

## Consolidated Financial Results for the Six Months Ended September 30, 2016

Company name: **CHIYODA CORPORATION**  
 Listing: First Section of the Tokyo Stock Exchange  
 Stock code: 6366  
 URL: <http://www.chiyoda-corp.com/>  
 Representative: Shogo Shibuya, President & CEO  
 Inquiries: Nobuo Sekita, SL, Accounting Section  
 TEL: +81-45-225-7745 (from overseas)

Scheduled date to file Quarterly Report: November 14, 2016  
 Preparation of Quarterly Supplementary Explanation Material: Yes  
 Quarterly Financial Results Presentation Held: Yes (for Analysts and Institutional Investors)

(Millions of yen with fractional amounts discarded,  
unless otherwise noted)

### 1. Consolidated performance for the Six months ended September 30, 2016

#### (1) Consolidated operating results (Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the Six months ended September 30, 2016	276,928	(1.9)	4,558	(54.4)	10,273	(3.7)	5,610	0.8
For the Six months ended September 30, 2015	282,217	36.2	9,993	1.8	10,663	4.8	5,568	(5.6)

Note: Comprehensive Income: the six months ended September 30, 2016: (3,772)million yen  
the six months ended September 30, 2015: 3,153million yen / (57.9 %)

	Net income per share	Fully diluted net income per share
	Yen	Yen
For the Six months ended September 30, 2016	21.66	-
For the Six months ended September 30, 2015	21.50	-

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2016	474,430	195,750	40.9
As of March 31, 2016	528,219	202,128	37.9

Reference: Equity As of September 30, 2016: 193,935million yen As of March 31, 2016: 200,166million yen

## 2. Cash dividends

Record date	Cash dividends per share				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2016	-	-	-	10.00	10.00
Fiscal year ending March 31, 2017	-	-			
Fiscal year ending March 31, 2017 (Forecast)			-	6.00	6.00

Note: Revision to the latest forecast announcement : None

## 3. Consolidated earnings forecasts for the fiscal year ending March 31, 2017 (from April 1, 2016 to March 31, 2017)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the Parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	
Fiscal year ending March 31, 2017	550,000	(10.1)	18,000	12.4	14,000	(13.6)	5,000	48.1	Yen 19.31

Note: Revision to the latest forecast announcement : None

## 4. Others

- (1) Changes in Significant Subsidiaries during the Period (changes in specified subsidiaries accompanying changes in the scope of consolidation): None
- (2) Adoption of Specified Accounting Methods for the Preparation of Quarterly Consolidated Financial Statements: None
- (3) Changes in Accounting Policies and Accounting Estimates / Restatements
  - a. Changes in accounting policies due to revisions of accounting standards, etc.: Yes
  - b. Changes in accounting policies other than a. above: None
  - c. Changes in accounting estimates: None
  - d. Restatements: None
- (4) Number of issued shares (common stock)
  - a. Total number of issued shares at the end of the period (including treasury stock)
 

As of September 30, 2016	260,324,529 shares
As of March 31, 2016	260,324,529 shares
  - b. Number of treasury stock at the end of the period
 

As of September 30, 2016	1,343,556 shares
As of March 31, 2016	1,340,062 shares
  - c. Average number of shares during the period
 

For the Six months ended September 30, 2016	258,982,071 shares
For the Six months ended September 30, 2015	258,995,554 shares

### \*Presentation of Implementation Status of Quarterly Review Procedure

The review procedure of quarterly financial statements based on the Financial Instruments and Exchange Law has not been completed at the time of the disclosure of these Consolidated Financial Statements.

### \*Proper use of earnings forecasts, and other special directions

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Actual business and other results may differ substantially due to a number of factors.

## **5. Qualitative Information related to Consolidated Performance**

### **(1) Qualitative Information on Business Performance**

During the first six-month period of the current fiscal year, the business environment surrounding the Chiyoda Group remained severe. Although the price of natural resources showed signs of bottoming out, uncertainties persisted because of recurrent terrorist attacks in various parts of the world and lingering concerns about Brexit's impact on the European economy. Some overseas investment projects including those related to natural gas facilities were under consideration, while project owners remain prudent to make a Final Investment Decision (FID) in the face of low crude oil prices and the stagnation of the world economy. Meanwhile, in Japan, although expectations were high for the government's economic stimulus measures, the domestic market as well is cautious about the timing of their investment.

Under such circumstances, the Group entered the final year of the medium-term management plan and strived to improve business performance for the current fiscal year by accelerating the implementation of our strategies for growth and enhancing operational capabilities, with the aim of further increasing the value of the group. In the core business area of LNG, the Group maintained its competitive advantage by proceeding with large-scale projects in various parts of the world. Further, the Group is pursuing new projects in particularly feasible expansion projects of existing facilities, such as newly awarded contract in Indonesia. In the field of Offshore and Upstream, EMAS CHIYODA Subsea Limited, a newly established company specialized in undertaking EPCI for subsea projects, began to make its presence felt, for instance, by winning a large contract in Saudi Arabia.

For the first six-month period, consolidated new contracts amounted to 133,249 million yen, (down by 34.2% YoY), revenue to 276,928 million yen, (down by 1.9% YoY), and backlog to 905,509 million yen (down by 22.3 % from the end of the previous fiscal year). Operating income amounted to 4,558 million yen (down by 54.4% YoY), ordinary income and net income attributable to the shareholders of the parent company amounted to 10,273 million yen (down by 3.7% YoY) and 5,610 million yen (increased by 0.8% YoY) respectively which is due to a decrease in revenue, foreign currency exchange gains and sale of investment securities.

Outline of operations of the engineering business for each segment are mentioned below:

#### **LNG /Gas**

The Group won a contract for the engineering, procurement, and construction (EPC) of LNG in Indonesia, and proceeded with its ongoing EPC work for LNG plants in Australia, the United States, and Russia, as well as a front-end engineering and design (FEED) contract for an LNG plant in the United States. Furthermore, in Mozambique, where we were selected as an EPC contractor for an LNG plant last year, we carried out some of the pre-EPC work. Meanwhile, in Qatar, the local group company continued with the execution of long-term contracts, i.e., EPC work for helium recovery facilities and the engineering, procurement, and construction management (EPCM) work for the modification and revamping of LNG and gas processing plants previously built by Chiyoda Corporation.

#### **Refinery/ Petrochemical/ Metal**

The Group continued with the execution of engineering, procurement, construction, and commissioning (EPCC) work for a residue fluid catalytic cracking (RFCC) project in Malaysia and EPC work for an oil refinery and petrochemical complex in Vietnam. In addition EPC work for an oil refinery in Qatar is planned to be completed this October. Meanwhile, the Group Company in Singapore continued to provide project management services under an Enterprise Framework Agreement for downstream projects in Asia, such as the construction of refinery and chemical facilities.

In the area of metal-related business, the Group is executing EPC work for a titanium sponge plant in Saudi Arabia.

In Japan, the Group is continuing to perform EPC work for our clients in the petroleum industry to facilitate inter-refinery cooperation and optimize the configuration of refineries and other facilities. Further, the Group is continuing to work on renovation and revamp projects in compliance with Japanese laws and regulations for safety, as well as the maintenance and upgrading of petrochemicals plants and other existing facilities to improve energy efficiency and repair or replace aging equipment.

## **Pharmaceuticals/Biochemistry/General Chemistry/Environment/Infrastructure**

In the area of transportation infrastructure, the Group is continuing to perform EPC work for the construction of a new international airport in Mongolia and the New Bohol Airport in the Philippines. Meanwhile, in the area of non-hydrocarbon projects, the Group is eager to respond to Japanese clients planning to expand into overseas markets.

In Japan, the Group won a contract for EPC work for flue gas desulfurization systems for a coal-fired power plant. Further, the Group continues to perform EPC work for large-scale photovoltaic (mega solar) power plants in the domestic Japanese market under existing and newly awarded contracts. The Group continues to enhance its group-wide operations to succeed in winning new contracts. The Group also continues to perform EPC work for a food factory to support food safety and hygiene control under the latest regulations. In the pharmaceuticals-related business, the Group continues to carry out EPC work for an advanced pharmaceutical plant for injections, drug substance manufacturing facilities and bio-medicine manufacturing facilities, all of which can include high-potency pharmacologically active agents and therapeutic antibodies.

### **New business Fields**

In the field of offshore and upstream, Chiyoda Corporation and Singapore-based Ezra Holdings Limited established EMAS Chiyoda Subsea Limited (ECS), a joint venture on March 31, 2016 to undertake engineering, procurement, construction, and installation (EPCI) work for subsea projects. In July 2016, a consortium formed by Larsen & Toubro of India and ECS won a contract for EPCI work for the development of an offshore gas field in Saudi Arabia. In September 2016 Nippon Yusen (NYK) completed its purchase of shares in ECS. ECS is seeking to expand its operations globally.

At the same time, with the strategic capital alliance Xodus Group Ltd. (U.K.) the Group can provide engineering, consulting, and other relevant services to natural resources development companies engaging in offshore development projects.

In the new energy-related business, the Group plans a demonstration project toward 2020 to realize a hydrogen energy based society, which can establish a hydrogen supply chain by starting hydrogen delivery from Asian countries.

Note: See page 10 for more information on New Contracts, Net Sales, and Backlog of Contracts by segment.

## **(2) Financial Status**

### **Assets**

Current assets decreased by 33,609 million yen due to a decline in cash and deposits by 18,108 million yen, and jointly controlled assets of joint venture by 12,083 million yen. Noncurrent assets decreased by 20,179 million yen with a decline in investment securities by 20,369 million yen. Accordingly, total assets decreased by 53,789 million yen from the end of the previous fiscal year.

### **Liabilities**

Total Liabilities decreased by 47,411 million yen due to a decline in advances received on uncompleted construction contracts by 29,872 million yen and notes payable, accounts payable for construction contracts by 10,602 million yen from the end of the previous fiscal year.

### **Net Assets**

While retained earnings increased by 3,020 million yen with dividends paid and net income attributable to owners of parent, total net assets were 195,750 million yen with a 6,127 million yen foreign currency translation adjustment decrease.

## **(3) Consolidated Full Year Forecast**

No change from fiscal year forecast as announced on May 12, 2016.

Forecasted Exchange Rate based on JPY105/1 USD, as of August 9, 2016.

**6. Consolidated quarterly financial statements**  
**(1) Consolidated quarterly balance sheets**

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	137,715	119,606
Notes receivable, accounts receivable from completed construction contracts	69,296	60,494
Securities	6,999	7,999
Costs on uncompleted construction contracts	35,053	33,709
Jointly controlled assets of joint venture	179,360	167,277
Other	28,889	33,784
Allowance for doubtful accounts	(2,285)	(1,450)
<b>Total current assets</b>	<b>455,030</b>	<b>421,421</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	7,137	6,680
Land	5,266	5,266
Other, net	1,538	1,252
<b>Total property, plant and equipment</b>	<b>13,942</b>	<b>13,199</b>
Intangible assets	11,068	9,590
<b>Investments and other assets</b>		
Investment securities	43,071	22,701
Other	5,487	7,833
Allowance for doubtful accounts	(379)	(315)
<b>Total investments and other assets</b>	<b>48,178</b>	<b>30,219</b>
<b>Total non-current assets</b>	<b>73,189</b>	<b>53,009</b>
<b>Total assets</b>	<b>528,219</b>	<b>474,430</b>

As of March 31, 2016 As of September 30, 2016

	As of March 31, 2016	As of September 30, 2016
<b>Liabilities</b>		
Current liabilities		
Notes payable, accounts payable for construction contracts	150,078	139,475
Short-term loans payable	333	226
Current portion of long-term loans payable	5	3
Income taxes payable	2,841	522
Advances received on uncompleted construction contracts	135,667	105,795
Provision for warranties for completed construction	337	241
Provision for loss on construction contracts	3,160	4,153
Provision for bonuses	3,527	2,981
Other	15,155	10,992
Total current liabilities	311,106	264,392
Non-current liabilities		
Long-term loans payable	10,009	10,005
Provision	340	340
Net defined benefit liability	2,134	1,732
Other	2,500	2,208
Total non-current liabilities	14,985	14,287
Total liabilities	326,091	278,680
<b>Net assets</b>		
Shareholders' equity		
Capital stock	43,396	43,396
Capital surplus	37,112	37,112
Retained earnings	115,839	118,860
Treasury shares	(1,422)	(1,424)
Total shareholders' equity	194,926	197,944
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,386	77
Deferred gains or losses on hedges	(1,618)	(2,503)
Foreign currency translation adjustment	4,171	(1,955)
Remeasurements of defined benefit plans	300	373
Total accumulated other comprehensive income	5,240	(4,008)
Non-controlling interests	1,961	1,814
Total net assets	202,128	195,750
Total liabilities and net assets	528,219	474,430

**(2) Consolidated quarterly statements of (comprehensive) income**

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Net sales of completed construction contracts	282,217	276,928
Cost of sales of completed construction contracts	260,414	261,853
Gross profit on completed construction contracts	21,802	15,075
Selling, general and administrative expenses	11,808	10,516
Operating income	9,993	4,558
Non-operating income		
Interest income	783	674
Dividend income	766	626
Foreign exchange gains	62	4,605
Other	139	156
Total non-operating income	1,751	6,063
Non-operating expenses		
Interest expenses	114	105
Share of loss of entities accounted for using equity method	920	184
Other	46	58
Total non-operating expenses	1,081	348
Ordinary income	10,663	10,273
Extraordinary income		
Gain on sales of investment securities	2,112	1,965
Total extraordinary income	2,112	1,965
Extraordinary losses		
Loss on sales of shares of subsidiaries and associates	—	1,146
Total extraordinary losses	—	1,146
Profit before income taxes	12,775	11,092
Income taxes - current	5,808	6,605
Income taxes - deferred	1,396	(1,154)
Total income taxes	7,204	5,451
Profit	5,571	5,641
Profit attributable to non-controlling interests	3	30
Profit attributable to owners of parent	5,568	5,610

Consolidated quarterly statements of comprehensive income

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Profit	5,571	5,641
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,706)	(2,309)
Deferred gains or losses on hedges	412	(876)
Foreign currency translation adjustment	988	(4,069)
Remeasurements of defined benefit plans, net of tax	(69)	72
Share of other comprehensive income of entities accounted for using equity method	(43)	(2,231)
Total other comprehensive income	(2,418)	(9,413)
Comprehensive income	3,153	(3,772)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,183	(3,638)
Comprehensive income attributable to non-controlling interests	(30)	(133)



### (3) Consolidated quarterly statements of cash flows

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Cash flows from operating activities		
Profit before income taxes	12,775	11,092
Depreciation	1,818	1,780
Amortization of goodwill	761	251
Interest and dividend income	(1,549)	(1,301)
Share of (profit) loss of entities accounted for using equity method	920	184
Loss (gain) on sales of investment securities	(2,112)	(1,965)
Loss (gain) on sales of shares of subsidiaries and associates	—	1,146
Decrease (increase) in notes and accounts receivable - trade	(12,062)	5,751
Decrease (increase) in costs on uncompleted construction contracts	9,627	1,163
Increase (decrease) in notes and accounts payable - trade	1,407	(5,793)
Increase (decrease) in advances received on uncompleted construction contracts	1,895	(22,586)
Decrease (increase) in jointly controlled asset of joint venture	20,295	6,018
Other, net	(6,824)	(8,475)
Subtotal	26,955	(12,731)
Interest and dividend income received	1,103	862
Interest expenses paid	(116)	(105)
Income taxes (paid) refund	1,657	(5,358)
Net cash provided by (used in) operating activities	29,600	(17,333)
Cash flows from investing activities		
Net decrease (increase) in time deposits	(650)	(192)
Purchase of property, plant and equipment	(612)	(354)
Purchase of intangible assets	(750)	(843)
Purchase of investment securities	(13)	(337)
Proceeds from sales of investment securities	4,215	15,460
Payments of loans receivable	(367)	(10,231)
Collection of loans receivable	235	6,341
Other, net	6	23
Net cash provided by (used in) investing activities	2,063	9,866
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(679)	(32)
Cash dividends paid	(3,359)	(2,584)
Other, net	(45)	(26)
Net cash provided by (used in) financing activities	(4,084)	(2,642)
Effect of exchange rate change on cash and cash equivalents	164	(6,049)
Net increase (decrease) in cash and cash equivalents	27,744	(16,159)
Cash and cash equivalents at beginning of period	113,246	136,919
Cash and cash equivalents at end of period	140,991	120,760

## 7. Production, Contracts and Sales

Millions of yen

Reporting segments	Apr. 1, 2015 — Sept. 30, 2015			Apr. 1, 2016 — Sept. 30, 2016		
	New contracts (ratio)	Net sales (ratio)	Backlog of contracts (ratio)	New contracts (ratio)	Net sales (ratio)	Backlog of contracts (ratio)
Engineering	200,486 99.0%	280,149 99.3%	1,326,692 100.0%	131,421 98.6%	275,101 99.3%	905,509 100.0%
LNG Plant	140,638 69.5%	157,416 55.8%	1,083,402 81.6%	54,235 40.7%	198,295 71.6%	616,204 68.1%
Gas Development/ Processing/Receiving	4,005 2.0%	11,556 4.1%	23,463 1.8%	6,235 4.7%	4,926 1.8%	18,743 2.1%
Refinery/Petrochemical/ Metal	30,983 15.3%	75,297 26.7%	135,582 10.2%	24,146 18.1%	43,250 15.6%	171,141 18.9%
Pharmaceutical/Biochemistry/ Chemical	13,070 6.4%	15,070 5.3%	28,735 2.2%	21,512 16.1%	16,188 5.8%	34,679 3.8%
Environment/New Energy/ Infrastructure	8,557 4.2%	19,216 6.8%	51,974 3.9%	21,798 16.4%	10,113 3.7%	60,676 6.7%
Others	3,230 1.6%	1,591 0.6%	3,533 0.3%	3,492 2.6%	2,327 0.8%	4,064 0.4%
Other Business	1,946 1.0%	2,067 0.7%	— —	1,827 1.4%	1,827 0.7%	— —
<b>Total</b>	<b>202,432</b> <b>100.0%</b>	<b>282,217</b> <b>100.0%</b>	<b>1,326,692</b> <b>100.0%</b>	<b>133,249</b> <b>100.0%</b>	<b>276,928</b> <b>100.0%</b>	<b>905,509</b> <b>100.0%</b>
Domestic	43,867 21.7%	49,757 17.6%	93,966 7.1%	73,529 55.2%	45,349 16.4%	122,732 13.6%
Overseas	158,565 78.3%	232,460 82.4%	1,232,725 92.9%	59,720 44.8%	231,579 83.6%	782,776 86.4%

Note1: The backlog of contracts for the six months ended September 30, 2016 includes a decrease due to changes in construction contracts acquired in prior fiscal years, and an increase due to foreign exchange translation adjustments.

Note2: The total amount of the above table does not include consumption tax.