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IR, PR & CSR Department
Chiyoda Corporation

**Summary of the Briefing for the Financial Results and Business Overview for
Fiscal Year Ended 31 March 2020**

The following is a summary of a presentation (telephone conference) of Chiyoda Corporation (“Chiyoda”, TSE:6366) financial results for Fiscal Year ended 31 March 2020, released on 8 May 2020. Please also refer to the “Financial Results for FY2019” and “Business Overview” on our website.

Part I) Financial Results for FY 2019

1. Highlights

- Chiyoda’s revitalization progressed steadily during FY2019 through the advancement of its business activities and the enhancement of its risk control capabilities.
- Revenue reached JPY 385.9 billion, which is almost the same as the full year forecast of JPY 390 billion.
- Profit Margin and Operating Income were greater than the full year forecast due to improved contractual revisions on ongoing projects.
- In the full year forecast, revised in February 2020, various risks including an initial impacts of COVID-19 were considered. At the end of March 2020, revenue and profit margin remain as the full year forecast.
- Due to unexpected foreign exchange loss, Profit was JPY 12.2 billion. Although this is lower than the full year forecast, it is twice the initial forecast of JPY 6 billion.
- Shareholders’ equity ratio improved to 6.3% due to financial strengthening measures and profit.
- New orders amounted to JPY 179.8 billion. This is lower than the full year forecast due to customers reviewing investment plans following the crude oil price slump.

2. Income Statements

- Gross Profit, Profit Margin and Operating Income were greater than the full year forecast.
- Due to unexpected foreign exchange loss, Profit was JPY 12.2 billion. Although this is lower than the full year forecast, it is twice the initial forecast of JPY 6 billion.

3. Profit Analysis

- Gross Profit of JPY 42.8 billion includes JPY 18.1 billion and JPY 14.8 billion from the energy area and JPY 3.9 billion and JPY 6.1 billion from global environment area in the first and second half of the year respectively. The global environment area developed steadily.
- SG & A expenses reduced by JPY 2.6 billion (14%): JPY 0.9 billion and JPY 1.7 billion in the first and second half of the year respectively.
- Non-Operating Income became negative due to foreign exchange losses and foreign taxes on some overseas projects.
- Profit was JPY 12.2 billion.

4. Balance Sheet

- ‘Jointly Controlled Assets of JV’ decreased to JPY 96 billion from JPY 111 billion due to steady progress of ongoing projects, while ‘Provision for loss of construction contracts’ decreased to JPY 34.9 billion from JPY 67.6 billion.
- Shareholders’ equity was JPY 24.4 billion at the end of March 2020.

5. Strengthening of Financial Base

- Due to the implementation of a third-party allotment and profit in FY2019, shareholders equity ratio improved to 6.3%. By accumulating profits through the steady execution of ongoing projects, we will further improve shareholders equity ratio.

6. Cash Flow

- Implementation of the third-party allotment and subordinated loans improved cash and cash equivalent to JPY 115.9 billion at the end of March 2020 from JPY 68.3 billion at the end of March 2019.
- Loss making US LNG projects will soon be completed and the negative operating cash flow, accumulated cash and cash equivalent will improve from this fiscal year.

7. New Order / Backlog

- As plans for some large scale industrial projects were reviewed (prolonged, downsized or suspended) due to the sharp decrease in energy demand, New Orders achieved only 32.7% of the full year forecast. We will assign our expertise to secure future projects that are certain to materialize.
- Backlog is greater than JPY 800 billion. We will steadily execute ongoing projects and accumulate profit.

8. Forecast

- An accurate estimate of the impact of the drastic changes in the business environment, the resulting stagnation of the global economy and the slump in crude oil and gas prices caused by COVID-19 is problematic.
- The full year forecast for the fiscal year ending March 2021 will be released when available.

9. Reduction of Capital

- According to our official announcement to the Tokyo Stock Exchange on May 8, 2020, to eliminate the cumulative loss of retained earnings (JPY 135.5 billion as of March 31, 2020) and improve the financial base, we plan to implement a Capital Reduction.
- A Capital Reduction is the transfer of account title in 'Net Assets' in the Balance Sheet. As the total of Net Assets remains unchanged, financial results are not impacted.
- The number of Issued Shares and Net Assets per Share also remain unchanged.
- The Capital Reduction will be effective following resolution of the general shareholders meeting in June 2020.

Part II) Business Overview

1. FY2019 Achievements

- Improved profitability from steady progress of ongoing projects such as Cameron LNG and Freeport LNG.
- Implementation of revitalization and growth initiatives as scheduled to enhance risk management, improve EPC execution, develop digital technology and explore new business fields.
- Strengthened financial base.

2. Major Ongoing Projects

- Freeport LNG: All three trains commenced commercial operation.
- Cameron LNG: Train 1 and Train2 commenced commercial operation and Train 3 will begin production in 1Q of FY2020.
- Tangguh LNG: Construction work achieved 80% completion as scheduled.
- Texas Ethylene Project: Module plants constructed in China. Four shipments, from a total of eleven, launched.
- Golden Pass LNG: Predominantly engineering and procurement progressing with construction in the initial phase.

3. Business Environment

- Severe changes in the business environment due to COVID-19 resulting in the stagnation of the global economy and a slump in crude oil and gas prices has caused customer apprehension for new investment.
- Growth initiatives encompass the paradigm shift to a carbon recycling society, digital transformation and the expansion of pharmaceutical and life sciences due to increasing health awareness.
- As such changes may bring risks to us, while they may open business opportunities, we strengthen our agile response to business environment.

4. Corporate Value Enhancement

- To meet business environment challenges, we will accelerate business portfolio and profit structure transformation to enhance corporate value.
- In accordance with our core EPC energy business, we will assign our expertise to secure future projects that are certain to materialize.
- We will focus on pharmaceuticals, life sciences and new energy to enhance the global environment, including solar, biomass, wind and battery power.
- In our non-EPC business, we will focus on digital transformation and redefining engineering values.
- Creation of the Frontier Business Division in October 2019 to accelerate our 'Redefining Engineering Value' initiatives as part of our Revitalization Plan released in May the same year.
- Equally divide our business portfolio and profit structure between EPC and Non-EPC, and also energy and global environment fields respectively by 2030.

5. Digital transformation

- By combining engineering expertise with state-of-the-art AI technologies, Chiyoda emphasizes research and development of innovative digital products to optimize plant operation.
- Following the success of 'LNG AI Plant Optimizer', introduced to improve LNG production efficiency of existing facilities, Chiyoda unveils its new brand 'EFEEEXIS', an acronym generated from 'Efficiency and Expertise', for future AI products launched to meet client needs.

6. Redefining Engineering Value

- The core purpose of an engineering company is the development and implementation of technical solutions in response to social, industrial and client requirements. As of today, it is recognized that business model of engineering company mainly consists of EPC work on a lump sum contract basis which come along a several risks.
- Redefining engineering values is creation of new non-EPC business based the original value of

engineering company.

- As of now, there are three non-EPC business pillars of carbon recycling, new utilities and pharmaceuticals/life sciences in collaboration with business partners.
- One example is SPERA Hydrogen
 1. Chiyoda commences demonstration of its international hydrogen supply chain, using in-house technology SPERA Hydrogen, between Brunei and Kawasaki, Japan in May 2020.
 2. Discussions have commenced with the Singaporean Government and five Singaporean companies, who recognize the potential of hydrogen as a safe and sustainable energy source, to realize a hydrogen supply chain in Singapore.
 3. We are currently collaborating with an Australian company to produce hydrogen from biomass for local production and consumption.
 4. In collaboration with JXTG Energy, we are developing a new technology where hydrogen reforming at gas and coal fields generates CO₂, and produce hydrogen by means of water electrolysis, using electricity generated by renewable energy sources.

Chiyoda is aggressively marketing SPERA Hydrogen. As the world advances towards a carbon free society we will continue to commercialize hydrogen technology as the front runner in this field.

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Note: Some additions and corrections have been made to simplify the content for readers. 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. Investors are recommended not to depend solely on these projections for making investment decisions.