CHIYODA REPORT 2019

For the year ended March 31, 2019

Profile

Chiyoda Corporation is a world-leading, fully integrated international engineering company with a significant presence in the global oil and gas market, and customers in more than 60 countries. Especially in the field of LNG plant engineering and construction, Chiyoda is a global leader, with a track record of undertaking projects that account for around 40% of the world's total LNG plant capacity.

Established in 1948, Chiyoda started with domestic projects in petroleum refining, petrochemicals, and gas processing. Since the 1970s, Chiyoda has developed a powerful global footprint, taking advantage of the many opportunities in the engineering, procurement, and construction (EPC) of energy-related plants, while building a first-class reputation for technological capability, safety, and reliability.

During its 70-year history, the Chiyoda Group has been growing steadily under the corporate philosophy of enhancing business by aiming for "Energy and the Environment in Harmony."

Corporate Philosophy

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

Every Chiyoda Group employee engages in corporate activities with this philosophy in mind as we strive for corporate group management that earns the trust and empathy of all our stakeholders, including shareholders, customers, business partners, employees and local communities.

Vision

The Chiyoda Group is committed to being an "Innovate Engineering Company," shaping the future of energy and the global environment with passion and cutting-edge technology.

Contents

Forward-Looking Statements

Statements made in this annual report with respect to plans, strategies, and future performance that are not historical facts are forward-looking statements involving risks and uncertainties. Chiyoda cautions that a number of factors could cause actual results to differ materially from such statements including, but not limited to, general economic conditions in Chiyoda's markets; demand for, and competitive pricing pressure on, Chiyoda's products in the marketplace; Chiyoda's ability to continue to win acceptance for its products in these highly competitive markets; and movements of currency exchange rates.

Note: "FY2018" and "the year under review" represent the one-year period ended March 31, 2019, and "FY2019" represents the one-year period ending March 31, 2020.

Message from the Chairman of the Board & CEO

Chiyoda redefines the value of engineering and creates shared value for all its stakeholders.

Kazushi Okawa
Chairman of the Board & CEO

My name is Kazushi Okawa. I was recently appointed the Chairman of the Board and CEO.

Chiyoda Corporation made a significant loss in its financial results for fiscal 2018, caused by a substantial cost increase in ongoing large-scale LNG projects. After closely examining the factors leading to this situation and our strengths, we have formulated a new Medium-Term Management Plan, "Chiyoda's Revitalization Plan." It provides for radical changes promoting revitalization and growth, and we launched this new plan in fiscal 2019. At the same time, we have strengthened our financial base with a privately placed equity capital increase and loans. We are working on the realization of the Revitalization Plan and our medium- to long-term growth strategy by simultaneously developing our risk management structure and enhancing our EPC execution and management capacity.

As an integrated engineering company, Chiyoda won the trust of customers in Japan and all over the world by focusing on the social development and implementation of new technologies and production systems around the world, while always looking one step ahead. I believe that Chiyoda's history has long been supported by our discerning assessment ability of new technologies and systems based on their social, economic, and environmental value, and our strong project execution capability.

To further boost our project execution capability and achieve revitalization as quickly as possible, we will integrate the departments for addressing risks, which were decentralized in the past. The new risk management structure will analyze and manage all risks in an integrated manner before receiving orders for projects, and after completing the projects, while at the same time providing assistance to the project teams. For example, we will fully identify the location and impact of the risks inherent in the projects and manage them thoroughly by taking appropriate measures.

The business environment surrounding Chiyoda is undergoing significant changes due to increased uncertainty regarding politics and the economy, including worldwide discussions on the paradigm of globalism, the transition to a decarbonized society, and the rapid progress of technological innovation toward digital transformation. The engineering industry has also reached a major turning point on the wave of such massive change. We are facing an era when we will need to redefine the value of "engineering," going beyond the simple concept that EPC execution of plants is the goal, as was the case before. While we have only just launched our Revitalization Plan, we will be working hard on innovative technologies, the mission of any engineering company, along with the social implementation of systems for which there is social demand, making full use of digital technologies in the areas of energy and the global environment. The major changes surrounding Chiyoda, inside and out, act as compelling inputs for growth.

While the groundwork for the Revitalization Plan has been set in place, everything else has yet to begin. We will take a leap forward to become a company that is respected by society and all of our stakeholders as an integrated engineering company that is running ahead of the times. Chiyoda can visualize the big picture of the society of the next generation while achieving the Revitalization Plan, cultivating and promoting human resources who form the foundation of our value creation, developing our risk management capabilities, and enhacing our EPC execution capacity.

We deeply appreciate the continued understanding and support of all of our shareholders.

Chairman of the Board & CEO
Chiyoda Corporation

Message from the President & COO

Chiyoda accelerates its distinctive strength of engineering and shapes the global sustainability.

Masaji Santo
President & COO

I am Masaji Santo, the President and COO of Chiyoda Corporation.
We have formulated its new Medium-Term Management Plan, "Chiyoda's Revitalization Plan—Initiatives for revitalization and the future," in response to the financial results for fiscal 2018. In addition to our initiative to further develop our risk management structure, the foundation for the plan, we have strengthened our governance and built a system for enforcing the separation between the supervision of management and execution of operations. The Company will be managed under a new system in which Kazushi Okawa, Chairman of the Board and CEO, will take charge of the supervision of management, while I will be in charge of the execution of operations.

Current Business Environment of Chiyoda

We have strengthened our financial base through the approval of a capital increase approved at the general meeting of shareholders held on June 25. It is of paramount importance that we complete ongoing large-scale projects such as Cameron LNG, Freeport LNG, and Tangguh LNG. These take priority, supported by the strengthened financial base. Train 1 of Cameron LNG commenced production and shipment of LNG in mid-May to early June, and the first train of Freeport LNG commenced production of LNG in August. The construction work at Tangguh LNG is making steady progress as well. Other than these projects, we have also received new orders for large-scale projects overseas such as an olefins facility in Texas and Golden Pass LNG, and our engineering work is steadily gathering momentum. We will execute the EPC work while communicating even more closely with the parties concerned, including customers, joint venture partners, vendors, and subcontractors.

In Japan, large-scale EPC projects are also making progress in the area of the global environment, such as a battery energy storage system in Hokkaido and a biomass firing power plant in Chiba.

Future Outlook of the Market

In the energy field, particularly in the area of LNG, demand is growing steadily, reflecting the worldwide trend of shifting to a low-carbon society. Orders for FEED (Front End Engineering Design) and bids for EPC are being activated for new construction projects and expansion of LNG plants. Chiyoda will develop these potential projects into solid orders by appropriately assessing and evaluating the risks of each project.

In the area of the global environment, the domestic market for renewable energy is expected to grow steadily, given that offshore wind power generation has been set in motion in earnest. In the area of pharmaceuticals and life science, a new market is also expanding along with medical advances. In these areas of the global environment, it appears highly probable that new and different business opportunities will be created, and we will focus on these areas as a future growth field.

Execution of the Revitalization Plan

To achieve the Revitalization Plan as quickly as possible, we will diligently promote the further development of the risk management structure, the enhancement of EPC execution and management capacity, and the reinforcement of human resources. I believe that it is most important that each employee is genuinely dedicated to individual responsibility under a revitalization process with a firm commitment.

Our excellent human resources, the most important asset of an engineering company, remain intact. We will develop and enhance our human resources, who will pursue higher added value with a broader perspective by actively recruiting external human resources in the years ahead.

Growth Strategy and Vision for the Future

We will focus on the LNG area, which will continue to steadily grow in the future. At the same time, we will also expand our business domains in the areas of energy and the global environment, recognizing the shift to a low-carbon society as a major business opportunity. Furthermore, we aim to innovate our EPC execution capacity and diversify our business and services into new areas, utilizing digital innovation technologies. In terms of business domains, the energy field currently represents almost 80% of our activity, while the area of the global environment accounts for the remaining 20%. However, we will aim to increase the percentage of our activity in the global environment to between 35% and 50% by 2030. As for our business model, by redefining Chiyoda's value in engineering without adhering solely to EPC, we will work on the incubation of future technologies to solve energy and global environmental issues, including the improvement of the asset value of customers throughout the project life cycle; the business of compound energy system management, carbon management and circulation technology; and advanced pharmaceutical manufacturing technology. These services can become the pillars of our business in the future.

With these initiatives, we will drive our business forward with the aim of achieving "Energy and the Environment in Harmony," our corporate philosophy.

Vision for the Revitalization Plan and the Future

The Chiyoda Group pledges to continue as an enterprise that leverages cutting-edge technology and talented human resources to create value for society.

Our Corporate Philosophy proclaims “Energy and the Environment in Harmony,” and we are pursuing business with our CSR Values as shared values.

We redefine our strength in engineering value through the implementation of the Revitalization Plan and accelerate our growth strategy by expanding the core business fields of “Energy” and the “Global Environment.”

Revitalization Plan

Mirai* Engineering for the future in energy and the global environment

* Mirai = the future

Global Standards

- ISO 26000
- United Nations Global Compact
- SDGs
- Paris Climate Agreement
- United Nations Convention on Biological Diversity

The Chiyoda Group’s CSR Values

1. A Reliable Company
2. Environmental Initiatives
3. Social Contributions
4. Respect for Human Rights
5. Commitment to Fairness

Social Issues

- Human Rights
- Anti-Corruption
- Global Warming
- Economic Disparity
- Appropriate Employment
- Individual Issues in Local Communities
- Securing Energy Resources

Chiyoda’s Strengths

EPC Execution

Optimize design
Guarantee high quality

New Technology Commercialization

Integration of basic research capabilities and knowledge applied through EPC

Integration & Optimization

Provide the best solution for complex constraints and challenges by utilizing a mix of technologies across diverse areas

Value Provision

- Data-centric plant delivery
- Optimized plant system operation to improve productivity and save manpower through automated and remotely controlled systems
- Development and provision of optimal, diversified compound energy systems and demand chain systems
- Creation of a carbon neutral society through managing carbon and developing new technologies
- Development of technologies related to smart cells, iPS cells for cures, and regenerative medicine

Realization of Our Corporate Philosophy –Our Mission to Accomplish–

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

- Achievement of SDGs
- Enhancement of Corporate Value

What are the SDGs (Sustainable Development Goals)?

These are goals that need to be realized by the year 2030 in order to achieve sustainable development of society. They consist of 17 major goals and 169 targets that were adopted by the United Nations General Assembly in September 2015 to provide a basic framework for action in the international community of both developing and developed countries.

In this report, we are reconfirming our own corporate activities and displaying icons for the relevant goals alongside such activities.

CHIYODA CORPORATION The Chiyoda Group Supports the SDGs.

Revitalization Plan (Medium-Term Management Plan)

During fiscal 2018, Chiyoda experienced substantial losses mainly due to significant unexpected cost increases in ongoing LNG projects. In order to cope with this challenge and to prevent further losses, Chiyoda announced its Revitalization Plan, which consists of 1) a financial restructuring plan, 2) the building of the foundation for revitalization, and 3) a long-term vision for the future growth.

The Revitalization Plan is vital for Chiyoda's business operations and cultural change taking into account the events of the past few years. The new management team and Board have undergone a strict assessment and set up a turnaround plan in conjunction with a capital injection (explained on page 16 and 17) that gives Chiyoda a sound basis upon which to thrive.

During this revitalization process, the new management team will put all of its efforts into recovering business performance and re-establishing the Company as a reliable and successful partner for sustainable growth. The Chiyoda Group strives to create a society of "Energy and the Environment in Harmony" using its engineering expertise.

Actions Addressing the Causes of Losses

1 Further Develop Risk Management Structure

Further develop risk management and project execution structure by weighing estimated risks more prudently under full-scale operations of the Strategy & Risk Integration Division.

2 Enhance EPC Execution and Management Capacity

Upgrade EPC management methods and strengthen construction execution capabilities. Enhance overall project control capabilities and prevent expansion of losses through prompt countermeasures.

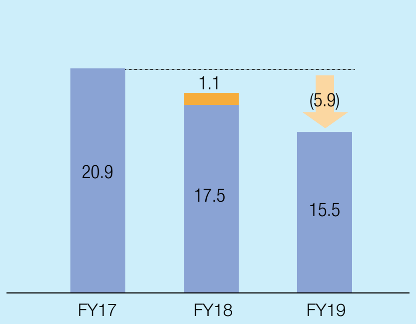
3 Reinforce Human Resources

A mindset of pursuing higher added value and with literacy in risk, contracts, and finance. Improved management capabilities in cost and schedule management.

Through these measures, we aim to further decrease fixed costs, improve profitability, and increase shareholders' equity. It is planned that sales, general and administrative (SG&A) expenses for the fiscal year ending March 31, 2020 will be decreased ¥1.5 billion, or 85.7% of ¥1.75 billion for the fiscal year ending March 31, 2019, to ensure net income is profitable. The shareholders' equity ratio is expected to recover to over 20% by the fiscal year ending March 31, 2023 (FY2022).

Quantified Fixed Cost Reduction

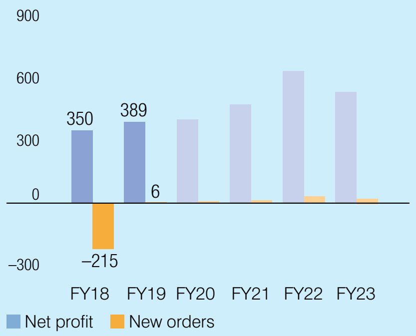
Billions of Yen



- Review of overseas offices and subsidiaries: 50% cost reduction
- Review of domestic subsidiaries: business transfers, spin-offs
- Reductions in headquarters expenses: reduce executive compensation, IT, depreciation, and overseas travel expense
- Increase in efficiency (digital transformation-based): automation

Net Profit / New Orders

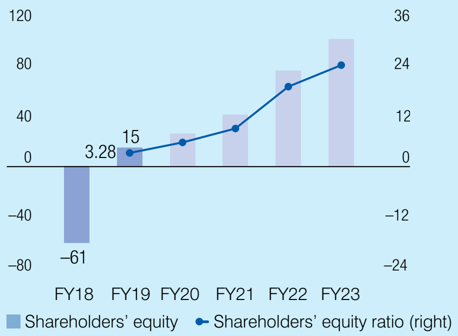
Billions of Yen



- Order intake of LNG/Gas ¥200–¥450 billion Global environment ¥100–¥150 billion
- Net profit of ¥10–¥20 billion annually
- Accumulated net profit of ¥90 billion in five years

Shareholders' Equity / Shareholders' Equity Ratio

Billions of Yen %



- Shareholders' equity ratio to surpass 20% by the fiscal year ending March 31, 2023
- Elimination of accumulated losses within the period of this business plan

1 Further Develop Risk Management Structure

The responsibility of setting up business strategy, risk management, and project support will be put together and incorporated into the new Strategy & Risk Integration Division.

Marketing / Pre-Order

- Selective project intake in line with Chiyoda's strengths and capabilities
- Conducting thorough risk evaluation and setting up countermeasures
- Further improvement of estimate accuracy
- Execution (with proper contingency plans for worst-case scenarios)

EPC Execution

- Enhancement of project support system
- Integrated management of profitability for overall project life cycles
- Prevention and minimization of causes of disruptions and disputes
- Company wide support for early countermeasures
- Proper project audits, including third-party input

Further Enhancements of Corporate Governance

- Increase in ratio of independent, external Board members (40%)
- Limiting of Board members who also serve as executive officers (only COO and CFO)

2 Enhance EPC Execution and Management Capacity

Upgrade EPC execution and management methods

Promote use of digital solutions	**Thoroughly manage costs, schedules, quality of design, procurement, construction**
Strengthen construction execution capabilities	**Use digital tools to manage resources**
	Advance methods of data management **Manage construction budgets and records**
	Reinforce human resources who can flexibly manage required construction productivity

Prevention of future losses through countermeasures

3 Reinforce Human Resources

Promote a Culture of Meritocracy

- Competence-based promotions
- Performance-based evaluations and compensation

Diversify Individual Capabilities

- Rotation of employees through positions to gain valuable experience
- Introduction of employees to different and complementary skills

Proactive Recruitment

- Recognition of external talented personnel who are complementary to corporate goals

Reinforce and Further Develop Human Resources

- Approach geared toward pursuing higher added value
- Literacy in risk, contracts, and finance
- Cost and schedule management

New Capital Structure

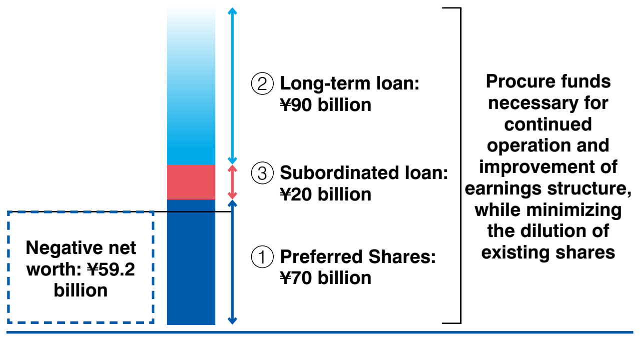
Chiyoda experienced substantial losses in fiscal 2018, mainly due to significant unexpected cost increases in ongoing LNG projects. The first major revision to the full-year forecasts came with the mid-year results in November 2018: operating and ordinary income slid from modest profits into major losses, raising concerns and doubts about the Company's financial stability. In the second half of said fiscal year, additional losses emerged at both the Cameron (U.S.) and Tangguh (Indonesia) projects. Mounting losses and negative cash flows led to a capital deficit as of March 31, 2019.

In order to strengthen the financial condition of the Company, we began negotiations with external parties to secure additional funding in November 2018 and a financing package was announced on May 9, 2019. Over the course of negotiations, Mitsubishi Corporation (the Company's largest shareholder) and MUFG Bank became the sponsors that could handle the considerable funding needed to secure the Company.

Outline of Measures to Enhance Financial Strength

- We established a financing package totaling ¥180 billion for the execution of the Revitalization Plan.
- The financing package consists of three parts:
  1) ¥70 billion from preferred (non-voting) shares
  2) A long-term loan of ¥90 billion (from Mitsubishi Corporation)
  3) A subordinated loan of ¥20 billion (from MUFG Bank)
- The funds are to be used for:
  - Working capital for ongoing and future projects
  - Restructuring of corporate operations
  - Investment in digital transformation to improve EPC execution capability and efficiency
- These measures will allow the Company to:
  - Invest in ongoing and future projects
  - Continue to pursue opportunities in the growing LNG field

Mitsubishi Corporation: Preferred shares, long-term loan
MUFG Bank: Subordinated loan

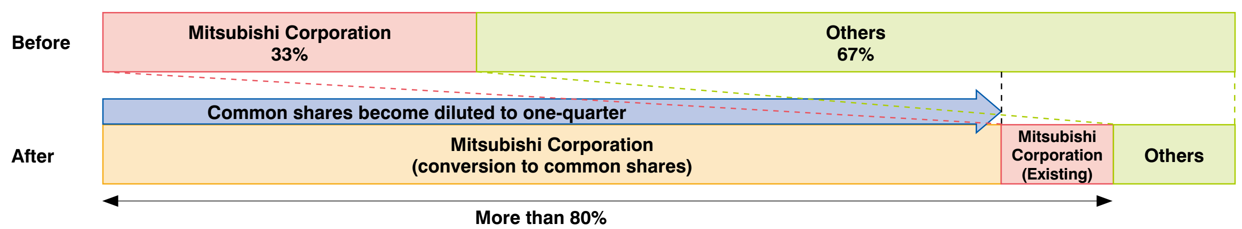


Outline of Class A Preferred Shares

- Preferred shares receive a dividend but have no voting rights.
- Preferred shares are first in line for dividend payments, ahead of holders of common (voting) shares.
- The annual dividend rate for this class of preferred shares has been set at 3% over the holding period.
- In this transaction
  - Mitsubishi Corporation will purchase 175,000,000 shares at ¥400 per share (totaling ¥70 billion).
  - Mitsubishi Corporation has the right to sell the preferred shares back to Chiyoda, in exchange for common (voting) shares ("conversion right").
  - After July 1, 2021, Mitsubishi Corporation has the right to sell the preferred shares back to Chiyoda in exchange for the agreed redemption price ("put option").
  - After July 1, 2021, Chiyoda has the right to buy the preferred shares back from Mitsubishi Corporation for the agreed redemption price ("call option"), in the event it has the financial strength to do so.

Note: At present, it is understood that Mitsubishi Corporation has no intention of immediately exercising the abovementional conversion right or put option. Also, Chiyoda understands that Mitsubishi Corporation intends to assist Chiyoda in improving its corporate value with a medium- to long-term perspective.

After Conversion of All Preferred Shares



Overview of Third-Party Allotment of Preferred Shares to Mitsubishi Corporation

- After extensive negotiations with external parties, Mitsubishi Corporation was the only partner willing to reach a deal satisfactory to both parties.
- The paid amount of ¥70 billion was necessary for eliminating negative net worth of Chiyoda. In addition, the paid amount was decided taking account of the impact of dilution on existing shareholders of Chiyoda.
- In addition, the paid amount was decided taking account of the impact of dilution on the existing shareholders of Chiyoda.
- The third-party allotment was approved through a special resolution at the annual general meeting on June 25, 2019.

Class A Preferred Shares

1	Number of shares offered for purchase	175,000,000
2	Total amount to be paid	¥70 billion (¥400 per share)
3	Payment date	July 1, 2019 (projected)*
4	Dividends from surplus	Fixed rate: 3% per annual over the holding period
5	Voting rights	None
6	Conversion right into common shares	Can be exercised after July 1, 2019 Conversion price: ¥100, non-adjustable
7	Put option by Mitsubishi (cash consideration)	Can be exercised after July 1, 2021
8	Call option by Chiyoda (cash consideration)	Can be exercised after July 1, 2021
9	Redemption price for put option and call option	Higher of the below: ① Share price at the exercise timing of options ② Total amount paid in + equivalent of payable and accrued dividends

Overview of Borrowings

- Mitsubishi Corporation has also agreed to lend Chiyoda Corporation ¥90 billion in two tranches.
  - ¥30 billion at a rate under discussion; five-year term; backed by collateral
  - ¥60 billion at 1.50%; also for five years; unsecured

Long-Term Loan from Mitsubishi

1	Amount of borrowing	① ¥30 billion ② ¥60 billion
2	Interest rate	① Agreed on the terms applicable until July 2019, and terms after July 2019 are under discussion ② 1.50%
3	Borrowing period	① Five years ② Five years
4	Collateral	① Applicable ② Not applicable
5	Subordination	① Not applicable ② Not applicable

- MUFG Bank, Japan's largest bank and a member of the MUFJ Financial Group, has agreed to lend Chiyoda ¥20 billion under the following terms:
  - Interest rate of 2.5%
  - Five-year term
  - Unsecured (no collateral)
  - Subordinated (ranks behind senior debt in the event of a liquidation)

Subordinated Loan from MUFG Bank

1	Amount of borrowing	¥20 billion
2	Interest rate	2.50%
3	Borrowing period	Five years
4	Collateral	Not applicable
5	Subordination	Applicable

We are highly confident that the financing package will pave the way for the Company to be revitalized.
The financing package of preferred shares and loans will also secure our cash flows,
and we expect to return the shareholders' equity ratio to over 20% by fiscal 2023 by acquiring steady profits
totaling approximately ¥90 billion in the five years from fiscal 2019.

May 9, 2019
Masaji Santo
President & COO

New Strategy & Risk Integration Division

In May 2019, Chiyoda received a financial package from Mitsubishi Corporation and MUFG Bank, Ltd. In addition, Mitsubishi Corporation will support to enhance Chiyoda's strategy and risk management capabilities by sharing know-how and management expertise. The Strategy & Risk Integration Division was launched in November 2018 with an allocation of 30 staff and was fully operational by July 2019. The team consists of executive officers from the Sales, Project, and Corporate Divisions and has appointed external resources to senior management positions.

The division is positioned as a "direct report organization" to the Executive Committee in order to instill more disciplined governance.

Operation of the Strategy & Risk Integration Division at full-scale will further develop the risk management and project execution structure, taking account of estimated risks more thoroughly through a focus on risk assessment before new orders are signed and during the execution phase.

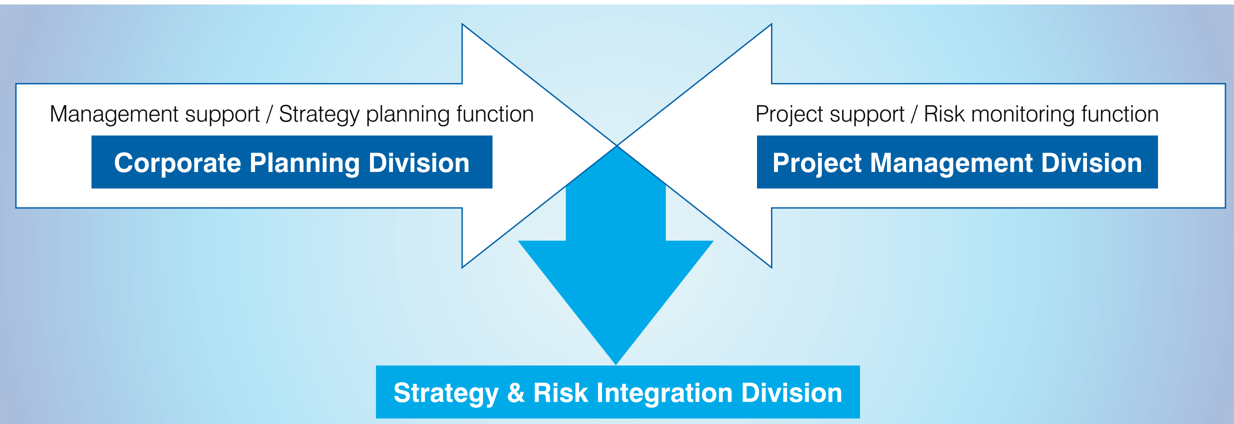
Organizational Structure of Strategy & Risk Integration Division

The new Strategy & Risk Integration Division is divided into six business units, comprising about 30 persons. The purpose of the division is to enhance Chiyoda's risk management approach with a greater focus on transformative processes and innovations that are essential to improving the Company's risk management approach.

The department consists of internal and external experts from the field and also reports activities to the President & COO.

Concept of the Structure

Fully operate the Strategy & Risk Integration Division to further develop the risk management and project execution structure, by more prudently taking into account estimated risks



Enhancement of its function of corporate strategy and risk management

Before Submission of New Order

- Make order in line with the Company's available resources and capabilities that focus on Chiyoda's strengths
- Selective project intake through thorough evaluation of associated risks and estimated profits
- Further improvement of accuracy of estimates by introducing enhanced evaluation mechanism
- An execution plan with an adequate contingency plan

During EPC Execution

- Enhancement of project support system by cooperating with project operations
- Integrated management of projects' overall profit and loss
- Prevention and minimization of causes of disputes
- Companywide support for early countermeasures
- Project audits including a third-party engagement

Mr. Hasegawa spent almost thirty years at Mitsubishi Corporation, engaged in finance and accounting, and for nine of those years he was involved in the energy business. He has a close relationship with Chiyoda, through accounting and taxation in the EPC business, and was also seconded to Chiyoda during the previous period of financial difficulty. Since April 2019, he is the head of the new Strategy & Risk Integration Division.

Improving and strengthening risk management is a continuous action. It involves the constant anticipation of unexpected risks and eliminating them.

Risk management is not based on a simple theory, it is achieved through hard work and expertise gained on the front lines.

Fuminori Hasegawa
Senior Vice President,
Director of Strategy &
Risk Integration Division (SRI)

Q1. As head of the new SRI Division, how do you define your role relative to the responsibilities of management?

The SRI Division has two functions: 1) providing assistance to management and 2) managing risk throughout the project life cycle. The division was formed from the consolidation of the Project Management Department, Project Legal Department, and Corporate Planning Department, among other departments. It analyzes all risks before accepting an order for a project until the completion of the project, as well as the receipt of payment.

The division also assists management in sophisticated decision-making and the steps to be taken, thereby helping maximize profits from the project and minimize risks.

Q2. How do you assure that the new risk management process is working as expected?

There is no right road to risk management. The path to the sophistication of Chiyoda Corporation's risk management capabilities is the creation of a web with multiple internal communication routes that enables the organic, effective sharing of information, to allow many employees to act while considering risk management and to reduce the number of unexpected occurrences.

Q3. How are management and project managers being integrated into your division's strategy?

We would like to ask project directors and project managers to primarily focus on solving issues and problems at the worksite. However, projects have become complicated and require enormous sums of money, and there are a number of problems that cannot be solved by one person. In that environment, it is important to solve problems by requesting additional funds, human resources, and knowledge from management.

The Strategy & Risk Integration Division works as a bridge between project directors, project managers, and management.

Photo courtesy of INPEX:
Ichthys LNG Onshore Processing Facilities at Bladin Point near Darwin, Australia

Ichthys LNG Onsure Processing Facilities

(Trains 1, 2)

INPEX-operated Ichthys LNG is a large-scale LNG project operated by INPEX, the first Japanese operator at a world-class LNG project.

Project Overview

- Client: INPEX Operations Australia Pty Ltd.
- Location: Darwin, Australia
- EPSCC contractor: JKC JV (JGC, KBR, Chiyoda)
- LNG: Approx. 8.9 million tons per year at peak (4.45 MMTY x 2 trains)
- LPG: Approx. 1.65 million tons per year at peak
- Condensate: Approx. 100,000 barrels per day at peak
- More than 8,000 onshore workers on-site each day during peak construction
- Onshore facilities include:
  - Two LNG processing trains
  - LPG and condensate plants
  - Combined cycle power plant
  - Administrative facilities
  - Utilities
  - Materials off-loading facility
  - Product load out jetty

Ichthys LNG in Darwin, Australia

INPEX-operated Ichthys LNG is ingenuity at its best. It is one of the world's mega projects that incorporates the whole development chain and all production components; subsea, offshore, pipeline, and onshore. Ichthys LNG integrates effectively three mega facilities into one mega project, incorporating some of the world's largest and most advanced offshore facilities off the Western Australian coast, massive onshore processing facilities near Darwin in the Northern Territory, and an 890 kilometer subsea pipeline.

LNG Ichthys will deliver 8.9 million tons of LNG per annum and 1.6 million tons of LPG per annum, along with approximately 100,000 barrels of condensate per day at the peak of operation. The gas produced will help ensure Japan's long-term energy security.

Key Milestones

2000
INPEX discovers Ichthys gas and condensate field

Sep. 2008
Announces Darwin as onshore processing facilities location

Jan. 2012
FID for Ichthys LNG Project

May 2012
Official groundbreaking ceremony

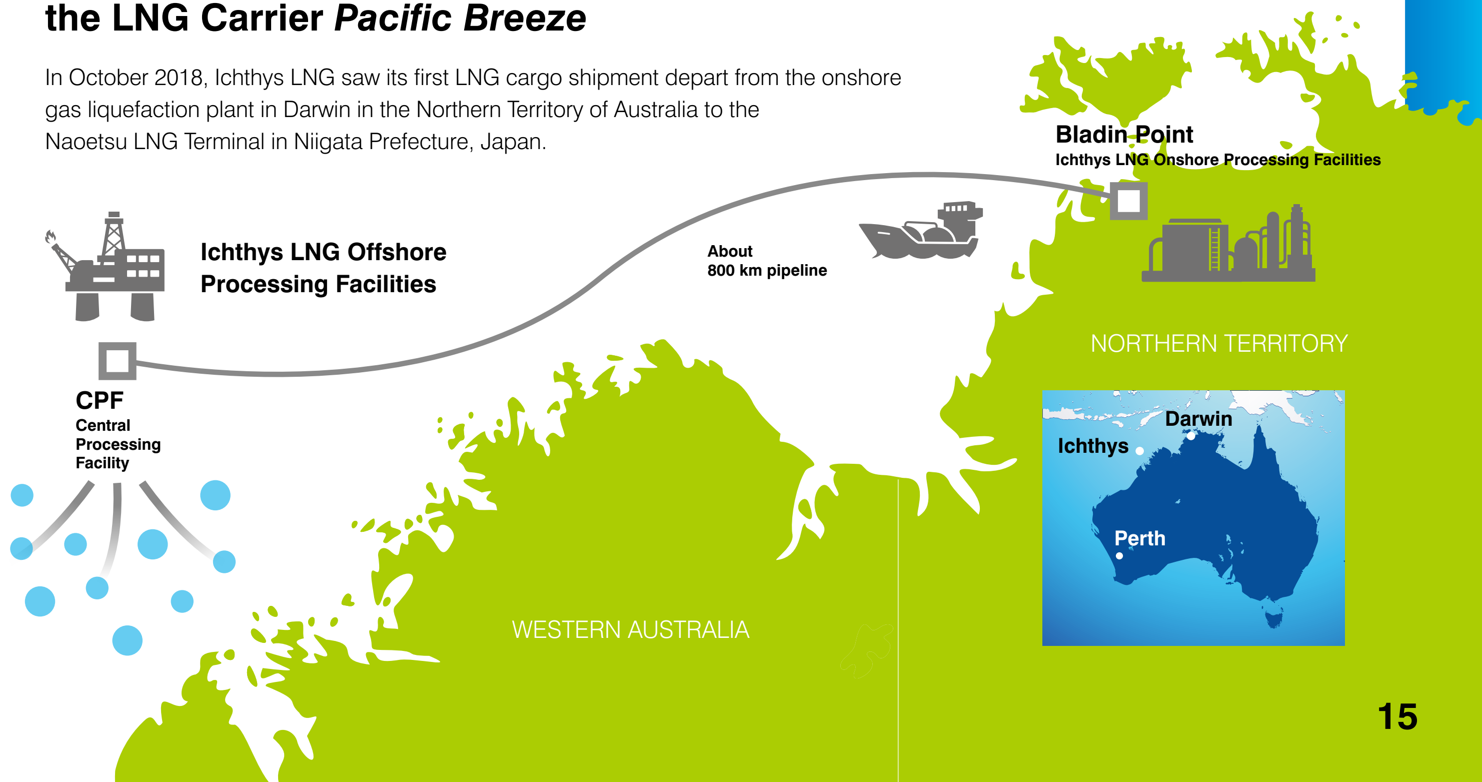
May 2018
JKC delivers the first LNG train to INPEX

Oct. 2018
First LNG cargo shipment departs Ichthys LNG

Nov. 2018
Ichthys LNG celebrates startup of operations

October 2018: Ichthys LNG—First LNG Cargo Shipment Undertaken by the LNG Carrier *Pacific Breeze*

In October 2018, Ichthys LNG saw its first LNG cargo shipment depart from the onshore gas liquefaction plant in Darwin in the Northern Territory of Australia to the Naoetsu LNG Terminal in Niigata Prefecture, Japan.



Topics

1 Groundbreaking Ceremony for One of the World’s Largest Battery Energy Storage System Projects

The groundbreaking ceremony for one of the world’s largest battery energy storage system projects, led by North Hokkaido Wind Energy Transmission Corporation, was held in October 2018.

The project is part of the “Grid Reinforcement Pilot Project for Wind Turbines” supported by the Ministry of Economy, Trade and Industry’s Agency for Natural Resources and Energy. Chiyoda is the EPC contractor for one of the world’s largest battery energy storage systems at an electricity substation.

The battery energy storage market will continue to grow in the future with the widespread adoption of renewable energy, and Chiyoda intends to gain experience and knowledge of renewable energy creation and energy storage and to continue developing this market with its spirit of taking on challenges in the future.

Masaji Santo at the groundbreaking ceremony

2 Digital Technologies to Enhance Engineering, Procurement, and Construction (EPC)

Chiyoda has developed digital systems to enhance engineering, procurement, and construction (EPC) execution at construction sites. Material and field labor controls have had a particularly large impact on EPC execution. Developing more efficient control methods is an issue that needs to be addressed.

Chiyoda and SkymatiX, Inc.*1 developed a material control system utilizing a radio frequency identification (RFID) system and drones, while Chiyoda and NTT PC Communications Incorporated*2 developed a system for monitoring workers’ locations using beacons. In December 2018, Chiyoda used these systems at a construction site in Brunei.

Material and field labor controls were once left to workers at the construction site, but these systems reduce the time spent locating materials and mobilizing the necessary labor. The systems are expected to control field labor and materials, shorten idle time of workers and construction machinery, reduce material remanufacturing costs, and improve the availability of construction machinery and labor.

Drone in operation in Brunei (Photo provided by SkymatiX, Inc.)

In the future, Chiyoda plans to use these systems in large overseas projects to enhance EPC execution.

*1 A start-up that provides drones and other remote sensing services
*2 A service engineering company involved in networking, data centers, and cloud computing

3 EPC Contract for One of the Largest-Capacity Biomass Firing Power Plants in Japan

In August 2018, Chiyoda was awarded the EPC contract—including trial operation—for one of the largest-capacity biomass firing power plants in Japan. The plant is a 75 MW 100% biomass firing power plant, planned by Sodegaura Biomass Power Generation Co., Ltd., in Sodegaura, Chiba Prefecture.

For the project, Chiyoda will be the EPC contractor for a 100% biomass firing power plant to be built in Asahi Kasei Corp.’s Chiba factory and a biomass fuel storage silo facility to be built by Nippon Phosphoric Acid Co., Ltd. The agreement also includes two years of planned maintenance after the start of the plant’s commercial operations.

This is a key project in accordance with Chiyoda’s medium- to long-term vision as it will further reduce the environmental impact through the introduction of higher-efficiency technology in the renewable energy field. It will also help enhance Chiyoda’s track record as an EPC contractor for diverse power source facilities.

4 Golden Pass LNG Export Project

Chiyoda International Corporation, a U.S.-based wholly owned subsidiary of Chiyoda and its joint venture partners Zachry Group and McDermott International, Inc. were awarded the EPC Contract for Golden Pass LNG Export Terminal in February 2019. The project is promoted by Golden Pass Products, LLC, a joint venture between Qatar Petroleum and ExxonMobil affiliates,and located in Sabine Pass, Texas.

The scope of work includes engineering, procurement, construction, and commissioning for the LNG liquefaction and export facilities, with a production capacity of around 16 million tons of LNG per year (approximately 5.2 MTPA x 3 trains). It is scheduled to be operational in 2024.

Qatar Petroleum and ExxonMobil are premier global producers of LNG, and have been major customers of Chiyoda for over four decades. This award to construct the Golden Pass LNG export project symbolizes the continued trust and confidence that Qatar Petroleum and ExxonMobil have in the performance and strength of Chiyoda to successfully move this project toward completion. Based on the lessons learned from the recent U.S. Gulf Coast project, the risk management system has been significantly reinforced and the partnership has been structured to emphasize the strengths of each partner, including an appropriate level of risk management.

At the ceremony of ExxonMobil and Qatar Petroleum’s final investment decision to fund the Golden Pass LNG export project

Review of Operations

Overview

Chiyoda has developed a wealth of expertise and experience over the decades in this highly challenging industry. The world-class services offered by Chiyoda are supported by extensive technological expertise in pursuit of “Energy and the Environment in Harmony.” The industry is highly complex, requiring a long-term commitment of invested capital, human resources, know-how and experience, and the ability to develop technological superiority at all levels of the business. Chiyoda meets those goals. The Fiscal year 2018 (year ended March 31, 2019) was extremely challenging, as Chiyoda faced significant losses and structural changes in its corporate organization.

Business Performance

A substantial amount of unanticipated additional work occurred in the final phase of construction of Cameron Train 1. In addition, worker productivity was low due to a continuously high worker turnover rate. Having made a very strict review of these projects’ conditions, similar restraints existed on completion of Cameron Train 2 and Train 3, and Chiyoda therefore acknowledged additional costs. The project schedule for the Tangghu LNG Project in Indonesia has been impacted by several factors, and requires a significant amount of additional work and costs to complete. Negotiations with the clients regarding the schedule and costs are still underway. (Note: the change of contract was reached in July.)

Amid these circumstances, Chiyoda is continuously executing large-scale LNG Projects worldwide: for examples, two trains for Ichthys LNG Project (Australia) and the third train of Yamal LNG (Russia) has been completed. In addition, an EPC contract has been awarded for the Golden Pass LNG Project in the U.S. Front-end engineering design (FEED) for the Qatar north expansion project has been completed and the FEED and EPC preparation work for Nigeria’s Train 7 LNG are underway.

Consolidated Financial Results

On a consolidated basis, for fiscal 2018, new orders amounted to ¥771,559 million, backlog to ¥1,016,356 million, and revenue to ¥341,952 million. Operating loss came to ¥199,795 million, while ordinary loss amounted to ¥192,998 million and of loss attributable to owners of the parent amounted to ¥214,948 million. Losses are mainly due to an increase in incremental construction costs for the Cameron LNG project caused by a continuously high worker turnover rate. The project schedule for the Tangghu LNG Project in Indonesia, meanwhile, is being impacted by several factors and requires significant additional work and costs to complete. Negotiations with the clients regarding schedule and costs are still ongoing. (Note: the change of contract was reached in July.) In addition to thorough risk assessment for project execution, risk evaluations of pending arbitration cases have been revised, which led to additional costs.

Outlook for Fiscal 2019

The consolidated numerical target forecasts for fiscal 2019, the year ending March 31, 2020, are as follows: new orders of ¥550 billion, revenue of ¥390 billion, operating income of ¥12 billion, ordinary income of ¥12 billion, and net profit ¥6 billion (Forex rate of ¥110 = US$1). Furthermore, Chiyoda has launched the “Target 20” internal campaign, which aims for the further utilization of digital technology. Along these target lines, Chiyoda strives to strengthen competitiveness based on enhanced operations through digitalization in each area of the EPC business, as well as corporate management practices.

Management Policy

Chiyoda decided on a new Medium-Term Management Plan to replace “Mirai Engineering”—which was initially announced in August 2017 and first revised during November 2018—at a Board of Directors’ meeting held on May 9, 2019. The Company will also issue preferred shares by third-party allotment to strengthen its financial position.

Dividend Policy

In the previous Medium-Term Management Plan, announced in August 2017, management strongly recognized the importance of sharing corporate profits with its shareholders; however, due to the current accumulated losses, management deeply regrets that it was unable to pay out a dividend for fiscal 2018. In addition, with careful consideration of our business circumstances and performance, there is no dividend planned for fiscal 2019.

Chiyoda aims to recover its financial strength and eliminate accumulated losses within the period of its Revitalization Plan (fiscal 2019–fiscal 2023).

Energy Business

LNG Plants & Other Gas-Related Work

Since the construction of the first LNG plant in the Middle East in the 1970s, Chiyoda has successfully constructed numerous LNG plants all over the world. Chiyoda has consolidated its position as the world’s leading contractor of LNG plants with its proven track record. The Company contributes to stable energy supply throughout the world and low-carbon emissions from its ongoing efforts to improve plant design and to develop and apply new technologies.

Overseas

Chiyoda is executing EPC work for projects in Australia, the United States, Russia, and Indonesia. The Ichthys LNG plant (Australia) started production of both trains. The Yamal LNG third train (Russia) was successfully completed a year ahead of the delivery schedule under contract and accounts for a total production capacity of 16.5 mtpa. FEED work for a four-Train LNG expansion project in Qatar has also been completed. Meanwhile, A new LNG plant project in the United States has been awarded, and FEED and EPC proposal preparation work in Nigeria is underway.

In other gas-related work, Chiyoda is engaged in the EPC work of a helium production facility as well as being involved in the EPC management work for modification and revamping projects of LNG/gas processing plants constructed by Chiyoda in Qatar.

Japan

Renovation and modification projects are underway for existing LNG-receiving terminals and for seismic upgrades of facilities in accordance with the Basic Act for National Resilience.

Yamal LNG, Photo courtesy of Novatek

Refinery/Petrochemical/Metal

Chiyoda started its business with domestic petroleum refineries, and has been expanding into other petrochemical and metal areas, with a focus on continuous innovation. We provide a wide range of services in these areas, from planning to EPC, operation and maintenance, expansion, and improvements. In addition, Chiyoda’s services cover the introduction of process technologies that support clients’ environmental requirements and more.

Overseas

EPC work started for a large-scale ethylene production plant in the Gulf Coast Area of the United States. Chiyoda is executing engineering, procurement, construction, and commissioning (EPCC) activities for a residue fluid catalytic cracking (RFCC) project in Malaysia. Also in Malaysia, EPC activities on a petrochemical tank terminal are ongoing and a Group company based in Southeast Asia is engaged in project management for downstream projects including refineries and petrochemicals in Asia.

Japan

Chiyoda is executing EPC work for renovation of existing refining facilities aiming to reduce sulphur content in bunkering fuel as per new regulations that will go into effect in 2020. It has also undertaken various other revamping/modification work. Furthermore, Chiyoda has completed EPC work related to high-function chemical product plants, and is executing EPC work for other chemical facilities, in addition to production plants for hydrogenated petroleum resin.

Environmental Business

Pharmaceutical / Biochemistry / General Chemistry

Chiyoda has been engaged in the field of engineering and construction of pharmaceutical facilities for more than 40 years, and has experience on more than 400 projects.

In addition to conventional low molecular-weight pharmaceutical manufacturing facilities (finishing and API), Chiyoda has expanded its knowledge of biotechnology and cell technology, and is increasing its project experience in such new fields as high molecular-weight pharmaceuticals, medium molecular-weight pharmaceuticals, and regenerative medicine.

▸ Japan

Chiyoda completed EPC work for pharmaceutical production plants and developed cutting-edge injection production facilities for high-potency pharmacologically active agents and related pharmaceutical facilities. EPC work is in progress for production facilities of medium molecule and active pharmaceutical ingredients (APIs).

One of the world's largest production facilities of drug substances for bio-pharmaceuticals; Photo courtesy of UNIGEN

Environment / New Energy / Infrastructure

The interest in global environmental preservation issues, such as global warming due to greenhouse gases, is increasing. Aiming to achieve "Energy and the Environment in Harmony," Chiyoda has been offering environmental preservation technologies since its foundation. In addition to offering licensed technologies, Chiyoda has been active in developing its own technologies in the fields of air pollution control and wastewater treatment, and has delivered these technologies to various clients as environmental pollution control technologies. Continuing in this spirit, Chiyoda is developing new technologies as well as improving existing technologies.

▸ Overseas

Chiyoda has completed new international airports in Bohol, the Philippines, and Mongolia. Further, Chiyoda introduced the Chiyoda Thoroughbred 121 (CT-121) Process to flue gas desulfurization facilities at four existing coal-fired plants in India. In Dubai, UAE, a demonstration project of a vegetable-growing facility using artificial light was completed last year, and business development activities are ongoing aiming to introduce commercial facilities elsewhere in the Middle East and Russia.

▸ Japan

Chiyoda is executing EPC work for the world's largest battery energy storage system project in Hokkaido, flue gas desulfurization facilities at existing coal-fired plants, demonstration facilities for CO_2 separation units, and photovoltaic (mega solar) facilities, while factories complying with the latest food hygiene standards and a research facility for a food plant have been completed. In the new energy business field, a demonstration plant for producing bio-jet and diesel fuels was completed, and EPC work for one of the largest-capacity biomass firing power plants is ongoing.

Moreover, work is underway on a demonstration project commercializing a hydrogen supply chain, through the Advanced Hydrogen Energy Chain Association for Technology Development, an organization jointly established with Mitsubishi Corporation, Mitsui & Co., Ltd., and Nippon Yusen (NYK Line).

Digital Transformation Business

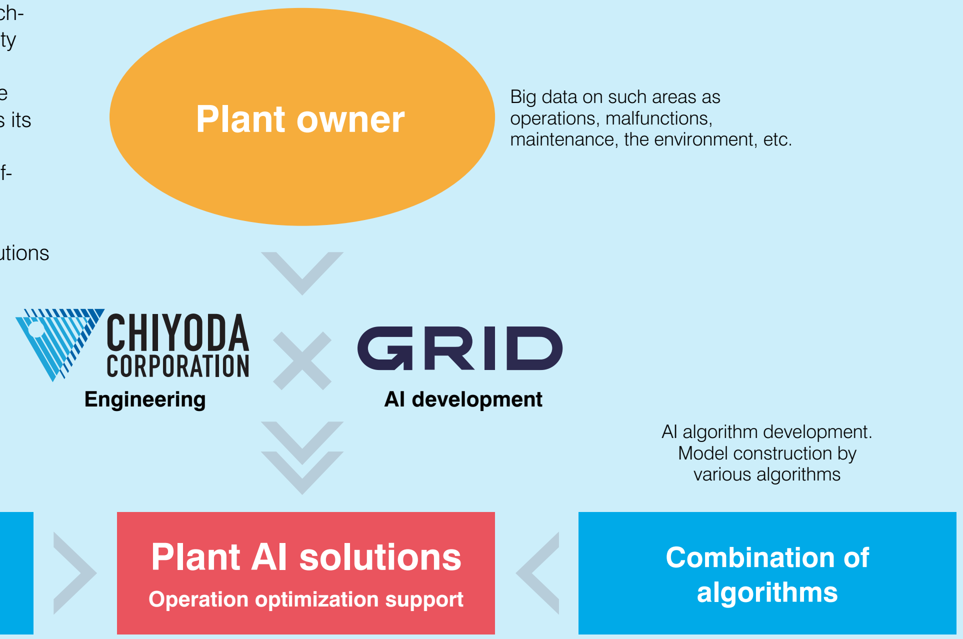
Business Alliance Agreement with Cutting-Edge AI Technology Company

In fields related to digital innovation, Chiyoda established a comprehensive alliance agreement with GRID, Inc., one of the leaders in AI technologies in Japan, and started research for enhancing the productivity of plants by using AI technologies. The Company has started demonstration projects regarding AI technology application for several clients.

Chiyoda and GRID have established a business alliance agreement for AI technologies for improving plant profitability throughout the plant life cycle.

GRID is a leading Japanese venture company that develops and produces its original AI framework ∞ReNom.

GRID uses a wide variety of state-of-the-art AI technologies, such as deep learning, Deep Q Network, and MP problem algorithms, to provide AI solutions to various industries.



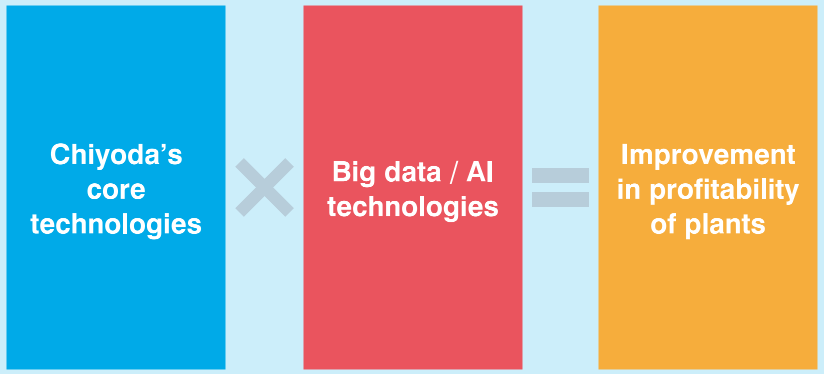
▸ Program Concept

Chiyoda is implementing projects using AI technologies to improve plant productivity in a tie-up agreement with GRID. Under these initiatives, Chiyoda has signed a memorandum of understanding with Abu Dhabi Gas Liquefaction Co. (UAE) to provide state-of-the-art digital technologies for its LNG Plant. Additionally, the Company has an agreement with PT Donggi-Senoro LNG (Indonesia) for the development of AI technology to improve productivity of LNG plant facilities.

Chiyoda launched a new digital transformation business development unit aimed at increasing customer value utilizing cutting-edge technologies such as big data analytics and AI.

The digital transformation business development unit will enable Chiyoda to offer added value to customers through AI solutions by aggressively applying big data analytics, IoT, and AI technologies.

Chiyoda's advanced services combining Chiyoda's core technologies with AI and big data technologies can improve a plant's profitability by enhancing its reliability and productivity.



Message from the CDO

In April 2018, Chiyoda introduced a new Chief Officer System, which serves to streamline processes and create new growth opportunities. In light of the recent rapid and remarkable advances in digital technology, management has formulated a new digitalization strategy for all Chiyoda Group companies. Chiyoda has also appointed a Chief Digital Officer (CDO). The CDO leads Chiyoda's digital transformation to make it more efficient, profitable, and competitive.

CDO and His Main Duties.

Toshiya Momose
CDO

Main Duties

1. Advancement of Digital Transformation
To enhance corporate competitiveness by utilizing digital technologies

2. New Business Development
To explore new business fields with cutting-edge digital technologies

1. Digital Transformation

Chiyoda started activities named "Target 20" to accelerate its digital transformation. Target 20 aims to achieve a 20% enhancement in the work efficiency of individual employees, along with greater synergistic competitiveness.

These activities consist of 1) digitalization, 2) workflow reforms, and 3) workstyle reforms, thus incubating mind-sets and a culture conducive to taking on challenges.

This includes, for example, automated engineering, procurement data utilization, robotic process automation (RPA), and construction productivity improvement.

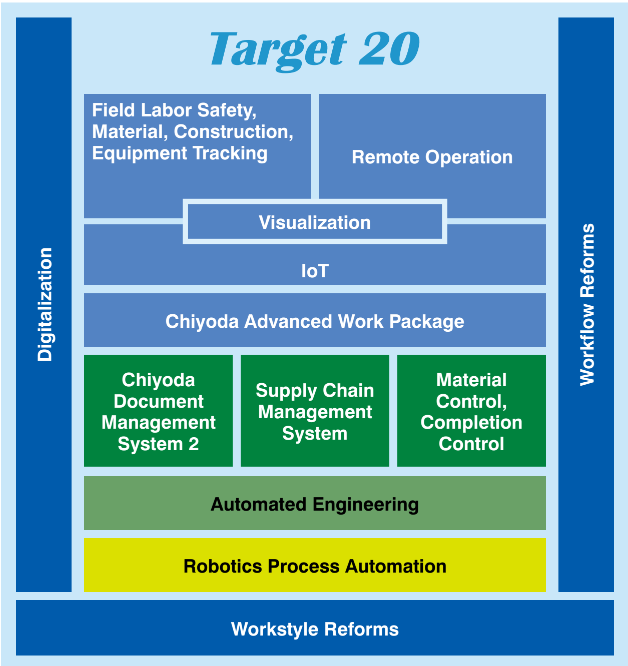
As a result of these activities, Chiyoda will be able to respond to clients' requirements via speedy project execution and seamless digitalization from engineering to operation.

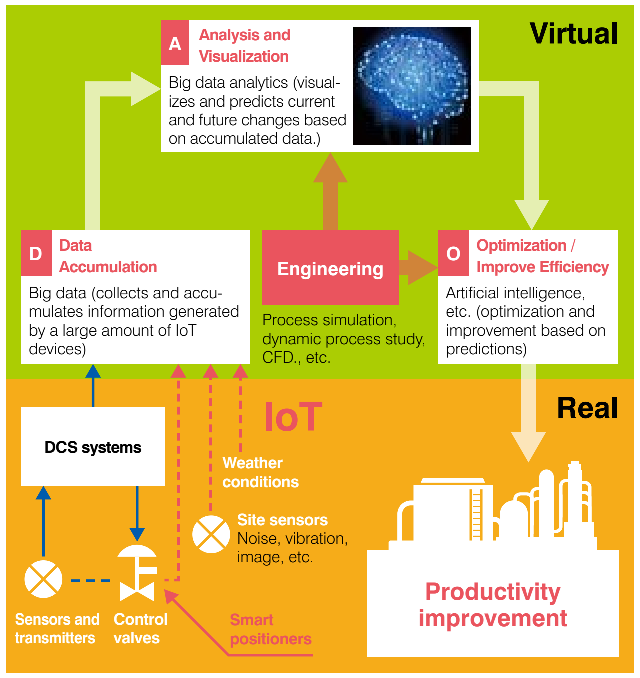
2. New Business Development

Chiyoda started the business development of its digital technology innovation field and acceleration of its digital strategy. Chiyoda's target is to optimize plant operation and maintenance and improve production efficiency. These targets will be accomplished through a combination of 1) plant engineering technologies, 2) accumulated big data, and 3) digital technologies represented by state-of-the-art AI technology.

Both plant engineering technologies and EPC experience are a key part of Chiyoda's core competence to analyze big data and give accurate predictions using AI for optimum suggestions to clients.

In these ways, Chiyoda will contribute to enhancing clients' plant availability, maximize clients' asset value, and realize profitability.





ESG Section

Sustainable Development Goals (SDGs)

The Sustainable Development Goals are goals that must be realized by 2030 in order to achieve sustainable development of society. They consist of 17 major goals and 169 targets that were adopted by the United Nations General Assembly in September 2015, to provide a basic framework for action in the international community for both emerging and developed countries.

As a member of this community, the Chiyoda Group is responding to this movement by engaging in actions intended to contribute to the achievement of these goals. Chiyoda supports the SDGs with its corporate activities. For more details on Group companies' activities, please find icons for the relevant goals side-by-side with corresponding activities.

Please refer to the Chiyoda Group Sustainability Report.
https://www.chiyodacorp.com/en/csr/csr/report.html

Chiyoda Supports the SDGs

- Plant construction and provision of infrastructure
- Cultural advancement and community support
- Sharing of technological knowledge and job creation
- Collaboration with local communities
- Technological development for a low-carbon and carbon-free society
- Environmental protection and climate change aversion
- Stable, safe, and affordable energy production
- Effective use of natural resources

Participation in International Initiatives

United Nations Global Compact

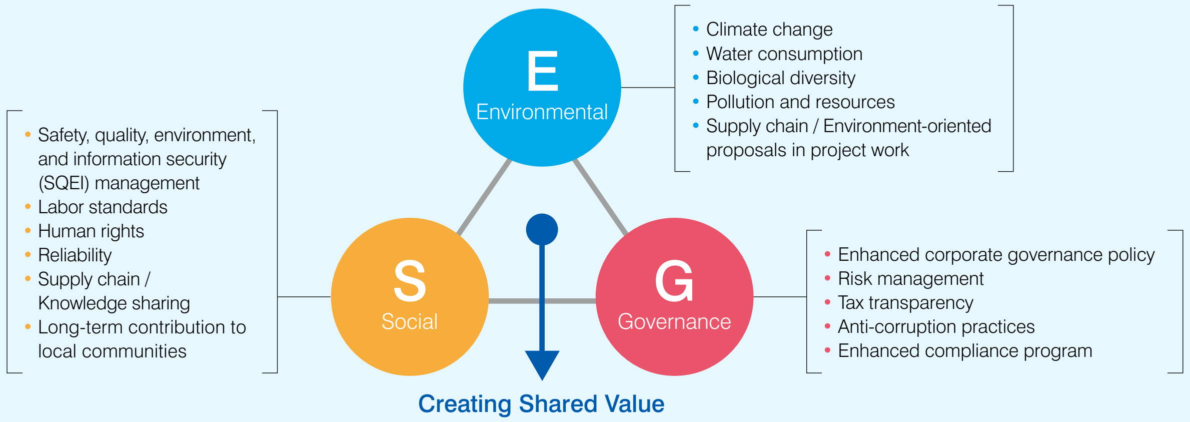
Chiyoda agreed to be a participant in the United Nations Global Compact (UNGC) in November 2012. The UNGC is a voluntary corporate responsibility initiative established at the United Nations Headquarters in 2000. Chiyoda has established a Code of Conduct in line with its corporate philosophy, "Energy and the Environment in Harmony," while expanding its business globally. As an endorser of the UNGC's 10 principles in four fields—human rights, labor, the environment, and anti-corruption—Chiyoda further fulfills its role as a good corporate citizen and aims to contribute to the sustainable growth of international society.

WE SUPPORT
UN GLOBAL COMPACT

ESG Factsheet

The Chiyoda Group has embraced its corporate philosophy, "Energy and the Environment in Harmony," since its foundation, understanding the contribution of such collaboration to the sustainable development of society. We recognize the unique responsibilities of major corporations in the engineering sector, and the obligation to search for business strategies that benefit all members of society. In that regard, we promote open, transparent communication with all our stakeholders about the operations of the Chiyoda Group, including its ESG (environmental, social, and governance) initiatives.

Creating Shared Value by Promoting ESG



An important outcome of a vigorous approach to ESG issues is creating shared value for the Company and its stakeholders. This can be defined as the product of sustainable growth using sustainable means; that is, the creation of long-term growth for the Company by methods that address important environmental and social challenges with corporate governance duly practiced.

Within the Chiyoda Group, our approach in this regard is built on a social responsibility-oriented culture that recognizes the risks inherent in the engineering business, and aims to realize "Energy and the Environment in Harmony" using all the resources available to it.

Environmental Initiatives

Our environmental and social activities are intended to continuously enhance our business, while striving toward the objective of "Energy and the Environment in Harmony" and further contributing to the sustainable development of society.

KPI	Unit	2014	2015	2016	2017	2018 (FY)
Environmental Data of Domestic Construction Sites						
Industrial waste disposal quantity	Tons	19,209	10,936	7,670	12,242	**17,138**
Final landfill disposal quantity	Tons	1,435	1,065	783	614	**1,059**
CO_2 emissions	t-CO_2	3,591	3,364	1,146	901	**5,665**
Industrial waste recycling rate	%	92.0	89.5	87.8	91.5	**76.8**
Electronic manifesto penetration rate	%	95.6	93.5	95.8	93.2	**94.6**
Environmental proposals	Cases	230	206	222	197	**347**
Environmental Data of Chiyoda Group Company Offices						
Power consumption (CGH, Koyasu, TW100, Tokyo Office)	1,000 kWh	12,609	11,635	12,526	11,129	**10,331**
Energy consumption (CGH, Koyasu, TW100, Tokyo Office)	kl*	4,016	3,624	3,826	3,430	**3,295**
CO_2 emissions (CGH, Koyasu, TW100, Tokyo Office)	t-CO_2	6,500	6,545	7,210	6,337	**6,083**
Chilled water consumption (CGH, Koyasu)	1,000 m^3	14.9	13.7	17.5	15.5	**17.5**
Steam consumption (CGH)	GJ	6,564	5,840	5,914	5,168	**4,541**
Waste disposal volume (CGH, Koyasu)	Tons	247	264	262	233	**241**
Waste recycling rate (CGH, Koyasu)	%	95.8	94.6	92.3	93.8	**95.4**
Printing paper consumed (CGH, Koyasu)	Tons	128	106	88	66	**80**

* Crude oil equivalent

Social Initiatives

Through our business, we contribute to local communities in many ways, including human resource development, initiatives on human rights, labor, and social contributions. Further, 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.

KPI	Unit	2014	2015	2016	2017	2018 (FY)
Situation of Employees						
Average years of service	Years	13.0	12.9	12.9	13.2	**12.3**
Average age of employees	Years	41.0	40.8	40.9	41.6	**41.0**
Turnover rate excluding retirement	%	1.6	1.9	2.4	4.5	**2.5**
Diversity of Employees						
Ratio of female employees among new recruits	%	18	19	24	33	**25**
Number of female employees among new recruits	Persons	16	13	18	19	**12**
Ratio of women among all employees	%	13	13	14	19	**16**
Average service years of female employees	Years	7.1	7.5	8.0	7.6	**8.1**
Number of women in management positions	Persons	23	23	23	24	**25**
Ratio of women in management positions	%	2.6	2.6	2.6	3.2	**3.5**
Ratio of employment of persons with disabilities	%	1.7	1.7	1.5	1.5	**1.6**
Number of non-Japanese employees	Persons	66	71	82	71	**74**
Assistance for Employees						
Number of employees taking childcare leave	Persons	7	15	22	27	**26**
Number of employees taking sick or injured childcare leave	Persons	0	2	1	7	**11**
Numbers of employees taking nursing care leave	Persons	1	8	4	9	**9**
Numbers of employees taking temporary retirement for nursing care reasons	Persons	1	0	0	0	**0**
Number of employees working reduced hours for childcare reasons	Persons	6	14	19	14	**12**
Number of employees dispatched for on-site training / on-site instruction	Persons	83	64	70	53	**42**
Volunteer Activities						
Number of employees participating in reconstruction assistance	Persons	35	62	70	54	**53**
Number of employees participating in cleanup activities around the office location	Persons	32	95	127	157	**110**
Vaccine donations by Ecocap collection	Vaccines	209	267	228	231	**292**
Donation of school lunches by TABLE FOR TWO	Lunches	1,817	1,782	1,860	1,581	**1,561**
Safety Data						
Accident frequency rate	%	0.32	0.13	0.10	0.11	**0.27**
Accident severity rate	%	0.018	0.010	0.001	0.119	**0.01**

Governance Initiatives

We are dedicated to achieving even greater transparency and stability by conducting our operations fairly in accordance with the highest ethical standards.

KPI	Unit	2014	2015	2016	2017	2018 (FY)
Actions for Compliance						
Number of employees receiving compliance training (New recruits, mid-career hires, and executives and associate executives)	Persons	279	156	166	150	**112**
Number of employees receiving compliance training for overseas assignment, site managers of field offices and export controls	Persons	551	512	523	314	**168**
Number of employees attending compliance seminars	Persons	264	389	717	662	**172**
Number of employees receiving compliance e-learning	Persons	2,611	2,849	2,841	5,213	**4,669**
Number of reports to the Compliance Consultation and Reporting System	Reports	14	15	24	25	**36**
Initiatives for Business Continuity						
Business continuity plan training	Training sessions	–	1	2	2	**2**
Actions for Information Security						
Number of serious information security-related incidents	Incidents	0	0	0	0	**0**
Data Related to Governance						
Number of outside directors	Persons	2	2	4	4	**5**

Initiatives for Safety

One of the Chiyoda Group's CSR medium-term policies is to instill in everyone involved that safety is a core value. We make ongoing efforts to ensure all employees fully understand that safety should be their No. 1 priority.

SQEI—Safety within Chiyoda

Within Chiyoda, we believe that safety is all about protecting our people, the environment, assets, and reputation, not only for this generation but also for future generations.

Through strong safety leadership, worker engagement, and a united team approach, we live up to our policies to ensure compliance with country legislation, client requirements, and international standards and industry good practices as well as fulfill our moral obligations to society and the environment.

Chiyoda's safety culture within its corporate and affiliated offices is nurtured through continuous dialogue and consultations, training (including the use of virtual reality simulators), conventions, safety briefings and safety talks, among others.

With regard to safe project execution, Chiyoda applies the Pareto Principle, which states that roughly 20% of the input (activities) is responsible for approximately 80% of the outcomes (results). Our C-SAFE primary management control areas are:

- Select the best subcontractors available
- Ensure everybody understands safety, health, environmental, and security (SHES) requirements
- Train all personnel prior to commencing any work
- Confirm subcontractor's readiness to start work
- Work toward improvements by focusing on core leading indicators
- Learn from our lessons and ensure the sustainability of corrective actions
- Focus on life critical activities and apply life-saving rules
C-SAFE is Chiyoda's company-specific safety program, consisting of management systems and behavior improvement techniques.

The program follows a pragmatic approach to manage safety with due consideration to fluctuating global demand when we cannot always rely on conventional theories.

C-SAFE applies best-in-class methodologies to enable us to cope better and do so with enthusiasm and resilience when faced with challenges and ad-hoc situations.

We are on a safety journey, applying our C-SAFE program that underpins:

- Clear leadership expectations (comply, respect, and intervene)
- Clear communication with our personnel on a regular basis, demonstrating that safety is a core value
- Belief (that all incidents are preventable)
- Measurement of leading indicators and investigation of all incidents including near misses to prevent recurrences
- Promotion of a *just* reporting culture
- Continuous training of all our personnel to ensure a working environment where we see each other work safely, resulting in our families seeing us returning home free from harm
- Supporting of global "Building Responsibly" initiatives that serve as the industry standard on worker welfare so that competitiveness is not at the expense of the worker

Safety Culture of Chiyoda

Placing importance on "safety at the construction site," Chiyoda has been promoting its original C-SAFE program and fostering a safety culture with the motto "every incident is preventable," as mentioned in the corporate SQE policy. The logo was created by employees and is for remembering that a "safety culture begins with each one of you." The logo expresses our strong will to ensure that our safety culture gets passed on to the next generation. The logo perfectly suits the Chiyoda Group and will help focus the eyes of future generations on all the business activities of the Chiyoda Group, and will urge each Group employee to carefully consider the issue of safety and maintain a new "safety first" awareness.

Within Chiyoda, we nurture a safety culture where we promote the mind-set that "safety is a core value and a top priority." Safety is a direct contributor to good business performance. We firmly believe that exemplary performance can only be achieved through our passion for "safety first."

C safe
Safety First for Next Generation

Chiyoda's C-SAFE Vision

I **see** myself working safely
I **see** you working safely
We **see** that each other work safely
Our families wants to **see** us coming home safely

C-SAFE is Chiyoda's company-specific safety program, consisting of management systems and behavior improvement techniques.

HSE

The term HSE (health, safety, and the environment) is often used in the engineering industry. The Engineering HSE Section ensures that our engineering construction work complies with all relevant requirements on design safety and environmental matters.

Chiyoda's core expertise comprises 40 different kinds of technical safety and environmental activities including the management and modeling of explosion, radiation, and dispersion effects as well as the production of the various components of a Safety Case for our clients. In addition to this traditional technical approach, the Chiyoda Group designs and promotes such cultural safety initiatives as a Companywide training program to inculcate a safety mind-set in all our engineers, from the conceptual stage through to detailed engineering and implementation.

The Technical Safety Section at Chiyoda has held Design Safety Induction Courses for its engineers, lead engineers, and management since 2013. As part of the course, engineers are taught to recognize how a safety design associated with their discipline contributes to preventing hazardous events or mitigating consequences. Course content also includes the basics of design safety, HSSE studies (e.g., bow-tie analyses, safety critical elements, performance standards), and a multi-discipline approach to barrier ownership. We also run a higher-level course for lead engineers and managers that focuses more on project execution.

Such training develops broad understanding and consideration of safety matters, helping our engineers provide the very best solutions to our clients. For more information, please visit our corporate website.

For more information, please visit our corporate website.
Safety Message (video) is accessible at
https://www.chiyodacorp.com/en/csr/safety/message.html

Safety First: Leadership and Worker Engagement at Domestic & Overseas Locations

Mikawa site (office), Japan

Toyota site (office), Japan

INPEX-operated Ichthys LNG onshore processing facilities, Darwin, Australia

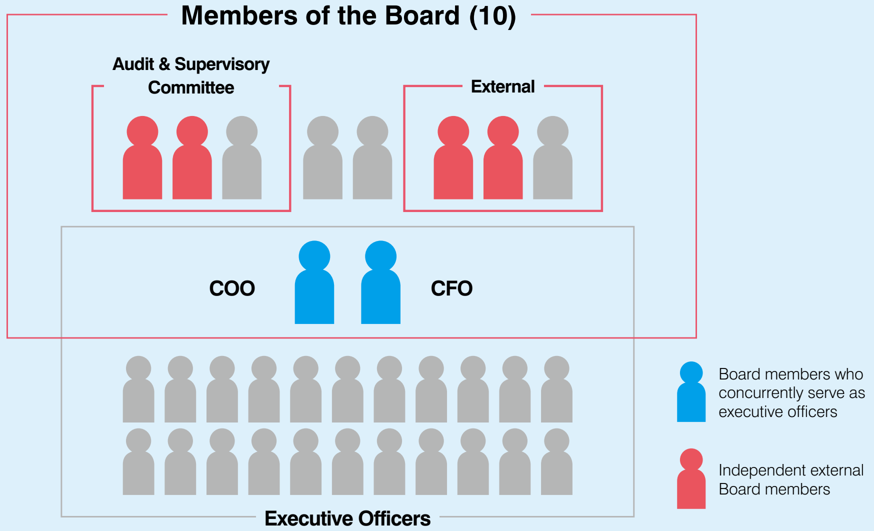
Corporate Governance:
Members of the Board

To further improve the corporate governance of Chiyoda, the Company has made several changes to the Board of Directors. First, the number of Board members was reduced from 14 to 10, and the ratio of independent directors on the Board was increased 40%, thereby enhancing the external monitoring function of Chiyoda.

In addition, Board members from the executive ranks of Chiyoda are now limited to the chief operating officer (COO) and the chief financial officer (CFO). This move further separates the operations and management of Chiyoda and the Board's monitoring of management.

For more information, please refer to page 7 of the Chiyoda Revitalization Plan
https://www.chiyodacorp.com/ir/a1d5f9f00b6f3f972818f72e967a9340.pdf

Please see below an introduction to members of the Board and their anticipated contributions to Chiyoda.



Kazushi Okawa*1
Chairman of the Board & CEO

Mr. Okawa, a corporate advisor to major shareholder Mitsubishi Corporation, was appointed on June 25, 2019. Before taking on this role, Mr. Okawa led Mitsubishi's infrastructure project and plant engineering departments. He served as a Board member of Chiyoda from 2010 to 2013 and was also a director of Mitsubishi Corporation for three years starting in June 2010, cultivating a wealth of knowledge in his career that will be of paramount importance to Chiyoda in the years ahead.

Mr. Okawa will lead Chiyoda's turnaround efforts.

Masaji Santo*1
President & COO

Mr. Santo has developed extensive experience through a long career at Mitsubishi Corporation, as president of Mitsubishi Chile (Ltda) and senior vice president of Mitsubishi Corporation. He was appointed as an outside director of Chiyoda Corporation in June 2013 and proceeded to assume the role of representative director, president & CEO in June 2017. In June 2019, he relinquished his position as president & CEO and became president & COO, with responsibility for overall business operations.

Koji Tarutani*1
Executive Vice President & CFO

Mr. Tarutani, after serving as general manager of the Legal Division of both Mitsubishi UFJ Financial Group and The Bank of Tokyo–Mitsubishi UFJ Ltd., was appointed representative director and executive vice president and CFO of Chiyoda in June 2019. He brings extensive financial and legal experience to the Board.

Tsunenori Kazama*1
Director

Mr. Kazama has cultivating a wealth of knowledge and experience in his 42-year career at Chiyoda. Starting from his early career as a fluid dynamics engineer in domestic and international oil and gas projects, he assumed the roles of business development coordinator, project manager, and general manager of all floater projects, and undertook senior project management positions including project director/Project sponsor in charge of various LNG and gas-related projects all around the world.

His extensive project experience will add strength to the oversight of Chiyoda's core businesses in this time of recovery and growth.

Nobuo Tanaka*2
Director*3

Mr. Tanaka started his career at METI in 1973, and has served in a number of high-ranking positions, including director general of the Multilateral Trade System Dept. He was Minister for Industry, Trade and Energy at the Embassy of Japan, Washington, D.C., and also served twice as director for Science, Technology & Industry at Paris-based OECD.

As chairman of the Sasakawa Peace Foundation and former executive director of the IEA, Mr. Tanaka brings a wealth of experience and wisdom to Chiyoda's Board.

Hiroshi Yamaguchi*2
Director*3

Mr. Yamaguchi has cultivated an abundance of knowledge and experience in his long career in the energy industry. He has served as representative executive vice president, and chief technology officer and chief safety officer at Tokyo Electric Power Co., and is now president of Kanto Electrical Safety Inspection Association and chairman of the Forum of Electrical Safety Inspection Association.

He will leverage such knowledge and experience in his role as an external director, contributing to sound management decisions and rigorous audits in service of Chiyoda.

Aiichiro Matsunaga*2
Director

Mr. Matsunaga joined Chiyoda as an external director in June 2019 after an extensive career at Mitsubishi Corporation. He recently served as regional CEO for Latin America and the Caribbean, and president, of Mitsubishi Corporation do Brasil, and was appointed Group CEO of Mitsubishi Corporation's Industrial Infrastructure Group in April 2019.

His experience includes business areas such as infrastructure, power generation, and new energy, all areas of great importance to Chiyoda.

Takahiro Kitamoto
Director, Audit & Supervisory Committee Member

Mr. Kitamoto joined Chiyoda in 2018 after an extensive career at Mitsubishi Corporation, which he joined in 1982. He brings 20 years of experience in risk management and has also served as CFO at a Mitsubishi group company in China.

His background in accounting and finance, specializing in business audits, will serve Chiyoda well during these challenging times.

Mikio Kobayashi*2
Director, Audit & Supervisory Committee Member*3

Mr. Kobayashi joined Chiyoda on assignment as a member of the Audit & Supervisory Committee in 2014 after a career spanning 30 years at Mitsubishi UFJ Trust and Banking Corp. He has extensive experience as a corporate director and officer for a number of companies.

Mr. Kobayashi is highly regarded for his expert opinions and a neutral, objective approach to making business decisions.

Mika Narahashi*2
Director, Audit & Supervisory Committee Member*3

Ms. Narahashi was appointed to the Board in June 2018 as a member of the Audit & Supervisory Committee. She has amassed considerable experience as a lawyer at Japan-based, international law firms including Anderson, Mori, and Tomotsune, as a vice president of investment banking at Deutsche Securities, Inc., and as a manager of legal and compliance activities at major insurers including AIG and Metlife.

Ms. Narahashi brings considerable international law experience to the Board.

*1 Representative director
*2 External director
*3 Independent external director

EXECUTIVE OFFICERS

President
Masaji Santo (COO, CSO*4)

Executive Vice Presidents
Koji Tarutani (CFO)
Masahiko Kojima (Assistant to President)
Fuminori Hasegawa (CRO*5)
Arata Sahara

Senior Vice Presidents
Masao Ishikawa
Yasumitsu Abe
Shuichi Wada (CCO*6, CHRO*7)
Masao Fujiwara
Setsuo Iuchi (Assistant to President)
Terunobu Iio
Hiroyuki Shimizu

Vice Presidents
Nobuyuki Uchida
Hideaki Tomiku
Jinei Yamaguchi
Toshiaki Furugori
Hideo Matsui
Masaki Kadono
Masakazu Fujiwara
Munetaka Horiguchi
Yasuyuki Maeda (CPO*8)
Toshiya Momose (CDO*9)
Junichi Kunihiro
Kenichi Ishiguro

*4 CSO: Chief Sustainability Officer
*5 CRO: Chief Risk Management Officer
*6 CCO: Chief Compliance Officer
*7 CHRO: Chief Human Resources Officer
*8 CPO: Chief Privacy Officer
*9 CDO: Chief Digital Officer

Corporate Value

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

Basic Views on Corporate Governance

In order to further reinforce its corporate governance structure, Chiyoda shifted to a "Company with Audit and Supervisory Committee" system in 2016. Chiyoda also established the Legal & Compliance Department, the SQEI Risk Management Department, the Crisis Management Department, and the Internal Audit Division.

To reinforce internal controls, Chiyoda established the Internal Control Committee and the Compliance Committee.

To ensure speedy and accurate decision-making to deal with rapidly changing social and economic environments, Chiyoda adopted an executive officer system. By shifting to the "Company with Audit and Supervisory Committee" system, with the new functions, responsibilities, and authorities that are described above, Chiyoda will be able to improve and implement the soundness and transparency of management and prompt decision-making, further enhancing its corporate value.

New Governance Approach

One of the major foundations of a first-class corporate governance culture is a strong Board of Directors. While experience gained in the management and operations of Chiyoda is extremely important, the ability to voice opinions about the direction and strategy of Chiyoda from an external perspective is equally valuable.

For the last several years, Chiyoda has looked to increase the weight and influence of external perspectives by changing the composition of the Board. It has achieved this in four significant ways:

- By reducing the size of the Board from 14 to 10 members;
- By increasing the ratio of external directors to 40% (4 of 10) from 29% (4 of 14);
- By reducing the number of Board members who also serve as executive officers (2 versus 6); and
- By having external directors constitute a majority on the Audit & Supervisory Committee.

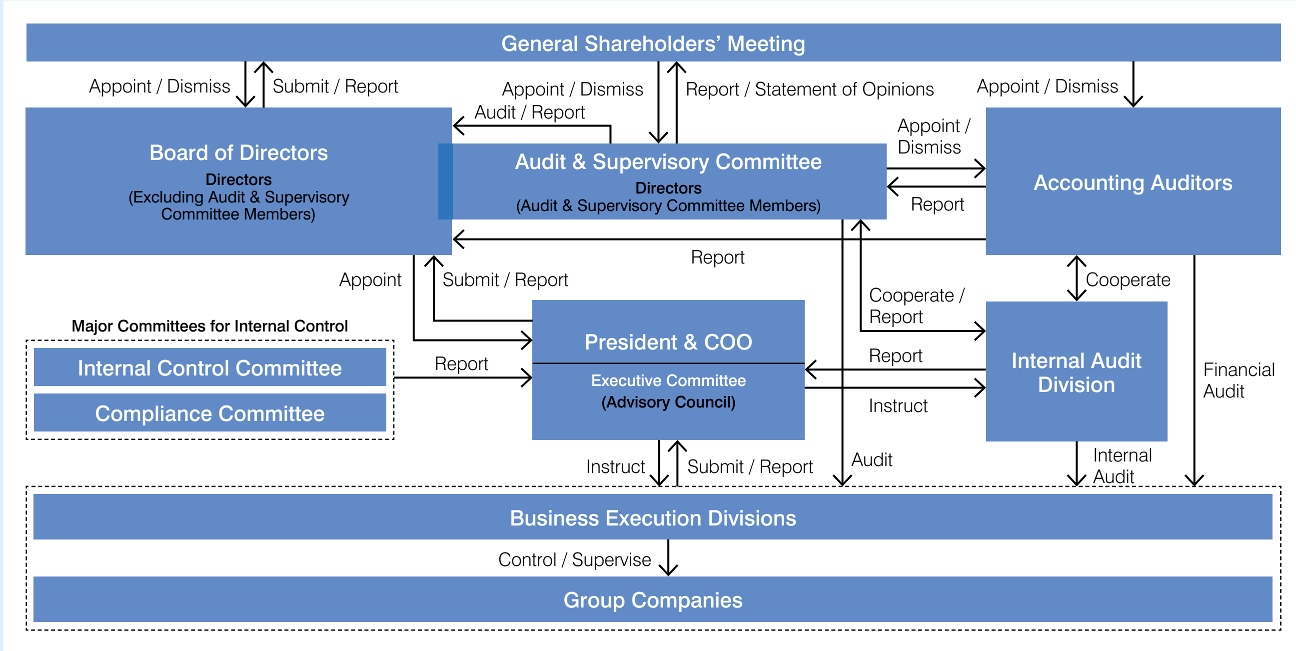
Thus, external directors have a larger proportionate "voice" in deciding the actions of Chiyoda; a larger majority on the Board is separated from the day-to-day activities of Chiyoda; and an independent majority controls the decisions of the audit function. Oversight is the key function of the Board: these measures maintain and enhance that function.

Reinforcing Internal Controls

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

In addition, to enhance internal controls, the Company has established the Internal Control Committee, which coordinates and summarizes the opinions voiced within the Company. The Internal Control Committee proposes improvements on internal controls to the Executive Committee, whenever it considers necessary.

Chiyoda's Corporate Governance System and Internal Controls (As of April 2019)



Board of Directors and Meetings of the Board of Directors

The Board of Directors consists of 10 directors, including Audit & Supervisory Committee members, and holds monthly meetings. It makes important management decisions and oversees the Company's operations. The outside directors allow for appropriate decision-making and rational management supervision by the Board from an objective and neutral perspective. Agendas for the Board of Directors' meetings include management plans, important personnel matters, and large investment and loan plans.

Audit & Supervisory Committee

The Audit & Supervisory Committee comprises three members, including one full-time member. The Committee monitors the overall performance of duties by directors. Two of the members are independent officers and one of the members has considerable expertise in accounting.

To enhance the auditing activities of the Audit & Supervisory Committee, employees who specialize in such activities are deployed to assist the Audit & Supervisory Committee in the execution of its duties.

A "Company with Audit and Supervisory Committee" system does not have Audit & Supervisory Board members or an Audit & Supervisory Board. Instead, we established an Audit & Supervisory Committee that comprises three or more directors, a majority of whom are outside directors.

A director and Audit & Supervisory Committee member holds voting rights on the Board of Directors as a director and is involved in the determination of proposals for the appointment and dismissal of directors who are not Audit & Supervisory Committee members, the selection and removal of representative directors, and other general decision-making regarding business execution.

In a "Company with Audit and Supervisory Committee," system the decisions on the execution of important operations may be delegated to directors. After the shift to the "Company with Audit and Supervisory Committee" system is completed, we will have enabled speedy decision-making and flexible operations by executive officers. In addition, the oversight of operations will become the major role of the Board of Directors.

Organizational Structure

Organization and Policy of the Company

The Company, in accordance with laws and regulations, has developed and manages 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 fiscal term or whenever it considers necessary, the Internal Control Committee proposes improvements, etc. 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.

An overview of the frameworks for ensuring proper execution of operations (the basic policy on the internal control system) determined by the Board of Directors is as follows (Last revision: March 28, 2018).

For more information, please visit our corporate website.
https://www.chiyodacorp.com/en/about/governance/

Development and Management of Internal Control System

- Framework to ensure compliance with laws and regulations
- Framework for information retention and management
- Framework to protect against loss and for risk management
- Framework to ensure efficiency
- Framework of the Chiyoda Group's internal control system
- Framework to ensure the effectiveness of audits by the Audit & Supervisory Committee
- Framework for reporting to the Audit & Supervisory Committee
- Framework for securing the appropriateness of financial reporting

Outline of Management Status of Frameworks for Ensuring Proper Execution of Operations

The Company has developed and manages an internal control system based on the "Policy on the Internal Control System," resolved by the Board of Directors, as stated above. The Company strives for continuous improvement by confirming the status of frameworks in each division and sharing information at meetings of the Internal Control Committee, which were held twice in FY2018.

Major Management Initiatives in FY2018

- Initiatives relating to compliance with laws and regulations
- Initiatives relating to loss and risk management
- Initiatives relating to ensuring efficiency
- Initiatives relating to the Chiyoda Group's internal control framework
- Initiatives relating to ensuring the effectiveness of audits by the Audit & Supervisory Committee
- Initiatives relating to reporting to the Audit & Supervisory Committee

Number of Committee Meetings

Name of Committee	Number of Meetings in FY2018
Board of Directors	17
Executive Committee	14
Audit & Supervisory Committee	14

Outside Directors

In light of the magnitude of the impact on existing shareholders, the Company appointed Mr. Nobuo Tanaka, a Director of the Company, and Mr. Mikio Kobayashi, Mr. Hiroshi Yamaguchi, and Ms. Mika Narahashi (these four Directors are Outside Directors for whom the Company has acknowledged as independent officers of the Company and notified the TSE, and are members of the Audit & Supervisory Committee and Directors of the Company who are to a certain extent independent from the management of the Company), in order to ensure fairness, transparency, and objectivity in the decision-making process of the Company. The Company consulted them on the third-party allotment and received the following opinion as of May 9, 2019: "The third-party allotment is deemed necessary and appropriate, and the third-party allotment shall not necessarily be deemed disadvantageous to minority shareholders of the Company."

Name	Reason for the nomination
Hiroshi Yamaguchi	Mr. Yamaguchi offers appropriate opinions from a neutral and objective point of view as an Outside Audit & Supervisory Committee member of the Company, leveraging his abundant knowledge of the energy industry and experience. Based on these achievements, he was nominated as a candidate for Outside Director with the opinion that he will leverage his abundant knowledge and experience in his oversight of management.
Nobuo Tanaka	Although Mr. Tanaka does not have direct experience in corporate management, he has appropriately carried out his duties as Outside Director by drawing on his abundant knowledge in the energy field cultivated through his assignment as Executive Director of the International Energy Agency and his overall knowledge, and we therefore have nominated him as a candidate for Outside Director.
Mika Narahashi	Ms. Narahashi has expert knowledge and experience as a lawyer in addition to her background in corporate law. The Company expects that she will greatly contribute to the oversight of management from the perspectives of law, compliance, and governance.
Mikio Kobayashi	Mr. Kobayashi has extensive experience as a corporate director and officer for a number of companies and has also served as an Audit & Supervisory Committee member of the Company. He has consistently offered expert opinions from a neutral and objective point of view, and the Company expects that his experience and insight will be beneficial to management oversight.

Remuneration for Directors and Audit & Supervisory Committee Members

Total amount of remuneration for the term under review

	No. of Persons	Base Remuneration (Millions of yen)	Performance-Based Remuneration (Millions of yen)	Remuneration for Purchase of Treasury Stock (Millions of yen)
Directors (Who are not Audit & Supervisory Committee members)	8	187	0	44
Directors (Who are Audit & Supervisory Committee members)	6	66	N/A	N/A

System of Remuneration

Category	Concept	Outline
Base remuneration	Corresponds to roles and responsibilities	Remuneration for Directors is ¥300 million or less per year.
Performance-based remuneration	Corresponds to the achievements for each term	Taking into account the levels of net income and dividends for the consolidated fiscal year under review and qualitative elements such as the degree of achievement of management objectives, the amount is kept within ¥200 million, or 1% of the amount of net income attributable to owners of the parent.
Remuneration for purchase of treasury stock	Linked to long-term achievements	¥90 million or less per year. Directors other than Directors and Audit & Supervisory Committee members (excluding Outside Directors) acquire treasury stock through the Directors Holding Association.

Chiyoda's History

We were founded in 1948, during the period when Japan was starting to make powerful moves toward its postwar recovery. With "serving society through technology" as its founding motto, the Company has kept moving forward in accordance with the Chiyoda's corporate philosophy of "Energy and the Environment in Harmony" and in unswerving awareness of the requirements of the global community.

1948~

Supports rebuilding of the postwar oil industry in Japan

1948
The Company's founding

1956
25,000 barrels per day at Crude Distillation Unit in Kawasaki, Japan

1958~

Establishes its position as a reliable engineering company

1960
Grass-roots refinery in Mizushima, Japan

1965
Jeddah Refinery in Saudi Arabia

1968~

Contributes to development of the oil and gas industry beyond the oil shock

1974
Completion of Petromin Jeddah and Riyadh refineries

1976
Completion of LNG plant for Abu Dhabi Gas Liquefaction in UAE

1978~

Accelerates its execution of overseas projects in mainly the Middle East and Southeast Asia

1984
Completion of Petromin Mobil Yanbu Refinery in Saudi Arabia

1986
Food processing plant for Nada-Kobe Consumers' Co-operative Society in Kobe, Japan

1988~

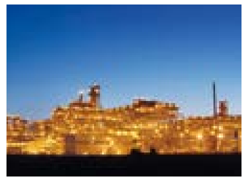
Expands its business field beyond the oil and gas industry

1993
Order awarded for Qatar-gas LNG Project in Qatar

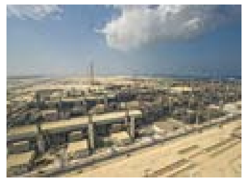
1996
Order awarded for PT. Smelting Copper Smelter Project in Indonesia

1998~

Executes several LNG projects worldwide timed to take advantage of the natural gas boom



2003
Order awarded for Sakhalin II LNG Project by Sakhalin Energy in Russia, the first LNG plant in Russia



2004
Order awarded for Qatar-gas II LNG Project in Qatar, the largest LNG plant in the world

2008~

Establishes its position as the No. 1 LNG contractor and expands into the U.S. market

2014
Order awarded for Cameron LNG Project in the United States

2014
Order awarded for Yamal LNG Project in Russia

2018~

Takes a new step forward for revitalization

Scheduled to complete Japan's first demonstration plant for renewable jet and diesel fuels for euglena Co., Ltd.

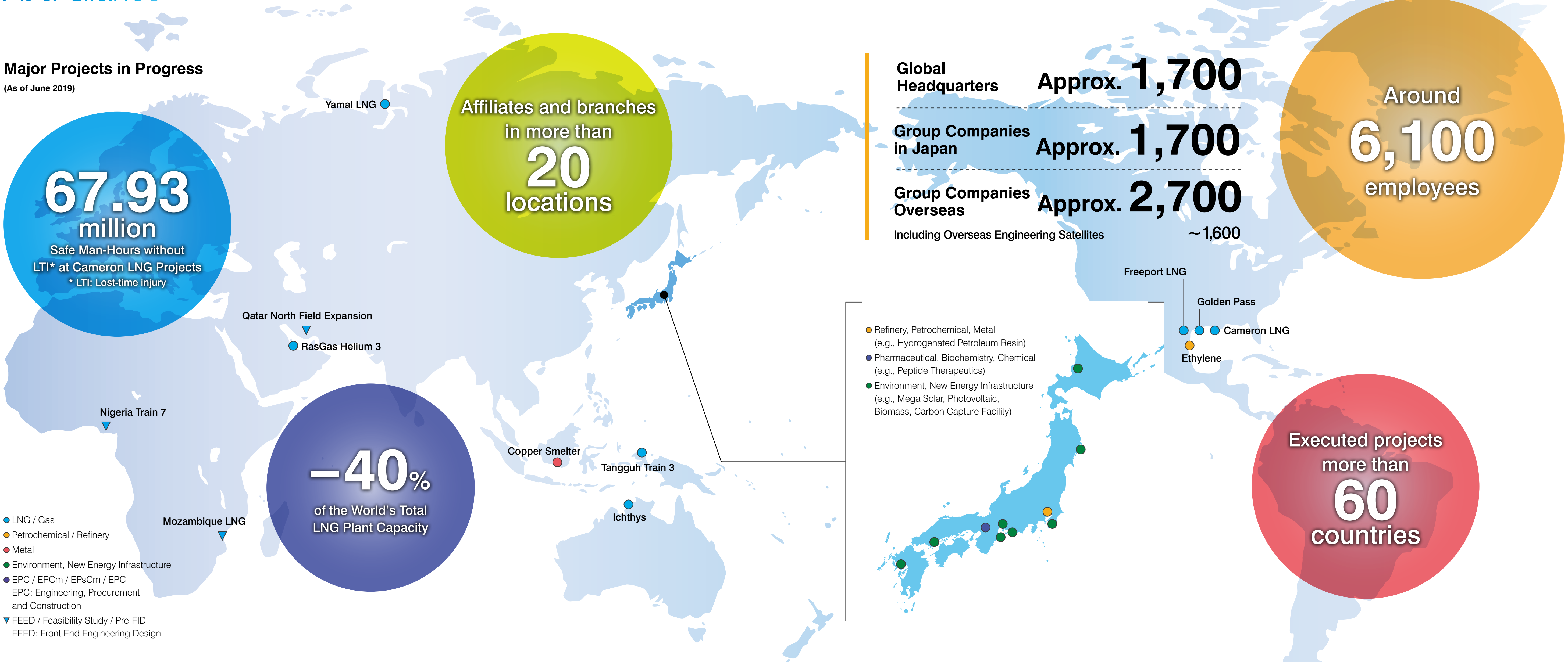
Chiyoda's AI Solution: New technology development for the next generation with Big Data, IoT, AI, and robotics

SPERA Hydrogen®: Chiyoda's Hydrogen Supply Business—Large-scale storage and transport of hydrogen utilizing the organic chemical hydride (OCH) method

The Chiyoda Group aims to be a global top-tier "Integrated Engineering and Service Provider" in the energy and environment fields.

- World-leading contractor of liquefied natural gas (LNG) plant construction
- Steady progress in the life science and new energy fields—pharmaceuticals, photovoltaic, and hydrogen
- Strategic move into advanced medical and cutting-edge digital technologies
- Corporate operations with higher HSE (health, safety, environment) diversity and inclusion

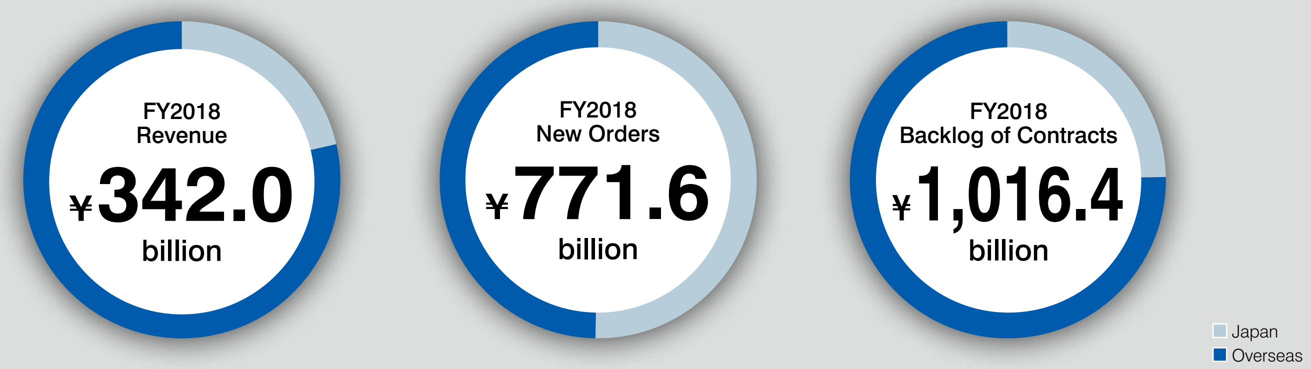
At a Glance



Chiyoda Corporation is a world-leading, fully integrated international engineering company and EPC contractor.

We apply our technological expertise and extensive project execution experience by providing planning, engineering, procurement, construction, and maintenance services in a wide range of business fields including oil and gas, chemicals and petrochemicals, pharmaceuticals, environmental technology, renewable energy, social infrastructure, and industrial facilities.

As a leader in energy-related technology, we use engineering to conquer business challenges with the aim of achieving a balance between energy consumption and preserving the environment.



EPC Execution

Energy Value Chain Projects	Global Environment Energy Projects

Oil Refineries Chemicals & Petrochemicals and Gas Processing & LNG
(Liquefaction / Export Terminal & Import / Regasification Terminal)

Metal Smelter

Environmental Protection Projects
(Flue Gas Desulfurization / Water Treatment Facilities)

Fine Chemicals / Pharmaceuticals Industrial Facilities
(Factory Automation / Food Processing Plant, etc.)

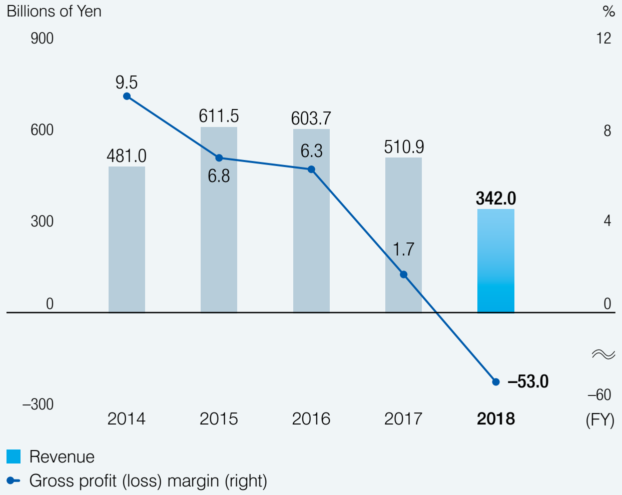
Renewable Energy
(Photovoltaic / Wind / Biomass)

Infrastructure Projects
(Airport)

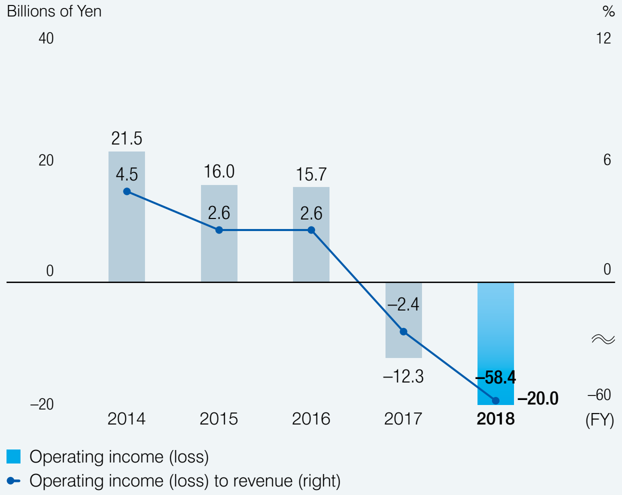
Business Trends

Financial Highlights

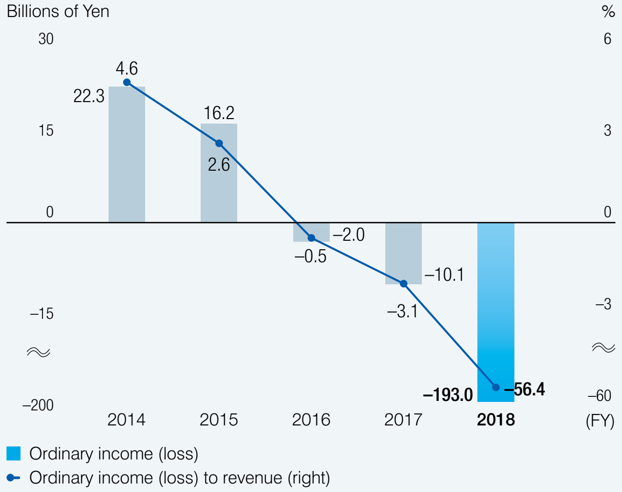
Revenue and Gross Profit (Loss) Margin



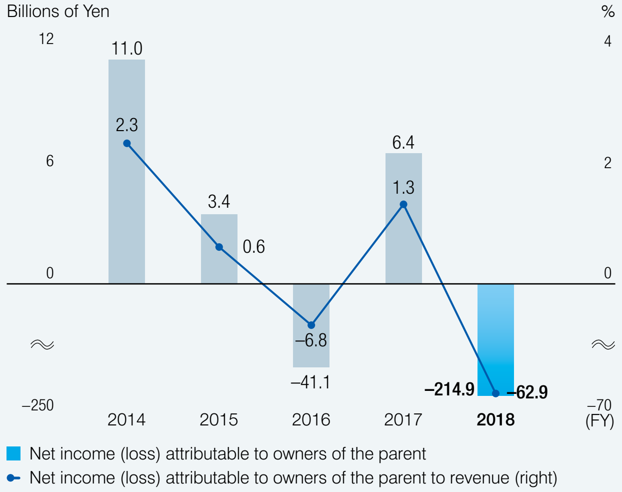
Operating Income (Loss) and Operating Income (Loss) to Revenue



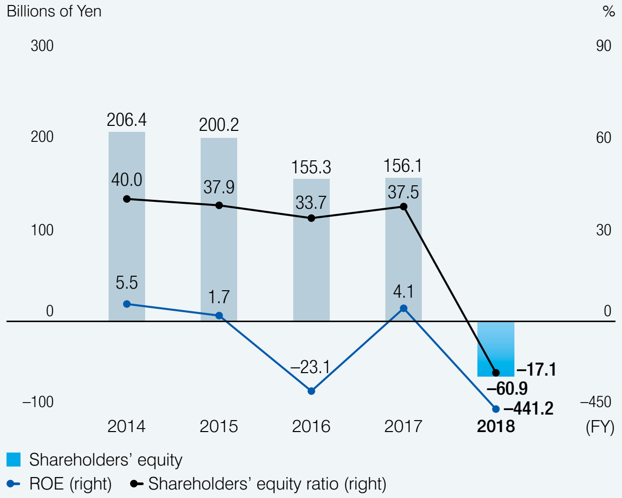
Ordinary Income (Loss) and Ordinary Income (Loss) to Revenue



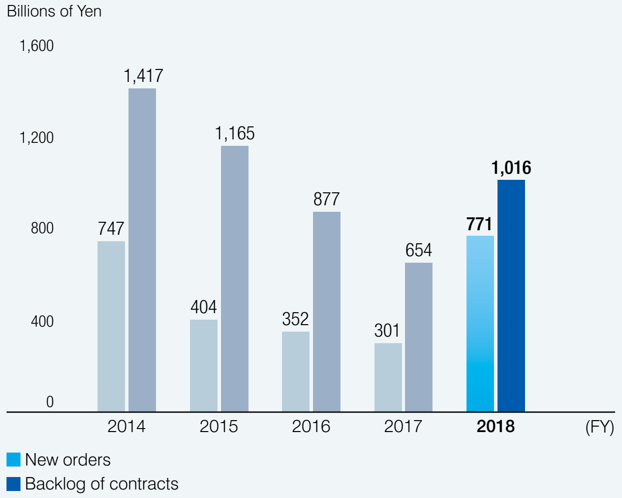
Net Income (Loss) Attributable to Owners of the Parent and Net Income (Loss) Attributable to Owners of the Parent to Revenue



Shareholders' Equity, ROE, and Shareholders' Equity Ratio

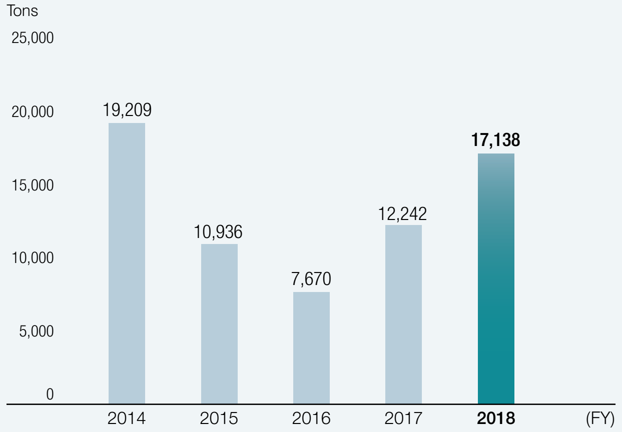


New Orders / Backlog of Contracts



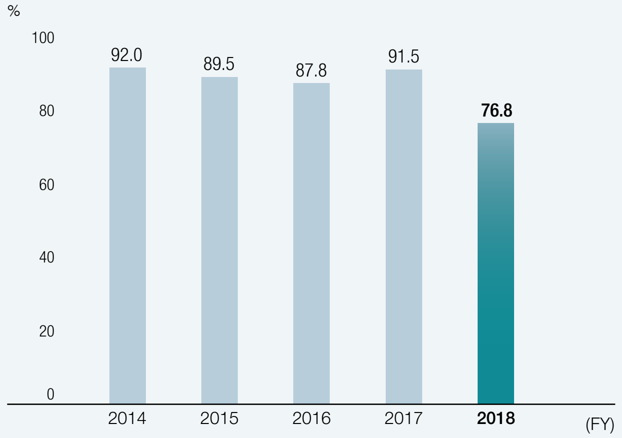
Non-Financial Highlights

Industrial Waste Disposal Quantity*



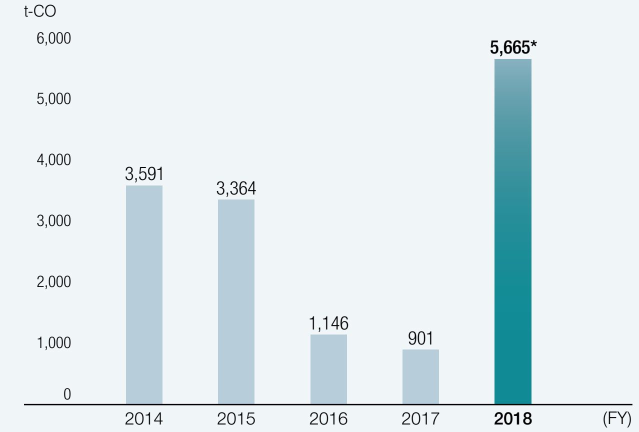
* At domestic construction sites

Industrial Waste Recycling Rate*



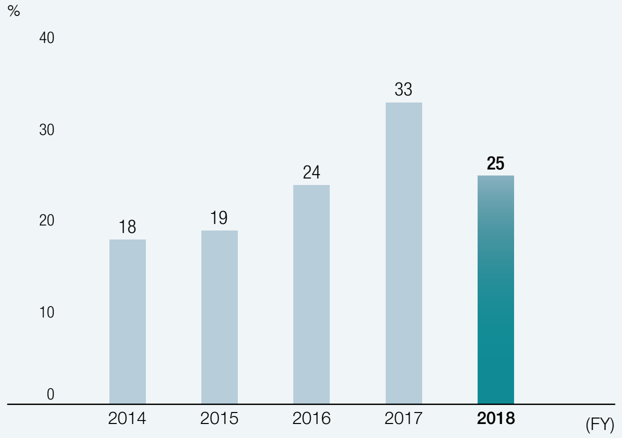
* At domestic construction sites

CO_2 Emissions Emitted at Domestic Construction Sites



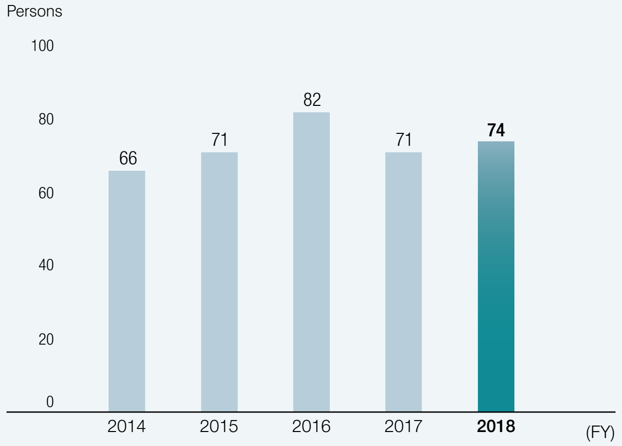
* Rise in CO_2 emissions (FY2018) due to an increase of domestic orders

Ratio of Female Employees among New Recruits*



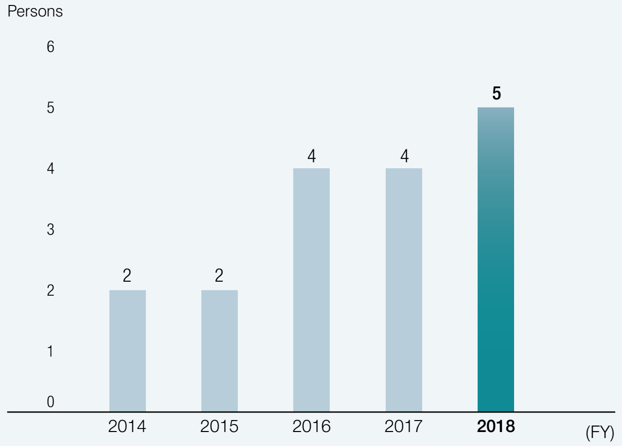
* Chiyoda Corporation, non-consolidated basis

Number of Non-Japanese Employees*



* Chiyoda Corporation, non-consolidated basis

Number of Outside Directors*



* Chiyoda Corporation, non-consolidated basis

Major Projects

The Chiyoda Group has successfully completed various types of facilities all across the world over the past 70 years.
The following list shows our major projects under execution and recently completed projects.

E: Engineering P: Procurement C: Construction
CS: Construction supervision CC: Construction and commissioning I: Installation V: Validation
BPSD: Barrel per stream day SCFD: Standard cubic feet per day PS: Project specification
M: Manajemen

Energy Business

	Client	Project	Location	Capacity	Scope of Work	Project Status
LNG Plants & Other Gas-Related Work						
LNG Plants (EPC)	INPEX Operations Australia Pty Ltd.	Ichthys LNG Onshore Processing Facilities Project	Darwin, Australia	4.45 x 2 MMTY	E.P.C.	Ongoing
	FLNG Liquefaction, LLC	Freeport LNG Export Project	Freeport, Texas, U.S.	4.64 x 2 MMTY	E.P.C.	Ongoing
	FLNG Liquefaction 3, LLC	Freeport LNG Export Project Train 3	Freeport, Texas, U.S.	4.64 x 1 MMTY	E.P.C.	Ongoing
	Cameron LNG, LLC	Cameron LNG Project	Hackberry, Louisiana, U.S.	4.5 x 3 MMTY	E.P.C.	Ongoing
	JSC Yamal LNG	Yamal LNG Project	Sabetta, Yamal-Nenets, Russia	5.5 x 3 MMTY	E.P.C.	Completed*1
	BP Berau Ltd.	Tangguh LNG Project	West Papua, Indonesia	3.8 x 1 MMTY	E.P.C.	Ongoing
	Golden Pass Products, LLC	Golden Pass LNG	Sabine Pass, Texas, U.S.	5.2 x 3 MMTY	E.P.	Ongoing
Helium Recovery Unit	RasGas Company Ltd.	Helium 3 Project	Ras Laffan, Qatar	—	E.P.C.	Ongoing
Refineries / Petrochemicals / Metals						
Fluid Catalytic Cracking Unit	PRPC Refinery and Cracker Sdn. Bhd.	—	Johor, Malaysia	70,000 x 2 BPSD (for Residue Oil)	E.P.C.C.	Completed*1
Refrigerated Gaseous Tank Facility for Ethylene and Propylene	Dialog Plant Services Sdn. Bhd.	—	Pengerang, Johor State, Malaysia	—	E.P.C.C.	Ongoing
Ethylene	Confidential	Confidential	Gulf of Mexico, U.S.	Confidential	E.P.C. PS. CM. CS.	Ongoing

Environmental Business

	Client	Project	Location	Capacity	Scope of Work	Project Status
Pharmaceuticals / Biochemistry / General Chemistry						
Pharmaceuticals	Nichi-Iko Pharmaceutical Co., Ltd.	Finishing, Commercial	Toyama, Japan	—	E.P.C.V.*2	Completed*1
	CMIC CMO Co., Ltd.	Finishing, Commercial	Tochigi, Japan	—	E.P.C.V.	Completed*1
	Nippon Shokubai Co., Ltd.	API Commercial	Osaka, Japan	—	E.P.C.V.*2	Ongoing
	Tosoh Corporation	Offices	Yamaguchi, Japan	—	E.P.C.	Completed*1
	PeptiStar, Inc.	Manufacturing Plants No. 1 and No. 2	Osaka, Japan	—	E.P.C.	Ongoing
Environment / New Energy / Infrastructure						
Biofuel Plant	Euglena Co., Ltd.	Biojet and Diesel Fuel Production Demonstration Plant	Kanagawa, Japan	125Kl / year	B. E.P.C.	Completed*1
Green Device	North Hokkaido Wind Energy Transmission Corporation	Battery Energy Storage System	Hokkaido, Japan	720 MWh	E.P.C.	Ongoing
Biomass Firing Power Plant	Sodegaura Biomass Power Generation Co., Ltd.	Biomass Firing Power Plant	Chiba, Japan	75 MW	E.P.C.M.	Ongoing
Transportation Projects	Department of Transportation and Communication, the Government of the Republic of the Philippines	Airport	Panglao Island, Bohol Province, the Republic of the Philippines	—	P.C.	Completed*1
Environment, Energy Conservation, and Industrial Facilities	Confidential	Precious Metal Recycling Plant	Chiba, Japan	—	E.P.C.	Completed*1

*1 Completed in 2018
*2 Main Contractor: Chiyoda Techno Ace Co., Ltd.

For a complete list of major projects, please refer to the Major Project booklet on our corporate website.
https://www.chiyodacorp.com/projects/MajorProjects_201903_e_3.pdf

Eleven-Year Summary

Chiyoda Corporation and Consolidated Subsidiaries
As of and for the years ended March 31

Millions of yen (Except amounts per share and key ratios)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Results for the Year:											
Revenue	¥446,438	¥312,985	¥247,082	¥254,675	¥398,918	¥446,147	¥480,979	¥611,548	¥603,745	¥510,873	**¥341,952**
Cost of Revenue	427,461	298,766	215,563	215,783	356,402	404,685	435,327	570,028	565,521	502,255	**523,101**
Gross Profit (Loss)	18,977	14,219	31,519	38,891	42,515	41,462	45,651	41,520	38,223	8,618	**(181,148)**
SG&A Expenses	11,749	12,517	13,974	14,693	17,402	20,383	24,185	25,505	22,543	20,948	**18,647**
Operating Income (Loss)	7,227	1,702	17,544	24,197	25,113	21,079	21,466	16,015	15,680	(12,330)	**(199,795)**
Net Income (Loss) Attributable to Owners of the Parent	6,498	2,953	7,979	14,364	16,077	13,447	11,029	3,375	(41,116)	6,445	**(214,948)**
Capital Expenditures	2,159	1,853	2,085	3,409	9,428	4,453	4,107	2,698	2,131	2,400	**2,480**
Depreciation	1,957	2,059	2,566	2,637	2,580	3,196	3,569	3,589	3,643	3,545	**2,816**
Cash Flows:											
Cash Flows from Operating Activities	8,971	8,613	(5,229)	55,615	14,147	(17,177)	(24,145)	55,526	(4,375)	(34,115)	**(37,941)**
Cash Flows from Investing Activities	(1,072)	(2,722)	(2,577)	(9,140)	(5,257)	(16,796)	(5,444)	(26,750)	10,433	(1,428)	**778**
Cash Flows from Financing Activities	58,548	(2,079)	(805)	(2,899)	(4,432)	(5,249)	(4,569)	(3,942)	(2,693)	(1,468)	**4,020**
Cash and Cash Equivalents, at End of Year	135,536	139,790	130,618	173,769	180,229	145,303	113,246	136,919	138,889	101,767	**68,306**
Financial Position at Year-End:											
Total Assets	¥357,816	¥328,174	¥353,392	¥365,795	¥435,379	¥475,288	¥515,839	¥528,219	¥461,331	¥420,704	**¥352,341**
Total Equity	145,917	149,253	155,758	168,737	189,356	198,031	208,405	202,128	157,125	159,418	**(59,154)**
Long-Term Loans Payable	10,004	10,000	10,208	198	10,132	10,018	10,015	10,009	4	10,000	**15,870**
Interest-Bearing Debt	10,022	10,004	10,208	10,198	10,220	11,305	11,010	10,348	10,211	10,000	**15,989**
Shareholders' Equity	145,513	148,683	155,242	168,120	188,386	196,411	206,395	200,166	155,339	156,099	**(60,882)**
Amounts per Share (Yen)**:**											
Basic Net Income (Loss) per Share	¥ 25.58	¥ 11.39	¥ 30.79	¥ 55.44	¥ 62.06	¥ 51.91	¥ 42.58	¥ 13.03	¥ (158.76)	¥ 24.89	**–**
Net Assets per Share	561.12	573.61	599.15	648.95	727.24	758.31	796.89	772.89	599.83	608.41	**–**
Dividends per Share	7.5	3.5	11	17	19	16	13	10	6	7.5	**–**
Key Ratios:											
Return on Assets (ROA) (%)	3.1	1.4	4.6	6.6	6.4	5.0	4.5	3.1	(0.6)	(2.3)	**–**
Return on Equity (ROE) (%)	5.7	2.0	5.3	8.9	9.0	7.0	5.5	1.7	(23.1)	4.1	**–**
Shareholders' Equity Ratio (%)	40.7	45.3	43.9	46.0	43.3	41.3	40.0	37.9	33.7	37.5	**(17.1)**
EV / EBITDA (Times)	0.79	15.64	4.20	4.12	3.55	8.09	6.34	4.02	3.41	26.38	**(0.09)**
Debt-to-Equity Ratio (%)	0.07	0.07	0.07	0.06	0.05	0.06	0.05	0.05	0.07	0.06	**(0.26)**
Current Ratio (%)	161.1	175.2	173.8	165.5	166.3	156.3	151.0	146.3	141.2	153.0	**83.3**
Divident Payout Ratio (%)	29.3	30.8	35.7	30.7	30.6	30.8	30.5	76.7	38.7	30.1	**–**
Price Earning Ratio (PER) (%)	20.9	81.5	24.7	19.0	16.9	25.6	24.1	63.3	(4.5)	40.3	**(0.31)**
Others:											
Number of Employees (Consolidated)	3,376	3,670	4,104	4,530	4,915	6,062	6,097	5,866	5,367	6,176	**5,243**
Share Price Range: High	1,274	946	963	1,093	1,309	1,669	1,455	1,164	933	1,110	**1,129**
Low	348	529	546	702	901	912	903	722	611	537	**264**

Corporate Data

(As of March 31, 2019)

Corporate Data

Founded	1948
Paid-In Capital	¥43,396 million
Number of Employees	5,243 (Consolidated) 1,554 (Non-consolidated)
Chiyoda Global Headquarters	Minatomirai Grand Central Tower, 4-6-2, Minatomirai, Nishi-ku, Yokohama 220-8765, Japan

Contact Information

IR, PR & CSR Department

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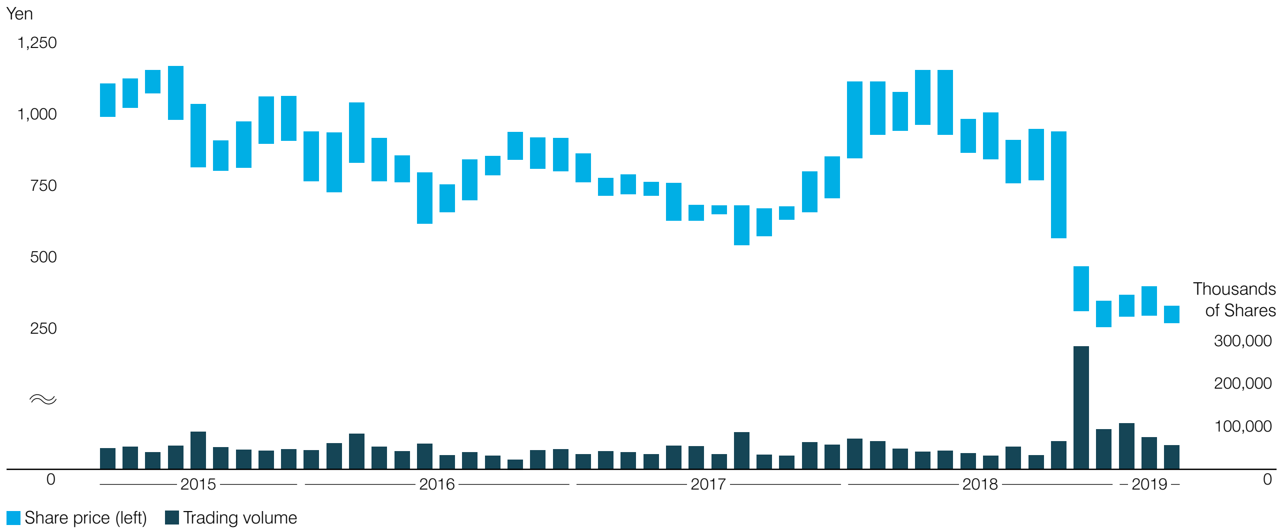
Phone: +81-45-225-7734
Fax: +81-45-225-7748
E–mail: irpr@chiyodacorp.com

Major Shareholders

Shareholder	Number of shares owned (Thousands of shares)	Ratio of shares owned (%)
Mitsubishi Corporation*	86,931	33.39
The Master Trust Bank of Japan, Ltd. (Trust A/C)	10,297	3.95
MUFG Bank, Ltd.	9,034	3.47
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	8,371	3.21
Japan Trustee Services Bank, Ltd. (Trust A/C)	4,809	1.84
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	4,500	1.72
The Mitsubishi UFJ Trust & Banking Corporation	4,274	1.64
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	3,528	1.35
Japan Trustee Services Bank, Ltd. (Trust A/C 5)	3,170	1.21
CREDIT SUISSE AG, DUBLIN BRANCH MAIN EQUITY ACCOUNT	3,009	1.15

* At the Board of Directors' meeting held on May 9, 2019, the Company entered into an agreement regarding the issuance of Class A preferred shares by third-party Allotment to Mitsubishi Corporation with the total amount to be paid of ¥70 billion. For details, please refer to page 16 and 17 of this report or visit our website.

Monthly Stock Price and Trading Volume (April 2015–March 2019)



Stock Information

Closing Date	March 31	
Ordinary General Meeting of Shareholders	June	
Common Stock	Number of authorized shares	570,000,000
	Number of issued and outstanding shares	260,324,529
	Number of shareholders	29,562
	Listing of shares	Tokyo Stock Exchange
	Stock transaction unit	100 shares

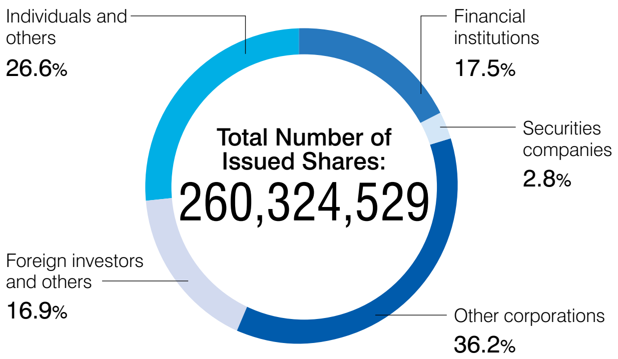
Note: As of August 2019, Chiyoda Corporation is listed on the second section of the Tokyo Stock Exchange.

Register of Shareholders

Mitsubishi UFJ Trust and Banking Corporation

1-1 Nikko-cho, Fuchu-shi, Tokyo 183-0044, Japan
Stock Transfer Agency Department
Phone: 0120-232-711 (Toll free within Japan)

Breakdown of Shareholders



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Printed in Japan

Consolidated Financial Statements FY2018

For the year ended March 31, 2019

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.

Every Chiyoda Group employee engages in our corporate activities with this philosophy in mind as we strive for corporate group management that earns the trust and empathy of all of our stakeholders, including shareholders, customers, business partners, employees, and local communities.

CONTENTS

Consolidated Balance Sheet

March 31, 2019

ASSETS	Millions of Yen 2019	Millions of Yen 2018	Thousands of U.S. Dollars (Note 1) 2019
CURRENT ASSETS:			
Cash and cash equivalents (Note 13)	¥ 68,306	¥ 101,767	$ 615,375
Short-term investments (Note 13)	1,150	2,240	10,367
Notes and accounts receivable—trade (Note 13)	44,449	36,466	400,445
Costs and estimated earnings on long-term construction contracts (Notes 3 and 13)	24,162	40,418	217,676
Costs of construction contracts in process	7,494	15,916	67,518
Accounts receivable—other (Note 13)	65,945	41,967	594,099
Jointly controlled assets of joint venture (Note 13)	110,967	131,374	999,704
Prepaid expenses and other	5,707	5,563	51,420
Allowance for doubtful accounts	(1,254)	(1,245)	(11,297)
Total current assets	326,929	374,470	2,945,309
PROPERTY, PLANT AND EQUIPMENT:			
Land (Note 6)	4,952	4,952	44,614
Buildings and structures (Note 6)	13,524	13,504	121,844
Machinery and equipment	512	522	4,613
Tools, furniture and fixtures (Note 6)	6,404	6,142	57,701
Construction in progress	272	115	2,454
Total	25,666	25,236	231,229
Accumulated depreciation	(13,952)	(13,165)	(125,694)
Net property, plant and equipment	11,714	12,071	105,534
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 13)	1,603	2,067	14,448
Investments in and advances to unconsolidated subsidiaries and associated companies (Note 5)	4,789	6,183	43,151
Goodwill	427	468	3,852
Software	4,816	5,194	43,394
Asset for retirement benefits (Note 8)	5	203	46
Deferred tax assets (Note 10)	701	11,908	6,315
Other assets	1,528	7,953	13,766
Allowance for doubtful accounts	(174)	(185)	(1,573)
Total investments and other assets	13,697	33,796	123,401
TOTAL	¥ 352,341	¥ 420,337	$ 3,174,246

See notes to consolidated financial statements.

LIABILITIES AND EQUITY (CAPITAL DEFICIENCY)	Millions of Yen 2019	Millions of Yen 2018	Thousands of U.S. Dollars (Note 1) 2019
CURRENT LIABILITIES:			
Current portion of long-term debt (Notes 6, 7 and 13)	¥ 121	¥ 2	$ 1,095
Notes and accounts payable—trade (Note 13)	175,277	147,654	1,579,078
Advance receipts on construction contracts	122,252	76,294	1,101,371
Income taxes payable (Note 13)	708	894	6,383
Deposits received	1,329	1,224	11,981
Allowance for warranty costs for completed works	372	419	3,355
Allowance for losses on construction contracts	67,637	3,288	609,344
Provision for business structure improvement (Note 16)	1,825		16,449
Accrued expenses and other	22,979	18,067	207,026
Total current liabilities	392,505	247,847	3,536,086
LONG-TERM LIABILITIES:			
Long-term debt (Notes 6, 7 and 13)	15,889	10,022	143,152
Liability for retirement benefits (Note 8)	1,546	1,176	13,930
Provision for treatment of PCB waste	267	344	2,408
Asset retirement obligations	1,022	1,008	9,207
Other	264	519	2,379
Total long-term liabilities	18,989	13,071	171,079
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 12, 14, 15 and 20)			
EQUITY (CAPITAL DEFICIENCY) (Note 9):			
Common stock—authorized, 570,000 thousand shares; issued, 260,324 thousand shares in 2019 and 2018	43,396	43,396	390,958
Capital surplus	37,112	37,112	334,348
(Accumulated deficit) retained earnings	(139,956)	77,024	(1,260,867)
Treasury stock—at cost, 1,357 thousand shares in 2019 and 1,356 thousand shares in 2018	(1,435)	(1,434)	(12,929)
Accumulated other comprehensive income (loss):			
Unrealized (loss) gain on available-for-sale securities	(5)	64	(50)
Deferred loss on derivatives under hedge accounting	(50)	(1,778)	(450)
Foreign currency translation adjustments	(102)	2,159	(923)
Defined retirement benefit plans	926	1,013	8,343
Total	(60,114)	157,557	(541,571)
Noncontrolling interests	960	1,861	8,651
Total (capital deficiency) equity	(59,154)	159,418	(532,919)
TOTAL	¥ 352,341	¥ 420,337	$ 3,174,246

Consolidated Statement of Operations

Year Ended March 31, 2019

	Millions of Yen 2019	Millions of Yen 2018	Thousands of U.S. Dollars (Note 1) 2019
REVENUE	¥ 341,952	¥510,873	$ 3,080,657
COST OF REVENUE	523,101	502,255	4,712,625
Gross (loss) profit	(181,148)	8,618	(1,631,968)
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Note 11)	18,647	20,948	167,992
Operating loss	(199,795)	(12,330)	(1,799,960)
OTHER INCOME (EXPENSES):			
Interest and dividend income	3,303	2,585	29,756
Equity in earnings of associated companies (Note 5)	194	680	1,752
Gain on sales of investment securities		202	
Reversal of provision for loss on business of subsidiaries and associated companies (Note 5)		12,441	
Gain on sales of shares of subsidiaries and associated companies	979	1,732	8,821
Interest expense	(238)	(212)	(2,144)
Foreign exchange gain (loss)	3,638	(667)	32,777
Commission fee		(208)	
Provision for business structure improvement (Note 16)	(1,825)		(16,449)
Loss on disposal of fixed assets	(335)		(3,026)
Other—net	(100)	643	(908)
Other income—net	5,614	17,198	50,580
(LOSS) INCOME BEFORE INCOME TAXES	(194,181)	4,867	(1,749,380)
INCOME TAXES (Note 10):			
Current	11,090	(5,475)	99,913
Deferred	10,580	3,741	95,320
Total income taxes	21,670	(1,734)	195,233
NET (LOSS) INCOME	(215,852)	6,602	(1,944,614)
NET (LOSS) INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(903)	156	(8,143)
NET (LOSS) INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥(214,948)	¥ 6,445	$(1,936,471)

	Yen 2019	Yen 2018	U.S. Dollars 2019
PER SHARE OF COMMON STOCK (Notes 2.z and 18):			
Basic net (loss) income	¥(830.02)	¥24.89	$(7.48)
Cash dividends applicable to the year		7.50	

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Year Ended March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
NET (LOSS) INCOME	¥ (215,852)	¥6,602	$ (1,944,614)
OTHER COMPREHENSIVE LOSS (Note 17):			
Unrealized loss on available-for-sale securities	(69)	(315)	(628)
Deferred gain (loss) on derivatives under hedge accounting	1,719	(2,276)	15,487
Foreign currency translation adjustments	(1,348)	(1,001)	(12,144)
Defined retirement benefit plans	(87)	420	(784)
Share of other comprehensive (loss) income of associates	(850)	450	(7,664)
Total other comprehensive loss	(636)	(2,723)	(5,734)
COMPREHENSIVE (LOSS) INCOME	¥ (216,488)	¥3,878	$ (1,950,348)
TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ (215,638)	¥3,775	$ (1,942,691)
Noncontrolling interests	(849)	103	(7,657)

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity (Capital Deficiency)

Year Ended March 31, 2019

	Thousands	Millions of Yen										
						Accumulated Other Comprehensive Income (Loss)						
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	(Accumulated Deficit) Retained Earnings	Treasury Stock	Unrealized (Loss) 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 (Capital Deficiency)
BALANCE, APRIL 1, 2017	258,973	¥43,396	¥37,112	¥ 72,132	¥(1,431)	¥379	¥ 499	¥2,656	¥ 592	¥155,339	¥1,785	¥157,125
Net income attributable to owners of the parent				6,445						6,445		6,445
Cash dividends, ¥6.00 per share				(1,553)						(1,553)		(1,553)
Purchase of treasury stock	(5)				(3)					(3)		(3)
Net change in the year						(315)	(2,277)	(497)	420	(2,670)	76	(2,594)
BALANCE, MARCH 31, 2018	258,967	43,396	37,112	77,024	(1,434)	64	(1,778)	2,159	1,013	157,557	1,861	159,418
Cumulative effects of changes in accounting policies				(90)						(90)		(90)
Restated balance	258,967	43,396	37,112	76,934	(1,434)	64	(1,778)	2,159	1,013	157,466	1,861	159,328
Net loss attributable to owners of the parent				(214,948)						(214,948)		(214,948)
Cash dividends, ¥7.50 per share				(1,942)						(1,942)		(1,942)
Purchase of treasury stock												
Net change in the year						(69)	1,728	(2,261)	(87)	(690)	(901)	(1,591)
BALANCE, MARCH 31, 2019	258,967	¥43,396	¥37,112	¥(139,956)	¥(1,435)	¥ (5)	¥ (50)	¥ (102)	¥ 926	¥ (60,114)	¥ 960	¥ (59,154)

	Thousands of U.S. Dollars (Note 1)										
					Accumulated Other Comprehensive Income (Loss)						
	Common Stock	Capital Surplus	(Accumulatec Deficit) Retained Earnings	Treasury Stock	Unrealized (Loss) 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 (Capital Deficiency)
BALANCE, MARCH 31, 2018	$390,958	$334,348	$ 693,918	$(12,927)	$577	$(16,020)	$19,452	$9,127	$1,419,436	$16,769	$1,436,205
Cumulative effects of changes in accounting policies			(816						(816)		(816)
Restated balance	390,958	334,348	693,101	(12,927)	577	(16,020)	19,452	9,127	1,418,619	16,769	1,435,388
Net loss attributable to owners of the parent			(1,936,471						(1,936,471)		(1,936,471)
Cash dividends, $0.07 per share			(17,497						(17,497)		(17,497)
Purchase of treasury stock				(1)					(1)		(1)
Net change in the year					(628)	15,569	(20,376)	(784)	(6,220)	(8,117)	(14,337)
BALANCE, MARCH 31, 2019	$390,958	$334,348	$(1,260,867	$(12,929)	$ (50)	$ (450)	$ (923)	$8,343	$ 541,571	$ 8,651	$ (532,919)

Consolidated Statement of Cash Flows

Year Ended March 31, 2019

	Millions of Yen 2019	Millions of Yen 2018	Thousands of U.S. Dollars (Note 1) 2019
OPERATING ACTIVITIES:			
(Loss) income before income taxes	¥ (194,181)	¥ 4,867	$ (1,749,380)
Adjustments for:			
Income taxes paid	6,230	(1,750)	56,134
Depreciation	2,816	3,545	25,369
Amortization of goodwill	41	327	372
Increase (decrease) in allowance for doubtful accounts	1	(218)	10
(Decrease) increase in allowance for warranty costs for completed works	(52)	102	(473)
Increase (decrease) in allowance for losses on construction contracts	64,409	(25)	580,263
Increase in liability for retirement benefits	63	44	571
Foreign exchange (gain) loss—net	(980)	477	(8,828)
Increase in provision for business structure improvement	1,825		16,449
Decrease in provision for loss on business of subsidiaries and associated companies		(12,777)	
Gain on sales of shares of subsidiaries and associated companies	(979)	(1,732)	(8,821)
Equity in earnings of associated companies	(194)	(680)	(1,752)
Loss on disposal of fixed assets	335		3,026
Gain on sales of investment securities		(202)	
Changes in operating assets and liabilities:			
Decrease (increase) in trade notes and accounts receivable, and costs and estimated earnings on long-term construction contracts	7,908	(19,550)	71,244
Decrease in costs of construction contracts in process	8,149	8,289	73,421
Increase (decrease) in trade notes and accounts payable	28,180	(10,420)	253,877
Increase (decrease) in advance receipts on construction contracts	46,210	(8,014)	416,312
Increase in accounts receivable—other	(23,097)	(26,992)	(208,089)
Decrease in jointly controlled assets of joint venture	20,055	31,920	180,683
Increase in interest and dividends receivable	(2,144)	(631)	(19,316)
Other—net	(2,541)	(691)	(22,893)
Total adjustments	156,239	(38,983)	1,407,561
Net cash used in operating activities—(Forward)	¥ (37,941)	¥ (34,115)	$ (341,819)

	Millions of Yen 2019	Millions of Yen 2018	Thousands of U.S. Dollars (Note 1) 2019
Net cash used in operating activities—(Forward)	¥ (37,941)	¥ (34,115)	$ (341,819)
INVESTING ACTIVITIES:			
Net decrease in time deposits	1,150	2,028	10,366
Purchases of property, plant and equipment	(642)	(550)	(5,785)
Proceeds from sales of property, plant and equipment	3	362	27
Purchases of intangible assets	(1,611)	(2,044)	(14,521)
Payments for purchases of investment securities	(109)	(338)	(983)
Proceeds from sales and redemption of investment securities	1,791	896	16,143
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation (Note 19)		1,684	
Proceeds from liquidation of subsidiaries and associated companies	138		1,249
Payments of loans receivable	(2)	(4,229)	(19)
Proceeds from collections of loans	59	757	533
Other—net		5	
Net cash provided by (used in) investing activities	778	(1,428)	7,010
FINANCING ACTIVITIES:			
Net increase in short-term borrowings		149	
Proceeds from long-term debt	6,220	10,000	56,037
Repayments of long-term debt	(231)	(10,004)	(2,081)
Payments of cash dividends	(1,939)	(1,552)	(17,472)
Other—net	(29)	(61)	(263)
Net cash used in financing activities	(4,020)	(1,468)	(36,220)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(317)	(108)	(2,864)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(33,461)	(37,121)	(301,452)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	101,767	138,889	916,828
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 68,306	¥ 101,767	$ 615,375

See notes to consolidated financial statements.

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 ("IFRS").

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 2018 consolidated financial statements to conform to the classifications used in 2019.

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 ¥111 to $1, the approximate rate of exchange at March 31, 2019. 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, except for per share data.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Consolidation***—The consolidated financial statements as of March 31, 2019, include the accounts of the Company and its 20 (21 in 2018) significant subsidiaries (together, the "Group").

The merger was a consolidation takeover where Arrow Human Resources Co., Ltd. was a surviving company, while Chiyoda U-Tech Co., Ltd. and Chiyoda Business Solutions Co., Ltd. ceased to exist. Therefore, Chiyoda U-Tech Co., Ltd. and Chiyoda Business Solutions Co., Ltd. were excluded from the scope of consolidation as of April 1, 2018. In addition, Arrow Human Resources Co., Ltd. changed its business name to Chiyoda U-Tech Co., Ltd. on the same date.

CA engineering LLC has been added to the scope of consolidation from the current consolidated fiscal year.

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 three (five in 2018) associated companies are accounted for by the equity method.

Chiyoda-CCC Engineering (Pte.) Limited ceased to be an associated company in the current consolidated fiscal year due to sale of its stock and excluded from application of the equity method.

Xodus Group (Holdings) Limited ceased to be an associated company in the current consolidated fiscal year due to sale of its stock and excluded from application of the equity method.

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

Most of the foreign consolidated subsidiaries have a December 31 year-end, which is different from 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 10 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***—Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," 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," 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. ***Construction Contracts***—Under Japanese GAAP, construction revenue and construction costs are 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 such construction contracts.

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

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

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

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

e. ***Cash Equivalents***—Cash equivalents are short-term investments that are readily convertible into cash and 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.

f. ***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.

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. ***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.

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

j. ***Property, Plant and Equipment***—Property, plant and equipment are stated at cost. Depreciation is computed by the declining-balance method, except for buildings owned by the Company and structures acquired on or after April 1, 2016, 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.

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

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

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

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

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

p. ***Provision for Business Structure Improvement***—To improve business structure, the provision for business structure improvement is provided based on anticipated loss reasonably estimated in and after next consolidated fiscal year.

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.

Actuarial gains and losses that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees.

s. ***Asset Retirement Obligations***—Under Japanese GAAP, 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 GAAP 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 operations. 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 tax returns 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.

On February 16, 2018, the ASBJ issued ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting," which requires deferred tax assets and deferred tax liabilities to be classified as investments and other assets and long-term liabilities, respectively. Deferred tax assets were previously classified as current assets and investments and other assets, and deferred tax liabilities were previously classified as current liabilities and long-term liabilities under the previous accounting standard. The revised accounting standard is effective for annual periods beginning on or after April 1, 2018. As a result, in the consolidated balance sheet for the previous fiscal year, "deferred tax assets" in current assets decreased by ¥5,948 million, while "deferred tax assets" in investments and other assets increased by ¥5,580 million. In addition, "deferred tax liabilities" in current liabilities decreased by ¥816 million, while "deferred tax liabilities" in long-term liabilities increased by ¥449 million.

In addition, due to the effect of offsetting "deferred tax assets" and "deferred tax liabilities" by the same taxable entity, total assets and total liabilities decreased by ¥367 million.

The note related to tax effect accounting has additionally included items described in Note 8 (excluding total amount of valuation allowance) and Note 9 of "Accounting Standard for Tax Effect Accounting" in Paragraph 3 to Paragraph 5 of ASBJ Statement No. 28. However, such additional information corresponding to the previous fiscal year is not disclosed, following the transitional treatments prescribed in Paragraph 7 of ASBJ Statement No. 28.

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 operations 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 operations.

(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, 2019 and 2018.

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

aa. Accounting Changes

Effective from the current fiscal year, the overseas consolidated subsidiaries excluding the ones in the U.S., applied "Financial Instruments" (IFRS 9) and "Revenue from Contracts with Customers" (IFRS 15). The effect of these changes on consolidated financial statements was immaterial.

ab. New Accounting Pronouncements

On March 30, 2018, the ASBJ issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition." The core principle of the standard and guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should recognize revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The accounting standard and guidance are effective for annual periods beginning on or after April 1, 2021. Earlier application is permitted for annual periods beginning on or after April 1, 2018.

The Company expects to apply the accounting standard and guidance for annual periods beginning on or after April 1, 2021, and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

3. 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, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Costs and estimated earnings	¥311,707	¥449,145	$2,808,174
Amounts billed	(287,545)	(408,727)	(2,590,497)
Net	¥ 24,162	¥ 40,418	$ 217,676

4. INVESTMENT SECURITIES

Investment securities at March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Non-current—Equity securities	¥1,603	¥2,067	$14,448

The costs and aggregate fair values of investment securities at March 31, 2019 and 2018, were as follows:

March 31, 2019

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as—				
Available-for-sale—equity securities	¥411	¥164	¥121	¥453

March 31, 2018

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as—				
Available-for-sale—equity securities	¥402	¥152	¥43	¥511

March 31, 2019

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as—				
Available-for-sale—equity securities	$3,704	$1,477	$1,098	$4,083

Information on the available-for-sale securities sold during the years ended March 31, 2019 and 2018, was as follows:

March 31, 2019

	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
Securities classified as—			
Available-for-sale—equity securities	¥7	¥1	

March 31, 2018

	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
Securities classified as—			
Available-for-sale—equity securities	¥896	¥202	

March 31, 2019

	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses
Securities classified as—			
Available-for-sale—equity securities	$68	$17	

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

Investments in and advances to unconsolidated subsidiaries and associated companies at March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Investments	¥4,789	¥5,613	$43,151
Long-term receivables		569	
Total	¥4,789	¥6,183	$43,151

EMAS CHIYODA Subsea Limited ("ECS"), which was an associated company of the Company accounted for by the equity method, experienced financial hardship, brought about by a greater than anticipated slowdown of the subsea market, and filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code in February 2017.

In the fiscal year ended March 31, 2018, the U.S. Bankruptcy Court in Southern District of Texas approved the proposed reorganization plan of ECS, and ECS became a wholly owned subsidiary of SUBSEA 7 International Holdings (UK) Limited ("Subsea 7").

Since the negotiation with Subsea 7 progressed and the amount of settlement cost was fixed, accordingly, the Company reversed the majority of the extraordinary loss posted in the prior year and recorded ¥12,441 million as an extraordinary profit in the fiscal year ended March 31, 2018.

6. ASSETS AND LIABILITIES ACCOUNTED FOR AS FINANCIAL TRANSACTIONS

Assets and liabilities accounted for as financial transactions at March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Land	¥381		$3,433
Buildings and structures	373		3,362
Tools, furniture and fixtures			6
Current portion of long-term debt	118		1,068
Long-term debt	870		7,842

7. LONG-TERM DEBT

Long-term debt at March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Long-term loans from banks, with interest rates at 1.9% (2019) and 1.9% (2018)—Unsecured	¥10,000	¥10,000	$ 90,090
Long-term loans from banks, with interest rate at 0.8% (2019)—Unsecured	4,000		36,036
Long-term loans from banks, with interest rate at 0.7% (2019)—Unsecured	1,000		9,009
Long-term loans accounted as financial transactions, with interest rate at 3.4% (2019)—Collateralized	989		8,911
Obligations under finance leases	22	25	201
Total	16,011	10,025	144,247
Less current portion	(121)	(2)	(1,095)
Long-term debt, less current portion	¥15,889	¥10,022	$143,152

Annual maturities of long-term debt, excluding finance leases, at March 31, 2019, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2019	¥ 118	$ 1,068
2020	122	1,104
2021	747	6,738
2022	10,000	90,090
2023	5,000	45,045
Total	¥15,989	$144,046

8. 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, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Balance at beginning of year	¥21,174	¥21,257	$ 190,764
Current service cost	1,092	1,066	9,841
Interest cost	179	181	1,618
Actuarial losses	(27)	(18)	(249)
Benefits paid	(1,506)	(1,322)	(13,570)
Others	(16)	11	(150)
Balance at end of year	¥20,896	¥21,174	$ 188,254

(2) The changes in plan assets for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Balance at beginning of year	¥20,532	¥20,128	$ 184,979
Expected return on plan assets	378	337	3,407
Actuarial (gains) losses	(443)	359	(3,998)
Contributions from the employer	689	1,010	6,209
Benefits paid	(1,454)	(1,287)	(13,099)
Others	(33)	(15)	(299)
Balance at end of year	¥19,669	¥20,532	$ 177,198

(3) The changes in the liability recorded in the consolidated balance sheet by using the simplified method for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Balance at beginning of year	¥330	¥308	$2,978
Benefit costs	183	164	1,652
Benefits paid	(124)	(32)	(1,124)
Contribution to the plans	(78)	(72)	(709)
Others	3	(37)	32
Balance at end of year	¥313	¥330	$2,828

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Funded defined benefit obligations	¥21,684	¥22,091	$ 195,357
Plan assets	(20,778)	(21,711)	(187,192)
Total	906	380	8,164
Unfunded defined benefit obligations	634	591	5,720
Net liability arising from defined benefit obligations	¥ 1,541	¥ 972	$ 13,884

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Liability for retirement benefits	¥1,546	¥1,176	$13,930
Asset for retirement benefits	(5)	(203)	(46)
Net liability arising from defined benefit obligations	¥1,541	¥ 972	$13,884

(5) The components of net periodic benefit costs for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Service cost	¥1,092	¥1,066	$9,841
Interest cost	179	181	1,618
Expected return on plan assets	(378)	(337)	(3,407)
Recognized actuarial (gains) losses	(77)	233	(697)
Benefit costs in simplified method	183	164	1,652
Net periodic benefit costs	¥ 999	¥1,308	$9,007

(6) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Actuarial losses	¥495	¥607	$4,466
Total	¥495	¥607	$4,466

(7) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Unrecognized actuarial gains	¥(917)	¥(1,413)	$(8,268)
Total	¥(917)	¥(1,413)	$(8,268)

(8) Plan assets

a. *Components of plan assets*

Plan assets as of March 31, 2019 and 2018, consisted of the following:

	2019	2018
Debt investments	30%	27%
Equity investments	31	35
General accounts	25	24
Others	14	13
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, 2019 and 2018, were set forth as follows:

	2019	2018
Discount rate	Mainly 0.7%	Mainly 0.7%
Expected rate of return on plan assets	Mainly 1.8%	Mainly 1.6%

(10) Payables to defined contribution plans of the Company and consolidated subsidiaries for the years ended March 31, 2019 and 2018, were ¥408 million ($3,682 thousand) and ¥594 million, respectively.

9. EQUITY

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

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. 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 became organized as a company with an audit and supervisory committee effective June 23, 2016. However, the Company does not meet all the above criteria.

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

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

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

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

10. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 31% for each of the years ended March 31, 2019 and 2018.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Deferred tax assets:			
Tax loss carryforwards*3	¥45,519	¥15,867	$410,090
Adjustment of percentage of completion for foreign construction	8,762		78,937
Allowance for losses on construction contracts	8,499	600	76,575
Loss on valuation of investment securities	4,895	4,895	44,102
Cost of revenue	4,747	4,029	42,767
Accounts receivable from completed construction contracts	2,182	79	19,664
Long-term accounts receivable	1,824		16,433
Long-term loans receivable	1,643		14,803
Costs of construction contracts in process	1,051	958	9,476
Allowance for employees' bonuses	908	1,169	8,187
Liability for retirement benefits	584	242	5,268
Foreign tax credit carryforwards	551	242	4,967
Other	3,326	3,837	29,970
Subtotal of deferred tax assets	84,498	31,921	761,246
Valuation allowance for tax loss carryforwards*3	(45,463)		(409,577)
Valuation allowance for temporary differences	(37,943)		(341,836)
Subtotal valuation allowance*2	(83,406)	(18,973)	(751,413)
Total	1,091	12,948	9,832
Deferred tax liabilities:			
Profit/loss in joint venture	138	333	1,251
Adjustment of percentage of completion for foreign construction		816	
Other	458	338	4,134
Total	597	1,488	5,386
Net deferred tax assets*1	¥ 493	¥11,459	$ 4,446

*1 Net deferred tax assets as of March 31, 2019 and 2018, were recorded in the accompanying consolidated balance sheet as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Investments and other assets—Deferred tax assets	¥701	¥11,908	$6,315
Long-term liabilities—Other	(207)	(449)	(1,869)

*2 The valuation allowance increased by ¥64,433 million ($580,485 thousand). The main reason for the increase is reversal of the parent company's deferred tax assets as a result of reviewing the recoverability of deferred tax assets.

*3 Amounts of tax loss carryforwards and related deferred tax assets by tax loss carryforwards for the year ended March 31, 2019, were as follows:

	Millions of Yen						
March 31, 2019	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
Tax loss carryforwards*	¥656	¥115	¥236	¥47	¥3,995	¥40,468	¥45,519
Valuation allowance for tax loss carryforwards	(656)	(115)	(236)	(47)	(3,938)	(40,468)	(45,463)
Deferred tax assets					56		56

	Thousands of U.S. Dollars						
March 31, 2019	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
Tax loss carryforwards*	$5,911	$1,037	$2,133	$431	$35,997	$364,579	$410,090
Valuation allowance for tax loss carryforwards	(5,911)	(1,037)	(2,133)	(431)	(35,484)	(364,579)	(409,577)
Deferred tax assets					512		512

* Figures for tax loss carryforwards were the amounts multiplied by the effective statutory tax rate.

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of operations for the years ended March 31, 2019 and 2018, is as follows:

	2019	2018
Normal effective statutory tax rate	*	31 %
Expenses not deductible for income tax purposes		4
Nontaxable dividend income		(7)
Change in valuation allowance		(93)
Difference in tax base between corporate income tax and enterprise tax		5
Profit/loss in joint venture		22
Other—net		3
Actual effective tax rate		(36)%

* As loss before income taxes is provided, the amount is abbreviated.

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥1,917 million ($17,277 thousand) and ¥1,873 million for the years ended March 31, 2019 and 2018, respectively.

12. LEASES

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

Future minimum payments under non-cancelable operating leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Due within one year	¥ 540	¥ 511	$ 4,873
Due after one year	844	1,022	7,606
Total	¥1,385	¥1,534	$ 12,479

13. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) *Group Policy for Financial Instruments*

The Group uses financial instruments for cash surpluses, if any, invested in low-risk financial assets, such as 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 the default risks of the issuing companies.

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 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 14 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 fair values for derivatives.

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

March 31, 2019

	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	¥ 68,306	¥ 68,306	
Short-term investments	1,150	1,150	
Notes and accounts receivable—trade	44,449	44,449	
Allowance for doubtful accounts*	(1,230)	(1,230)	
Costs and estimated earnings on long-term construction contracts	24,162	24,162	
Accounts receivable—other	65,945	65,945	
Allowance for doubtful accounts*	(21)	(21)	
Jointly controlled assets of joint venture	110,967	110,967	
Investment securities	453	453	
Total	¥314,182	¥314,182	
Current portion of long-term debt	¥ 118	¥ 118	
Notes and accounts payable—trade	175,277	175,277	
Income taxes payable	708	708	
Long-term debt	15,870	14,857	¥(1,013)
Total	¥191,975	¥190,962	¥(1,013)

March 31, 2018

	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	¥101,767	¥101,767	
Short-term investments	2,240	2,240	
Notes and accounts receivable—trade	36,466	36,466	
Allowance for doubtful accounts*	(1,222)	(1,222)	
Costs and estimated earnings on long-term construction contracts	40,418	40,418	
Accounts receivable—other	41,967	41,967	
Allowance for doubtful accounts*	(20)	(20)	
Jointly controlled assets of joint venture	131,374	131,374	
Investment securities	511	511	
Total	¥353,504	¥353,504	
Notes and accounts payable—trade	¥147,654	¥147,654	
Income taxes payable	894	894	
Long-term debt	10,000	10,000	
Total	¥158,549	¥158,549	

March 31, 2019

	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	$ 615,375	$ 615,375	
Short-term investments	10,367	10,367	
Notes and accounts receivable—trade	400,445	400,445	
Allowance for doubtful accounts*	(11,087)	(11,087)	
Costs and estimated earnings on long-term construction contracts	217,676	217,676	
Accounts receivable—other	594,099	594,099	
Allowance for doubtful accounts*	(191)	(191)	
Jointly controlled assets of joint venture	999,704	999,704	
Investment securities	4,083	4,083	
Total	$2,830,472	$2,830,472	
Current portion of long-term debt	$ 1,068	$ 1,068	
Notes and accounts payable—trade	1,579,078	1,579,078	
Income taxes payable	6,383	6,383	
Long-term debt	142,977	133,850	$(9,127)
Total	$1,729,507	$1,720,380	$(9,127)

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

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

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 consists of 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 4.

The above schedules do not include investment securities with fair values that cannot be reliably determined.

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 14.

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Investment securities that do not have a quoted market price in an active market	¥1,147	¥1,554	$10,342
Investments in equity instruments that do not have a quoted market price in an active market	2	2	23
Investments in unconsolidated subsidiaries and associated companies that do not have a quoted market price in an active market	4,789	5,613	43,151

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

March 31, 2019

	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	¥ 68,232		
Short-term investments	1,150		
Notes and accounts receivable, and costs and estimated earnings on long-term construction contracts*	61,522	¥5,858	
Accounts receivable—other*	65,923		
Jointly controlled assets of joint venture	110,967		
Total	¥307,796	¥5,858	

March 31, 2018

	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	¥101,727		
Short-term investments	2,240		
Notes and accounts receivable, and costs and estimated earnings on long-term construction contracts*	75,079	¥583	
Accounts receivable—other*	41,947		
Jointly controlled assets of joint venture	131,374		
Total	¥352,369	¥583	

March 31, 2019

	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	$ 614,704		
Short-term investments	10,367		
Notes and accounts receivable, and costs and estimated earnings on long-term construction contracts*	554,255	$52,778	
Accounts receivable—other*	593,907		
Jointly controlled assets of joint venture	999,704		
Total	$2,772,939	$52,778	

* Allowance for doubtful accounts is deducted.

Please see Note 7 for annual maturities of long-term debt.

14. DERIVATIVES

Derivative Transactions to Which Hedge Accounting Is Not Applied

March 31, 2019

	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign currency forward contracts:				
Selling USD/buying JPY	¥12,949		¥12,393	¥(556)
Buying USD/selling JPY	503	¥503	499	(3)
Buying EUR/selling JPY	15		14	
Total	¥13,467	¥503	¥12,907	¥(560)

March 31, 2018

	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value (Loss)	Unrealized Gain (Loss)
Foreign currency forward contracts:				
Selling USD/buying JPY	¥46,409	¥12,923	¥354	¥354
Selling EUR/buying JPY	1,901			
Selling GBP/buying JPY	397			
Selling AUD/buying JPY	836			
Buying USD/selling JPY	126		(6)	(6)
Selling USD/buying KRW	198		(11)	(11)
Total	¥49,870	¥12,923	¥335	¥335

March 31, 2019

	Thousands of U.S. Dollars			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign currency forward contracts:				
Selling USD/buying JPY	$116,662		$111,651	$(5,011)
Buying USD/selling JPY	4,535	$4,535	4,503	(31)
Buying EUR/selling JPY	135		131	(4)
Total	$121,333	$4,535	$116,286	$(5,047)

Derivative Transactions to Which Hedge Accounting Is Applied

March 31, 2019

		Millions of Yen		
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value (Loss)*[1]
Foreign currency forward contracts—Accounted for under deferred hedge accounting method:				
Selling USD/buying JPY	Foreign currency forecasted transaction	¥3,859	¥1,444	¥(54)
Buying USD/selling JPY		3,680	1,634	32
Buying EUR/selling JPY		1,293		(36)
Buying SGD/selling JPY		18		
Total		¥8,852	¥3,078	¥(58)
Other*[2]:				
Buying EUR/selling JPY	Payables	¥1,636	¥ 84	
Buying SGD/selling JPY				
Total		¥1,637	¥ 84	

March 31, 2018

		Millions of Yen		
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value (Loss)*[1]
Foreign currency forward contracts—Accounted for under deferred hedge accounting method:				
Selling USD/buying JPY	Foreign currency forecasted transaction	¥1,600		¥ 67
Buying USD/selling JPY		5,163	¥3,956	(274)
Buying SGD/selling JPY		99	49	(2)
Total		¥6,862	¥4,005	¥(209)
Other*[2]:				
Selling USD/buying JPY	Receivables	¥ 566		
Buying USD/selling JPY	Payables	70	¥ 2	
Buying EUR/selling JPY		21		
Total		¥ 658	¥ 2	

March 31, 2019

	Hedged Item	Thousands of U.S. Dollars Contract Amount	Contract Amount Due after One Year	Fair Value (Loss)*1
Foreign currency forward contracts—				
Accounted for under deferred hedge accounting method:				
Selling USD/buying JPY	Foreign currency forecasted transaction	$34,770	$13,014	$(494)
Buying USD/selling JPY		33,159	14,722	293
Buying EUR/selling JPY		11,651		(327)
Buying SGD/selling JPY		168		2
Total		$79,750	$27,736	$(525)
Other*2:				
Buying USD/selling JPY	Payables	$14,741	$ 763	
Buying SGD/selling JPY		7		
Total		$14,749	$ 763	

*1 Fair value is based on prices obtained from financial institutions.

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

15. CONTINGENT LIABILITIES

At March 31, 2019, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees on employees' housing loans and others	¥19	$172

16. PROVISION FOR BUSINESS STRUCTURE IMPROVEMENT

The Company recognized "provision for business structure improvement" as an extraordinary loss in this fiscal year. As part of the Company's medium-term management plan, it has been striving to implement structural reform including restructuring of the group companies. The Company expects ¥1,825 million ($16,449 thousand) for the above restructuring in Southeast Asia region, and cost will be spent in the next coming fiscal years.

17. OTHER COMPREHENSIVE LOSS

The components of other comprehensive loss for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen 2019	Millions of Yen 2018	Thousands of U.S. Dollars 2019
Unrealized loss on available-for-sale securities:			
Losses arising during the year	¥ (67)	¥ (107)	$ (607)
Reclassification adjustments to profit or loss		(202)	1
Amount before income tax effect	(67)	(310)	(606)
Income tax effect	(2)	(5)	(22)
Total	¥ (69)	¥ (315)	$ (628)
Deferred gain (loss) on derivatives under hedge accounting:			
Gains (losses) arising during the year	¥ 2,554	¥(3,003)	$ 23,010
Reclassification adjustments to profit or loss	(34)	14	(307)
Adjustment to acquisition cost of assets	(21)	(293)	(195)
Amount before income tax effect	2,498	(3,282)	22,507
Income tax effect	(779)	1,006	(7,019)
Total	¥ 1,719	¥(2,276)	$ 15,487
Foreign currency translation adjustments:			
Adjustments arising during the year	¥(1,348)	¥ 50	$(12,144)
Reclassification adjustments to profit or loss		(1,051)	
Total	¥(1,348)	¥(1,001)	$(12,144)
Defined retirement benefit plans:			
Adjustments arising during the year	¥ (418)	¥ 374	$ (3,768)
Reclassification adjustments to profit or loss	(77)	233	(697)
Amount before income tax effect	(495)	607	(4,466)
Income tax effect	408	(186)	3,681
Total	¥ (87)	¥ 420	$ (784)
Share of other comprehensive (loss) income of associates:			
(Loss) income arising during the year	¥ (99)	¥ 27	$ (900)
Reclassification adjustments to profit or loss	(750)	423	(6,764)
Total	¥ (850)	¥ 450	$ (7,664)
Total other comprehensive loss	¥ (636)	¥(2,723)	$ (5,734)

18. NET (LOSS) INCOME PER SHARE

A reconciliation of the differences between basic and diluted net (loss) income per share ("EPS") for the years ended March 31, 2019 and 2018, was as follows:

Year Ended March 31, 2019

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Loss Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Basic EPS—Net loss available to common shareholders	¥(214,948)	258,967	¥(830.02)	$(7.48)

There is no dilutive effect for the year ended March 31, 2019.

Year Ended March 31, 2018

	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	¥6,445	258,968	¥24.89

There is no dilutive effect for the year ended March 31, 2018.

19. SUPPLEMENTAL CASH FLOW INFORMATION

Concerning the sale of shares of Xodus Group (Holdings) Limited and its eight subsidiaries, the book value of assets and liabilities of the Company at the time of sale, and the selling price of the stock of and revenue from this sale (net) are presented below:

	Millions of Yen
	2018
Current assets	¥2,919
Noncurrent assets	1,945
Current liabilities	(2,353)
Noncurrent liabilities	(25)
Foreign currency translation adjustments	(1,051)
Investment accounts after the sales of shares	(994)
Gain on sales of shares	1,732
Selling price of the stock	2,173
Accounts receivable—other	(377)
Others	192
Cash and cash equivalents	(303)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	¥1,684

20. SUBSEQUENT EVENTS

(Fundraising by Issuance of Class A Preferred Shares by Third-Party Allotment and Borrowings)

The Board of Directors met on May 9, 2019, and resolved to issue Class A Preferred Shares (the "Preferred Shares") by third-party allotment, and to borrow funds to raise capital (the "Borrowing"; "Preferred Shares" and "Borrowing" together are to be called the "Fundraising").

Furthermore, the issuance of the Preferred Shares and the amendments required to the articles of association in relation to this issuance was proposed at the ordinary general meeting of shareholders of the Company that was held on June 25, 2019.

a. Outline of Planned Preferred Shares

(1) Payment date

July 1, 2019

(2) Number of newly issued shares

Class A Preferred Shares 175,000,000

(3) Issue price

¥400 per share

(4) Total issue price of stocks

¥70,000,000,000

(5) Method of subscription or allotment (planned allottee)

Allotment to Mitsubishi Corporation by third-party allotment

(6) Amount of increase in capital

¥35,000,000,000

(7) Amount of increase in capital surplus

¥35,000,000,000

(8) Other notable matters

The shareholders who own the "Preferred Shares" do not hold voting rights, but have the right to request compensation for converting shares to common stock.

Hence, there is a possibility that the existing common shares will be diluted.

Regarding this expected situation, the Company will carry out the following plan.

First, the Company will establish the right to request voting rights for compensation by cash payment. Second, the Company will enable dual usage of these two rights for the shareholder.

These steps aim to limit possible requests for voting rights for compensation by converting shares to common stock, and to enable the Company to acquire the Preferred Shares while limiting the impact of potential common stock dilution as much as possible.

b. Outline of the Borrowing

Borrowing (1)

(1) Borrowing institution

Mitsubishi Financial Service Corp.

(2) Borrowing amount

¥30,000,000,000

(3) Borrowing rate

The Company agreed to pay the loan until July 2019. Further conditions are still under consideration.

(4) Date of borrowing

May 16, 2019

(5) Borrowing period

Up to five years maximum

(6) Collateral assets or content of guarantee

Existent

Borrowing (2)

(1) Borrowing institution

Mitsubishi Financial Service Corp.

(2) Borrowing amount

¥60,000,000,000

(3) Borrowing rate

1.50% (including the guarantee fee)

(4) Date of borrowing

Planning to exercise the borrowing by March 2021

(5) Borrowing period

Up to five years maximum

(6) Collateral assets or content of guarantee

None existent

Borrowing (3)

(1) Borrowing institution

MUFG Bank, Ltd.

(2) Borrowing amount

¥20,000,000,000

(3) Borrowing rate

2.50%

(4) Date of borrowing

July 1, 2019

(5) Borrowing period

Five years

(6) Collateral assets or content of guarantee

None existent

(7) Notable special contracts and others

Subordinated special contracts existent

Usage of This Procured Fund

The Company plans to use the capital funds raised as follows:

(a) Working capital for existing and future planned projects

(b) Carrying out of fundamental organizational restructuring to reduce costs

(c) Reinforcement of the construction abilities and investment in IT management

(Commencement of Lawsuit against Overseas Subsidiary)

The Company's wholly owned subsidiary, Chiyoda International Corporation ("CIC"), a company organized in the state of Washington, United States of America, has been sued in the District Court of Harris County, Texas, United States of America.

1. Filing date of the suit

   June 11, 2019, Texas local time

2. Outline of the plaintiff

   (1) Number: One individual, former employee of CIC
   (2) Location: Texas, U.S.A.

3. Content of the suit

   The plaintiff seeks to compel CIC to make payment for alleged unpaid bonus(es), interest and related costs of approximately $10,050 thousand (equivalent to ¥1,115 million).

4. Our position

   The Company is to examine the content of the suit and properly respond to it in due course. There is a possibility of impact on our balance sheet, as well as on our financial results forecast, depending on the progress of the lawsuit. However at the moment, the impact cannot be estimated in a reasonable manner.

21. 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 for which 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 performed in order to decide how resources are allocated within the Group. The Group provides "Engineering" services globally, 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, 2019

	Millions of Yen				
	Reportable Segment Engineering	Other*1	Total	Reconciliations*2	Consolidated*3
Sales:					
Sales to external customers	¥ 338,592	¥3,360	¥ 341,952		¥ 341,952
Intersegment sales or transfers	18	6,208	6,226	¥(6,226)	
Total	¥ 338,611	¥9,568	¥ 348,179	¥(6,226)	¥ 341,952
Segment profit (loss)	¥(200,090)	¥ 278	¥(199,812)	¥ 16	¥(199,795)
Segment assets	347,715	4,900	352,615	(274)	352,341
Segment liabilities	396,836	1,418	398,254	13,240	411,495
Other:					
Depreciation	2,781	34	2,816		2,816
Amortization of goodwill	11	29	41		41
Investment in associated companies	2,837		2,837		2,837
Increase in property, plant and equipment and intangible assets	2,463	17	2,480		2,480

Year Ended March 31, 2018

	Millions of Yen				
	Reportable Segment Engineering	Other*1	Total	Reconciliations*2	Consolidated*3
Sales:					
Sales to external customers	¥507,573	¥3,300	¥510,873		¥510,873
Intersegment sales or transfers	27	4,433	4,460	¥(4,460)	
Total	¥507,600	¥7,733	¥515,334	¥(4,460)	¥510,873
Segment profit (loss)	¥ (12,478)	¥ 143	¥ (12,334)	¥ 3	¥ (12,330)
Segment assets	415,322	4,685	420,008	696	420,704
Segment liabilities	251,867	1,326	253,194	8,091	261,286
Other:					
Depreciation	3,522	23	3,545		3,545
Amortization of goodwill	297	29	327		327
Investment in associated companies	3,561		3,561		3,561
Increase in property, plant and equipment and intangible assets	2,338	62	2,400		2,400

Year Ended March 31, 2019

	Thousands of U.S. Dollars				
	Reportable Segment Engineering	Other*1	Total	Reconcili-ations*2	Consoli-dated*3
Sales:					
Sales to external customers	$ 3,050,386	$ 30,270	$ 3,080,657		$ 3,080,657
Intersegment sales or transfers	166	55,929	56,096	$ (56,096)	
Total	$ 3,050,553	$ 86,199	$ 3,136,753	$ (56,096)	$ 3,080,657
Segment profit (loss)	$ (1,802,621)	$ 2,510	$ (1,800,110)	$ 149	$ (1,799,960)
Segment assets	3,132,570	44,148	3,176,719	(2,473)	3,174,246
Segment liabilities	3,575,100	12,782	3,587,882	119,282	3,707,165
Other:					
Depreciation	25,059	309	25,369		25,369
Amortization of goodwill	102	270	372		372
Investment in associated companies	25,560		25,560		25,560
Increase in property, plant and equipment and intangible assets	22,191	159	22,350		22,350

Notes for the year ended March 31, 2019:

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

*2 Details of the reconciliations are as follows:

(1) The reconciliation in segment profit of ¥16 million ($149 thousand) is the elimination of intersegment trades.

(2) The reconciliation in segment assets of ¥(274) million ($(2,473) thousand) is the result of the elimination of intersegment trades of ¥(2,748) million ($(24,763) thousand) and the Group's assets of ¥(2,474) million ($(22,290) thousand), which are not included in the reportable segment.

(3) The reconciliation in segment liabilities of ¥13,240 million ($119,282 thousand) is the result of the elimination of intersegment trades of ¥(2,748) million ($(24,763) thousand) and the Group's liabilities of ¥15,989 million ($144,046 thousand), which are not included in the reportable segment.

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

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 GAAP.

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

(*a*) *Revenue*

Year Ended March 31, 2019

	Millions of Yen	Thousands of U.S. Dollars
Japan	¥ 120,400	$ 1,084,692
Russia	116,961	1,053,703
U.S.A.	35,465	319,506
Others	69,125	622,754
Total	¥ 341,952	$ 3,080,657

Year Ended March 31, 2018

	Millions of Yen
Japan	¥ 109,795
Russia	100,943
U.S.A.	112,105
Australia	114,854
Others	73,175
Total	¥ 510,873

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

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

Year Ended March 31, 2019

	Millions of Yen	Thousands of U.S. Dollars
Japan	¥ 10,311	$ 92,900
Asia	1,290	11,623
Others	112	1,010
Total	¥ 11,714	$ 105,534

Year Ended March 31, 2018

	Millions of Yen
Japan	¥ 10,499
Asia	1,433
Others	138
Total	¥ 12,071

(3) *Information about Major Customers*

Year Ended March 31, 2019

Name	Related Segment	Millions of Yen Revenue	Thousands of U.S. Dollars Revenue
OJSC Yamal LNG	Engineering	¥116,918	$1,053,315

Year Ended March 31, 2018

Name	Related Segment	Millions of Yen Revenue
Ichthys Lng Pty Ltd.	Engineering	¥106,371
OJSC Yamal LNG	Engineering	100,946
Cameron LNG LLC	Engineering	87,059

(4) *Information about Goodwill by Reportable Segment*

The ending balance of goodwill as of March 31, 2019 and 2018, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Engineering	¥112	¥123	$1,014
Other*	314	344	2,837
Total	¥427	¥468	$3,852

* "Other" includes temporary staffing services.

22. RELATED PARTY DISCLOSURES

There are no material transactions of the Group with unconsolidated subsidiaries and associated companies for the year ended March 31, 2019.

There are no material balances with unconsolidated subsidiaries and associated companies as of March 31, 2019.

The material transactions of the Group with unconsolidated subsidiaries and associated companies for the year ended March 31, 2018, were as follows:

	Millions of Yen
Loan of funds*1,*2	¥3,990

*1 In accordance with Chapter 11 of the U.S. Bankruptcy Code, ECS submitted its restructuring plans, and the U.S. Bankruptcy Court in the Southern District of Texas approved it on June 28, 2017. Thus, the value of transactions during the term when ECS was a related party is presented, since ECS is no longer a related party.

*2 Regarding the loan of funds, applicable interest rates are rationally determined upon taking into account the market rate of interest.

There are no material balances with unconsolidated subsidiaries and associated companies as of March 31, 2018.

* * * * * *

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, 2019, and the related consolidated statements of operations, comprehensive income, changes in equity (capital deficiency), 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, 2019, 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.

Emphasis of Matter

As discussed in Note 20 to the consolidated financial statements, the Board of Directors of Chiyoda Corporation met on May 9, 2019, and resolved to issue Class A Preferred Shares and borrow funds to raise capital. Our opinion is not modified in respect of this matter.

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 28, 2019

Member of
Deloitte Touche Tohmatsu Limited

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