matsui
Noriyuki Kasuya
Masao Fujiwara
Jinei Yamaguchi
Toshiyuki Kariya
Hiroyuki Shimizu
Terunobu Iio
Hideaki Tomiku
Eisuke Oki

Stock Information *(As of March 31, 2016)*

Authorized Shares 570,000,000
Capital Stock Issued 260,324,529
Number of Shareholders 20,434
Number of Shares per Unit 1,000
Transfer Agent of Common Stock
Mitsubishi UFJ Trust and Banking Corporation
1-4-5 Marunouchi, Chiyoda-ku, Tokyo

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

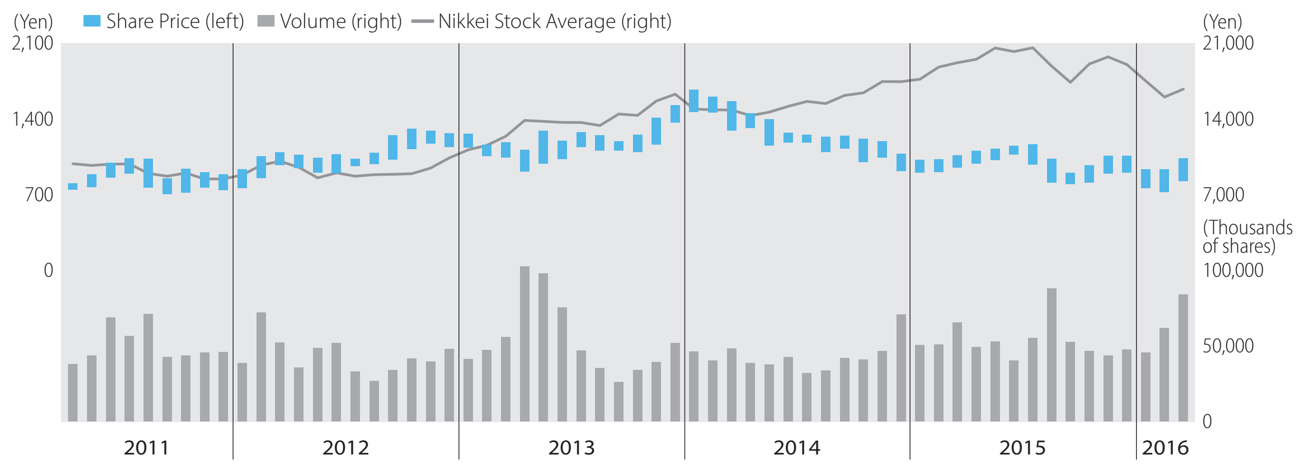
Major Shareholders	Number of Shares Owned (Thousands of Shares)	Ratio of Shares Owned (%)
Mitsubishi Corporation	86,931	33.39
Japan Trustee Services Bank, Ltd. (Trust account)	13,148	5.05
The Master Trust Bank of Japan, Ltd. (Trust account)	10,983	4.21
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	9,033	3.47
The Mitsubishi UFJ Trust and Banking Corporation	4,816	1.85
Trust & Custody Services Bank, Ltd.	3,221	1.23
Northern Trust Co. (AVFC) Re 15PCT Treaty Account	3,085	1.18
State Street Bank and Trust Company	2,946	1.13
Goldman Sachs Japan, Co., Ltd.	2,776	1.06
BNP Paribas Securities (Japan) Limited	2,441	0.93

Breakdown by Shareholder

- Financial Institutions
- Securities Companies
- Other Corporations
- Foreign Investors and Others
- Individuals and Others

Monthly Stock Price Range

on the Tokyo Stock Exchange



CHIYODA CORPORATION

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

Corporate Philosophy

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

(As of August 2016)

FTSE4Good

Selected in the FTSE4 Good index series

UN GLOBAL COMPACT
Network Japan
WE SUPPORT

CHIYODA GROUP

Seize the Moment,
Open Up New Frontiers

Consolidated Financial Statements FY2015

For the year ended March 31, 2016, and Independent Auditor's Report

CHIYODA CORPORATION

Consolidated Balance Sheet

(March 31, 2016)

ASSETS	Millions of Yen 2016	Millions of Yen 2015	Thousands of U.S. Dollars (Note 1) 2016
CURRENT ASSETS:			
Cash and cash equivalents (Note 14)	¥136,919	¥113,246	$1,211,678
Short-term investments (Note 14)	7,795	69	68,985
Notes and accounts receivable—trade (Note 14)	35,651	29,740	315,499
Costs and estimated earnings on long-term construction contracts (Notes 4 and 14)	33,644	24,100	297,742
Costs of construction contracts in process	35,053	59,668	310,209
Accounts receivable—other	7,112	16,327	62,942
Jointly controlled assets of joint venture (Note 14)	179,360	182,855	1,587,264
Deferred tax assets (Note 11)	12,889	11,697	114,064
Prepaid expenses and other	8,888	6,930	78,655
Allowance for doubtful accounts	(2,285)	(56)	(20,223)
Total current assets	455,030	444,578	4,026,820
PROPERTY, PLANT AND EQUIPMENT:			
Land	5,266	5,266	46,602
Buildings and structures	13,887	13,915	122,899
Machinery and equipment	635	721	5,627
Tools, furniture, and fixtures	7,439	7,211	65,839
Construction in progress	22	16	195
Total	27,251	27,131	241,164
Accumulated depreciation	(13,309)	(12,304)	(117,782)
Net property, plant and equipment	13,942	14,826	123,381
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 5 and 14)	14,113	23,940	124,902
Investments in and advances to unconsolidated subsidiaries and associated companies (Note 7)	29,650	8,547	262,395
Goodwill (Note 6)	3,931	12,034	34,795
Software	7,079	7,393	62,651
Asset for retirement benefits (Note 9)	94	33	837
Other assets (Note 11)	4,755	4,717	42,088
Allowance for doubtful accounts	(379)	(231)	(3,359)
Total investments and other assets	59,247	56,434	524,310
TOTAL	¥528,219	¥515,839	$4,674,512

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2016	Millions of Yen 2015	Thousands of U.S. Dollars (Note 1) 2016
CURRENT LIABILITIES:			
Short-term borrowings (Note 14)	¥ 333	¥ 991	$ 2,950
Current portion of long-term debt (Notes 8 and 14)	45	51	405
Notes and accounts payable—trade (Note 14)	150,078	137,652	1,328,130
Advance receipts on construction contracts	135,667	123,869	1,200,593
Income taxes payable (Note 14)	2,841	1,366	25,145
Deposits received	1,209	3,352	10,702
Allowance for warranty costs for completed works	337	364	2,988
Allowance for losses on construction contracts	3,160	3,988	27,969
Accrued expenses and other	17,432	22,703	154,267
Total current liabilities	311,106	294,339	2,753,153
LONG-TERM LIABILITIES:			
Long-term debt (Notes 8 and 14)	10,036	10,063	88,814
Liability for retirement benefits (Note 9)	2,134	1,070	18,886
Provision for treatment of PCB waste	340	339	3,013
Asset retirement obligations	996	983	8,820
Other	1,477	636	13,079
Total long-term liabilities	14,985	13,093	132,614
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 8, 13, 15 and 16)			
EQUITY (Notes 10 and 19):			
Common stock—authorized, 570,000 thousand shares; issued, 260,324 thousand shares in 2016 and 2015	43,396	43,396	384,039
Capital surplus	37,112	37,112	328,430
Retained earnings	115,839	115,831	1,025,127
Treasury stock—at cost, 1,340 thousand shares in 2016 and 1,323 thousand shares in 2015	(1,422)	(1,405)	(12,585)
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities	2,386	7,218	21,120
Deferred loss on derivatives under hedge accounting	(1,618)	(2,064)	(14,324)
Foreign currency translation adjustments	4,171	5,229	36,918
Defined retirement benefit plans	300	1,076	2,663
Total	200,166	206,395	1,771,389
Noncontrolling interests	1,961	2,010	17,354
Total equity	202,128	208,405	1,788,743
TOTAL	¥528,219	¥515,839	$4,674,512

Consolidated Statement of Income

(Year Ended March 31, 2016)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
REVENUE	¥611,548	¥480,979	$5,411,937
COST OF REVENUE	570,028	435,327	5,044,498
Gross profit	41,520	45,651	367,438
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Note 12)	25,505	24,185	225,712
Operating income	16,015	21,466	141,726
OTHER (EXPENSES) INCOME:			
Interest and dividend income	2,484	3,111	21,985
Gain on sales of investment securities	2,686		23,777
Interest expense	(216)	(255)	(1,912)
Equity in losses of associated companies	(1,318)	(783)	(11,668)
Foreign exchange loss	(665)	(1,182)	(5,890)
Loss on valuation of investment securities		(258)	
Impairment loss (Note 6)	(4,431)		(39,217)
Other—net	(93)	(85)	(829)
Other (expenses) income—net	(1,554)	545	(13,755)
INCOME BEFORE INCOME TAXES	14,460	22,012	127,971
INCOME TAXES (Note 11):			
Current	8,708	6,257	77,062
Deferred	2,255	4,542	19,964
Total income taxes	10,963	10,799	97,026
NET INCOME	3,496	11,212	30,944
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	121	183	1,075
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 3,375	¥ 11,029	$ 29,869
	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.z and 18):			
Basic net income	¥13.03	¥42.58	$0.12
Cash dividends applicable to the year	10.00	13.00	0.09

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

(Year Ended March 31, 2016)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
NET INCOME	¥ 3,496	¥11,212	$ 30,944
OTHER COMPREHENSIVE (LOSS) INCOME (Note 17):			
Unrealized (loss) gain on available-for-sale securities	(4,831)	2,298	(42,758)
Deferred gain (loss) on derivatives under hedge accounting	441	(2,712)	3,907
Foreign currency translation adjustments	(1,135)	2,815	(10,050)
Defined retirement benefit plans	(775)	1,364	(6,867)
Share of other comprehensive (loss) income of associates	(83)	142	(740)
Total other comprehensive (loss) income	(6,385)	3,908	(56,509)
COMPREHENSIVE (LOSS) INCOME	¥(2,888)	¥15,121	$(25,564)
TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥(2,844)	¥14,722	$(25,174)
Noncontrolling interests	(44)	398	(390)

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

(Year Ended March 31, 2016)

	Thousands	Millions of Yen										
						Accumulated Other Comprehensive Income (Loss)						
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred (Loss) Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, MARCH 31, 2014 (APRIL 1, 2014, as previously reported)	259,014	¥43,396	¥37,112	¥109,525	¥(1,390)	¥4,920	¥ 648	¥2,486	¥ (287)	¥196,411	¥1,619	¥198,031
Cumulative effect of accounting change (Note 2.r)				(579)						(579)		(579)
BALANCE, APRIL 1, 2014 (as restated)	259,014	43,396	37,112	108,946	(1,390)	4,920	648	2,486	(287)	195,831	1,619	197,451
Net income attributable to owners of the parent				11,029						11,029		11,029
Cash dividends, ¥16.00 per share				(4,144)						(4,144)		(4,144)
Purchase of treasury stock	(12)				(15)					(15)		(15)
Net change in the year						2,298	(2,712)	2,743	1,363	3,693	391	4,084
BALANCE, MARCH 31, 2015	259,001	43,396	37,112	115,831	(1,405)	7,218	(2,064)	5,229	1,076	206,395	2,010	208,405
Net income attributable to owners of the parent				3,375						3,375		3,375
Cash dividends, ¥13.00 per share				(3,367)						(3,367)		(3,367)
Purchase of treasury stock	(16)				(16)					(16)		(16)
Net change in the year						(4,831)	445	(1,057)	(775)	(6,219)	(49)	(6,269)
BALANCE, MARCH 31, 2016	258,984	¥43,396	¥37,112	¥115,839	¥(1,422)	¥2,386	¥(1,618)	¥4,171	¥ 300	¥200,166	¥1,961	¥202,128

	Thousands of U.S. Dollars (Note 1)										
					Accumulated Other Comprehensive Income (Loss)						
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, MARCH 31, 2015	$384,039	$328,430	$1,025,054	$(12,437)	$63,879	$(18,266)	$46,275	$9,530	$1,826,505	$17,794	$1,844,299
Net income attributable to owners of the parent			29,869						29,869		29,869
Cash dividends, $0.12 per share			(29,796)						(29,796)		(29,796)
Purchase of treasury stock				(147)					(147)		(147)
Net change in the year					(42,758)	3,942	(9,357)	(6,867)	(55,040)	(439)	(55,480)
BALANCE, MARCH 31, 2016	$384,039	$328,430	$1,025,127	$(12,585)	$21,120	$(14,324)	$36,918	$2,663	$1,771,389	$17,354	$1,788,743

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

(Year Ended March 31, 2016)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
OPERATING ACTIVITIES:			
Income before income taxes	¥14,460	¥ 22,012	$127,971
Adjustments for:			
Income taxes paid	(1,673)	(12,550)	(14,811)
Depreciation	3,589	3,569	31,762
Impairment loss	4,431		39,217
Amortization of goodwill	1,256	1,469	11,120
Increase in allowance for doubtful accounts	2,387	216	21,125
Decrease in allowance for warranty costs for completed works	(21)	(170)	(186)
Decrease in allowance for losses on construction contracts	(826)	(47)	(7,315)
(Decrease) increase in liability for retirement benefits	(117)	100	(1,037)
Foreign exchange loss (gain)—net	813	(499)	7,197
Equity in losses of associated companies	1,318	783	11,668
Gain on sales of investment securities	(2,686)		(23,777)
Loss on valuation of investment securities		258	
Changes in operating assets and liabilities:			
(Increase) decrease in trade notes and accounts receivable, and costs and estimated earnings on long-term construction contracts	(16,491)	21,217	(145,944)
Decrease (increase) in costs of construction contracts in process	24,543	(25,282)	217,194
Increase (decrease) in trade notes and accounts payable	13,293	(9,759)	117,641
Increase in advance receipts on construction contracts	12,184	43,019	107,830
Decrease (increase) in accounts receivable—other	5,158	(3,637)	45,646
Decrease (increase) in jointly controlled assets of joint venture	3,501	(55,246)	30,987
Decrease in deposits received	(2,108)	(1,710)	(18,659)
(Increase) decrease in interest and dividend receivable	(812)	109	(7,192)
Other—net	(6,673)	(7,997)	(59,053)
Total adjustments	41,065	(46,157)	363,413
Net cash provided by (used in) operating activities—(Forward)	¥55,526	¥(24,145)	$491,385

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
Net cash provided by (used in) operating activities—(Forward)	¥ 55,526	¥ (24,145)	$ 491,385
INVESTING ACTIVITIES:			
Net increase in time deposits	(7,739)		(68,489)
Purchases of property, plant and equipment	(806)	(1,441)	(7,140)
Purchases of intangible assets	(1,801)	(2,431)	(15,941)
Payments for purchases of investment securities	(21,998)	(1,245)	(194,680)
Proceeds from sales of investment securities	5,463		48,346
Payments of loans receivable	(382)	(605)	(3,387)
Proceeds from collections of loans	489	118	4,330
Other—net	25	161	228
Net cash used in investing activities	(26,750)	(5,444)	(236,734)
FINANCING ACTIVITIES:			
Net decrease in short-term borrowings	(498)	(390)	(4,413)
Repayments of long-term debt	(4)	(4)	(41)
Payments of cash dividends	(3,362)	(4,139)	(29,752)
Other—net	(76)	(34)	(680)
Net cash used in financing activities	(3,942)	(4,569)	(34,888)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(1,159)	2,101	(10,264)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	23,673	(32,057)	209,498
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	113,246	145,303	1,002,180
CASH AND CASH EQUIVALENTS, END OF YEAR	¥136,919	¥113,246	$1,211,678

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(Year Ended March 31, 2016)

1. **BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2015 consolidated financial statements to conform to the classifications used in 2016.

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 ¥113 to $1, the approximate rate of exchange at March 31, 2016. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

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

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

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

a. ***Consolidation—***The consolidated financial statements as of March 31, 2016, include the accounts of the Company and its 30 significant (30 in 2015) subsidiaries (together, the "Group").

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

Investments in seven (six in 2015) associated companies are accounted for by the equity method.

EMAS CHIYODA Subsea Limited, newly acquired through share purchase, has been accounted for by the equity method for the year ended March 31, 2016.

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

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

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

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

b. ***Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements—***The Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements" which was revised in March 2015 to reflect revisions of the relevant Japanese GAAP or accounting standards in other jurisdictions. PITF No. 18 prescribes that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification) tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; and (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

c. ***Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method—***ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments" which was revised in line with the revisions to PITF No. 18 above requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; and (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

d. Business Combinations**—**In September 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements." Major accounting changes are as follows:

(*a*) *Transactions with noncontrolling interest***—**A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the previous accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference is accounted for as capital surplus as long as the parent retains control over its subsidiary.

(*b*) *Presentation of the consolidated balance sheet***—**In the consolidated balance sheet, "minority interest" under the previous accounting standard is changed to "noncontrolling interest" under the revised accounting standard.

(*c*) *Presentation of the consolidated statement of income***—**In the consolidated statement of income, "net income before minority interest" under the previous accounting standard is changed to "net income" under the revised accounting standard, and "net income" under the previous accounting standard is changed to "net income attributable to owners of the parent" under the revised accounting standard.

(*d*) *Provisional accounting treatments for a business combination***—**If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. Under the previous accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

(*e*) *Acquisition-related costs***—**Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the previous accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income. In the case of earlier application, all accounting standards and guidance above, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, should be applied simultaneously.

Either retrospective or prospective application of the revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs is permitted. In retrospective application of the revised standards and guidance, the accumulated effects of retrospective adjustments for all (a) transactions with noncontrolling interest and (e) acquisition-related costs which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application. In prospective application, the new standards and guidance shall be applied prospectively from the beginning of the year of the first-time application.

The revised accounting standards and guidance for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for (d) provisional accounting treatments for a business combination are effective for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2014.

The Company applied the revised accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs above, effective April 1, 2015, and (d) provisional accounting treatments for a business combination above for a business combination which occurred on or after April 1, 2015. The revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs were applied prospectively.

With respect to (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, the applicable line items in the 2015 consolidated financial statements have been accordingly reclassified and presented in line with those in 2016.

There was no impact from these accounting changes.

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

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

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

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

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

f. ***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, certificates of deposit, and commercial paper, all of which mature or become due within three months of the date of acquisition.

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

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

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

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

j. ***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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014, and for (c) above, effective April 1, 2014.

With respect to (c) above, the Company changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis and the method of determining the discount rate from using the period which approximates the expected average remaining service period to using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment, and recorded the effect of (c) above as of April 1, 2014, in retained earnings. As a result, retained earnings as of April 1, 2014, decreased by ¥579 million. The effect on the profit and loss for the year ended March 31, 2015, was not material.

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

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

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

All other leases are accounted for as operating leases.

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

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

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

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

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

Derivative financial instruments are classified and accounted for as follows:

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

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

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

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

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

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

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

Diluted net income per share is not disclosed because there was no potential stock having a dilutive effect for the fiscal years ended March 31, 2016 and 2015.

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

aa. ***Accounting Changes and Error Corrections***—Accounting treatments under Japanese accounting standards are as follows: (1) Changes in Accounting Policies—When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation—When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors—When an error in prior-period financial statements is discovered, those statements are restated.

3. CHANGES IN PRESENTATION (Consolidated Statement of Cash Flows)

(1) "Loss (gain) on sales and disposals of fixed assets" and "Increase (decrease) in accrued consumption taxes" included within operating activities, which had previously been separately presented, are included in "Other" from the fiscal year ended March 31, 2016, because their materiality has decreased. The prior period consolidated financial statements have been reclassified in accordance with the new presentation.

(2) "Proceeds from sales of property, plant and equipment" included within investing activities, which had previously been separately presented, is included in "Other" from the fiscal year ended March 31, 2016, because its materiality has decreased. The prior period consolidated financial statements have been reclassified in accordance with the new presentation.

(3) "Payments of short-term loans receivable" and "Payments of long-term loans receivable" included within investing activities, which had previously been separately presented, are included in "Payments of loans receivable" from the fiscal year ended March 31, 2016, because their materiality has decreased. The prior period consolidated financial statements have been reclassified in accordance with the new presentation.

(4) "Proceeds from collections of short-term loans" and "Proceeds from collections of long-term loans" included within investing activities, which had previously been separately presented, are included in "Proceeds from collections of loans" from the fiscal year ended March 31, 2016, because their materiality has decreased. The prior period consolidated financial statements have been reclassified in accordance with the new presentation.

4. CONSTRUCTION CONTRACTS

Costs and estimated earnings recognized with respect to construction contracts which are accounted for by the percentage-of-completion method at March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Costs and estimated earnings	¥550,114	¥397,990	$4,868,270
Amounts billed	(516,469)	(373,890)	(4,570,528)
Net	¥ 33,644	¥ 24,100	$ 297,742

5. INVESTMENT SECURITIES

Investment securities at March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Non-current—Equity securities	¥14,113	¥23,940	$124,902

The costs and aggregate fair values of investment securities at March 31, 2016 and 2015, were as follows:

March 31, 2016

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

March 31, 2015

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as—				
Available-for-sale—equity securities	¥11,471	¥10,426		¥21,898

March 31, 2016

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as—				
Available-for-sale—equity securities	$76,969	$29,933		$106,902

Available-for-sale securities whose fair value cannot be reliably determined at March 31, 2015, were as follows. Similar information for 2016 is disclosed in Note 14.

March 31, 2015	Carrying Amount Millions of Yen
Securities classified as—	
Available-for-sale—equity securities	¥2,041

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

March 31, 2016

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

March 31, 2016

	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses
Securities classified as—			
Available-for-sale—equity securities	$48,388	$23,777	

6. IMPAIRMENT LOSS OF LONG-LIVED ASSETS

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

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

During the year ended March 31, 2016, the goodwill in relation to the Group subsidiary in UK was impaired in the amount of ¥4,431 million ($39,217 thousand) as other expense following a fall in the long term cash flow forecasts resulting from the decline in the price of oil. The carrying amount of goodwill was written down to its recoverable amount. The recoverable amount was measured at its value in use and the discount rate used for computation of the present value of future cash flows was 16.9%.

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

Investments in and advances to unconsolidated subsidiaries and associated companies at March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Investments	¥28,957	¥7,387	$256,257
Long-term receivables	693	1,159	6,137
Total	¥29,650	¥8,547	$262,395

8. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings as of March 31, 2016 and 2015, mainly consisted of notes to banks. The weighted average interest rates of short-term borrowings as of March 31, 2016 and 2015, were 1.9% and 1.7%, respectively.

Long-term debt at March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Long-term loans principally from banks, due serially through 2024, with interest rates at 2.0% (2016 and 2015)—Unsecured	¥10,014	¥10,020	$88,626
Obligations under finance leases	67	95	593
Total	10,081	10,115	89,220
Less current portion	(45)	(51)	(405)
Long-term debt, less current portion	¥10,036	¥10,063	$88,814

Annual maturities of long-term debt, excluding finance leases, at March 31, 2016, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2017	¥ 5	$ 44
2018	10,005	88,539
2019	2	25
2020		
2021		
2022 and thereafter	1	16
Total	¥10,014	$88,626

Commitment-line contracts at March 31, 2016, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Commitment-line contracts	¥15,000	$132,743
Unused commitments	¥15,000	$132,743

9. RETIREMENT AND PENSION PLANS

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

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

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

(1) The changes in defined benefit obligation for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year (as previously reported)	¥22,151	¥21,787	$196,029
Cumulative effect of accounting change		901	
Balance at beginning of year (as restated)	22,151	22,689	196,029
Current service cost	966	913	8,557
Interest cost	228	198	2,023
Actuarial losses	229	6	2,033
Benefits paid	(1,999)	(1,709)	(17,698)
Prior service cost	32		290
Others	122	52	1,087
Balance at end of year	¥21,732	¥22,151	$192,322

(2) The changes in plan assets for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year	¥21,815	¥20,370	$193,056
Expected return on plan assets	418	405	3,705
Actuarial (gains) losses	(852)	1,495	(7,543)
Contributions from the employer	947	1,195	8,386
Benefits paid	(1,990)	(1,709)	(17,615)
Others	(24)	57	(217)
Balance at end of year	¥20,314	¥21,815	$179,772

(3) The changes in the liability recorded in the consolidated balance sheet by using the simplified method for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year	¥700	¥629	$6,201
Benefit costs	288	235	2,554
Benefits paid	(97)	(95)	(859)
Contribution to the plans	(91)	(107)	(809)
Others	(179)	39	(1,587)
Balance at end of year	¥621	¥700	$5,498

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Funded defined benefit obligation	¥22,892	¥23,441	$202,587
Plan assets	(21,429)	(23,073)	(189,637)
Total	1,463	367	12,949
Unfunded defined benefit obligation	576	669	5,099
Net liability arising from defined benefit obligation	¥ 2,039	¥ 1,036	$ 18,049

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Liability for retirement benefits	¥2,134	¥1,070	$18,886
Asset for retirement benefits	(94)	(33)	(837)
Net liability arising from defined benefit obligation	¥2,039	¥1,036	$18,049

(5) The components of net periodic benefit costs for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Service cost	¥966	¥ 913	$8,557
Interest cost	228	198	2,023
Expected return on plan assets	(418)	(405)	(3,705)
Recognized actuarial losses	11	134	103
Amortization of prior service cost	(114)	(176)	(1,009)
Amortization of transitional obligation		608	
Benefit costs in simplified method	288	235	2,554
Net periodic benefit costs	¥963	¥1,507	$8,523

(6) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2016 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Prior service cost	¥ (146)	¥ (176)	$ (1,299)
Actuarial (gains) losses	(1,070)	1,620	(9,473)
Transitional obligation		608	
Total	¥(1,217)	¥2,053	$(10,773)

(7) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2016 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unrecognized prior service cost		¥ (146)	
Unrecognized actuarial gains	¥(393)	(1,463)	$(3,480)
Total	¥(393)	¥(1,610)	$(3,480)

(8) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2016 and 2015, consisted of the following:

	2016	2015
Debt investments	26%	24%
Equity investments	35	40
General accounts	25	24
Others	13	12
Total	100%	100%

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

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

(9) Assumptions used for the years ended March 31, 2016 and 2015, were set forth as follows:

	2016	2015
Discount rate	Mainly 0.7%	Mainly 0.7%
Expected rate of return on plan assets	Mainly 1.9%	Mainly 1.9%

(10) Payables to defined contribution plans of the Company and consolidated subsidiaries for the years ended March 31, 2016 and 2015, were ¥653 million ($5,783 thousand) and ¥824 million, respectively.

10. EQUITY

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

a. Dividends

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

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

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

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

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

c. ***Treasury Stock and Treasury Stock Acquisition Rights***

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

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

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

11. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 33% and 36% for the years ended March 31, 2016 and 2015, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Deferred tax assets:			
Cost of revenue	¥ 4,737	¥ 5,087	$ 41,929
Tax loss carryforwards	4,589	4,971	40,611
Allowance for employees' bonus	1,067	1,258	9,447
Allowance for losses on construction contracts	970	1,276	8,588
Future deductible depreciation	674	811	5,965
Deferred loss on derivatives under hedge accounting	671	885	5,940
Allowance for doubtful accounts	610	2	5,400
Costs of construction contracts in process	600	709	5,316
Other	3,428	4,082	30,336
Less valuation allowance	(1,694)	(1,161)	(14,995)
Total	15,655	17,922	138,541
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	987	3,207	8,737
Other	171	384	1,521
Total	1,159	3,592	10,259
Net deferred tax assets	¥14,495	¥14,329	$128,282

Prior to April 1, 2015, "Allowance for doubtful accounts" was included in "Other" within deferred tax assets section. From this fiscal year ended March 31, 2016, the amounts are disclosed separately due to the increase in materiality.

Net deferred tax assets as of March 31, 2016 and 2015, were recorded in the accompanying consolidated balance sheet as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Current assets—Deferred tax assets	¥12,889	¥11,697	$114,064
Investments and other assets—Other assets	1,606	2,631	14,218

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2016, with the corresponding figures for 2015, is as follows:

	2016	2015
Normal effective statutory tax rate	33%	36%
Expenses not deductible for income tax purposes	1	1
Nontaxable dividend income	(3)	(4)
Jointly controlled assets of joint venture	4	(1)
Difference in tax base between corporate income tax and enterprise tax	4	4
Change in valuation allowance	16	3
Higher income tax rates applicable to subsidiaries	15	6
Effect of reduction of income tax rates on deferred tax assets	5	6
Equity in losses of associated companies	2	
Other—net	(1)	(2)
Actual effective tax rate	76%	49%

New tax reform laws enacted in 2016 in Japan changed the normal effective statutory tax rate from approximately 32% to 31% for the fiscal year beginning on or after April 1, 2016. The effect of these changes was to decrease deferred tax assets, net of deferred tax liabilities, by ¥534 million ($4,729 thousand) and deferred loss on derivatives under hedge accounting by ¥30 million ($269 thousand), and increase accumulated other comprehensive income for unrealized gain on available-for-sale securities by ¥52 million ($466 thousand) and defined retirement benefit plans by ¥4 million ($40 thousand), in the consolidated balance sheet as of March 31, 2016, and to increase income taxes—deferred in the consolidated statement of income for the year then ended by ¥561 million ($4,965 thousand).

In conjunction with the tax rate reduction, the reform laws limit the utilization of carryforward of unused tax losses to 60% of taxable profit for the fiscal year beginning on or after April 1, 2016, 55% for the fiscal year beginning on or after April 1, 2017, and 50% for the fiscal year beginning on or after April 1, 2018. The effect of this change on the consolidated financial statements is immaterial.

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥1,908 million ($16,889 thousand) and ¥2,456 million for the years ended March 31, 2016 and 2015, respectively.

13. LEASES

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

Future minimum payments under noncancelable operating leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Due within one year	¥ 731	¥ 449	$ 6,476
Due after one year	1,691	773	14,967
Total	¥2,423	¥1,222	$21,443

14. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) *Group Policy for Financial Instruments*

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

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

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

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

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

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

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

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

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

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

Credit risk management

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

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

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

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

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

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

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

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

Liquidity risk management

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

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

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

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

March 31, 2016

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

March 31, 2015

	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	¥113,246	¥113,246	
Short-term investments	69	69	
Notes and accounts receivable—trade	29,740	29,740	
Costs and estimated earnings on long-term construction contracts	24,100	24,100	
Jointly controlled assets of joint venture	182,855	182,855	
Investment securities	21,898	21,898	
Total	¥371,909	¥371,909	
Short-term borrowings	¥ 991	¥ 991	
Current portion of long-term debt	4	4	
Notes and accounts payable—trade	137,652	137,652	
Income taxes payable	1,366	1,366	
Long-term debt	10,015	10,015	
Total	¥150,030	¥150,030	

March 31, 2016

	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	$1,211,678	$1,211,678	
Short-term investments	68,985	68,985	
Notes and accounts receivable—trade	315,499	315,499	
Allowance for doubtful accounts*	(20,203)	(20,203)	
Costs and estimated earnings on long-term construction contracts	297,742	297,742	
Jointly controlled assets of joint venture	1,587,264	1,587,264	
Investment securities	106,902	106,902	
Total	$3,567,869	$3,567,869	
Short-term borrowings	$ 2,950	$ 2,950	
Current portion of long-term debt	44	44	
Notes and accounts payable—trade	1,328,130	1,328,130	
Income taxes payable	25,145	25,145	
Long-term debt	88,582	89,045	$463
Total	$1,444,853	$1,445,316	$463

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

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

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

Jointly Controlled Assets of Joint Venture

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

Investment Securities

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

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

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

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

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

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

Derivatives

Fair value information for derivatives is included in Note 15.

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Investment securities that do not have a quoted market price in an active market	¥ 2,030	¥2,038	$ 17,973
Investments in equity instruments that do not have a quoted market price in an active market	2	2	26
Investments in unconsolidated subsidiaries and associated companies that do not have a quoted market price in an active market	28,957	7,387	256,257

The impairment losses on investment securities for the year ended March 31, 2015, were ¥258 million.

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

March 31, 2016

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

March 31, 2015

	Millions of Yen		
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years
Cash and cash equivalents	¥113,206		
Short-term investments	69		
Notes and accounts receivable, and costs and estimated earnings on long-term construction contracts	52,285	¥882	¥672
Jointly controlled assets of joint venture	182,855		
Total	¥348,415	¥882	¥672

March 31, 2016

	Thousands of U.S. Dollars		
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years
Cash and cash equivalents	$1,209,073		
Short-term investments	68,985		
Notes and accounts receivable, and costs and estimated earnings on long-term construction contracts*	593,009	$27	
Jointly controlled assets of joint venture	1,587,264		
Total	$3,458,334	$27	

* Allowance for doubtful accounts is deducted.

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

15. DERIVATIVES

Derivative Transactions to Which Hedge Accounting Is Not Applied

March 31, 2016

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

March 31, 2015

	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value (Loss)	Unrealized Gain (Loss)
Foreign currency forward contracts:				
Selling U.S.$/buying yen	¥36,414	¥509	¥(124)	¥(124)
Selling Euro/buying yen	4,738		(6)	(6)
Selling GBP/buying yen	4,704		(9)	(9)
Selling AUD/buying yen	13,571		31	31
Selling MYR/buying yen	2,640		1	1
Buying U.S.$/selling yen	17		2	2
Buying Euro/selling yen	3	2		
Buying Euro/selling U.S.$	210	109	(22)	(22)
Buying AUD/selling Euro	795		5	5
Total	¥63,094	¥621	¥(122)	¥(122)

March 31, 2016

	Thousands of U.S. Dollars			
	Contract Amount	Contract Amount Due after One Year	Fair Value (Loss)	Unrealized Gain (Loss)
Foreign currency forward contracts:				
Selling U.S.$/buying yen	$373,349	$1,835	$ (774)	$ (774)
Selling Euro/buying yen	56,979		(13)	(13)
Selling GBP/buying yen	45,026		(7)	(7)
Selling AUD/buying yen	76,687		205	205
Selling MYR/buying yen	12,324		(487)	(487)
Buying Euro/selling U.S.$	870	123	(190)	(190)
Buying AUD/selling Euro	5,094		(27)	(27)
Buying U.S.$/selling Euro	1,692		(14)	(14)
Buying AUD/selling GBP	9,106		53	53
Buying U.S.$/selling GBP	1,727		7	7
Total	$582,859	$1,959	$(1,249)	$(1,249)

Derivative Transactions to Which Hedge Accounting Is Applied

March 31, 2016

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

March 31, 2015

		Millions of Yen		
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value (Loss)
Foreign currency forward contracts—Accounted for under deferred hedge accounting method:				
Selling U.S.$/buying yen	Foreign currency forecasted transaction	¥16,971	¥ 5,396	¥(2,295)
Buying U.S.$/selling yen		673	207	36
Buying Euro/selling yen		186	102	(19)
Buying Euro/selling U.S.$		7,271	726	(1,453)
Buying KRW/selling U.S.$		3,347	616	65
Total		¥28,450	¥ 7,049	¥(3,666)
Other*1:				
Selling U.S.$/buying yen	Receivables	¥ 342		
Buying U.S.$/selling yen	Payables	242	¥ 28	
Buying Euro/selling yen		100		
Total		¥ 685	¥ 28	
Interest rate swaps*2 (fixed rate payment, floating rate receipt)	Long-term debt	¥10,000	¥10,000	
Total		¥10,000	¥10,000	

March 31, 2016

	Hedged Item	Thousands of U.S. Dollars Contract Amount	Contract Amount Due after One Year	Fair Value (Loss)
Foreign currency forward contracts—				
Accounted for under deferred hedge accounting method:				
Selling U.S.$/buying yen	Foreign currency	$57,444	$12,965	$(2,356)
Buying U.S.$/selling yen	forecasted	4,186		(211)
Buying Euro/selling yen	transaction	2,673	2,006	(113)
Buying Euro/selling U.S.$		11,436	892	(942)
Buying KRW/selling U.S.$		11,446		292
Total		$87,187	$15,864	$(3,331)
Other*1:				
Selling U.S.$/buying yen	Receivables	$ 3,678		
Buying U.S.$/selling yen	Payables	572		
Buying Euro/selling yen		197	$ 195	
Total		$ 4,448	$ 195	
Interest rate swaps*2 (fixed rate payment, floating rate receipt)	Long-term debt	$88,495	$88,495	
Total		$88,495	$88,495	

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

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

16. CONTINGENT LIABILITIES

At March 31, 2016, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees on employees' housing loans and others	¥ 59	$ 526
Performance bond for an unconsolidated subsidiary	950	8,414

17. OTHER COMPREHENSIVE (LOSS) INCOME

The components of other comprehensive (loss) income for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen 2016	Millions of Yen 2015	Thousands of U.S. Dollars 2016
Unrealized (loss) gain on available-for-sale securities:			
(Losses) gains arising during the year	¥(4,365)	¥ 2,787	$(38,630)
Reclassification adjustments to profit or loss	(2,686)	258	(23,777)
Amount before income tax effect	(7,052)	3,046	(62,407)
Income tax effect	2,220	(747)	19,649
Total	¥(4,831)	¥ 2,298	$(42,758)
Deferred gain (loss) on derivatives under hedge accounting:			
Gains (losses) arising during the year	¥ 534	¥ (591)	$ 4,727
Adjustment to acquisition cost of assets	202	(3,464)	1,790
Reclassification adjustments to profit or loss	(80)	100	(711)
Amount before income tax effect	656	(3,955)	5,805
Income tax effect	(214)	1,243	(1,897)
Total	¥ 441	¥(2,712)	$ 3,907
Foreign currency translation adjustments—			
Adjustments arising during the year	¥(1,135)	¥ 2,815	$(10,050)
Total	¥(1,135)	¥ 2,815	$(10,050)
Defined retirement benefit plans:			
Adjustments arising during the year	¥(1,082)	¥ 1,486	$ (9,577)
Reclassification adjustments to profit or loss	(135)	566	(1,196)
Amount before income tax effect	(1,217)	2,053	(10,774)
Income tax effect	441	(689)	3,906
Total	¥ (775)	¥ 1,364	$ (6,867)
Share of other comprehensive (loss) income of associates—(Loss) income arising during the year	¥ (83)	¥ 142	$ (740)
Total	¥ (83)	¥ 142	$ (740)
Total other comprehensive (loss) income	¥(6,385)	¥ 3,908	$(56,509)

18. NET INCOME PER SHARE

A reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2016 and 2015, was as follows:

Year Ended March 31, 2016

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥3,375	258,990	¥13.03	$0.12

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

Year Ended March 31, 2015

	Millions of Yen	Thousands of Shares	Yen
	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS
Basic EPS—Net income available to common shareholders	¥11,029	259,006	¥42.58

There is no dilutive effect for the year ended March 31, 2015.

19. SUBSEQUENT EVENTS

a. EMAS CHIYODA Subsea Limited Partnership

On May 27, 2016, the Board of Directors approved the Company's sale of a portion of its shares in EMAS CHIYODA Subsea Limited (an equity method affiliate of the Company, "ECS"). On June 10, 2016, the Company, Ezra Holding Limited ("Ezra"), and Nippon Yusen Kabushiki Kaisha ("NYK") entered into a binding agreement for NYK to invest in ECS. Under this agreement, the Company and Ezra will sell their 15% and 10% interests in ECS, respectively, to NYK.

Through the acquisition of shares from Ezra and the Company, NYK will own 25% of ECS, with Ezra and the Company retaining 40% and 35% shareholding, respectively, upon completion of the transaction.

b. Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2016, was approved at the Company's shareholders' meeting held on June 23, 2016:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥10.00 ($0.09) per share	¥2,589	$22,918

20. SEGMENT INFORMATION

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

(1) *Description of Reportable Segments*

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

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

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

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

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

Year Ended March 31, 2016

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

Year Ended March 31, 2015

	Millions of Yen				
	Reportable Segment Engineering	Other*1	Total	Reconcili-ations*2	Consoli-dated*3
Sales:					
Sales to external customers	¥476,499	¥ 4,479	¥480,979		¥480,979
Intersegment sales or transfers	136	6,678	6,814	¥(6,814)	
Total	¥476,635	¥11,157	¥487,793	¥(6,814)	¥480,979
Segment profit	¥ 21,146	¥ 314	¥ 21,460	¥ 6	¥ 21,466
Segment assets	509,992	5,418	515,411	427	515,839
Segment liabilities	297,441	2,248	299,690	7,742	307,433
Other:					
Depreciation	3,545	24	3,569		3,569
Amortization of goodwill	1,439	29	1,469		1,469
Investment in associated companies	5,479		5,479		5,479
Increase in property, plant and equipment and intangible assets	3,943	17	3,960		3,960

Year Ended March 31, 2016

	Thousands of U.S. Dollars				
	Reportable Segment Engineering	Other*1	Total	Reconcili-ations*2	Consoli-dated*3
Sales:					
Sales to external customers	$5,377,822	$34,115	$5,411,937		$5,411,937
Intersegment sales or transfers	189	55,126	55,316	$(55,316)	
Total	$5,378,011	$89,242	$5,467,254	$(55,316)	$5,411,937
Segment profit	$ 138,607	$ 2,906	$ 141,513	$ 213	$ 141,726
Segment assets	4,625,607	42,221	4,667,829	6,682	4,674,512
Segment liabilities	2,801,751	13,070	2,814,821	70,946	2,885,768
Other:					
Depreciation	31,576	186	31,762		31,762
Amortization of goodwill	10,854	265	11,120		11,120
Investment in associated companies	238,317		238,317		238,317
Increase in property, plant and equipment and intangible assets	23,697	181	23,878		23,878

Notes for the year ended March 31, 2016:

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

*2 The details of the reconciliations are as follows:

(1) The reconciliation in segment profit of ¥24 million ($213 thousand) is the elimination of intersegment trades.

(2) The reconciliation in segment assets of ¥755 million ($6,682 thousand) is the result of the elimination of intersegment trades of ¥(1,994) million ($(17,649) thousand) and the Group's assets of ¥2,749 million ($24,331 thousand), which are not included in the reportable segment.

(3) The reconciliation in segment liabilities of ¥8,016 million ($70,946 thousand) is the result of the elimination of intersegment trades of ¥(1,983) million ($(17,549) thousand) and the Group's liabilities of ¥10,000 million ($88,495 thousand), which are not included in the reportable segment.

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

Notes for the year ended March 31, 2015:

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

*2 The details of the reconciliations are as follows:

(1) The reconciliation in segment profit of ¥6 million is the elimination of intersegment trades.

(2) The reconciliation in segment assets of ¥427 million is the result of the elimination of intersegment trades of ¥(2,275) million and the Group's assets of ¥2,703 million, which are not included in the reportable segment.

(3) The reconciliation in segment liabilities of ¥7,742 million is the result of the elimination of intersegment trades of ¥(2,257) million and the Group's liabilities of ¥10,000 million, which are not included in the reportable segment.

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

Related Information

(1) ***Information about Products and Services***

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

(2) ***Information about Geographical Areas***

(*a*) *Revenue*

Year Ended March 31, 2016

	Millions of Yen	Thousands of U.S. Dollars
Japan	¥111,464	$ 986,413
Australia	143,980	1,274,160
Russia	117,274	1,037,827
U.S.A.	79,750	705,753
Vietnam	71,885	636,158
Others	87,193	771,623
Total	¥611,548	$5,411,937

Year Ended March 31, 2015

	Millions of Yen
Japan	¥113,341
Australia	151,255
Russia	52,087
Asia	73,935
Middle East	50,624
Others	39,735
Total	¥480,979

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

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

Year Ended March 31, 2016

	Millions of Yen	Thousands of U.S. Dollars
Japan	¥11,732	$103,831
Asia	1,704	15,084
Others	504	4,465
Total	¥13,942	$123,381

Year Ended March 31, 2015

	Millions of Yen
Japan	¥12,183
Asia	1,974
Others	668
Total	¥14,826

(3) ***Information about Major Customers***

Year Ended March 31, 2016

Name	Related Segment	Millions of Yen Revenue	Thousands of U.S. Dollars Revenue
Ichthys Lng Pty Ltd.	Engineering	¥134,100	$1,186,731
OJSC Yamal LNG	Engineering	116,803	1,033,660
Nghi Son Refinery and Petrochemical LLC	Engineering	71,867	635,993
Cameron LNG LLC	Engineering	63,619	563,006

Year Ended March 31, 2015

Name	Related Segment	Millions of Yen Revenue
Ichthys Lng Pty Ltd.	Engineering	¥143,688
OJSC Yamal LNG	Engineering	51,948

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

Impairment loss of goodwill as of March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Engineering	¥4,431		$39,217
Total	¥4,431		$39,217

(5) ***Information about Goodwill by Reportable Segment***

The ending balance of goodwill as of March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Engineering	¥3,527	¥11,599	$31,212
Other*	404	434	3,583
Total	¥3,931	¥12,034	$34,795

* Other involves temporary staffing services.

Independent Auditor's Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Chiyoda Corporation:

We have audited the accompanying consolidated balance sheet of Chiyoda Corporation and its consolidated subsidiaries as of March 31, 2016, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Chiyoda Corporation and its consolidated subsidiaries as of March 31, 2016, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 23, 2016

Member of
Deloitte Touche Tohmatsu Limited

CHIYODA CORPORATION

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Tel: (81)45-225-7777 (voice guidance)
http://www.chiyoda-corp.com/en/

Corporate Philosophy

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

(As of August 2016)

FTSE4Good

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UN GLOBAL COMPACT

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WE SUPPORT

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