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 Six Months Ended September 30, 2018

November 9, 2018

Company name: **CHIYODA CORPORATION**
Listing: First Section of the Tokyo Stock Exchange
Stock code: 6366
URL: http://www.chiyodacorp.com/
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Scheduled date to file Quarterly Report: November 14, 2018
Preparation of Quarterly Supplementary Explanation Material: Yes
Quarterly Financial Results Presentation Held: Yes (for Analysts and Institutional Investors)

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

1. Consolidated performance for the six months ended September 30, 2018

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

	Revenue		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the Six months ended September 30, 2018	146,387	(41.6)	(96,267)	―	(96,271)	―	(108,606)	―
For the Six months ended September 30, 2017	250,652	(9.5)	(13,126)	―	(12,373)	―	3,480	(38.0)

Note: Comprehensive Income: the six months ended September 30, 2018: (107,888) million yen / (―)%
the six months ended September 30, 2017: 2,887 million yen / (―)%

	Net income per share	Fully diluted net income per share
	Yen	Yen
For the Six months ended September 30, 2018	(419.38)	―
For the Six months ended September 30, 2017	13.44	―

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2018	375,581	49,446	12.7
As of March 31, 2018	420,337	159,418	37.5

Reference: Equity As of September 30, 2018: 47,549million yen/ As of March 31, 2018: 157,557 million yen

2. Cash dividends

	Cash dividends per share				
Record date	First quarter	Second quarter	Third quarter	Fiscal year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2018	-	-	-	7.50	7.50
Fiscal year ending March 31, 2019	-	-			
Fiscal year ending March 31, 2019(Forecast)			-	0.00	0.00

Note: Revision to the latest forecast announcement 2018: None

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2019 (from April 1, 2018 to March 31, 2019)

(Percentages indicate year-on-year changes)

	Revenue		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, 2019	400,000	(21.7)	(86,500)	―	(86,500)	―	(105,000)	―	(405.46)

Note: Revision to the latest forecast announcement 2018: 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 September 30, 2018	260,324,529 shares
As of March 31, 2018	260,324,529 shares

b. Number of treasury stock at the end of the period

As of September 30, 2018	1,357,071 shares
As of March 31, 2018	1,356,873 shares

c. Average number of shares during the period

For the Six months ended September 30, 2018	258,967,593 shares
For the Six months ended September 30, 2017	258,969,995 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.

Table of Contents for the appendices

1. Qualitative Information Related to Consolidated Performance

(1) Qualitative Information on Business Performance

Since August 2018, Chiyoda has made an assessment on the execution plan for the Cameron LNG Project together with the joint venture partner McDermott International Inc. In the course of this assessment, it has become apparent that the following two factors have made a significant increase in the overall construction cost:
Firstly, an escalation of labor cost along a severe shortage of skilled labor in the Gulf Coast region caused by 1) a surge in shale development projects due to rising oil prices and 2) major reconstruction efforts in the aftermath of Hurricane Harvey.
Secondly, the lower than expected productivity of the labor contributed to a sharp increase in construction costs. One of the reasons for the low productivity is the high turnover in the labor force due to the remote and inconvenience of Cameron LNG Project, which led to overall labor productivity decrease from May 2018.

Meanwhile, Chiyoda has continued to implement large-scale projects in the core LNG business and completed 2nd train of Yamal LNG in Russia. Further the Company has been actively involved in front-end engineering and design work (FEED) for the Qatar expansion project and FEED work and the preparation of the Engineering, Procurement and Construction (EPC) proposal for Nigeria LNG project. Concurrently, the Company has been implementing the structural reforms and growth strategy detailed in the medium term management plan “Mirai Engineering - A Grand Opportunity for the Future”. This plan includes expansion into new markets including renewable energy and life sciences, and a more sophisticated business model leveraging big data and Artificial Intelligence (AI) technology.

On consolidated basis, for the fiscal year ending March 31, 2019, New Orders amounted to 332,037 million yen (up 120.4% YoY), Backlog to 832,720 million yen (down 27.4% YoY) and Revenues to 146,387 million yen (down 41.6% YoY). Operating loss came to 96,267 million yen (compared with previous quarter’s consolidated operating loss of 13,126 million yen), Ordinary loss amounted to 96,271 million yen (compared with previous quarter’s consolidated ordinary loss of 12,373 million yen) and Loss attributable to owners of parent came down to 108,606 million yen (compared with previous quarter’s consolidated profit attribute to owners of parent of 3,480 million yen). Losses are mainly due to an increase in incremental construction costs for Cameron LNG project and reversal of deferred tax assets.

The summary of activities in the engineering business; reportable segments below:

- **Energy**

【Overseas】

LNG Plants: Chiyoda is executing EPC work for projects in Australia, the US, Russia and Indonesia; the 2nd train of Yamal LNG in Russia has been successfully completed. Pre-contract work is being conducted on a LNG project in Mozambique as the prime EPC contractor; FEED work is underway for an expansion project in Qatar adding 7.8 million tons per year in 4 trains; In the U.S., Chiyoda is bidding for new LNG projects; In the Nigeria, Chiyoda has won FEED work and preparation of an engineering, procurement and construction (EPC) proposal for the NLNG Train 7.

Other Gas Related Work: In Qatar, the Group is currently executing an EPC contract for a Helium Extraction Unit Facility; in addition a Group Company in Qatar is engaged in long-term EPCm contracts as renovation and modification work on LNG and gas processing plants previously built by the Company.

【Japan】

Renovation and modification projects are underway for previously built LNG-receiving terminals, and for seismic upgrades of facilities under the Basic Act for National Resilience.

Offshore and Upstream: A group company has won a conceptual design contract for sub-sea gas field for gas field exploration in Indonesia. A Joint project between Xodus Group Ltd. (a Chiyoda affiliate) and Subsea 7 SA is underway and Chiyoda will stay focused on floating LNG/gas processing facilities as one of its priority business areas.

Refinery/Petrochemical/Metal

【Overseas】

A group company is executing Engineering, Procurement, Construction and Commissioning (EPCC) activities for a Residue Fluid Catalytic Cracking (RFCC) project in Malaysia. Also in Malaysia, EPC activities on a petrochemical tank terminal are ongoing, further a group company based in Southeast Asia, is engaged in project management for refinery, petrochemical and downstream opportunities elsewhere in Asia. Further, Chiyoda has been awarded a lump-sum contract to construct the Olefins portion of a proposed world-scale ethylene plant along the U.S. Gulf. Coast.

【Japan】

Chiyoda has won contracts to evaluate renovation facilities with the aim reduce sulphur emission content with regulation to be implemented in 2020. Further the Company was awarded contracts to optimize refinery facilities and EPC operations business related to the manufacturing of high- performance materials for renovation and upgrades of existing facilities (Basic Act for National Resilience); focus on EPC operations; Improvement of energy efficiency in existing petrochemical production and other facilities and production plant for hydrogenated petroleum resin.

- **Environment**

Pharmaceutical/Biochemistry/General Chemistry

【Japan】

Chiyoda has won EPC project of pharmaceutical production plant and developed cutting edge, injection production facilities for high-potency pharmacologically active agents and related pharmaceutical facilities; EPC work in progress for production facilities of middle molecule, Active Pharmaceutical Ingredients (APIs).

Environment/New Energy/Infrastructure

【Overseas】

A Group company is completing EPC projects for new international airports in Mongolia and Bohol, Philippines. Further, Chiyoda introduced the Chiyoda Thoroughbred 121 (CT - 121) Process to flue gas desulfurization facilities at existing coal-fired plant in India; In Dubai, UAE, a demonstration project of a vegetable growing facility using artificial light was recently completed and will be introduced at commercial facilities elsewhere in the Middle East and Russia.

【Japan】

Chiyoda has won an Engineering, Procurement, and Construction (EPC) contract for the World's Largest Battery Energy Storage System Project in Hokkaido Prefecture, Japan. EPC work on flue gas desulfurization facilities at existing coal-fired plants; demonstration facilities for CO2 separation units; photovoltaic (mega solar) facilities and factories complying with the latest food hygiene standards are currently being executed and research facilities for food plant has been completed. In the New Energy business field a demonstration plant for producing bio-jet and diesel fuels is scheduled to be completed this fiscal year.

Work is underway on a demonstration project commercializing a hydrogen supply chain, through the Advanced Hydrogen Energy Chain Association for Technology Development, an organization established jointly established with Mitsubishi Corporation, Mitsui & Co., Ltd. and Nippon Yusen (NYK Line). Further, the Company has reached an EPC agreement for the largest capacity Biomass Firing Power Plants in Japan which fuel is planned to use wood pellets.

- **Digital Technology**

The Company has launched projects using AI technologies to improve plant productivity in a tie-up agreement with GRID Inc. Under these initiatives, Chiyoda has signed a memorandum of understanding with Abu Dhabi Gas Liquefaction Co. (UAE) to provide state-of-the-art digital technologies for its LNG Plant. Further the company has agreed with PT. Donggi-Senoro LNG (Indonesia) on the development of AI technology to improve the productivity of the LNG plant facilities.

(2) Financial Information on Business Performance

This section is not translated.

(3) Outlook for the Next Fiscal Year

Please refer to the company's release 'Notice of Revisions to the Forecast of Consolidated Results and Dividend" published on October 31, 2018.
In addition, expected foreign exchange of JPY 110/USD has been changed to JPY 115/USD.

(4) Business Risk

Risks newly recognized in the second quarter of the fiscal year ending March, 2019 are as follows;

The Company has recognized Operating loss, Ordinary loss and Loss attributable to owners of parent due to significantly increased construction cost for ongoing LNG projects, notably the Cameron LNG Project in Louisiana in the U.S.
Due to the above, the Company expects deterioration of cash flow and new financing will be required during this fiscal year.

(5) Business Policy, Business Environment and Issues to Address

In response to the newly recognized risks stated above, the Company has changed a part of its business policy.
The contents of the business policy which the Company has changed and the countermeasures to solve the business risks are stated in Notes on Assumptions for a Going Concern.

2. Consolidated quarterly financial statements

(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
Assets		
Current assets		
Cash and deposits	96,008	76,462
Notes receivable, accounts receivable from completed construction contracts	76,884	69,765
Securities	7,999	—
Costs on uncompleted construction contracts	15,916	11,202
Accounts receivable - other	41,967	45,618
Jointly controlled assets of joint venture	131,374	134,864
Other	5,563	5,008
Allowance for doubtful accounts	(1,245)	(1,246)
Total current assets	374,470	341,675
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,010	5,761
Land	4,952	4,952
Other, net	1,108	1,014
Total property, plant and equipment	12,071	11,728
Intangible assets	5,718	5,652
Investments and other assets		
Investment securities	7,681	7,624
Deferred tax assets	11,908	702
Other	8,672	8,379
Allowance for doubtful accounts	(185)	(181)
Total investments and other assets	28,077	16,524
Total non-current assets	45,867	33,905
Total assets	420,337	375,581

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts	147,654	140,931
Income taxes payable	894	509
Advances received on uncompleted construction contracts	76,294	121,787
Provision for warranties for completed construction	419	408
Provision for loss on construction contracts	3,288	26,127
Provision for bonuses	3,887	2,591
Other	15,408	15,315
Total current liabilities	247,847	307,670
Non-current liabilities		
Long-term loans payable	10,000	15,000
Provision	344	329
Net defined benefit liability	1,176	1,217
Other	1,550	1,916
Total non-current liabilities	13,071	18,464
Total liabilities	260,918	326,134
Net assets		
Shareholders' equity		
Capital stock	43,396	43,396
Capital surplus	37,112	37,112
Retained earnings	77,024	(33,614)
Treasury shares	(1,434)	(1,435)
Total shareholders' equity	156,099	45,459
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	64	36
Deferred gains or losses on hedges	(1,778)	981
Foreign currency translation adjustment	2,159	(278)
Remeasurements of defined benefit plans	1,013	1,350
Total accumulated other comprehensive income	1,458	2,090
Non-controlling interests	1,861	1,896
Total net assets	159,418	49,446
Total liabilities and net assets	420,337	375,581

(2) Consolidated statement of income and comprehensive income

(Consolidated statement of income)

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Net sales of completed construction contracts	250,652	146,387
Cost of sales of completed construction contracts	254,033	233,757
Gross loss on completed construction contracts	(3,380)	(87,370)
Selling, general and administrative expenses	9,746	8,897
Operating loss	(13,126)	(96,267)
Non-operating income		
Interest income	1,126	1,376
Dividend income	79	81
Share of profit of entities accounted for using equity method	660	63
Other	150	131
Total non-operating income	2,017	1,652
Non-operating expenses		
Interest expenses	105	113
Foreign exchange losses	990	1,511
Other	167	30
Total non-operating expenses	1,263	1,655
Ordinary loss	(12,373)	(96,271)
Extraordinary income		
Gain on sales of investment securities	203	―
Reversal of provision for loss on business of subsidiaries and associates	12,127	―
Total extraordinary income	12,331	―
Loss before income taxes	(41)	(96,271)
Income taxes - current	(8,323)	1,618
Income taxes - deferred	4,727	10,717
Total income taxes	(3,595)	12,336
Profit (loss)	3,554	(108,607)
Profit (loss) attributable to non-controlling interests	73	(0)
Profit (loss) attributable to owners of parent	3,480	(108,606)

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Profit (loss)	3,554	(108,607)
Other comprehensive income		
Valuation difference on available-for-sale securities	(277)	(27)
Deferred gains or losses on hedges	479	2,759
Foreign currency translation adjustment	(1,347)	(2,244)
Remeasurements of defined benefit plans, net of tax	81	337
Share of other comprehensive income of entities accounted for using equity method	387	(106)
Total other comprehensive income	(676)	718
Comprehensive income	2,877	(107,888)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,814	(107,974)
Comprehensive income attributable to non-controlling interests	62	86

(3) Consolidated quarterly statements of cash flow

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Cash flows from operating activities		
Loss before income taxes	(41)	(96,271)
Depreciation	1,767	1,361
Amortization of goodwill	91	20
Increase (decrease) in provision for loss on construction contracts	819	22,903
Increase (decrease) in provision for loss on business of subsidiaries and associates	(12,463)	－
Interest and dividend income	(1,206)	(1,457)
Share of loss (profit) of entities accounted for using equity method	(660)	(63)
Loss (gain) on sales of investment securities	(203)	－
Decrease (increase) in notes and accounts receivable - trade	(3,988)	6,862
Decrease (increase) in costs on uncompleted construction contracts	(6,174)	4,436
Increase (decrease) in notes and accounts payable - trade	17,616	(6,205)
Increase (decrease) in advances received on uncompleted construction contracts	3,175	45,718
Decrease (increase) in accounts receivable - other	(5,942)	(10,678)
Decrease (increase) in jointly controlled asset of joint venture	(7,184)	(3,922)
Other, net	(4,607)	1,254
Subtotal	(19,001)	(36,040)
Interest and dividend income received	393	650
Interest expenses paid	(101)	(93)
Income taxes (paid) refund	(328)	6,684
Net cash provided by (used in) operating activities	(19,037)	(28,799)
Cash flows from investing activities		
Net decrease (increase) in time deposits	3,334	654
Purchase of property, plant and equipment	(305)	(264)
Purchase of intangible assets	(896)	(1,067)
Purchase of investment securities	(304)	(104)
Proceeds from sales of investment securities	790	－
Proceeds from liquidation of subsidiaries and associates	－	134
Other, net	(3,810)	55
Net cash provided by (used in) investing activities	(1,192)	(592)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	30	－
Proceeds from long-term loans payable	－	5,000
Cash dividends paid	(1,551)	(1,937)
Other, net	(31)	(28)
Net cash provided by (used in) financing activities	(1,552)	3,033
Effect of exchange rate change on cash and cash equivalents	(753)	(631)
Net increase (decrease) in cash and cash equivalents	(22,536)	(26,990)
Cash and cash equivalents at beginning of period	138,889	101,767
Cash and cash equivalents at end of period	116,352	74,777

(4) Notes on Consolidated Quarterly Financial Statements
(Notes on Assumptions for a Going Concern)

In the second quarter of the consolidated financial results, the Chiyoda Group has an Operating loss of 96,267 million yen, Ordinary loss of 96,271 million yen and Loss attributable to owners of parent of 108,606 million yen due to significantly increased construction cost for ongoing LNG projects, notably the Cameron LNG Project in Louisiana in the U.S.

Due to the above, the Company expects deterioration of cash flow and new financing will be required during this fiscal year. Under this circumstance, the Company recognizes events and conditions which may cause substantial doubts about the Company's ability to continue as a going concern.

In response to these events and situations, the Group recognizes that the top priority is to prevent further cost increase of Cameron LNG project, and takes every necessary countermeasures under the special task team newly established.

In addition, the Group is implementing countermeasures to reduce costs, obtaining change orders, reviewing settlement conditions from ongoing projects including Cameron LNG project, as well as making efforts to improve the cash flow by reducing SG&A cost and sales of non-core assets.

And the Group has decided to revise some parts of its medium-term management plan "Mirai Engineering - A Grand Opportunity for the Future" issued in August 2017, in order not to repeat similar situation.

1. Ongoing Project (including Cameron LNG): Resource Allocation and Management Priority
The "Cameron LNG Countermeasure Task Team" led by President & CEO has been established. For this task team, managements of vice president class were assigned as the heads of home office and the site respectively, and we will make every effort to achieve successful completion of Cameron project to enhance productivity, by assigning our personnel, improving engineering / procurement activities and introducing skilled subcontractors.
The Company plans to appoint external professionals to perform a comprehensive review also on other ongoing projects to improve profitability and to secure optimized resource allocation.

2. Enhancement of risk management capabilities and highlight on not overstraining order capacity
To establish "Strategy and Risk Integration Division" aiming to enhance risk management capabilities. We will closely monitor available number of project key personnel not to pursue overstretched order intake. Also we will share the project execution risks properly with JV partners, and reinforce our expertise in cost estimation and risk analysis system. For project execution, we will reconstruct our organization drastically so that we can share the necessary risk information in advance and take swift countermeasures. In order to implement those functions, appointment of external experts as managers of this Division.

3. Extensive cost reduction
To achieve stable earnings, cut of fixed costs and reduction of consolidated SG&A costs by approximately twenty percent (approx. JPY 10 billion as consolidated basis) by fiscal year 2020, from approx. JPY 18.5 billion in FY2018 to approx. JPY15.0 billion in FY2020.

4. Strengthening financial performance
Amid its massive second quarter losses, it is the Company's highest priority to reinforce its financial standing securing the reserves necessary. The Company is considering any possible choices such as alliance with industrial partners and financial investors, loans from lenders and others.

Along the above outline, in order to secure necessary fund for its operation, the Company has consistent communications with its major shareholder Mitsubishi Corporation and other stakeholders.
However, as the countermeasures are still in progress, and discussions, including financial support, with Mitsubishi Corporation as well as other stakeholders are still ongoing, no consensus has been reached as of today.

The consolidated financial statements are prepared with an assumption of a going concern and do not reflect the impact of material uncertainty concerning the assumption of a going concern in the consolidated financial statements

(Notes on Significant Changes in the Amount of Shareholders' Equity, if Applicable)
None

(Changes in accounting policies)
The Company has applied IFRS 9, "Financial Instruments" and 15, "Revenue from Contracts with Customers", from the first quarter of the fiscal year ending March 31, 2019. The effects this change will have on business performance are minor.

3. Production, Contracts and Revenue

(Millions of yen)

	Apr. 1, 2017－Sept. 30, 2017			Apr. 1, 2018－Sept. 30, 2018		
	New contracts (ratio)	New contracts (ratio)	New contracts (ratio)	New contracts (ratio)	Revenue (ratio)	Backlog of contracts (ratio)
Engineering	148,982 (99.0%)	249,012 (99.4%)	767,783 (100.0%)	330,378 (99.5%)	144,728 (98.9%)	832,720 (100.0%)
LNG Plant	64,429 (42.8%)	184,663 (73.7%)	473,420 (61.6%)	26,072 (7.9%)	78,574 (53.7%)	292,644 (35.1%)
Gas Development/ Processing/Receiving	1,593 (1.1%)	7,015 (2.8%)	6,084 (0.8%)	2,459 (0.7%)	949 (0.7%)	5,294 (0.6%)
Refinery/Petrochemical/ Metal	21,616 (14.3%)	25,654 (10.2%)	152,723 (19.9%)	188,607 (56.8%)	33,117 (22.6%)	311,848 (37.5%)
Pharmaceutical/Biochemistry/ Chemical	28,704 (19.1%)	12,545 (5.0%)	51,471 (6.7%)	10,546 (3.2%)	15,561 (10.7%)	30,929 (3.7%)
Environment/New Energy/ Infrastructure	28,860 (19.2%)	14,924 (5.9%)	77,269 (10.1%)	98,983 (29.8%)	13,537 (9.2%)	182,105 (21.9%)
Others	3,778 (2.5%)	4,208 (1.7%)	6,813 (0.9%)	3,708 (1.1%)	2,899 (2.0%)	9,896 (1.2%)
Other Business	1,640 (1.1%)	1,640 (0.7%)	0 (0.0%)	1,659 (0.5%)	1,659 (1.1%)	0 (0.0%)
Total	150,622 (100.0%)	250,652 (100.0%)	767,783 (100.0%)	332,037 (100.0%)	146,387 (100.0%)	832,720 (100.0%)
Domestic	76,763 (51.0%)	49,585 (19.8%)	149,100 (19.4%)	144,701 (43.6%)	43,907 (30.0%)	263,831 (31.7%)
Overseas	73,859 (49.0%)	201,067 (80.2%)	618,683 (80.6%)	187,336 (56.4%)	102,480 (70.0%)	568,888 (68.3%)

Note1: The backlog of contracts for the six months ended September 30, 2018 includes a decrease due to changes in construction contracts acquired in prior fiscal years, and an increase due to foreign exchange translation adjustments.

Note2: The total amount of the above table does not include consumption tax.

4. Others

Please refer to Notes on Assumptions for a Going Concern.