

Abridged Translation:

The report is not audited and this translation is an abridged version prepared based on the statutory format in Japan for reference purpose only. If there is any discrepancy between this translation and the original Japanese version, the Japanese shall prevail.

Consolidated Financial Results for the Three Months Ended June 30, 2022

August 1, 2022

Company name: CHIYODA CORPORATION
 Listing: Tokyo Stock Exchange
 Stock code: 6366
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Scheduled date to file Quarterly Report: August 10, 2022
 Quarterly Supplementary Explanation Material: Yes
 Quarterly Financial Results Presentation: Yes

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

1. Consolidated performance for the three months ended June 30, 2022

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the three months ended June 30, 2022	75,741	(5.9)	3,769	7.5	3,526	(0.3)	2,190	-
For the three months ended June 30, 2021	80,479	22.8	3,506	(33.8)	3,537	(27.0)	(17,211)	-

Note: Comprehensive Income: the three months ended June 30, 2022: 4,015 million yen / (—)%
 the three months ended June 30, 2021: (20,324) million yen / (—)%

	Net income per share	Fully diluted net income per share
	Yen	Yen
For the three months ended June 30, 2022	6.43	2.23
For the three months ended June 30, 2021	(68.49)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2022	365,412	19,529	5.3
As of March 31, 2022	395,396	15,761	4.0

Reference: Equity as of June 30, 2022: 19,404 million yen
 as of March 31, 2022: 15,654 million 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, 2022	—	—	—	0.00	0.00
Fiscal year ending March 31, 2023	—				
Fiscal year ending March 31, 2023 (Forecast)		—	—	—	—

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2023
(from April 1, 2022 to March 31, 2023)

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2023	500,000	60.7	20,000	89.7	18,000	57.5	11,500	—	36.30

Note: Revision to the latest forecast announcement 2022: 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 June 30, 2022 | 260,324,529 shares |
| As of March 31, 2022 | 260,324,529 shares |
| b. Number of treasury stock at the end of the period | |
| As of June 30, 2022 | 1,357,916 shares |
| As of March 31, 2022 | 1,357,776 shares |
| c. Average number of shares during the period | |
| For the three months ended June 30, 2022 | 258,966,613 shares |
| For the three months ended June 30, 2021 | 258,966,783 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.

Dividend Status of Class A Shares

Class A Share	Cash dividends per share				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Annual
Record date	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	-	-	-	0.00	0.00
Fiscal year ending March 31, 2023	-				
Fiscal year ending March 31, 2023 (Forecast)		-	-	-	-

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1. Qualitative Information Related to Consolidated Performance

(1) Qualitative Information on Business Performance

The future of the global economy in the first quarter of the fiscal year remains volatile, due to impacts from COVID-19, the geopolitical crisis in Ukraine, surging raw material costs (including oil), rapid inflation and a weakening yen.

Under these circumstances, the business environment in which we operate is undergoing significant changes. While the transition to carbon neutrality and decarbonization is accelerating in response to climate change, balancing this transition and ensuring a stable energy supply has become a new challenge.

The Group's medium-term management plan 'Revitalization for the Future' addresses these business environment challenges. We continue to invest in our existing businesses, mainly based on liquefied natural gas (LNG) which is increasing in importance as a resource that contributes to a stable energy supply and the energy transition. We also continue to strengthen new businesses in growth fields such as renewable energy, hydrogen, carbon cycling, energy management and life sciences, and leverage digital transformation to add value to our business model.

To accelerate initiatives for our 'Revitalization for the Future' vision, the Group declared carbon neutrality goals on April 1, 2022 and will continue contributing to net-zero by 2050 by combining our engineering capabilities with innovative digital technology.

We create 'new engineering value' by reinforcing existing businesses and accelerating new ones, aiming to rejuvenate our business portfolio, ensure a stable income base, achieve sustainable growth and further enhance enterprise value.

On consolidated basis, for the 1st quarter of the fiscal year ending March 31, 2023, New Orders amounted to 20,602 million yen (down 3.5% YoY), Revenues amounted to 75,741 million yen (down 5.9% YoY) and Backlog amounted to 1,367,674 million yen (up 2.8% from last FY). Operating Income is 3,769 million yen (up 7.5% YoY) and Ordinary income is 3,526 million yen (down 0.3% YoY). An increase of income taxes and others resulted in a profit attributable to the owners of the parent of 2,190 million yen (a loss of 17,211 million yen was recorded in the 1st quarter of last FY).

The effects of COVID-19 vary according from project to project and although its influence on particular projects has been evaluated where applicable, most are progressing as usual, with some realizing cost reductions and increased profits. Further deterioration or a prolonging of the geopolitical crisis in the Ukraine could also adversely affect the Group's business performance and we will continue to monitor and address any effects on current projects. The figures provided for ongoing projects in the 1st quarter of this fiscal year have been estimated following reasonable assessments of applicable impacts. Revenue and Cost of Completed Work reflect total construction cost, assessments in the calculation of construction progress.

Further information regarding reportable engineering business segments is presented below.

- Energy

LNG / Gas

【Overseas】

Chiyoda is executing the engineering, procurement and construction (EPC) phase of LNG plants in Qatar, the USA and Indonesia. In Qatar, the EPC phase for the North Field East (NFE) project, an expansion of four LNG trains with capacities of eight million metric tons per annum each, is underway and construction has commenced. In the USA, the Golden Pass LNG project is also in the EPC phase and construction is continuing. In Indonesia, construction of the third train of the Tangghu LNG Expansion project is progressing toward completion. In other gas related work, a group company in Qatar is engaged in engineering projects to renovate and repair LNG/gas processing plants.

【Japan】

We are in the EPC phase of projects to reinforce, modify and repair existing LNG terminals, previously

constructed by Chiyoda, and construct new gas supply facilities for thermal power plants.

Refinery/Petrochemical

In Japan, we are working to improve the competitiveness of oil refineries, upgrading equipment, examining measures for energy saving/carbon neutrality and examining compliance with the Basic Act for National Resilience. In the petrochemical field, we are executing a new functional materials project.

- Environment

Pharmaceutical/Biochemistry/General Chemistry

【Pharmaceutical/Biochemistry】

The EPC phase is underway on a recombinant protein vaccine production facility expansion project, the addition of ancillary facilities for SHIONOGI & CO. Ltd and the EPC phase for a biopharmaceutical substance manufacturing plant is ongoing. Pharmira Co. Ltd (Pharmira), a joint venture including Chiyoda and led by Shionogi Pharma Co. Ltd commenced business on April 1, 2022. Pharmira conducts contract development and manufactures active pharmaceutical ingredients (API's) and intermediates, using Continuous Manufacturing (CM) technology. Pharmira's one-stop API's and intermediates manufacturing scope ranges from API's manufacturing process development and investigational new drugs manufacturing to commercial scale manufacturing. Chiyoda applies its innovative CM technology and reinforces life science fields through the horizontal development of our technologies.

【General Chemistry】

We are realizing carbon recycling as part of a collaboration project with industry, government and academia to research and develop CO2 capture technology, using CO2 as a raw material to produce para-xylene (PX). We are also conducting basic engineering for a client's waste plastic recycling business.

We are strengthening our capabilities in indoor vertical farming and promoting the development of commercial facilities.

Environment/New Energy/Infrastructure

【Environment】

We are installing flue gas desulfurization (FGD) equipment in coal-fired power plants in India in response to tightening environmental regulations and Chiyoda's thoroughbred 121 (CT-121) FGD process has been installed in a number of plants.

In Japan, we are partially remodeling and providing operational support for a demonstration project to separate, recover and store CO2 (carbon capture and storage (CCS)) from thermal power plant fuel gas and are in the EPC phase for flue gas desulfurization equipment installation in a coal-fired power plant.

In the carbon capture and utilization (CCU) field, we are collaborating with Blue Planet Systems Corporation and Mitsubishi Corporation to develop and commercialize technology to use the CO2 in exhaust gas in the manufacture of aggregates as the raw material for concrete.

Technology development of CO2 separation and recovery for large scale natural gas fired power plant turbines using domestic solid sorbent material is ongoing under a New Energy and Industrial Technology Development Organization Green Innovation fund program.

【New Energy】

Chiyoda is executing the EPC phases for a photovoltaic (mega solar) facility and Japan's largest biomass power plant using wood pellets as fuel, and we were awarded a maintenance contract for the world's largest battery energy storage plant, in addition to its EPC execution. We are continuing to reinforce our energy management business for energy storage facilities to efficiently utilize renewable energy and virtual power plants (VPP).

【Infrastructure】

Chiyoda, awarded the contract solitary, is executing the MSP project in Indonesia, the world's largest single manufacturing line copper smelting plant and construction has commenced. We are also executing the EPC

phase of a polypropylene polymerization catalyst manufacturing plant in Japan.

Our hydrogen business (hydrogen/ammonia) is presented below.

Chiyoda is in detailed discussions with third parties to construct international SPERA Hydrogen™ value chains, including the Port of Rotterdam Authority, Koole Terminals and Mitsubishi Corporation to use the Port of Rotterdam in The Netherlands as the gateway for importing hydrogen into Europe on a commercial scale. Discussions are also ongoing with Mitsubishi Corporation and Singaporean companies, including Sembcorp Industries, an integrated utilities and urban development firm, regarding studies to realize a clean hydrogen supply chain in Singapore. Chiyoda has also been awarded a grant from the Singaporean government to promote a business/academia collaboration program utilizing SPERA Hydrogen™. In Japan, as an associate member of the Advanced Hydrogen Energy Chain Association for Technology Development (AHEAD), Chiyoda manufactures methylcyclohexane (MCH) in Brunei Darussalam as part of a project subsidized by the New Energy and Industrial Technology Development Organization (NEDO) and supplies MCH to ENEOS Corporation using chemical tankers for their ongoing demonstration project. Chiyoda is a managing board member of the Japan Hydrogen Association and accelerates a hydrogen-based society through the social implementation of hydrogen projects.

In the ammonia field, Chiyoda is leading a NEDO Green Innovation Fund initiative to develop independent ammonia synthesis technologies to reduce ammonia production costs and are conducting studies on ammonia receiving and hydrogen fuel supply facilities in Japan.

Please refer to 4. 'Production, Contracts and Sales' for further details of New Contracts, Net Sales and Contract Backlog, by segment.

Further information regarding our digital technology business is presented below.

The Group is accelerating company-wide digital transformation (DX), cultivating digital expertise as a DX foundation in the development of a digital culture and is pursuing the following three initiatives:

(a) Project Execution DX

We are sequentially implementing systems required to apply Advanced Work Packaging (AWP) on ongoing projects to enhance our EPC execution management capabilities. As part of PlantStream Inc, a joint venture with Arent Inc, we are developing, and introducing to plant owners and EPC contractors around the world, a revolutionary system that drastically reduces the number of space design processes required in basic plant design, enabling faster creation of 3D models.

(b) Corporate Management DX

We are leveraging digital technologies to develop the remote working environment, improving resource planning and management and deploying robotic process automation to improve administrative efficiency.

(c) DX Business

We are promoting EFEXIS™, a plant operations optimization solution that combines our engineering expertise, digital AI technology and Mirai Fusion (digital platform solution for industrial equipment and plants in development with Cognite and Mitsubishi Corporation), for domestic and international marketing. We are expanding the EFEXIS™ lineup and have developed 'O&M Mother' to streamline facility maintenance, combining Chiyoda's advanced diagnostic and analysis technology with IoT and cloud technology.

(2) Financial Information on Business Performance

(Assets)

Total assets decreased by 29,983 million yen from the end of the last fiscal year, with a decrease of accounts receivable – other of 50,535 million yen and others. Costs on construction contracts in progress increased by 5,963 million yen, notes receivable, accounts receivable from completed construction contracts and contract assets by 3,584 million yen, cash and deposits by 2,827 million yen and jointly controlled assets of joint ventures by 1,974 million yen.

(Liabilities)

Total liabilities decreased by 33,751 million yen from the end of last fiscal year, with a decrease of accounts payable – other of 26,771 million yen, notes payable, accounts payable for construction contracts of 5,467 million yen, current portion of long-term borrowings of 5,032 million yen and others. Contract liabilities increased by 5,128 million yen.

(Net assets)

Total Net Assets is 19,529 million yen, with an increase in accumulated other comprehensive income by recording deferred gains or losses on hedges and retained earnings by recording a profit attributable to owners of parent.

(3) Consolidated Financial Forecasts of the Fiscal Year

There is no change from the consolidated financial forecasts for the fiscal year announced on May 10, 2022.

2. Consolidated quarterly financial statements

(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	68,795	71,623
Notes receivable, accounts receivable from completed construction contracts, and contract assets	40,438	44,023
Costs on construction contracts in progress	18,529	24,493
Accounts receivable - other	83,246	32,711
Jointly controlled assets of joint venture	141,438	143,412
Other	21,731	26,914
Allowance for doubtful accounts	(1,498)	(1,522)
Total current assets	372,682	341,655
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,700	4,711
Land	5,100	5,094
Other, net	1,236	1,269
Total property, plant and equipment	11,038	11,075
Intangible assets		
Investments and other assets		
Investment securities	5,511	6,965
Retirement benefit asset	633	452
Deferred tax assets	129	146
Other	1,084	1,084
Allowance for doubtful accounts	(18)	(18)
Total investments and other assets	7,340	8,631
Total non-current assets	22,714	23,757
Total assets	395,396	365,412

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts	96,084	90,616
Current portion of long-term borrowings	20,621	15,588
Accounts payable - other	44,022	17,250
Income taxes payable	978	972
Contract liabilities	143,431	148,560
Provision for warranties for completed construction	3,348	1,692
Provision for loss on construction contracts	34,815	34,812
Provision for bonuses	3,211	1,511
Other	4,160	8,398
Total current liabilities	350,675	319,404
Non-current liabilities		
Long-term borrowings	25,000	20,000
Deferred tax liabilities	533	2,723
Provisions	239	239
Retirement benefit liability	773	807
Other	2,413	2,709
Total non-current liabilities	28,960	26,479
Total liabilities	379,635	345,883
Net assets		
Shareholders' equity		
Share capital	15,014	15,014
Capital surplus	142	142
Retained earnings	(1,142)	800
Treasury shares	(849)	(849)
Total shareholders' equity	13,165	15,107
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	83	69
Deferred gains or losses on hedges	1,656	6,697
Foreign currency translation adjustment	(6)	(3,192)
Remeasurements of defined benefit plans	755	722
Total accumulated other comprehensive income	2,489	4,296
Non-controlling interests	106	124
Total net assets	15,761	19,529
Total liabilities and net assets	395,396	365,412

(2) Consolidated statement of income and comprehensive income

(Consolidated statement of income) (Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Net sales of completed construction contracts	80,479	75,741
Cost of sales of completed construction contracts	74,289	69,214
Gross profit on completed construction contracts	6,189	6,526
Selling, general and administrative expenses	2,682	2,756
Operating profit	3,506	3,769
Non-operating income		
Interest income	139	153
Dividend income	47	10
Foreign exchange gains	109	—
Other	43	36
Total non-operating income	339	201
Non-operating expenses		
Interest expenses	215	215
Share of loss of entities accounted for using equity method	17	142
Foreign exchange losses	—	34
Other	76	52
Total non-operating expenses	309	444
Ordinary profit	3,537	3,526
Extraordinary income		
Gain on sale of investment securities	—	72
Total extraordinary income	—	72
Extraordinary losses		
Loss on valuation of investment securities	—	18
Project related loss based on negotiations with customers	20,374	—
Total extraordinary losses	20,374	18
Profit (loss) before income taxes	(16,836)	3,580
Income taxes - current	354	1,297
Income taxes - deferred	25	87
Total income taxes	380	1,384
Profit (loss)	(17,217)	2,195
Profit (loss) attributable to non-controlling interests	(6)	5
Profit (loss) attributable to owners of parent	(17,211)	2,190

(Consolidated statement of comprehensive income)

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Profit (loss)	(17,217)	2,195
Other comprehensive income		
Valuation difference on available-for-sale securities	(30)	(13)
Deferred gains or losses on hedges	(51)	5,040
Foreign currency translation adjustment	(2,985)	(3,236)
Remeasurements of defined benefit plans, net of tax	(40)	(33)
Share of other comprehensive income of entities accounted for using equity method	0	62
Total other comprehensive income	(3,107)	1,819
Comprehensive income	(20,324)	4,015
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(20,318)	3,997
Comprehensive income attributable to non-controlling interests	(6)	18

3. Production, Contracts and Sales

(Millions of yen)

Segments		Apr. 1, 2021 – Jun. 30, 2021			Apr. 1, 2022 – Jun. 30, 2022		
		New Contracts (Ratio)	Net Sales (Ratio)	Backlog of Contracts (Ratio)	New Contracts (Ratio)	Net Sales (Ratio)	Backlog of Contracts (Ratio)
1. Engineering		21,192 (99.2%)	80,315 (99.8%)	1,072,981 (100.0%)	20,446 (99.3%)	75,585 (99.8%)	1,367,674 (100.0%)
Energy	(1) LNG Plant	4,962 (23.2%)	47,504 (59.0%)	919,635 (85.7%)	2,468 (12.0%)	42,444 (56.1%)	951,202 (69.6%)
	(2) Gas Related Work	205 (1.0%)	1,068 (1.3%)	4,972 (0.4%)	127 (0.6%)	1,053 (1.4%)	2,081 (0.2%)
	(3) Refinery/Petrochemical	10,490 (49.1%)	16,409 (20.4%)	44,917 (4.2%)	6,773 (32.9%)	5,765 (7.6%)	29,168 (2.1%)
Global Environment	(4) Pharmaceutical/Biochemistry/Chemical	3,400 (15.9%)	7,358 (9.2%)	39,303 (3.7%)	4,501 (21.8%)	6,747 (8.9%)	48,017 (3.5%)
	(5) Environment/New Energy/Infrastructure	1,434 (6.7%)	7,187 (8.9%)	62,033 (5.8%)	5,266 (25.6%)	18,645 (24.6%)	334,215 (24.4%)
	(6) Others	698 (3.3%)	786 (1.0%)	2,118 (0.2%)	1,309 (6.4%)	928 (1.2%)	2,989 (0.2%)
2. Other Business		163 (0.8%)	163 (0.2%)	- (-)	155 (0.7%)	155 (0.2%)	- (-)
Total		21,356 (100.0%)	80,479 (100.0%)	1,072,981 (100.0%)	20,602 (100.0%)	75,741 (100.0%)	1,367,674 (100.0%)
Domestic		15,647 (73.3%)	23,129 (28.7%)	126,753 (11.8%)	16,968 (82.4%)	16,186 (21.4%)	100,700 (7.4%)
Overseas		5,708 (26.7%)	57,349 (71.3%)	946,228 (88.2%)	3,633 (17.6%)	59,554 (78.6%)	1,266,974 (92.6%)

Note1: The backlog of contracts for the three months includes an increase / decrease due to changes in construction contracts acquired in prior fiscal years, and an increase / decrease due to foreign exchange translation adjustments.

Note2: Part of segment description and definition of energy field and global environment field breakdown in Engineering Business was changed from the 2nd quarter of the last fiscal year. In the above table, the change is reflected in the 1st quarter of the last fiscal year. There is no change in segment report.