

# Financial Results for the 2<sup>nd</sup> Quarter of Fiscal Year Ending March 31, 2017

November 10, 2016

**Chiyoda Corporation**

# 1. Financial Summary

					(Billions of Yen)	
	2Q of FY ended March 2016	2Q of FY ending March 2017	Difference	Difference (%)	Full Year Forecast	Progress (%)
New Orders	202.4	133.2	(69.2)	(34.2%)	470	28.4%
Revenues	282.2	276.9	(5.3)	(1.9%)	550	50.4%
Operating Income	10.0	4.6	(5.4)	(54.4%)	18	25.3%
Ordinary Income	10.7	10.3	(0.4)	(3.7%)	14	73.4%
Profit*	5.6	5.6	0.0	0.8%	5	112.2%
Comprehensive Income	3.2	(3.8)	(6.9)	-		
Exchange Rate	JPY 120/\$	JPY 101/\$			Initial Assumption	2Q Assumption
					110 円/\$	105 円/\$

Revenues : In line with forecast. LNG projects such as Russia (Yamal), Australia (Ichthys) , USA (Cameron, Freeport) have progressed well.

Profits : Decline due to an appreciation of JPY 10 (against the US dollar) while recovery in Ordinary Income and Profit by foreign currency hedging.

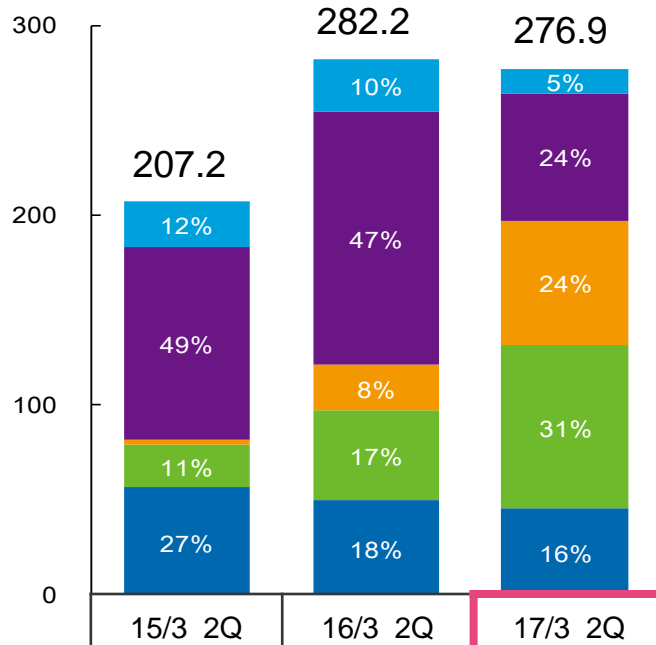
The full year forecast remains unchanged due to expected losses by some foreign affiliates in the second half of the FY.

Note: \*Profit attributable to owner of parent

# 2. Revenues

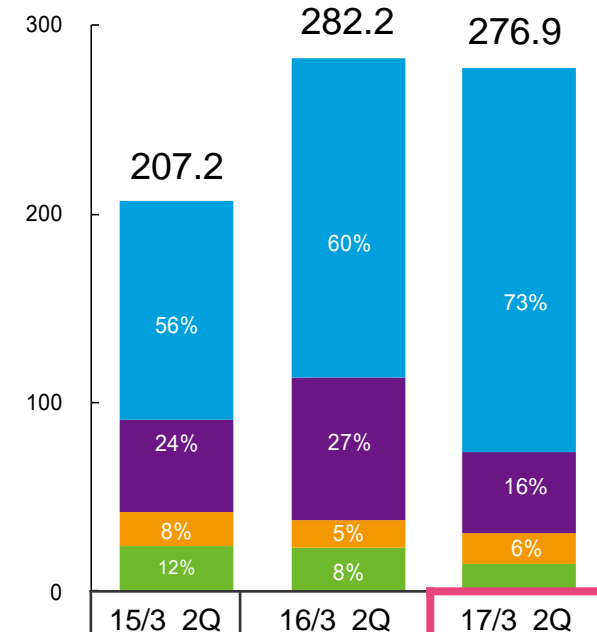
(Billions of Yen)

## By Region



	15/3 2Q	16/3 2Q	17/3 2Q
ME & Africa	24.1	27.7	12.7
SEA & Oceania	101.0	133.6	66.6
Americas region	2.7	23.5	66.0
Others	22.8	47.7	86.2
Overseas Total	150.6	232.5	231.6
Domestic Total	56.6	49.8	45.3

## By Field



	15/3 2Q	16/3 2Q	17/3 2Q
LNG Plant, Gas Related Work	116.5	169.0	203.2
Refinery, Petrochemical, Metal	49.1	75.3	43.3
Pharmaceutical, Biochemistry, Chemical	17.3	15.1	16.2
Environment, New Energy, Infrastructure	24.3	22.9	14.3

YoY level remains same due to the good progress at LNG projects in Russia (Yamal), Australia (Ichthys), USA (Cameron, Freeport) even though there was an appreciation of the JPY.

### 3. Income-related Items

(Billions of Yen)

	2Q of FY ending March 31, 2016	2Q of FY ending March 31, 2017	Difference
Gross Profit	<b>21.8</b> 7.7%	<b>15.1</b> 5.4%	<b>Δ6.7</b> Δ2.3pt
SG&A expenses	(11.8)	(10.5)	1.3
Operating Income	<b>10.0</b> 3.5%	<b>4.6</b> 1.6%	<b>Δ5.4</b> Δ1.9pt
Non-operating income and expenses	0.7	5.7	5.0
Ordinary Income	<b>10.7</b> 3.8%	<b>10.3</b> 3.7%	<b>Δ0.4</b> Δ0.1pt
Net income attributable to non-controlling interest (loss)	(5.1)	(4.7)	0.4
Net income attributable to owners of the parent	<b>5.6</b> 2.0%	<b>5.6</b> 2.0%	0.0 0.0pt

Ordinary Income and Net income remain the same as the last fiscal year due to foreign exchange gains while Gross Profit Margin and Operating Income declined due to an appreciation of the JPY.

# 4. Balance Sheet

(Billions of Yen)

	March 31, 2016	Sept. 30, 2016	Difference
<b>Current assets</b>	<b>455.0</b>	<b>421.4</b>	<b>(33.6)</b>
Cash and deposits*1	144.7	127.6	(17.1)
Operating assets *2	104.3	94.2	(10.1)
Jointly controlled assets of joint venture *3	179.4	167.3	(12.1)
Other	26.6	32.3	5.7
<b>Non-current assets</b>	<b>73.2</b>	<b>53.0</b>	<b>(20.2)</b>
Property, plant and equipment	13.9	13.2	(0.7)
Intangible assets	11.1	9.6	(1.5)
Investment and other assets	48.2	30.2	(18.0)
<b>Total assets</b>	<b>528.2</b>	<b>474.4</b>	<b>(53.8)</b>

	March 31, 2016	Sept. 30, 2016	Difference
<b>Current liabilities</b>	<b>311.1</b>	<b>264.4</b>	<b>(46.7)</b>
Short-term loans payable	0.3	0.2	(0.1)
Operating liabilities *4	285.7	245.3	(40.5)
Provision for loss on construction contracts	3.2	4.2	1.0
Others	21.9	14.7	(7.1)
<b>Non-current liabilities</b>	<b>15.0</b>	<b>14.3</b>	<b>(0.7)</b>
Long-term loans payable	10.0	10.0	(0.0)
Other	5.0	4.3	(0.7)
<b>Net assets</b>	<b>202.1</b>	<b>195.8</b>	<b>(6.4)</b>
<b>Liabilities and net assets</b>	<b>528.2</b>	<b>474.4</b>	<b>(53.8)</b>

Notes:

\*1. Cash and deposits = Cash and deposits + Short-term investment securities, incl. negotiable deposit

\*2. Operating assets = Notes receivable, accounts receivable from completed construction contracts + Costs on uncompleted construction contracts

\*3. Jointly controlled assets of joint venture = Cash and deposits of joint venture proportional to Chiyoda's interest

\*4. Operating liabilities = Notes payable, accounts payable for construction contracts + Advances received on uncompleted construction contracts

<b>Shareholders' equity</b>	<b>200.2</b>	<b>193.9</b>	<b>(6.2)</b>
<b>Shareholders' equity ratio</b>	<b>37.9%</b>	<b>40.9%</b>	<b>3.0pt</b>

Jointly controlled assets of JV: Decrease due to a decline in Operating assets/ liabilities by the smooth execution of projects.

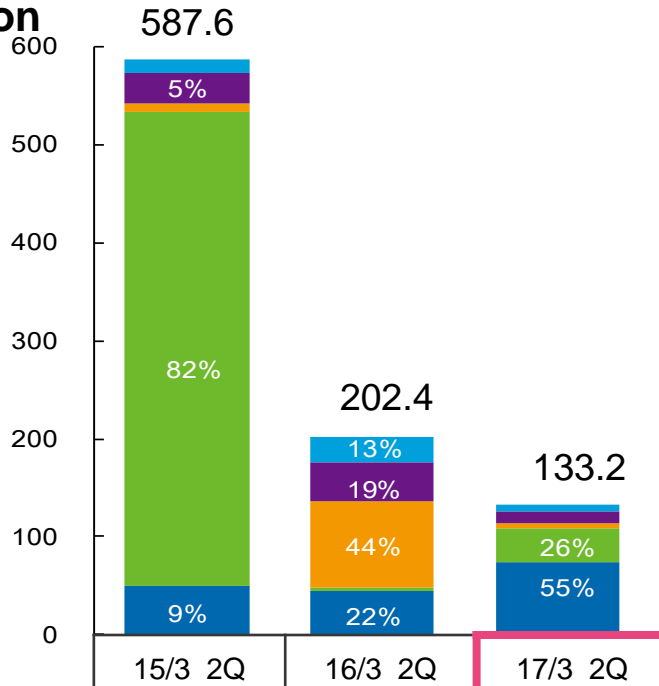
Investment and other assets: Decrease due to the sale of investment securities of EMAS CHIYODA Subsea.

Shareholders' equity ratio: 40.9% while Net assets declined.

# 5. New Orders

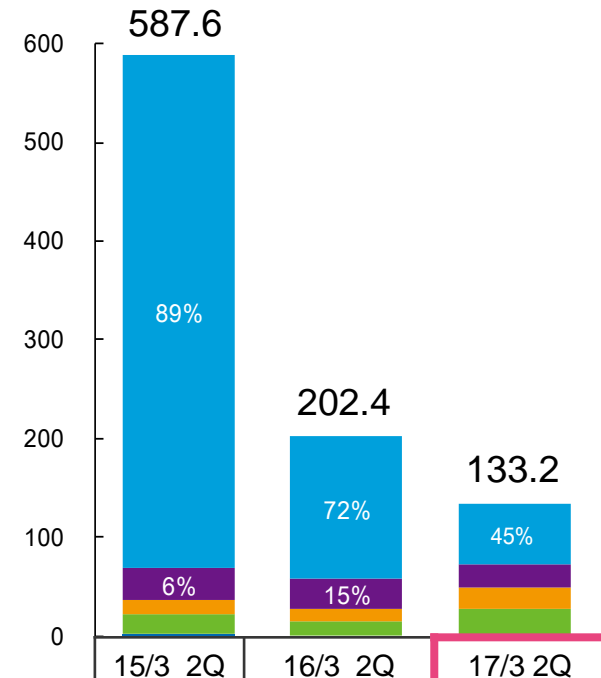
(Billions of Yen)

### By Region



	15/3 2Q	16/3 2Q	17/3 2Q
ME & Africa	14.0	26.6	7.0
SEA & Oceania	31.6	39.4	12.6
Americas region	7.7	88.1	5.0
Others	484.2	4.5	35.2
Overseas Total	537.5	158.6	59.7
Domestic Total	50.1	43.9	73.5

### By Field



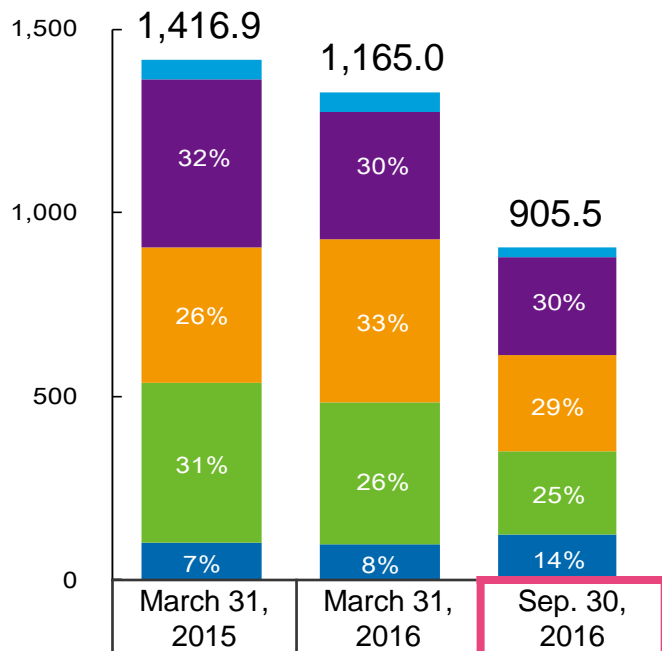
	15/3 2Q	16/3 2Q	17/3 2Q
LNG Plant, Gas Related Work	520.2	144.6	60.5
Refinery, Petrochemical, Metal	32.4	31.0	24.1
Pharmaceutical, Biochemistry, Chemical	14.6	13.1	21.5
Environment, New Energy, Infrastructure	20.4	13.7	27.1

Domestic new orders on track. Change in work for Russia Yamal LNG and others.  
New order for Tangguh Tr.3 EPC work in Indonesia will be booked in 3Q.

# 6. Backlog of Contracts

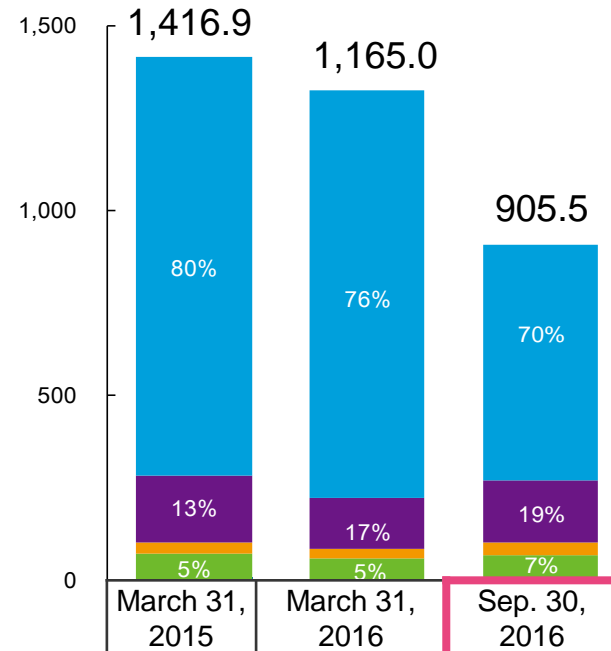
(Billions of Yen)

## By Region



ME & Africa	54.9	35.5	26.1
SEA & Oceania	456.5	353.2	268.5
Americas region	370.9	383.5	262.5
Others	434.3	296.7	225.7
Overseas Total	1,316.7	1,068.9	782.8
Domestic Total	100.2	96.1	122.7

## By Field



LNG Plant, Gas Related Work	1,136.1	880.0	635.0
Refinery, Petrochemical, Metal	180.2	198.6	171.1
Pharmaceutical, Biochemistry, Chemical	31.7	32.4	34.7
Environment, New Energy, Infrastructure	68.9	53.9	64.7

Same level to maintained after 3Q through booking new orders for LNG projects.

# Reference Materials



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# Breakdown of Forecasts for FY ending March 2017

(Billions of Yen)

	Results for FY ended March 2016	Forecasts for FY ending March 2017	Difference
<b>New Orders</b>	403.6	<b>470.0</b>	<b>66.4</b>
Overseas	295.7	360.0	64.3
Domestic	107.9	110.0	2.1
<b>Revenues</b>	611.5	<b>550.0</b>	<b>△61.5</b>
Overseas	500.1	430.0	△70.0
Domestic	111.5	120.0	8.5
<b>Gross Profit</b>	<b>41.5</b>	<b>42.0</b>	<b>0.5</b>
SG&A Expenses	(25.5)	(24.0)	1.5
<b>Operating Income</b>	<b>16.0</b>	<b>18.0</b>	<b>2.0</b>
Non-operating Income and Expenses	0.2	(4.0)	(4.2)
<b>Ordinary Income</b>	<b>16.2</b>	<b>14.0</b>	<b>(2.2)</b>
Profit (loss) attributable to non-controlling interests	(12.8)	(9.0)	3.8
<b>Profit attributable to owners of parent</b>	<b>3.4</b>	<b>5.0</b>	<b>1.6</b>

# Performance Indicators

	FY ended March 2013	FY ended March 2014	FY ended March 2015	FY ended March 2016	Forecast FY ending March 2017
Gross profit margin (%)	10.7	9.3	9.5	6.8	7.6
SG&A expenses to revenues (%)	4.4	4.6	5.0	4.2	4.4
Operating income to revenues (%)	6.3	4.7	4.5	2.6	3.3
Ordinary income to revenues (%)	6.4	5.1	4.6	2.6	2.5
Profit* to revenues (%)	4.0	3.0	2.3	0.6	0.9
Return on assets (ROA) (%)	6.4	5.0	4.5	3.1	
Return on equity (ROE) (%)*	9.0	7.0	5.5	1.7	
Profit* per share (EPS) (JPY)	62.06	51.91	42.58	13.03	
Book value per share (BPS) (JPY)	727.24	758.31	796.89	772.89	
Shareholders' equity ratio (%)	43.3	41.3	40.0	37.9	
Current ratio (%)	166.3	156.3	151.0	146.3	
Fixed ratio (%)	27.7	33.7	34.5	36.6	
Debt-to-equity ratio <DER> (Times)	0.05	0.06	0.05	0.05	

Note: \*Profit attributable to owners of parent

# Business Overview

# Major Projects included in 2Q FY2016 Revenues

## ◆ LNG / Gas

- Australia, U.S.A. and Russia / LNG Plant
- LNG Study and Basic Design
- Qatar / Chiyoda Almana / EPCm\*1 under Long Term Service Contracts
- Indonesia / Floating Production Unit/ EPCI\*2

## ◆ Petroleum / Petrochemical / Metal

- Qatar/ Refinery / EPC
- Vietnam / Refinery and Petrochemical Complex
- Saudi Arabia / Titanium Sponge Plant / EPC
- Japan / Refinery & Chemical Plant / Renewal / EPC

## ◆ Offshore and Upstream

- Offshore & Upstream / Study, Consulting Business

## ◆ New Energy / Environment / Infrastructure / Others

- Mongolia / The Philippines / Airport / EPC
- Japan / Life Science, Regenerative Medicine Facilities / EPC
- Japan / Mega Solar Projects / EPC
- Diagnosis and Consulting / Countermeasures against Disaster, O&M\*3

\*1 EPCm; Engineering, Procurement and Construction management

\*2 EPCI; Engineering, Procurement, Construction and Installation

\*3 O&M; Operation & Maintenance

# Major Projects included in 2Q FY2016 New Orders

## ◆ LNG / Gas

- Indonesia LNG Plant EPC/ Tangghu LNG Project Tr.3 \*1
- Additional Work for ongoing LNG Projects

## ◆ Offshore and Upstream

- Saudi Arabia / Development of the second phase of the Hasbah Offshore Gas Field Project / EPCI\* \*2

## ◆ Petroleum / Petrochemical / Metal

- Additional Work for ongoing Projects
- Japan / Metal Projects / EPC
- Japan / Refinery & Chemical Plants / Expansion and Renewal

## ◆ New Energy / Environment / Infrastructure / Others

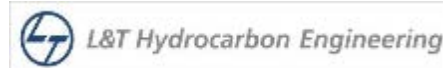
- Japan / Life Science, Regenerative Medicine Facilities / EPC
- Japan / Flue Gas Desulfurization Systems for a Coal-Fired Power Plant/ EPC
- Japan / Mega Solar Projects / EPC
- Diagnosis and Consulting / Countermeasures against Disaster, O&M

\*1 New Order for Tangguh Tr.3 EPC (Indonesia) and contractor is consolidated overseas group company to be booked in 3Q.

\*2 As an equity method company, new EPCI contracts to EMAS CHIYODA Subsea not to be consolidated.

# Offshore and Upstream

- **Awarded EPCI contract by Saudi Aramco for development of the second phase of the Hasbah Offshore Gas Field Project\***



- **Nippon Yusen Kabushiki Kaisha (NYK) participated in EMAS CHIYODA Subsea as new partner in September**

## New Shareholding Percentage

**Ezra Holdings (40%)**

**Chiyoda Corporation (35%)**

**Nippon Yusen Kabushiki Kaisha (25%)**



\* As an equity method company, new EPCI contracts to EMAS CHIYODA Subsea not to be consolidated.

# Big Data Analytics & Artificial Intelligence (AI)

**October 1<sup>st</sup>, 2016**  
**New Business Unit AI Solution Unit**  
has been launched

## <Background>

- Ongoing industrial structure change by technology utilization of Big Data/AI in all business fields.
- Enhance the profitability with a passion and speed in this market.

## <Target>

- Achieve our goal, 'Creation of New Generation in Plant Business by melting our core technology in EPC/Analytics technology with new Big Data/AI.



# Business Environment and Project Management Policy

- ◆ Prudent industry practice due to prolonged low oil and gas price delay FID for LNG and Upstream projects. In the Offshore & Upstream field, we will accelerate our business with Nippon Yusen Kabushiki Kaisha (NYK) leveraging competences and experience.
- ◆ New LNG projects: expected profitable expansion projects and large-scale gas fields (African East coast); high possibility of FID among experienced clients (Shell, ExxonMobil).
- ◆ Non-LNG projects: Emphasis on securing profitable projects.



# Projects expected in FY2016 and thereafter(1/2)

## ◆ LNG/Gas

- New LNG Projects in USA /Canada/Russia/ Mozambique/EPC
- Regional Operations for Brown Field Projects (Qatar, Southeast Asia)/ EPCm, EPC

## ◆ Offshore and Upstream

- Study and Consulting Business
- FEED and EPCI

## ◆ Petroleum/Petrochemical/Metal

- Petroleum/ Petrochemical projects (U.S.A./ Iran)
- Metal projects (Southeast Asia/ Central / South America)
- Regional Operations for Brown Field Projects (Southeast Asia) / EPCm, EPC
- Domestic opportunities for Revamping & Renewal / FEED and EPC

# Projects expected in FY2016 and thereafter(2/2)

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## ◆ **New Energy / Environment / Infrastructure / Others**

- Solar Power Generation
- Conservation of Environment
- Industrial Facilities

## ◆ **Pharmaceutical / Life Science**

- Manufacturing Facilities related to Regenerative Medicine, Active Pharmaceutical Ingredient, Bio-medicine and Generic Medicine

# Future Growth and Earnings Recovery

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- ◆ Realize healthy profit through steady execution of existing projects.
- ◆ Ongoing Projects: continuous efforts on profit improvement by additional works.
- ◆ Future growth: Business Development of new projects in new business fields. (Metals, Life Science, Hydrogen, Renewable Energy, AI)
- ◆ Group Companies: Continuous management support to reinforce performance.

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### **Forward-looking Statements**

The forecasts and plans in this presentation are based on information available to management on November 10, 2016, the date this material was prepared. Actual results may differ significantly from these forecasts for a number of factors, including but not limited to changes in economic conditions and operation environment in Japan and overseas.



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