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IR, PR & CSR Section  
Corporate Services Department  
Chiyoda Corporation

## **Summary of the Briefing of the Financial Results for Fiscal Year Ending March 31, 2021**

The following is a summary of a presentation (telephone conference) outlining Chiyoda Corporation's ("Chiyoda", TSE: 6366) financial results for fiscal year ending March 31, 2021, released on May 7, 2021. Please also refer to the "Financial Results for FY2020" and "Revitalization Plan Update" on our website.

### **I . Presentation Material**

#### **1. Highlights (P1)**

- Revenue and Profit exceeded forecasts with achievement rates of 113% and 114% respectively.
- New Orders, including the North Field Expansion project in Qatar, exceeded the forecast with an achievement rate of 138%. The secured backlog was 1,126 billion yen.

#### **2. Income Statements (P2)**

- Revenue was JPY 315.4 billion, 113% of the full year forecast. This is due to actual progress surpassing planned progress on some projects, increased contract totals following discussions with customers regarding the impact of Covid-19 and other factors.
- Gross profit was JPY 20.1 billion and gross profit margin was 6.4%. Gross profit was lower than the full-year forecast due to the Covid-19 pandemic continuing for longer than expected, delays in final investment decisions on some new projects, additional amortization of capitalized quoted amounts incurred in the estimation of projects with uncertain progress and other factors.
- SG&A expenses were JPY 13 billion, a reduction of JPY 3 billion compared to last year.
- Net profit was JPY 8 billion, 114% of the full-year forecast of JPY 7 billion.

#### **3. Balance Sheet (P3)**

- Total assets were JPY 329.6 billion, a reduction of JPY 55.5 billion compared to last year. This is due to reductions in cash and deposits and jointly controlled assets of JV's and operating liabilities,

coupled with the progress of ongoing projects such as the completion of Cameron LNG in the second quarter.

- Shareholder's equity was JPY 36.4 billion at the end of March 2021 with an improved shareholder's equity ratio of 11% compared to 6.3% at the end of March 2020. Chiyoda is aiming for a shareholder's equity ratio of greater than 20% with steady increasing profits in line with the Medium-term Management Plan.

#### **4. Profit Analysis (P4)**

- This slide shows the breakdown of gross profits in the energy business and global environment business fields. It also shows the breakdown of gross profits of projects awarded before and after the Revitalization Plan.
- The gross profit in the energy business and global environment business fields were JPY 15.5 billion and JPY 4.6 billion respectively, making the total gross profit JPY 20.1 billion.
- Project gross profits before and after the Revitalization Plan were JPY 3.9 billion and JPY 16.2 billion respectively, showing steady profit gains after the release of the plan in May 2019.
- SG&A expenses reduced by JPY 3 billion compared to last year as a result of cost reductions.
- Non-operating income is JPY 1.4 billion, mainly due to foreign exchange profit and dividends received. Extraordinary income and income taxes are JPY 0.5 billion. Profit attributable to owners of the parent amounted to JPY 8 billion.
- As a result of the above, shareholder's equity was JPY 36.4 billion with an improved shareholder's equity ratio of 11% (up from 6.3% last year).

#### **5. New Orders / Backlog (P5)**

- New orders, including the North Field Expansion project in Qatar, stood at JPY 898.8 billion.
- The order backlog was JPY 1,126.1 billion.

#### **6. FY2021 Forecast (P6)**

- Revenue is forecast to be JPY 300 billion, approximately the same as the FY2020 result. The contribution to revenue from the North Field Expansion project in Qatar is limited as the progress is currently constrained to engineering work only. Revenue is also reduced as the Cameron LNG and Freeport LNG projects were completed in FY2020.
- Gross profit is expected to be JPY 26 billion with a gross profit margin of 8.7%. No special items are included, such as the impact of the spread of new coronavirus infections.
- SG&A expenses is forecast to be JPY 15 billion. Research and development expenses as a growth strategy is considered, raising the SG&A expenses from this year's result of JPY 13 billion.

- Operating income is expected to be JPY 11 billion.
- Ordinary income is expected to be JPY 9 billion considering negative JPY 2 billion non-operating expenses and others.
- Profit is expected to be JPY 6 billion, considering income tax paid of JPY 3 billion.
- New Orders are expected to be JPY 300 billion, comprising JPY 200 billion and JPY 100 billion for overseas and domestic projects respectively.

#### **Att. 1, 2, 3 Breakdown of Revenue, New Order, and Backlog (P7-P9)**

(Omitted)

#### **Att. 4 Major Ongoing Projects (P10)**

- In prioritizing the health, safety and welfare of workers and others, Chiyoda is executing ongoing projects while cooperating with clients to promptly implement actions against the spread of COVID-19.
- All modules for the Texas Ethylene project were shipped by March 2021 and, in cooperation with JV partner Kiewit, project completion is expected in 2021.
- Construction progress of Tangguh LNG reached 90% with the project scheduled for completion in 2022.

## **II . Revitalization Plan Update**

Two years have elapsed since the “Revitalization Plan – Initiatives for Revitalization and the Future” was announced in May 2019. The business environment has since changed beyond recognition, including the spread of COVID-19 and the rapid transition to a decarbonized society. Chiyoda is now updating the Revitalization Plan as discussed below:

### **1. Executive Summary (P3)**

- Review of Revitalization Plan
  - ◇ Chiyoda is making steady progress in the Plan’s three major action items: ‘Further develop the risk management structure’, ‘Enhance EPC execution and management capacity’ and ‘Reinforce human resources’.
  - ◇ Chiyoda expects a delay of 2-3 years in achieving quantitative targets for ‘accumulating consolidated-basis net profits’ due to external factors such as COVID-19 and fluctuating oil & gas prices

- Future Business Roadmap
  - ◇ Chiyoda is gauging the macro trend of an accelerating transition to a carbon-free society as it moves towards carbon neutrality in 2050 and, with its collective strengths in engineering and real-world implementation capabilities, will transform its business portfolio accordingly to improve its ability to generate profits.

## **2. Revitalization Plan in Review (P5-P6)**

- Qualitative (P5)
  - ◇ Further Develop the Risk Management System
    - ✓ Established an integrated risk management system
    - ✓ To enhance corporate governance, increased independent outside directors and segregated business oversight and execution
  - ◇ Enhance EPC Execution and Management Capacity
    - ✓ Introduced Chiyoda Advanced Work Packaging (AWP) to enhance EPC execution
  - ◇ Reinforce Human Resources
    - ✓ Deployed new HR system in April 2021 to enforce meritocratic selection and diversify skill sets
- Quantitative (P6)
  - ◇ Order Targets
    - ✓ Achieved two year totals of approximately JPY 850 billion and JPY 200 billion in LNG/gas projects and global environmental projects respectively
  - ◇ Net Profit
    - ✓ Realized profits of JPY 20 billion in the first two years of the Revitalization Plan
    - ✓ A delay of 2-3 years is expected in achieving the target for 'accumulating consolidated-basis net profits' of JPY 90 billion in 5 years due to new order delays resulting from external factors
  - ◇ Increase the Shareholders Equity Ratio/ Eliminate Accumulated Losses/ Reduce Fixed Costs
    - ✓ Achieved the respective identified actions

## **3. Business Environment: Accelerating Decarbonization (P8)**

- Increasing the Adoption of Low-carbon & Green LNG
  - ◇ Demand for natural gas and LNG will remain firm as they are a pragmatic solutions in addressing growing energy demand and decarbonization.
  - ◇ Increasing the adoption of renewable energy will be essential.

- The Accelerating Shift to Decarbonization/Hydrogen Energy
  - ◇ Hydrogen utilization is viewed as a critical factor to achieving carbon neutrality by 2050 in countries and regions around the globe.
  - ◇ Hydrogen strategies are being drafted as countries and regions are setting specific quantitative targets, such as goals for hydrogen consumption.

#### **4. Vision for 2030 (P10)**

- With advanced technological capabilities, Chiyoda will accelerate the transition to a carbon-free society, including hydrogen energy, and contribute to achieving carbon neutrality by 2050.
- Chiyoda will make profits from existing business domains and new business domains in a 50:50 ratio by 2030.
- Chiyoda will transform its earnings structure to generate a net profit of JPY 30 billion or greater.

#### **5. Business Portfolio Transformation (P12-P19)**

- Business Portfolio Transformation (P12)
  - ◇ Profit is currently mainly generated from the existing EPC business. Chiyoda is expanding EPC work in the decarbonization & life sciences fields and in the carbon neutrality field.
  - ◇ Chiyoda is establishing recurring businesses as sources of stable income from licensing, catalyst, digital solutions and business investment.
  - ◇ Chiyoda's new business domain will be 30% by 2025 and profits from existing business domains and new business domains will be 50:50 by 2030.
- Chiyoda Business Integration with a View to Decarbonization (P13)
  - ◇ Chiyoda will aggressively promote business areas such as green LNG, renewable energy, low CO<sub>2</sub> shift, CCUS, hydrogen/ammonia chain solutions and energy storage/ energy management/ microgrids.
  - ◇ In these areas, Chiyoda promotes hydrogen utilization to realize a carbon-free society and optimize energy management systems to lower costs and realize decarbonization.
- <Existing Business Domains> Initiatives to Decarbonize and Reduce CO<sub>2</sub> (P14)
  - ◇ Chiyoda supports the transition to cleaner energy in conventional LNG, oil, petrochemical and power generation.
  - ◇ The North Field Expansion project in Qatar incorporates carbon dioxide capture and storage technology to significantly reduce greenhouse gas emissions compared to a conventional LNG plant.
  - ◇ Chiyoda responds to customer needs for decarbonization and low CO<sub>2</sub> shift with its

technology and previous accomplishments of motorization of plant equipment and efficient plant operation through digitalization.

- <New Business Domains> Hydrogen Business (SPERA Hydrogen<sup>®</sup>, ammonia) (P15)
  - ◇ Chiyoda contributes to realizing a hydrogen based society as an effective engineering solution provider and exploiting the benefits of hydrogen carriers.
  - ◇ In particular, Chiyoda implements hydrogen/ammonia related engineering and hydrogen/ammonia chain solution business strategies and is targeting a total volume of 1.75 million tons (equivalent to approximately 6 GW) of hydrogen used in hydrogen / ammonia projects involving Chiyoda by 2030.
  
- <New Business Domains> SPERA Hydrogen<sup>®</sup> to spur a Hydrogen-based Society (P16)
  - ◇ Chiyoda aims to further strengthen hydrogen technology and accelerate operations to reinforce its status as the front-runner in the hydrogen business.
  
- <New Business Domains> Life Science Business (P17)
  - ◇ Chiyoda provides high value-added biotechnology & life science solutions.
  - ◇ Chiyoda targets JPY 50 billion orders received by 2030 in Biotechnology & pharmaceutical life science engineering. In lateral expansion and monetization of next-generation manufacturing process technologies, Chiyoda targets 10 projects/year by 2030.
  
- <New Business Domains> Energy Management Business (P18)
  - ◇ Chiyoda aims to strengthen the EPC business in the fields of renewable energy, energy storage and energy management systems (EMS) and expand into Operation and Maintenance (O&M), targeting JPY 50 billion of orders received in 2030.
  - ◇ In the energy utilization optimization business, Chiyoda aims to realize income early and expand the profit base of the Energy as a Service (EaaS) business for industrial customers, and expand into the area utility business.
  
- Partnering to Accelerate Commercialization (P19)
  - ◇ To accelerate new business, knowledge of state-of-the-art technology and providing customers with innovative solutions are required.
  - ◇ The slide shows the possibilities of combining Chiyoda's technology and knowledge with partners such as trading companies, business-to-customer companies, venture companies, universities etc
  - ◇ Chiyoda accelerates and expands commercialization through proactive collaboration with other companies with experience in, for example, decarbonizing and reducing CO<sub>2</sub> of process facilities, the hydrogen supply chain and energy utilization optimization.

## **6. Digital Transformation (DX) (P21-P22)**

- To enhance the value of core business models, Chiyoda further reinforces Digital Transformation (DX).
- By accelerating Chiyoda Group DX activities through medium to longer term initiatives, Chiyoda will also accelerate the deployment of the project management data model, Chiyoda AWP and PlantStream™, improving project and construction execution efficiency by 20% by 2025.
- In terms of each business domain, Chiyoda aims for optimal and autonomous plant operation with EFEXIS™ and applies digital twin technology to optimize operation of dehydrogenation facilities.
- Informative DX videos are available with QR codes in p22.

## **7. SDG Initiatives (P24)**

- Chiyoda has identified three key material sustainability issues: ‘Affordable and Clean Energy’, ‘Industry, Innovation and Infrastructure’ and ‘Climate Action’.
- By continuously reviewing its Revitalization Plan and exploiting its project execution, overall optimization and new technology implementation capabilities, Chiyoda contributes to SDG’s through its corporate philosophy of ‘Energy and Environment in Harmony’.

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Please address inquiries to:

IR, PR & CSR Section, Corporate Services Department: Tel. +81-45-225-7734

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.