

## **[Translation for Reference]**

### **Corporate Governance Report**

Last Update: August 1, 2019

**Chiyoda Corporation**

Masaji Santo, President & COO

Contact: Telephone: +81 (45)-225-7740

Kaoru Nakamura, General Manager, Corporate Services Dept

Securities Code: 6366

<http://www.chiyodacorp.com/en/>

The corporate governance of Chiyoda Corporation (the “Company”) is described below.

## **I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information**

### **1. Basic Views**

The Company believes that management that earns the trust and empathy of all its stakeholders, including shareholders, customers, business partners, creditors, employees and local communities, is the basis of our corporate activities, and are working to continue to strengthen our management foundation and ensure sound and transparent management with the objective of sustained growth in the mid- to long-term. We uphold the continued strengthening of corporate governance and the development and reinforcement of an internal control system as important issues, and make efforts to put these into practice.

### **[Reason for not applying principles of the Corporate Governance Code]**

Principle 4-10(1) Establishment & Use of Voluntary Nomination / Remuneration Committee

The Company does not have voluntary nomination / remuneration committee. Since Independent Outside Directors and Full-time Members of the Audit & Supervisory Committee are involved in discussions for selection of the directors and remuneration for them as mentioned in the Corporate Governance Policy (II, Chapter 3, 1(iii) and (iv)), the Company understands that their involvement in discussions works as similar function as the voluntary nomination / remuneration committee, enhances objectivity and transparency and ensures appropriate decision making process.

### **[Disclosure Based on the Principles of the Corporate Governance Code]**

Based on the resolution of its Board of Directors, the Company has formulated the Chiyoda Corporation Corporate Governance Policy (hereinafter referred to as the “Company’s Policy”), which describes its basic views and policies on corporate governance. Please refer to the Company’s Policy disclosed on the following website:

<https://www.chiyodacorp.com/en/about/governance/>

Principle 1-4 Policy Shareholdings

Please refer to II Chapter 1, 4 of the Company’s Policy.

The Company held the policy shareholdings of 16 brands, 21.6 billion yen as of March 2015, and decreased to 5 brands, 11.8 billion yen as of March 2016 and currently holds 3 brands, 190 million yen as of March 2019.

Principle 1.7 Related Party Transactions

Please refer to II Chapter 1, 7 of the Company’s Policy.

Principle 2-6 Fulfillment of Function as the Asset Owner of Corporate Pension  
Please refer to II Chapter 2, 6 of the Company's Policy.

Principle 3.1 Full Disclosure

Please refer to II Chapter 3, 1 of the Company's Policy.

Regarding (i) of the said Principle, please also see the Company's management philosophy and ongoing medium-term management plan disclosed on the following website:

<https://www.chiyodacorp.com/en/about/policy/>

<https://www.chiyodacorp.com/en/ir/managementstrategy/plan/>

Supplementary Principle 4.1.1 Scope of the Matters Delegated to the Management

Please refer to II Chapter 4, 1 of the Company's Policy.

As described in the said item, To implement prompt decision making over the Company's business execution, the Company establishes the Executive Committee composed of Representative Directors as the decision-making body for matters relating to business execution, defining the scope of matters to be discussed under the Rules of the Board of Directors and the Rules of the Executive Committee to clarify the scope of delegation. Specifically, excluding matters to be resolved at Board of Directors' meetings in accordance with laws and regulations and matters equivalent to the foregoing that are deemed appropriate to be discussed at meetings of the Board of Directors in light of their importance and characteristics, decision-making regarding the Company's business execution is delegated to the Executive Committee.

Principle 4.9 Independence Standards and Qualifications for Independent Directors

Please refer to II Chapter 4, 9 of the Company's Policy.

Supplementary Principle 4.11.1 The Company's View on Diversity and the Appropriate Size of the Board of Directors

Please refer to II Chapter 4, 11(1) of the Company's Policy.

Supplementary Principle 4.11.2 Directors and Members of the Audit & Supervisory Committee

Please refer to II Chapter 4, 11(2) of the Company's Policy for descriptions of the said view. Please also see the "Notice of the Ordinary General Meeting of Shareholders" shown on the Company's website.

<https://www.chiyodacorp.com/en/ir/information/general-meeting/>

Supplementary Principle 4.14.2 Training policy for Directors and Members of the Audit & Supervisory Committee

Please refer to II Chapter 4, 14 of the Company's Policy.

Principle 5.1 Policy for Constructive Dialogue with Shareholders

Please refer to II Chapter 5, 1 of the Company's Policy.

## 2. Capital Structure

Foreign Shareholding Ratio	From 20% to less than 30%
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### [Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
Mitsubishi Corp.	86,931,220	33.57
The Master Trust Bank of Japan, Ltd. (Trust A/C)	10,297,000	3.98
MUFG Bank, Ltd	9,033,925	3.49
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	8,371,000	3.23
Japan Trustee Services Bank, Ltd. (Trust A/C)	4,809,200	1.86

NORTHERN TRUST CO.(AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	4,500,410	1.74
The Mitsubishi UFJ Trust & Banking Corp.	4,274,000	1.65
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	3,527,892	1.36
Japan Trustee Services Bank, Ltd. (Trust A/C 5)	3,169,000	1.22
CREDIT SUISSE AG. DUBLIN BRANCH MAIN EQUITY ACCOUNT	3,008,814	1.16

Controlling Shareholder (except for Parent Company)	-
Parent Company	None

Supplementary Explanation

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3. Corporate Attributes Update

Listed Stock Market and Market Section	Tokyo Stock Exchange, Second Section
Fiscal Year-End	March
Type of Business	Construction
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Other Special Circumstances that may have a Material Impact on Corporate Governance

The Company decided to enter into a capital and business alliance agreement with Mitsubishi Corporation by resolution of the meeting of Board of Directors held on March 31, 2008 and concluded the capital and business alliance agreement as of this date.

## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution, and supervision of Business

### 1. Organizational Composition and Operation

Organization Form	Company with Audit & Supervisory Committee
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#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	17
Term of Office Stipulated in Articles of Incorporation	One year
Chairperson of the Board	Company Chairperson (excluding the case where the Chairperson concurrently serves as Company President)
Number of Directors	10
Nomination of Outside Directors	Nominated
Number of Outside Directors	5
Number of Independent Directors	4

#### Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Nobuo Tanaka	Other												
Hiroshi Yamaguchi	From another company												
Mikio Kobayashi	From another company												
Mika Narahashi	Lawyer												
Aiichiro Matsunaga	From another company							○					

\* Categories for "Relationship with the Company"

\* "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past

\* "●" when a close relative of the director presently falls or has recently fallen under the category; "▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the listed company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides remuneration as a director/member of the Audit & Supervisory Committee

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)

i. Executive of a company, between which and the Company outside Directors/members of the Audit & Supervisory Committee are mutually appointed (the director himself/herself only)

j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)

k. Others

#### Outside Directors' Relationship with the Company (2)

Name	Audit and Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Nobuo Tanaka		○	Mr. Tanaka is an Independent Director.	<p>By drawing upon his abundant experience and knowledge in the International Energy Agency and other international organizations, Mr. Tanaka is expected to perform his duties appropriately as an Outside Director.</p> <p>&lt;Reason for nomination as Independent Director&gt;</p> <p>Mr. Tanaka is not involved in matters that are likely to cause a conflict of interest in relation to general shareholders, and is recognized as being an Outside Director with no conflict of interest in relation to general shareholders.</p>
Hiroshi Yamaguchi		○	Mr. Yamaguchi is an Independent Director.	<p>With abundant knowledge of the energy industry and experience after having served as Director, Representative Executive Vice President and General Manager of Electric Power Distribution Division of Tokyo Electric Power Company. Mr. Yamaguchi is expected that he will leverage his knowledge and experience in the audits of management and contribute to ensuring the soundness of management of the Company through audits from a neutral and objective perspective, and have nominated him as a candidate for Outside Director who is an Audit and Supervisory Committee Member.</p> <p>&lt;Reason for nomination as Independent Director&gt;</p> <p>Mr. Yamaguchi is not involved in matters that are likely to cause a conflict of interest in relation to general shareholders, and is recognized as being an Outside Director who is a member of the Audit &amp; Supervisory Committee with no conflict of interest in relation to general shareholders.</p>
Mikio Kobayashi	○	○	Mr. Kobayashi is an Independent Director.	<p>With experience as an Executive Officer of Mitsubishi UFJ Trust and Banking Corporation, President &amp; Representative Director of Ryoshin Credit Service Co., Ltd. and Representative Director, Deputy President of Japan Property Solutions Co., Ltd., Mr. Kobayashi is expected to contribute to ensure the sound of the management by conducting audits, etc. from an objective and neutral standpoint.</p> <p>&lt;Reason for nomination as Independent Director&gt;</p> <p>Mr. Kobayashi is not involved in matters that are likely to cause a conflict of interest in relation to general shareholders, and is recognized as being an Outside Director who is a member of the Audit &amp; Supervisory</p>

				Committee with no conflict of interest in relation to general shareholders.
Mika Narahashi	○	○	Ms. Narahashi is an Independent Director.	Ms. Narahashi has expert knowledge and experience as a lawyer in addition to experience in corporate law. Ms. Narahashi is expected to contribute to the audits of management from the perspective of law, compliance and governance management, and have nominated her as a candidate for Outside Director who is an Audit and Supervisory Committee Member. <Reason for nomination as Independent Director> Ms. Narahashi is not involved in matters that are likely to cause a conflict of interest in relation to general shareholders, and is recognized as being an Outside Director who is a member of the Audit & Supervisory Committee with no conflict of interest in relation to general shareholders.
Aiichiro Matsunaga			Mr. Matsunaga is an Executive Vice President of Mitsubishi Corporation, a large shareholder of the Company.	Mr. Aiichiro Matsunaga has, after joining Mitsubishi Corporation, served as General Manager of Power Systems International Dept., New Energy & Power Generation Division of Mitsubishi Corporation, and President of Mitsubishi Corporation do Brasil S.A., thus he is versed in a range of business areas including infrastructure, power generation and new energy. He currently serves as Executive Vice President, Group CEO of Industrial Infrastructure Group of Mitsubishi Corporation. We have nominated him as a candidate for Outside Director as he is expected to adequately perform his duty as Outside Director by leveraging his experience and knowledge in global management in general.

**[Audit & Supervisory Committee]**

Committee's Composition and Attributes of Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Audit & Supervisory Committee	3	1	1	2	Inside Director

Appointment of Directors and/or Staff to Support the Audit & Supervisory Committee	Appointed
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Matters Related to the Independence of Such Directors and/or Staff from Executive Directors

To ensure the independence of the full-time staff member assisting in the duties of the Audit & Supervisory Committee, personnel appraisals of the assisting staff member are conducted by the Audit & Supervisory Committee. The transfer of the assisting staff member requires the prior consent of the Audit & Supervisory Committee.

Committee, and the assisting staff member does not concurrently hold any position in connection to the execution of the Company's business operations.

Cooperation between the Audit & Supervisory Committee, Accounting Auditors and Internal Audit Department

To ensure the effectiveness of the Audit & Supervisory Committee, the members of the said Committee interview each internal division regarding the execution of operations. The Committee holds regular meetings with Internal Audit Department and accounting auditors to ensure mutual cooperation. In addition, three-pronged auditing liaison meetings are regularly held among the Committee, Internal Audit Department and accounting auditors.

Members of the Audit & Supervisory Committee cooperate closely with the accounting auditors and the Committee holds regular meetings for debriefing by the accounting auditors, including the annual audit plan debriefing meeting, the quarterly review debriefing meeting and the year-end audit debriefing meeting.

#### [Voluntary Establishment of Nomination/Remuneration Committee]

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Not established
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#### [Independent Directors]

Number of Independent Directors	4
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Matters relating to Independent Directors

The Company has appointed all the Outside Directors who satisfy the qualification requirements as Independent Directors.

#### [Incentives]

Incentive Policies for Directors	Introduced performance-linked remuneration system.
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Supplementary Explanation

At the General Shareholders' Meeting held in June 2016, (1) a performance-linked remuneration system and (2) a remuneration system for the purpose of purchasing treasury stocks were introduced for the Directors (excluding those who are members of the Audit & Supervisory Committee):

(1) An amount equivalent to no more than 1% of net income attributable to Chiyoda Corporation's shareholders and up to a maximum of 200 million yen per annum is invested under the system with the objective of boosting incentives among the Directors for increasing the Company's business performance in accordance with the management policy; and

(2) An amount of up to a maximum of 90 million yen per annum is paid as remuneration that is practically linked to a long-term rise in the Company's share price with the objective of boosting incentives for improving the Company's business performance over a long-term period.

Recipients of Stock Options	
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Supplementary Explanation

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**[Directors' Remuneration]**

Disclosure of Individual Directors' Remuneration	No individual disclosure
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Supplementary Explanation
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From Fiscal Year 2004, Directors' remuneration is disclosed by remuneration category in business reports, and these business reports are publicly disclosed on the Company's webpages.

Policy on Determining Remuneration Amounts and Calculation Methods	Established.
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods
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The Company's officer remuneration system aims to improve the linkage with the Company's business performance, sharing values with shareholders and bolstering officers' motivation and morale toward better performance. The system obtained approval by resolution of the Fiscal Year 2015 Ordinary General Shareholders' Meeting held on June 23, 2016.

- a) Directors (excluding those who are members of the Audit & Supervisory Committee)
1. Base remuneration (which reflects the specific area of ongoing responsibility): No more than 300 million yen per annum
  2. Performance-linked remuneration (which reflects the business performance for the Fiscal Year): An amount equivalent to no more than 1% of net income attributable to Chiyoda Corporation's shareholders and up to 200 million yen per annum., taking into account qualitative factors such as levels of net income attributable to Chiyoda Corporation's shareholders and dividends and the progress toward the achievement of management objectives.
  3. Remuneration for the purpose of purchasing treasury stocks (which is linked to long-term improvements in the Company's business performance): An amount of up to a maximum of 90 million yen per annum is paid to Directors (excluding Outside Directors) who can acquire the Company's treasury stock through the Directors' shareholding society.
- b) Directors who are members of the Audit & Supervisory Committee
- Up to 84 million yen is paid per annum as base remuneration that reflects the specific area of ongoing responsibility.

**[Supporting System for Outside Directors]**

To strengthen the auditing activities, a full-time staff member (1 person) has been assigned to assist with the duties of the Audit & Supervisory Committee. The full-time staff member has various roles in supporting the Committee, including the transmission of information to the Outside Directors who are members of the Audit & Supervisory Committee.

**[Status of retired CEOs, Presidents, etc.]**

Names and other details of Senior Advisors who are former CEOs, presidents, etc.

Name	Title	Description of Tasks	Form and Conditions of Services	Date of Retirement from President, etc.	Term
Katsuo Nagasaka	General Corporate Advisor	General Advisory	Full-time, paid	June 25, 2019	March 2020



Total number of Consultants, Advisor, etc. who have retired from Representative Director and President. etc	1
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## 2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

At the Fiscal Year 2015 Ordinary General Shareholders' Meeting held on June 23, 2016, the Company transferred from the previous Company with Audit & Supervisory Board Members to a Company with an Audit & Supervisory Committee that is composed of a majority of Outside Directors. Based on this change, the Company has a system under which the Directors who are members of the Audit & Supervisory Committee ("Members of the Audit & Supervisory Committee") have voting rights to be exercised at board of directors' meetings and are involved in the nomination of Representative Directors and decision-making on overall business execution (excluding matters regarding which decision-making has been delegated to the Directors).

Based on the system of a Company with an Audit & Supervisory Committee, the Company seeks to ensure management monitoring functions from an objective and neutral standpoint by appointing five Outside Directors.

### <Board of Directors>

The Board of Directors (meetings are held on a monthly basis) is composed of 10 Directors, including Members of the Audit & Supervisory Committee. At meetings of the Board of Directors, important management matters are determined and business execution is monitored. Appropriate decision-making and management supervision are ensured based on the objective and neutral perspectives of the Outside Directors. Matters to be decided at meetings of the Board of Directors include management plans, important organizational personnel system matters and investments and loans in large amounts.

### <Executive Committee>

The Company has established the Executive Committee composed of four Representative Directors as the decision-making body for matters relating to business execution with the aim of enabling prompt decision-making regarding the Company's business execution. The Committee conducts decision-making on matters concerning business execution adopted by resolution of the Board of Directors and prior deliberation of matters to be decided by the Board of Directors.

### <Audit & Supervisory Committee>

The Company has established an Audit & Supervisory Committee composed of 3 members (1 of whom is full time), and the Committee conducts auditing of the entire range of the Directors' performance of their duties. 2 of the 3 Members of the Audit & Supervisory Committee are independent officers, 1 of whom is a person who has extensive insight into finance and accounting.

## 3. Reasons for Adoption of Current Corporate Governance System

Based on the system of a Company with an Audit & Supervisory Committee, it has ensured a system in which management monitoring functions from an objective and neutral standpoint are fulfilled through the appointment of five Outside Directors.

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	The convocation notice was dispatched on June 10 (for the latest meeting).
Scheduling General Shareholders' Meeting Avoiding the Peak Day	The meeting was held on June 25 (for the latest meeting).
Allowing Electronic Exercise of Voting Rights	The electronic exercise of voting rights has been made available since June 2007.
Participation in Electronic Voting Platform and other Measures for Improving Environment for Exercise of Voting Rights by Institutional Investors	The Company uses the ICJ platform that allows institutional investors to exercise electronic voting rights.
Providing Convocation Notice in English	The Company posts translated convocation notices on its website.

#### 2. IR Activities

	Supplementary Explanations	Explanations by Representative
Preparation and Publication of Disclosure Policy	The basic views and policy concerning corporate governance are described in Chapter 3.1 of the Chiyoda Corporation Corporate Governance Policy (hereinafter referred to as the "Company's Policy") formulated based on a resolution of the Company's Board of Directors. In addition, IR Policy is disclosed in the corporate website.	
Regular Investor Briefings for Analysts and Institutional Investors	After the disclosure of full-year and half-year business results to Tokyo Stock Exchange, the Company holds briefing sessions for analysts on the same day. In addition, conference calls are held to provide briefings on the first and third quarter business results.	Yes
Regular Investor Briefings for Overseas Investors	The Company holds briefing sessions for overseas investors. In addition: 1) The Company participates in conferences held in Japan by securities companies (three to four times a year); and 2) The Company strives to maintain fair disclosure toward overseas investors, so that there is no difference from disclosure toward domestic investors, by providing quarterly briefings through individual interviews and conference calls.	Yes
Posting of IR Materials on Website	Management measures are described in the message from the president on the Company's webpages. Brief reports on the Financial Results, supplementary materials for business results announcements (charts in color), etc. are also posted on the webpages. In addition, materials for explanations of financial results (charts in color) in Japanese and English are posted on the Company's webpages on the same day from the perspective of fair disclosure to domestic individual investors and overseas investors.	
Establishment of Department and/or Manager in Charge of IR	As a department in charge of IR, the IR, PR & CSR Department has been established.	

### 3. Measure Concerning Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	In Chapter 2 of the Company's Policy described above, the Company sets forth provisions concerning cooperation with stakeholders other than shareholders.
Implementation of Environmental Activities, CSR Activities etc.	<p>1) The Group has formulated the CSR Value, which states that it strives to contribute to the sustainable development of society by promoting its business and to continue to be a company that earns the trust and empathy of all of its stakeholders, including shareholders, customers and employees. The CSR Value is implemented by each and every Group employee. In addition, the Group issues the Group Sustainability Report that describes its CSR activities and publicizes them on the Company's webpages.</p> <p>2) The Company is a member of the United Nations Global Compact in which businesses demonstrate responsible and creative leadership and participate voluntarily in efforts to establish a global framework that enables them to act as good corporate citizens and achieve sustainable growth. In accordance with fair and global norms that everyone can agree on, the Company is working on initiatives related to human rights, labor, environment, and anti-corruption. In addition, the Company strives to solve various environmental issues and improve its corporate value, in response to Paris Climate Agreement and COP10.</p>
Development of Policies on Information Provision to Stakeholders	Chapter 3, 1 of the Company's Policy states the enhancement of information disclosure, including disclosure to stakeholders.

## IV. Matters Related to the Internal Control System

### 1. Basic Views on Internal Control System and the Progress of System Development

#### [Basic Policy on the Internal Control System]

The Company, in accordance with laws and regulations, has developed and managed an internal control system to ensure the proper execution of operations. To enhance internal controls, the Company has established the Internal Control Committee, which coordinates and summarizes the opinions voiced within the Company. At the end of the term or whenever it considers necessary, the Internal Control Committee proposes improvements on internal controls to the Executive Committee. The Executive Committee then reviews the proposals from the Internal Control Committee, and the Board of Directors makes the necessary decisions on the internal control system.

#### [Development and Management of the Internal Control System]

##### 1. Framework of Compliance with Laws and Regulations

(1) 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. The Directors take the initiative to set an example for the rest of the Company, while the Board of Directors oversees the execution of duties by the Directors in light of compliance with laws and regulations.

(2) To enhance the framework of compliance with laws and regulations, the Company establishes the Compliance Committee chaired by the 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. Furthermore, such whistle-blowers or persons who utilize consultation systems will not be treated disadvantageously on the grounds of having made such reports or engaged in such consultations.

(3) With respect to legal issues and the procedures for making management decisions, the Board of Directors consults with legal counsel from time to time in its decision-making process, in an effort to enhance its objectivity and transparency.

(4) The internal audit division conducts audits on the status of compliance with laws and regulations of each sector.

(5) The Company confronts antisocial forces in a firm manner and will not offer profits to them. In the event that unreasonable demands are made on the Company by antisocial forces, it will respond systematically in collaboration with external, expert organizations such as the police force and lawyers.

##### 2. Framework of Information Storage and Management

(1) The Company properly retains and manages documents by setting forth basic matters such as the documents subject to management, the relevant administrators and the retention periods in the in-house regulations of document handling and confidential information management, with regard to handling of information relating to the execution of duties by the Directors.

(2) The Company prepares minutes of important meetings such as those of the Board of Directors and the Executive Committee in accordance with laws and regulations as well as in-house regulations, and properly store and manages them.

##### 3. Framework of Loss and Risk Management

(1) The Company establishes a risk and crisis management framework, under the guidance of CRO (Chief Risk-management Officer) and in collaboration with other related Chief Officers and Managing Directors, for each type of risk in accordance with basic policy regarding the Company's risk and crisis management, in-house regulations and various manuals.

(2) In terms of risk management associated with receiving contract awards and executing awarded projects, which are the Company's core business, the Company establishes a permanent organization to manage all the risks. The said organization develops examination system with regard to take-up, estimation policy, proposals, etc, taking consideration of its financial condition and workforce availability. In addition, during the project execution stage, the Company establishes multiple reporting system, reinforces self-risk management capability of each business units, and develops systems to monitor profit/loss and risk status of the projects

more frequently and visually. Through introduction of those new systems, the risk management organization assists both corporate management and project teams in terms of execution support and internal control.

(3) The Company establishes a permanent 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 said organization continuously engages in constant activities to prevent and manage risks including providing relevant information and promoting awareness, while it works as the crisis management secretariat function in the event of a crisis and deals with emergency situations.

#### 4. Framework to Ensure Efficiency

(1) The Board of Directors makes decisions on company-wide management policies and the execution of material businesses, formulates concrete management plans and takes effort to achieve management targets. In addition, in order to promptly make decisions on operations, the Board of Directors delegates part of its authority to the Executive Committee to the extent that it does not conflict with laws and regulations, in an effort to ensure the efficiency of operations.

(2) To contribute to the efficient achievement of management targets, organizations are formed flexibly and official authorities are clearly articulated and delegated, in accordance with the in-house regulations regarding division of duty and official authority.

(3) To enhance the efficiency of operations throughout the Company, various in-house regulations are established systematically, enforced and managed in an appropriate manner. In addition, information systems are utilized proactively to enable the efficient sharing and analysis of information.

#### 5. Framework of internal control of the Chiyoda Group

(1) 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.

(2) The Company will establish in-house regulations to ensure the propriety and efficiency of operations of the Chiyoda Group. In terms of management of group companies, a responsible division will be established for each particular group company, and a division will be established to be responsible for supervising and managing such divisions.

(3) The group companies will establish a framework of internal control based on the same policy as the Company, including a system for reporting information to the Company in a timely and appropriate manner and a whistle-blowing system, to maintain consistency between the Company and its group companies. Specifically, in terms of compliance with laws and regulations, the Company establishes, beneath the Compliance Committee, the Group Compliance Liaison Meeting consisting of members from the group companies for the purpose of sharing compliance information within the Chiyoda Group. In terms of the risk and crisis management of the group companies, a system similar to the Company's system will be established. In addition, internal audits of the group companies are conducted by the internal audit division of the Company.

(4) As for major group companies, a framework is in place in which the Company's Audit and Supervisory Committee members serve concurrently as the Audit & Supervisory Board Members of each group company and they can conduct proper investigations as necessary.

#### 6. Framework to Ensure the Effectiveness of the Audits by Audit and Supervisory Committee

(1) To enhance auditing activities of the Audit and Supervisory Committee, employees who specialize in supporting the Audit and Supervisory Committee to execute their duties are placed.

(2) To ensure the independence of such employees and to ensure the effectiveness of instructions given to them, the Audit and Supervisory Committee will evaluate the performance of the Audit and Supervisory Committee Office's employees. Furthermore, staff transfers will require the prior approval of the Audit and Supervisory Committee and transferred staff must not concurrently hold positions related to the actual execution of operations of the Company.

#### 7. Framework for Reporting to the Audit and Supervisory Committee

(1) Executives and employees, when requested by the Audit and Supervisory Committee, report on their activities relating to internal controls on a regular basis or whenever important matters arise. The Company does not treat executives and employees who have reported to the Audit and Supervisory Committee disadvantageously on the grounds of having made such reports.

(2) To ensure the effectiveness of audits conducted by the Audit and Supervisory Committee, the Representative Directors meet with the Audit and Supervisory Committee on a regular basis to exchange opinions regarding the status of reports made by executives and employees to the Audit and Supervisory Committee. When the Audit and Supervisory Committee requests that Audit and Supervisory Committee members attend important meetings such as those of the Executive Committee, the Representative Directors accept the request.

(3) To ensure the effectiveness of reporting by the group companies, the Audit and Supervisory Committee meets with the Audit & Supervisory Board Members of major group companies on a regular basis to exchange opinions and share information on the framework of internal controls system of the Chiyoda Group.

(4) If the Audit and Supervisory Committee requests to use external experts selected by it for the audits conducted by Audit and Supervisory Committee members, the Company will pay the necessary expenses associated with the use of external experts, unless it is clearly proved that such external experts are not necessary for the execution of duties of Audit and Supervisory Committee members.

#### 8. Framework for securing the appropriateness of financial reporting

(1) To secure the appropriateness of financial reporting required under the Financial Instruments and Exchange Law, the Company, together with the principal group companies, will establish and operate the necessary framework of internal control such as the documentation of operating rules. In case a new risk is recognized or in case a fault or deficiency is detected in the framework, prompt corrective action will be taken.

(2) The Company will conduct internal audits of daily operations, etc. to identify and validate the actual status of control activities in each area and secure the effectiveness of internal control functions related to financial reporting on a company-wide basis by establishing a highly-independent internal control division.

[Outline of the management status of the framework for ensuring proper execution of operations of the Company]

The Company has developed and managed an internal control system based on the “Policy on the Internal Control System” resolved at the meeting of the Board of Directors as stated above. The Company works for continuous improvement by confirming the management status in each division and sharing information at the meeting of the Internal Control Committee, which was held twice in the FY2018. The major management initiatives in the FY2018 are as follows.

##### [1] Initiatives relating to compliance with laws and regulations

–The Company has established a guidance for compliance system, in which a prompt reporting procedure to COO (Chief Compliance Officer) was defined.

The Company continuously engaged in the thorough implementation of compliance programs which the Company has developed. Specifically, the Company held internal seminars concerning introduction/update of the regulations, construction laws, insider trading prevention laws etc. several times. In addition, the Company visited both domestic and overseas subsidiaries in order to educate importance of compliance, and shared information and details of initiatives through the Group Companies Compliance Liaison Meeting.

--The Company also conducted various training, such as the position-specific training related to the compliance of laws and regulations, pre-transfer training for overseas posting, and harassment prevention training, while holding the Compliance Committee meeting two times.

–The internal audit division conducted audits on compliance programs, compliance frameworks, compliance related documents and others of the Company based on compliance regulations

##### [2] Initiatives relating to loss and risk management

##### [2] Initiatives relating to loss and risk management

–The Company has established a risk and crisis management framework for each type of risk in accordance with the basic policy regarding the Company’s risk and crisis management, in-house regulations, and various manuals.

–In terms of risk management, the Company, in the FY2018, classified company-wide risks into the three categories of “corporate-related risk,” “investment and finance risk” and “project risk”. In "corporate-related risk" area, the Company initiated countermeasures to mitigate the risks after prioritizing in each business divisions. At the same time, review of prioritized risks was implemented taking account of changing business environment etc.

–In order to cope with GDPR which became effective in May 2018, the Company has established an internal governance system for GDPR in which the current compliance reporting procedure and information security accident reporting procedure are effectively combined.

-The Company has been handling its risk management, namely disaster prevention at headquarter and overseas security, by establishing a permanent dedicated division, and in FY2018, it established Crisis Management Dept in order to centralize information and take an appropriate countermeasure as a corporate. Aiming to reinforce the risk management system of all Chiyoda group companies, the Company continues to prepare response procedures for each crisis event with the overseas sites, verify the effectiveness of such procedures through field drills. Furthermore, various activities such as new security training, crisis prevention drill, crisis prevention seminar for employees, etc. were held. In addition, to secure safety for frequent-travelling employees, selection of air-carriers and e-learning trainings, information distribution through special website for employees were implemented as a part of counter-terrorism measures.

-In terms of risk management associated with awarding contracts for projects, the division in charge continuously conducted management activities, implementing the cold-eye reviews to 49 projects. With regard to investments, the division conducted assessment in accordance with in-house regulations and regularly reported the status of profit and loss on the investments executed to the Executive Committee and the Board of Directors.

### [3] Initiatives relating to ensuring efficiency

-In order to promptly make decisions on the execution of operations, the Company's Board of Directors delegates a part of its authority to the Executive Committee to the extent permitted by laws and regulations, in an effort to ensure the efficiency of the execution of duties.

-In the FY2018, in accordance with the rules of the Executive Committee revised in FY2017, proper modification of documentation and necessary follow-up of the Committee's decisions were implemented to further ensure efficiency.

### [4] Initiatives relating to the framework of internal control of 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.

-In the FY2018, the Company made a reinforced policy of the internal control for a certain group company, and continued strengthening and improvement of information sharing concerning business challenges of Chiyoda Group.

-As for initiatives relating to the Chiyoda Group's compliance with laws and regulations, the Group Companies Compliance Liaison Meeting, consisting of members from the Company and major group companies, was held to enhance control and to share information within the Chiyoda Group.

### [5] Initiatives relating to ensuring the effectiveness of audits by the Audit and Supervisory Committee

-To ensure the effectiveness of audits conducted by the Audit and Supervisory Committee, Audit and Supervisory Committee held 13 meetings with the Representative Directors and 9 meetings with Executive Directors to exchange opinions, while 68 meetings were held with the Directors to discuss about specific topics.

-Audit and Supervisory Committee members also attended important meetings including those of the Executive Committee and the Compliance Committee, as well as the Internal Control Committee for collaboration between the Audit and Supervisory Committee and the internal control division, and expressed their opinions as necessary.

-To verify whether the effectiveness of audits conducted by group companies, the Audit and Supervisory Committee held two meetings with Audit & Supervisory Board Members of major group companies, exchanged opinions and shared information regarding internal control systems within the Chiyoda Group.

-To enhance the auditing activities of the Audit and Supervisory Committee, employees who specialize in assisting the Audit and Supervisory Committee to execute its duties are placed. In the FY2018, such specialized employees were assigned, and evaluations of their performance were conducted by the Audit and Supervisory Committee.

### [6] Initiatives relating to reporting to the Audit and Supervisory Committee

-Executives and employees, when requested by the Audit and Supervisory Committee, report on their activities relating to internal controls on a regular basis or whenever important matters arise.

-The Audit and Supervisory Committee received reports from executives and employees on their activities relating to internal controls at regular meetings or through hearings. As for the occurrence of important matters relating to internal controls, the Audit and Supervisory Committee required a report about the risk management circumstance and prevention measures of the project which caused a substantial cost increase. The occurrence of a case where the Audit and Supervisory Committee uses external experts in its auditing was not recognized.

## 2. Basic Views on Eliminating Anti-Social Forces and the Progress of System Development

Basic views on the elimination of anti-social forces are as described in <Observance of laws, regulations, etc.>, the establishment and operation of internal control systems stated above. In addition, Item 5 of the Chiyoda Group Code of Conduct shown below sets forth provisions concerning the elimination of anti-social forces. Furthermore, the Company has established a system for obtaining the necessary information by contacting, on a regular and as-needed basis, the Corporate Protection Committee of Kanagawa Prefecture, an external professional organization. Instructions through internal communications, internal seminars, etc. are provided on methods of dealing with anti-social forces.

### < Chiyoda Group Code of Conduct >

The Code of Conduct of the Chiyoda Group is as provided below.

We, the Chiyoda Group, recognize that all business activities are based on earning the trust and understanding of society and clients. To ensure that our business activities conform to social standards, we fully comply with all applicable domestic and international laws and regulations as well as our own rules, and conduct business activities in accordance with the following principles:

1. To earn the trust of clients by constantly improving quality in order to supply useful facilities and services.
2. To do business with transparency, free competition and fairness in order to earn the trust and understanding of society and clients concerning our corporate activities.
3. To maintain strong lines of communication not only with shareholders and other stakeholders but also with society at large, and to disclose corporate information willingly and fairly.
4. To recognize that helping to solve environmental issues is an essential part of our business activities as an engineering company, and to contribute to society while cooperating with governments and their agencies.
5. To reject all contact with anti-social organizations and never offer these organizations any benefits.
6. To handle personal information and client information with the utmost care and attention and use intellectual property in an appropriate manner without infringing on the owner's intellectual property rights.
7. To draw a line between official company activities and private activities, and never take any action that would be detrimental to the company.
8. To respect the human rights of all people. In addition, to respect the diversity, individuality and character of employees and endeavor to ensure employees' health and safety by providing a suitable working environment.
9. Senior management shall recognize that implementing the spirit of this code is their responsibility, and shall make the related parties aware of this code by setting an example through their leadership. Senior management shall also heed the voices of stakeholders, both internally and externally, and take initiatives to solve all issues violating the Code of Conduct and strive to establish an effective framework for implementing these principles.



## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not adopted.
Supplementary Explanation	
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### 2. Other Matters Concerning to Corporate Governance System

<p>&lt;&lt;Outline of timely disclosure system&gt;&gt;</p> <p>Regarding the basic policy on information disclosure, the Company has set forth in the Chiyoda Group Code of Conduct that it discloses corporate information actively and fairly for the purpose of communication with society at large.</p> <p>Based on this policy, the Company discloses information in accordance with laws and regulations, the rules of Tokyo Stock Exchange, Inc. (the "TSE") and the Company's management standards.</p> <p>(1) Internal regulations and departments in charge of timely disclosure</p> <p>The Company has established internal regulations to ensure the appropriate disclosure and management (prevention of insider trading) of information. In addition, procedures for information disclosure are clearly defined to ensure their thorough implementation in the Company.</p> <p>CFO is in charge of information management in the Company. With respect to the departments in charge of the disclosure and announcement of material facts, the Corporate Services Department is in charge of the disclosure of such matters to the TSE, and the IR, PR and CSR department discloses and announces them to other interested parties.</p> <p>(2) Process of information collection</p> <p>Employees and officers of the Group, when they come to know information that may fall under unpublished material facts, are required to promptly report, through their reporting lines, to CFO who is the information management supervisor.</p> <p>(3) Information analysis and judgment</p> <p>Upon the receipt of the reports described above, CFO who is the information management supervisor shall hold discussions with the departments in charge of making public announcements of material facts and with other related departments as appropriate and determine whether to make a public announcement, the time of such announcement, the method, etc.</p> <p>However, the Executive Committee also deliberates on the information disclosure of decisions, etc. that fall under material facts. With respect to issues that are submitted to the Executive Committee for discussions, the decisions of the Executive Committee shall supersede any judgment made by CFO.</p> <p>(4) Procedures for public announcement of information</p> <p>With respect to information concerning business results and decisions that are subject to decision-making by the governing body, the procedures for the timely disclosure of such information and decisions and other material facts to the TSE shall be taken as soon as possible after decisions are made by the governing body in the case of such information and decisions, and after the approval of CFO in the case of such other material facts. Furthermore, the Company endeavors to positively provide explanations on particularly material facts by means such as holding a press conference.</p> <p>&lt;&lt;Evaluation of the Board of Directors&gt;&gt;</p> <p>The Company implemented the Fiscal Year 2018 Evaluation of the Board of Directors as follows.</p> <p>&lt;Methods of evaluation and analysis&gt;</p> <p>A questionnaire on the effectiveness of the Board of Directors was provided to all the Directors (including members of the Audit &amp; Supervisory Committee), and responses were collected from all the Directors (responses were made on an anonymous basis). After the results were organized and aggregated into an</p>
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evaluation report, the Board of Directors discussed the report and analyzed and assessed the effectiveness of the Board of Directors.

The major categories of the questionnaire were as follows:

1. Composition of the Board of Directors; 2. Frequency of holding meetings of the Board of Directors and deliberation time; 3. Matters for resolutions of the Board of Directors and relevant materials; and 4. Business and administration of meetings of the Board of Directors.

< Response to the Fiscal Year 2017 Evaluation of the Board of Directors >

In response to the issues identified in the Fiscal Year 2017 Evaluation of the Board of Directors, which were (i) to make it clear the discussion details before submission to Board meeting, (ii) to improve the timing when agenda items are presented to the External Directors and develop its contents, the Company successfully enhanced the effectiveness of the Board of Directors by taking steps to clear the discussion points, promptly submitting agenda items to the External Directors.

< Fiscal Year 2018 Evaluation of the Board of Directors >

The results of the Fiscal Year 2018 Evaluation of the Board of Directors showed that meetings of the Company's Board of Directors are steered by the chairperson in an appropriate manner, that both internal and external Directors have vigorous and constructive discussions and exchanges of ideas and opinions. And analysis, directions and guidance were made by the Board of Directors.

In the FY2019, a new management system will be introduced aiming at separation of management and execution of business operation. Number of the External Directors was increased under the new management system, thereby striving to implement the Company's revitalization plan and further improve the corporate value.

<<Initiatives for promoting the active participation of women>>

With the enactment of the Act on the Promotion of Women's Participation and Advancement in the Workplace (the "Women's Career Activities Promotion Act"), the Company formulated an Action Plan for the Promotion of Women's Career Activities (as of April 1, 2016) for promoting and implementing this initiative, and seeks to gain the thorough understanding of all the employees. This Action Plan aims to achieve a ratio of women of 25% or more in the overall new graduate recruitment by 2020.