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IR, PR & CSR Department
Chiyoda Corporation

Briefing Summary of the Financial Results for the Second Quarter of Fiscal Year Ending 31 March 2020

Chiyoda Corporation (“Chiyoda”, TSE:6366; ISIN: JP3528600004) released the financial results for the 2nd quarter of Fiscal Year ending 31 March 2020, on 5 November 2019. The following is a summary of a presentation held on 6 November 2019.

I. Financial Results

Referring to “Presentation Material for 2Q, FY2019”

(Website: Investors > Earnings Release)

II. Chiyoda’s Revitalization Plan Six month Progress Update

Referring to “Chiyoda’s Revitalization Plan - Six Month Progress Update”

(Website: Investors > Earnings Release)

I. Financial Results

1. Highlights

- Secured steady profits from solidly executing ongoing projects. Revenue was 174.9 billion yen, which is steady progress representing approximately 45% of the full-year forecast. Operating income was 14.1 billion yen. At 4.8 billion yen, profit was approximately 80% of the full-year forecast.
- As announced on 1 November 2019, the full-year operating income forecast was revised from 12.0 billion yen to 19.0 billion yen. Profit items below ordinary income remain unchanged from the full-year forecast. Foreign exchange losses were experienced on foreign currency-denominated trade receivables due to yen appreciation, resulting in non-operating income and expenses of 7.2 billion yen and conservative estimates of possible changes in profit and loss of ongoing projects and in the business environment from the third quarter onward.

2. Financial Summary

- New Orders amounted to 79.9 billion yen. Preparing to bid for large scale projects in the fourth quarter. The order backlog was 904.5 billion yen.
- Revenue and profit are described in “1. Highlights”.

3. New Orders

(Description omitted)

4. Backlog

(Description omitted)

5. Income-related Items

- Gross profit was 22.0 billion yen. Gross profit ratio was 12.6%, exceeding the full-year forecast of 7.4% due to revisions to contract terms on Cameron LNG and Tangguh LNG. The full-year forecast for gross profit has been revised upward from 29.0 billion yen to 36.0 billion yen. Compared to the revised full-year gross profit forecast of 36.0 billion yen, the second quarter results of 22.0 billion yen are approximately 60% progress.
- SG & A expenses was 8 billion yen, less than 50% of the full-year forecast. Compared to the same period last year, it was down approximately 0.9 billion yen.
- Non-operating income and expenses was -7.2 billion yen. The main reason is the foreign exchange loss on foreign currency trade receivables due to the strong yen. In the second quarter, capitalization of loans to a subsidiary in the US and partial hedging by forward exchange contracts were promoted and foreign exchange losses after the third quarter could be suppressed accordingly.

6. Profit Analysis

- Gross profit of 22.0 billion yen consists of 13.0 billion yen in the first quarter (energy area: 10.7 billion yen, global environment area: 2.3 billion yen) and 9 billion yen in the second quarter (energy area: 7.4 billion yen, global environment area: 1.6 billion yen).
- SG & A expenses were 4 billion yen in both the first and second quarters. Compared to the same period last year, it was -0.2 billion yen and -0.7 billion yen respectively.
- The main part of non-operating income and extraordinary income was foreign exchange losses. After deducting income taxes, profit was 2.3 billion yen in the first quarter and 2.5 billion yen in the second quarter for a cumulative total of 4.8 billion yen.

7. Revenues

(Description omitted)

8. Balance Sheet

- Mitsubishi Corporation and Mitsubishi UFJ Bank's financing package announced on 9 May

2019 is 180 billion yen, consisting of 70 billion yen in third-party allotment of Mitsubishi Corporation, 90 billion yen in credit line and 20 billion yen in subordinated loan from Mitsubishi UFJ Bank.

- Shareholder's Equity increased by 79.1 billion yen from -60.1 billion yen at the end of March 2019 to 19.0 billion yen at the end of September 2019. The main reason was the third-party allotment of Mitsubishi Corporation of 70 billion yen implemented in July 2019.
- Long-term debt (Non-current liabilities) increased by 19.9 billion from 15.9 billion yen at the end of March 2019 to 35.8 billion yen at the end of September 2019, due to executing a subordinated loan of 20 billion yen from MUFG Bank.
- Mitsubishi Corporation's loan facility of 90 billion yen is unused as of the end of September 2019 and is reserved for future funding.

9. Full-year Forecast

- As stated above, gross profit and operating income are revised upward.

II. Chiyoda's Revitalization Plan Six month Progress Update

1. Overview of Revitalization Plan

- Initiatives are being promoted in line with the revitalization plan.
- Building the foundation for revitalization:
 - A) Further develop the risk management structure
 - B) Enhance EPC execution and management capability
 - C) Reinforce human resources.
- The quantitative target after 5 years:
 - A) Transform to a company that generates stable net profits of 10-20 billion yen per year
 - B) Shareholder's equity ratio has recovered to over 20%.
- Long-term vision:
Aiming to be an engineering company that creates the future of energy and the global environment.

2. Strengthening the Financial Base

- Shareholder's equity stood at 19.0 billion yen due to the implementation of third-party allotment by Mitsubishi Corporation of 70 billion yen, accumulated gross profit exceeding the full-year forecast and reduced SG & A expenses.

- Shareholder's equity will improve by accumulating steady profits through the solid execution of on-going projects, aiming to realize a recovery of 20% or more in the shareholder's equity ratio early.

3. Enhancing EPC Execution and Management Capacity

- “CCMO (Chief Construction Management Officer)” was appointed to unify the responsibilities and authority distributed to each department within the company and the promotion system was strengthened.
- The following initiatives are being promoted.
 - A) “Chiyoda AWP”: Advanced Work Packaging (AWP) is a new construction management method advocated in the USA. Chiyoda AWP has been developed by integrating Chiyoda's expertise and knowledge in planning and managing plant design and procurement to completion and delivery.
 - B) Construction IoT: Efficient material management using RFID (Radio Frequent Identifier). Improved labor and safety management utilizing a beacon.
 - C) “Target 20”: Promoting company-wide digitalization. Aims to improve work productivity of EPC/Corporate Management department by 20%.

4. Digital Transformation

- “Digital Transformation Division” was established in July 2019.
- Vision:
 - A) In-house digitalization: to implement a revitalization plan making the most of digital technology.
 - B) To further promote digital transformation business.

5. The “New Values” Engineering Challenge

- The “Frontier Business Division” was established in October 2019.
- Aim: Redefining the value of our engineering and transform our business portfolio.
- Vision: Solving problems in the environment/energy, social/business succession and life science.

6. Ongoing Major Projects

- Freeport LNG: Progress rates of completion (as of the end of September 2019), Train-1 and Train-2: approximately 99%, Train-3: approximately 96%. Train-1 commenced LNG production in August and export in September. Train-2: production will commence in 4Q/2019. Train-3: production will commence in 1Q/2020.
- Cameron LNG: Progress rate of completion is approximately 96% for all three trains. Train-1: commercial operation has commenced. Train-2: production will commence in 4Q/2020, Train-3: production will commence in 2Q/2020.
- Tangguh LNG: Progress rate of completion is approximately 65%. Target completion is 3Q/2021.

- Texas Ethylene: Progress rate of completion is approximately 40%. Target completion is 4Q/2021. Adopting a module construction method minimizing local construction in the USA. Module production in China yard is progressing.
- Golden Pass LNG: Progress rate of completion is approximately 4%. Design work is ongoing.

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Note: Some additions and corrections were made to make the content easier for readers to understand.

Any projections included in these materials are based solely on information available at the time this presentation was prepared. It is possible that actual results may vary significantly from the projections due to a number of risk factors such as economic conditions. The results projected here should not be construed in any way as being guaranteed by the Company. Investor are recommended not to depend solely on these projections for making investment decisions.