

# Financial Results for the 2<sup>nd</sup> Quarter of Fiscal Year Ending March 31, 2018

November 10, 2017

**Chiyoda Corporation**

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# 1. Second Quarter Highlights

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- ◆ Revenue: 250.7 bn JPY; the initial full-year forecast has been revised up from 430.0 bn yen to 500.0 bn yen due to the advanced progress of overseas LNG construction projects (Yamal , Ichthys) .
- ◆ Net income: 3.5 bn JPY; the initial full-year forecast of 5.0 bn JPY remains unchanged although operating profit and ordinary income are negative. Reasons are as follows:
  - Downward revision to Gross Profit Margin on US LNG projects
  - Following completion of ECS reorganization, the reserve balance for business losses of affiliated companies is posted as an extraordinary income
  - Tax refund to a US subsidiary, the EPC Contractor for US LNG operations

## 2. Financial Summary

					Revised in 2Q		(Billions of Yen)
	2Q of FY ended March 2017	2Q of FY ending March 2018	Difference	Difference (%)	Revised Full Year Forecast	Progress (%)	Original Full Year Forecast
New Orders	133.2	150.6	17.4	13.0%	350.0	43.0%	350.0
Backlog of Contracts	905.5	767.8	(137.7)	(15.2%)			
Revenues	276.9	250.7	(26.3)	(9.5%)	500.0	50.1%	430.0
Operating Income	4.6	(13.1)	(17.7)	-	(9.5)	-	8.5
Ordinary Income	10.3	(12.4)	(22.6)	-	(8.0)	-	10.0
Profit (Loss)*	5.6	3.5	(2.1)	(38.0%)	5.0	69.6%	5.0
Exchange Rate	JPY 101/\$	JPY 113/\$			Assumption JPY 110 /\$		Assumption JPY 110 /\$

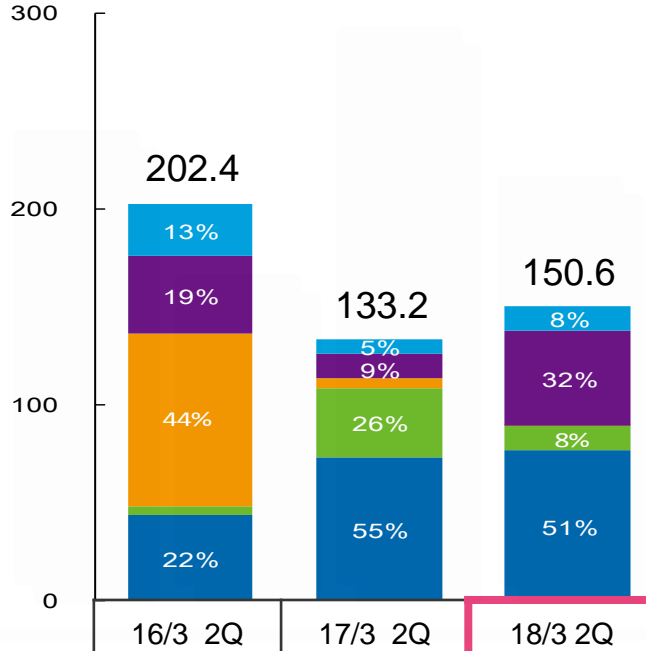
- Revenues have reached 50.1% of the initial full year forecast due to advanced progress of LNG projects.
- Despite an Ordinary Loss, the Extraordinary Profit and tax refund to a subsidiary company secure an overall profit.

\* Profit attributable to owners of parent

# 3. New Orders

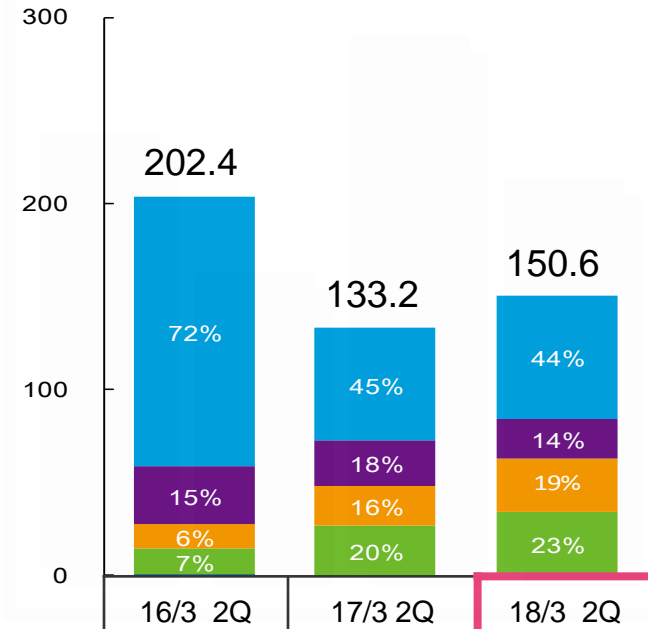
(Billions of Yen)

### By Region



	16/3 2Q	17/3 2Q	18/3 2Q
ME & Africa	26.6	7.0	12.8
SEA & Oceania	39.4	12.6	48.3
Americas	88.1	5.0	0.3
Others	4.5	35.2	12.4
Overseas Total	158.6	59.7	73.9
Domestic Total	43.9	73.5	76.8

### By Field



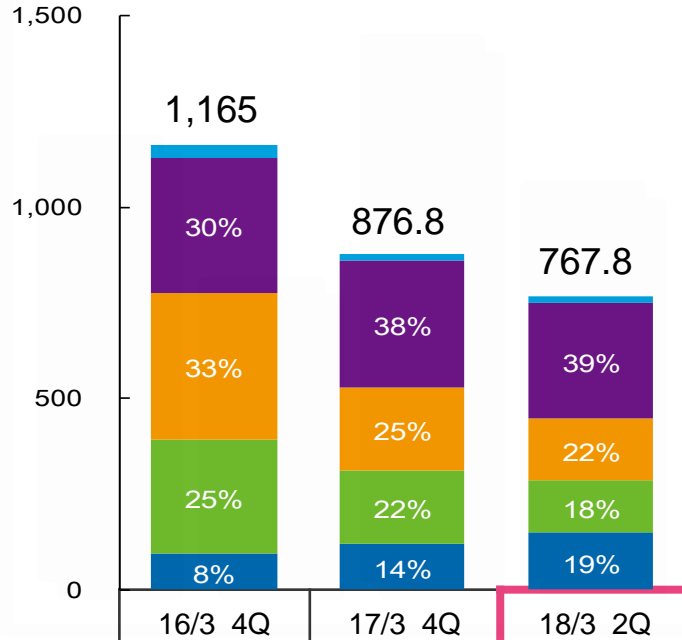
	16/3 2Q	17/3 2Q	18/3 2Q
LNG Plant, Gas Related Work	144.6	60.5	66.0
Refinery, Petrochemical, Metal	31.0	24.1	21.6
Pharmaceutical, Biochemistry, Chemical	13.1	21.5	28.7
Environment, New Energy, Infrastructure	13.7	27.1	34.3

- By Region: Change orders at the Ichthys and Yamal LNG projects and domestic PV projects account for new order business.
- By Field: Though the Energy segment accounts for the bulk of new orders, domestic PV and pharmaceutical projects also contributed.

# 4. Backlog

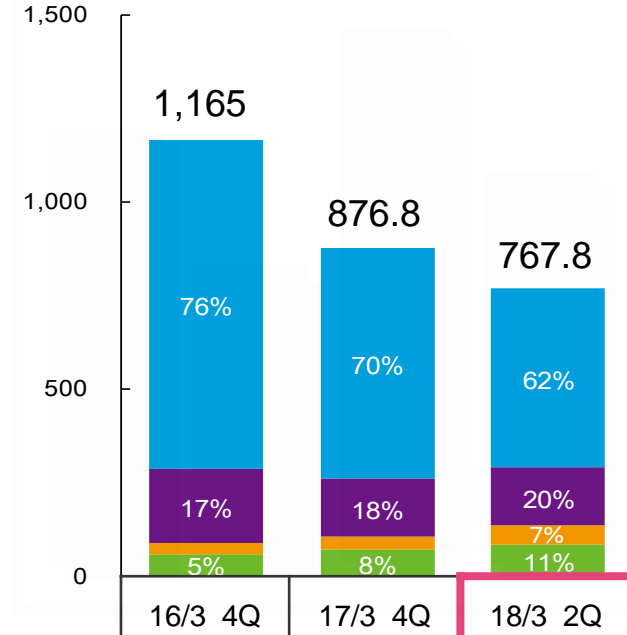
(Billions of Yen)

## By Region



Region	16/3 4Q	17/3 4Q	18/3 2Q
ME & Africa	35.5	16.7	19.6
SEA & Oceania	353.2	329.3	299.3
Americas	383.5	219.1	165.0
Others	296.7	189.7	134.9
Overseas Total	1,068.9	754.8	618.7
Domestic Total	96.1	122.0	149.1

## By Field



Field	16/3 4Q	17/3 4Q	18/3 2Q
LNG Plant, Gas Related Work	880.0	617.0	479.5
Refinery, Petrochemical, Metal	198.6	153.5	152.7
Pharmaceutical, Biochemistry, Chemical	32.4	35.3	51.5
Environment, New Energy, Infrastructure	53.9	70.9	84.1

● Backlog declined due to progress of large-scale projects.

## 5. Income-related Items

(Billions of Yen)

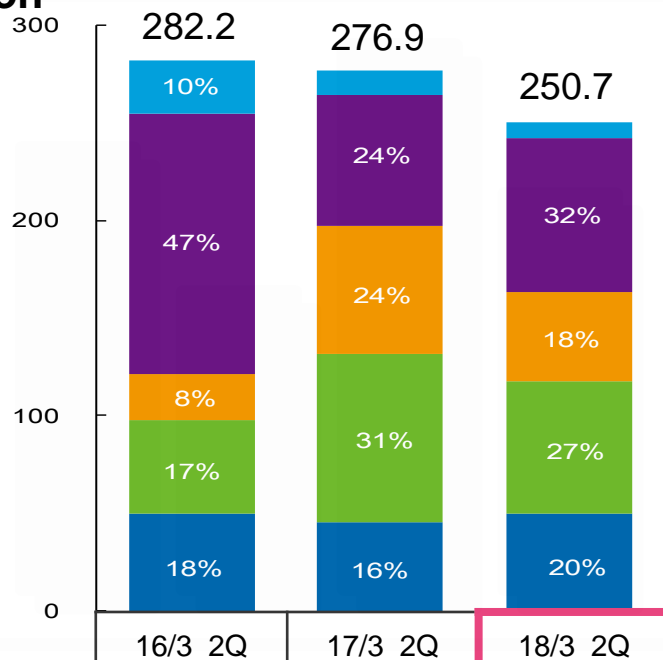
	2Q of FY ended March 31, 2017	2Q of FY ending March 31, 2018	Difference
Revenue	276.9	250.7	(26.3)
Gross Profit	<b>15.1</b> 5.4%	<b>(3.4)</b> (1.3%)	<b>(18.5)</b> -
SG&A expenses	(10.5)	(9.7)	0.8
Operating Income	<b>4.6</b> 1.6%	<b>(13.1)</b> (5.2%)	<b>(17.7)</b> -
Non-operating income and expenses	5.7	(0.8)	(4.9)
Ordinary Income	<b>10.3</b> 3.7%	<b>(12.4)</b> (4.9%)	<b>(22.6)</b> -
Extraordinary income (loss)	0.8	12.3	11.5
Profit (loss) before income taxes	11.1	△0.0	(11.1)
Income taxes	(5.4)	3.6	9.0
Profit attributable to owners of parent	<b>5.6</b> 2.0%	<b>3.5</b> 1.4%	<b>(2.1)</b> (0.6pt)

- Operating income and Ordinary Income are at a loss
- Profit attribute to owners of parent remained profitable due to Extraordinary income and Federal corporation tax refund to the US Subsidiary.

# 6. Revenues

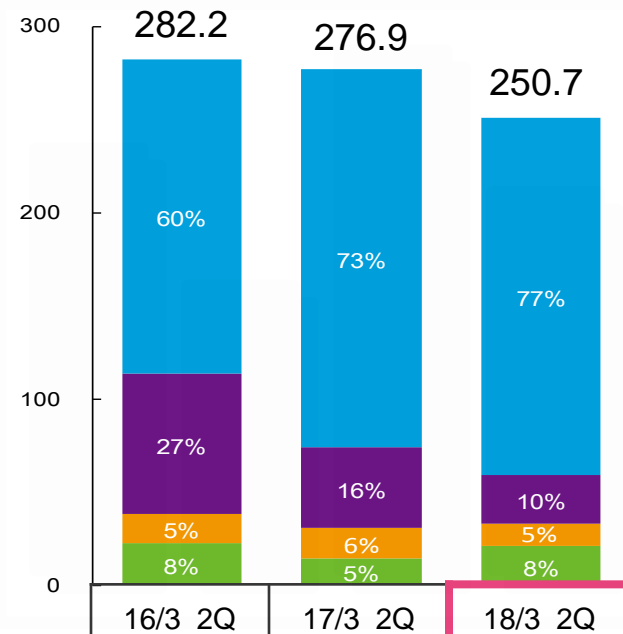
(Billions of Yen)

## By Region



	16/3 2Q	17/3 2Q	18/3 2Q
ME & Africa	27.7	12.7	8.1
SEA & Oceania	133.6	66.6	79.2
Americas	23.5	66.0	46.0
Others	47.7	86.2	67.8
Overseas Total	232.5	231.6	201.1
Domestic Total	49.8	45.3	49.6

## By Field



	16/3 2Q	17/3 2Q	18/3 2Q
LNG Plant, Gas Related Work	169.0	203.2	191.7
Refinery, Petrochemical, Metal	75.3	43.3	25.7
Pharmaceutical, Biochemistry, Chemical	15.1	16.2	12.5
Environment, New Energy, Infrastructure	22.9	14.3	20.8

- By Region: Ichthys, Yamal and domestic projects execution is progressing satisfactorily.
- By Field: "Refinery, Petrochemical, Metal" declined due to completion of contracts in Vietnam and Qatar.



# 7. Balance Sheet

(Billions of Yen)

	March 31, 2017	Sept 30, 2017	Difference
<b>Current assets</b>	<b>425.2</b>	<b>411.6</b>	<b>(13.7)</b>
Cash and deposits*1	143.4	117.4	(25.9)
Operating assets *2	84.1	93.9	9.8
Jointly controlled assets of joint venture *3	164.3	170.2	5.9
Other	33.5	30.1	(3.4)
<b>Non-current assets</b>	<b>36.1</b>	<b>46.4</b>	<b>10.3</b>
Property, plant & equipment	13.2	12.3	(0.8)
Intangible assets	8.1	7.4	(0.7)
Investment and other assets	14.8	26.7	11.8
<b>Total assets</b>	<b>461.3</b>	<b>458.0</b>	<b>(3.3)</b>

	March 31, 2017	Sept 30, 2017	Difference
<b>Current liabilities</b>	<b>301.2</b>	<b>296.6</b>	<b>(4.6)</b>
Short-term loans payable	10.2	10.2	0.0
Operating liabilities *4	245.3	264.1	18.8
Provision for loss on construction contracts	3.3	4.1	0.8
Provision for loss on business of subsidiaries and associates	22.9	-	(22.9)
Others	19.5	18.2	(1.3)
<b>Non-current liabilities</b>	<b>3.0</b>	<b>3.0</b>	<b>(0.1)</b>
Long-term loans payable	0.0	0.0	(0.0)
Other	3.0	3.0	(0.0)
<b>Net assets</b>	<b>157.1</b>	<b>158.4</b>	<b>1.3</b>
<b>Liabilities and net assets</b>	<b>461.3</b>	<b>458.0</b>	<b>(3.3)</b>

\*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>155.3</b>	<b>156.6</b>	<b>1.3</b>
<b>Shareholders' equity ratio</b>	<b>33.7%</b>	<b>34.2%</b>	<b>0.5pt</b>

## 8. Forecast Breakdown

		Revised in 2Q	(Billions of Yen)
	Results FY ended March 2017	Forecasts FY ending March 2018	Difference
<b>New Orders</b>	<b>351.8</b>	<b>350.0</b>	<b>(1.8)</b>
Overseas	221.3	220.0	(1.3)
Domestic	130.5	130.0	(0.5)
<b>Revenues</b>	<b>603.7</b>	<b>500.0</b>	<b>(103.7)</b>
Overseas	501.3	390.0	(111.3)
Domestic	102.4	110.0	7.6
<b>Gross Profit</b>	<b>38.2</b>	<b>11.0</b>	<b>(27.2)</b>
SG&A Expenses	(22.5)	(20.5)	2.0
<b>Operating Income</b>	<b>15.7</b>	<b>(9.5)</b>	<b>(25.2)</b>
Non-operating Income and Expenses	(18.8)	1.5	20.3
<b>Ordinary Income</b>	<b>(3.1)</b>	<b>(8.0)</b>	<b>(4.9)</b>
Extraordinary income, Income taxes, Profit attributable to non-controlling interests	(38.0)	13.0	51.0
<b>Profit attributable to owners of parent</b>	<b>(41.1)</b>	<b>5.0</b>	<b>46.1</b>

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# Reference Material

# Performance Indicators

	FY ended March 2014	FY ended March 2015	FY ended March 2016	FY ended March 2017	Forecast FY ending March 2018
Gross profit margin (%)	9.3	9.5	6.8	6.3	2.2
SG&A expenses to revenues (%)	4.6	5.0	4.2	3.7	4.1
Operating income to revenues (%)	4.7	4.5	2.6	2.6	△1.9
Ordinary income to revenues (%)	5.1	4.6	2.6	(0.5)	△1.6
Profit to revenues (%)	3.0	2.3	0.6	(6.8)	1.0
Return on assets (ROA) (%)	5.0	4.5	3.1	(0.6)	
Return on equity (ROE) (%)	7.0	5.5	1.7	(23.1)	
Profit per share (EPS) (JPY)	51.91	42.58	13.03	(158.76)	
Book value per share (BPS) (JPY)	758.31	796.89	772.89	599.83	
Shareholders' equity ratio (%)	41.3	40.0	37.9	33.7	
Current ratio (%)	156.3	151.0	146.3	141.2	
Fixed ratio (%)	33.7	34.5	36.6	23.2	
Debt-to-equity ratio <DER> (Times)	0.06	0.05	0.05	0.07	

# Business Overview

November 10, 2017

**Chiyoda Corporation**

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\* MTMP = Medium-Term Management Plan (FY 2017–2020)  
“Mirai Engineering” - A Grand Opportunity for the Future

# 1. Business Environment



## Energy Business

- Recovery trend of crude oil price
- Expecting FID for new LNG projects from 2018 onwards
- Petroleum & Petrochemical projects anticipated in U.S. derived from shale



Courtesy of Yamal LNG



## Environment Business

- Expanding Renewable Energy business
- Progress of energy/ electricity storage technology
- Increasing attention to New Energy mainly in Europe
- Development of Advanced Medicine and Regenerative Medicine



Nichi-Iko Pharmaceutical Co., Ltd.



## Digital Technology Innovation

- Acceleration of AI, Big Data and IoT in the electrical power field
- Promotion in other fields of environment and energy



Chiyoda was awarded  
TEPCO's 2017 Special Prize

## 2. New Orders Overview

(Billions of Yen)

New Orders as of 2Q FY 2017 : 150.6

Energy Business: **87.6**

- **Change Orders on LNG Projects** (Overseas)
- **LNG, Petrochemical and Refinery Project Studies & FEED** (Japan & Overseas)
- **Expansion and Revamping of Refineries, LNG Plants** (Japan & Overseas)
- **Consulting, Diagnosis Operation & Management**

Environment Business: **63.0**

- **Solar Power Generation** (Japan)
- **Molecular Medicine Manufacturing Facilities** (Japan)
- **Environment / Industrial Facilities** (Japan)



# 3. Future-focused projects

(1/2)

Energy Business	
Policy Initiative	Focus
<p>◆ <b>LNG・Gas Processing</b></p> <p>① Expansion of profitable projects ② Large-scale gas field developments ③ Clients with extensive LNG records <b>Chiyoda as leading contractor on LNG・Gas projects</b></p>	<ul style="list-style-type: none"><li>■ North America (USA, Canada)</li><li>■ Mozambique</li><li>■ Russia</li><li>■ Qatar</li><li>■ Other Countries</li></ul>
<p>◆ <b>Refinery, Petrochemical, Metal</b></p> <p>Focus on projects where Chiyoda has technological strength or competition is relatively limited</p>	<ul style="list-style-type: none"><li>■ USA</li><li>■ Indonesia, Singapore</li><li>■ Middle East etc.</li></ul>

# 3. Future-focused projects

(2/2)

Environment Business	
Policy Initiative	Focus
<p>◆ <b>New Energy</b> Pursue: a) EPC work following the trend of “green energy”, technology development in electricity/ energy storage and power source diversification, and b) next generation power solutions</p>	<ul style="list-style-type: none"><li>■ Mega Solar, Bio Mass Power Generation</li><li>■ Electricity Storage / Energy Management</li><li>■ Hydrogen Supply Chain</li></ul>
<p>◆ <b>Life Science</b> Establish a business strategy considering the development of regenerative medicine and re-organization in the medical industry and pursue the development of engineering technology in this business field</p>	<ul style="list-style-type: none"><li>■ Expand business in the medium molecular-weight pharmaceutical and medical fields</li><li>■ Development technologies leading to expansion of regenerative medicine fields and reduction of medical expenses, develop new business model</li></ul>
<p>◆ <b>Digital Technology Innovation</b> Develop business via partnering; plant analysis, process technology integrating AI technology</p>	<ul style="list-style-type: none"><li>■ Develop “plant-life partner” service through maintenance, debottlenecking and other services which improve plant efficiency, reliability and profitability</li></ul>

# Structural Reform

① Reinforce  
risk management  
capability

② Enhance  
**basic earning and  
resilience**

③ Expand  
human resource  
base

### Balancing basic earnings and cost

- ◆ **Increase stable earnings**
  - Strengthen domestic project execution capabilities
  - Aim for Asset Management Business
  - Expand Services in Plant Diagnosis by utilizing AI technology
- ◆ **Cost Reductions**
  - Restructure Group Companies (Domestic and Overseas)

# Growth Strategy

① Build energy value chain business

② Expand global environment engineering business

③ Develop new business model for a digital society

Expansion of business fields and business model transformation

- ◆ **Upstream:**  
**Start strategic partnerships in the offshore field**  
(ME, Australia, Africa, etc.)
- ◆ **Midstream:**  
**Initiate diverse LNG approach**  
(U.S., Africa, Russia, etc.)
- ◆ **Downstream:**  
**Enter into 'Gas to Power' business**  
(Mainly in Asia)

# 「Mirai Engineering」 A Grand Opportunity for the Future



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### **Forecasts**

Forecasts and plans in this presentation are based on information available as of November 10, 2017. Actual results may differ from these forecasts due to uncontrolled factors such as changes in global economic and operational environments.



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