

Revisiting the Medium-Term Management Plan (2017-2020)

~ Vision for Revival ~

Explanatory material

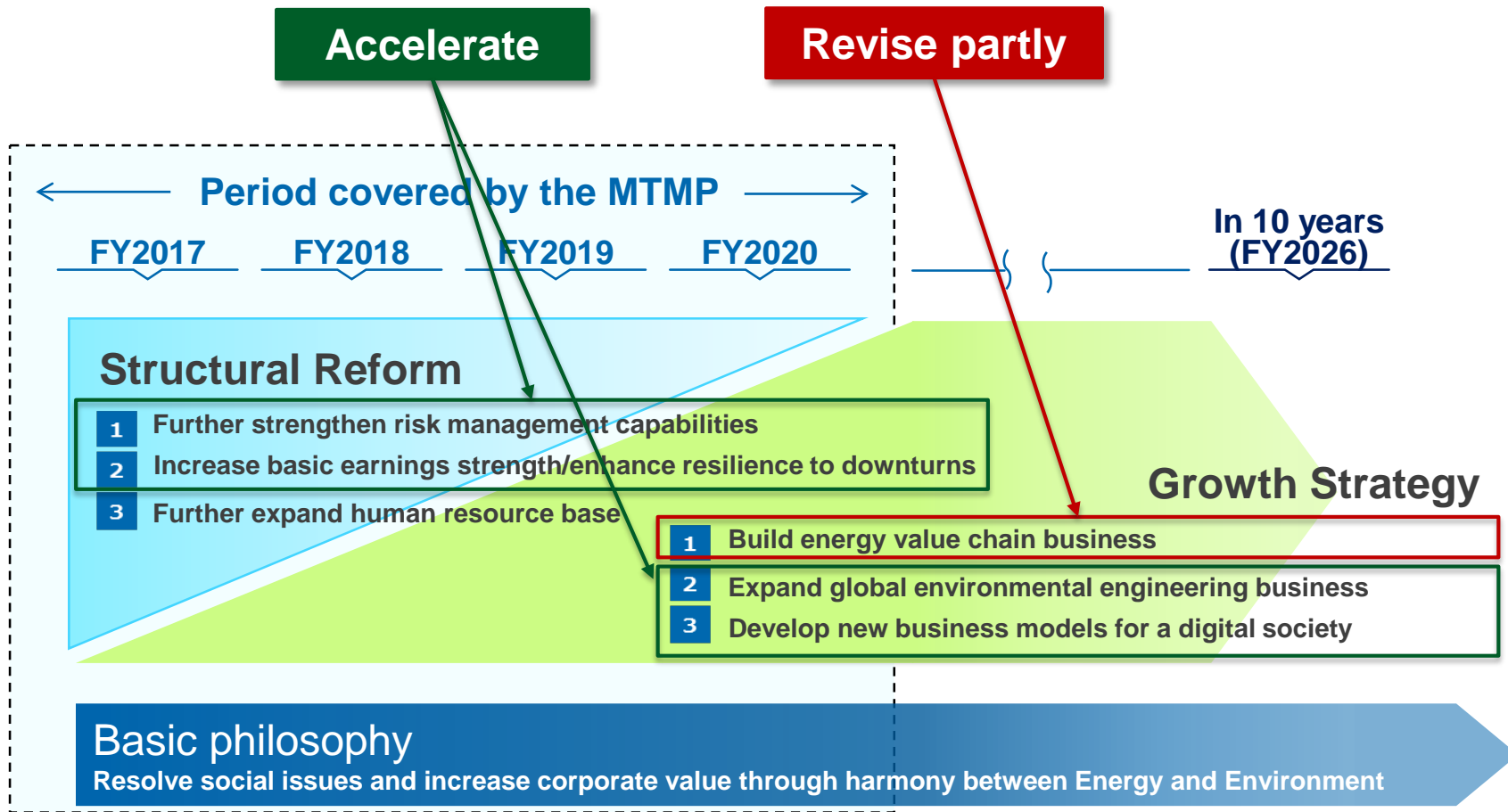
November 9, 2018

Chiyoda Corporation

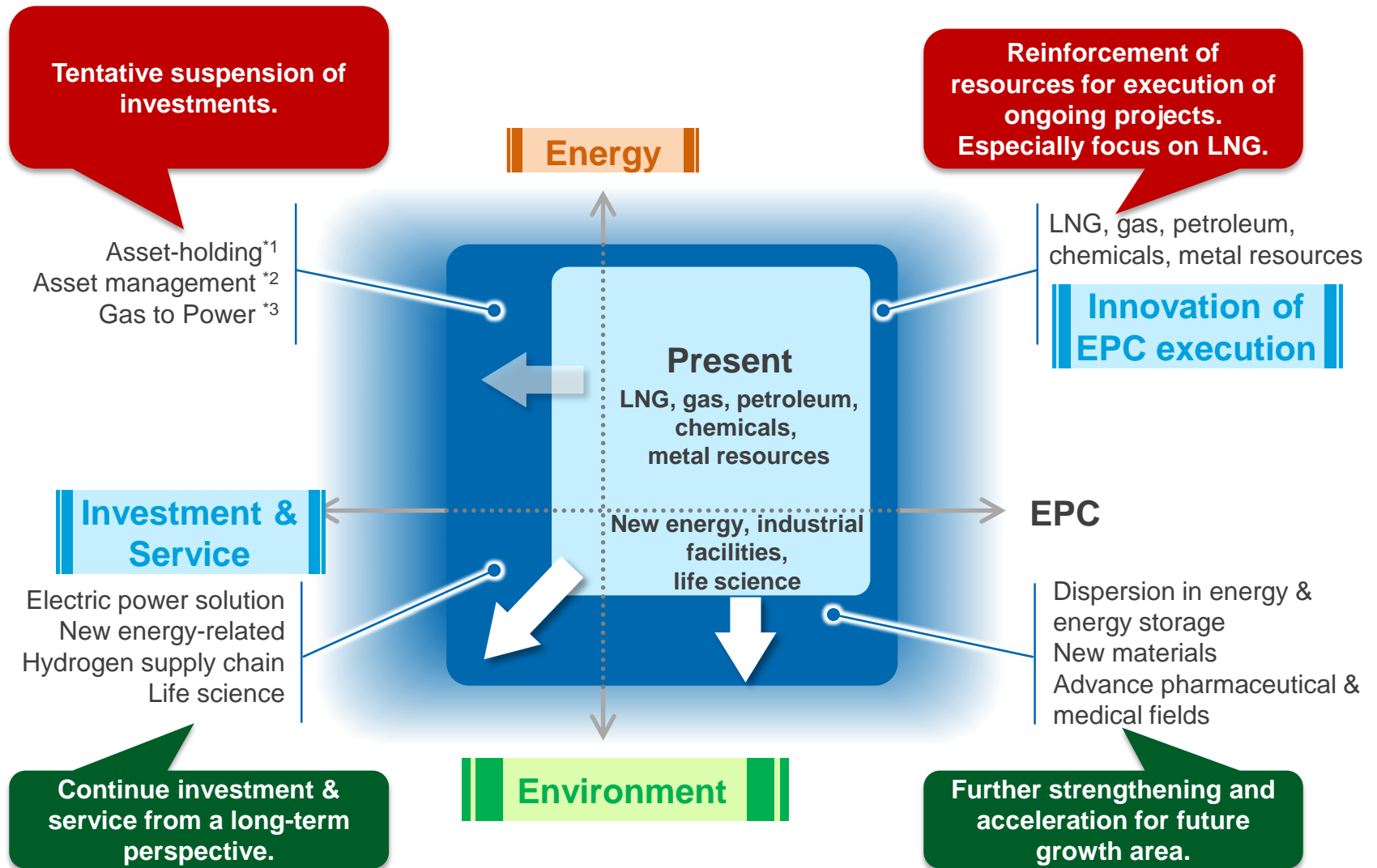
Key components

1. Direction of the current Medium-Term Management Plan (MTMP) 2
2. Resource allocation to ongoing projects including Cameron LNG 5
3. Strengthening our risk management system and being selective in taking new orders to avoid overstretch 7
4. Fixed cost reduction initiatives 11
5. Enhancement of financial position 13

1. Direction of the current MTMP (1/2)



1. Direction of the current MTMP (2/2)



*1 Asset holding: Businesses that gain earnings from holding & managing assets as floater (floating facilities) and onshore plants

*2 Asset management: Business that gain earnings by providing various technological services to holders of assets

*3 Gas to Power: An integrated business of LNG liquefaction, LNG regasification, and power generation

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2. Resource allocation to ongoing projects

Cameron LNG

- **Established the “Cameron Task Force”**
 - Established the “Task Force” on September 1, 2018, headed by CEO
 - Assigned Senior Executive Vice-President level members to both HQ and site in U.S.
- **Implemented countermeasures to prevent further losses**
 - Implemented measures to increase labor productivity by retention rate of workers
 - Mobilized additional resources of Chiyoda to improve client communication management
 - Switched to better performing alternative subcontractors

Other major projects

- **Appointed a third-party expert to assess current status of the major projects**
 - Review major projects from a third-party perspective
- **Prioritize resource allocation on ongoing projects to improve profit**
 - Reviewed our strategy for taking up new orders in order to prioritize resources for ongoing projects (see page 9)
 - Ensure positive cash flow on a cumulative basis among ongoing projects

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3. Strategy & Risk Integration Division (1/2)

Commence of the Preparation Office for the Establishment of Strategy & Risk Integration Division

- To be launched in November to allocate 30 staff to the new division by the end of March 2019
- Will involve executive officers from sales, project, and corporate divisions, in addition to the full-time members
- Positioned as a “direct report organization” to the Executive Committee in order to instill more disciplined governance
- Will assign external resources to senior management positions

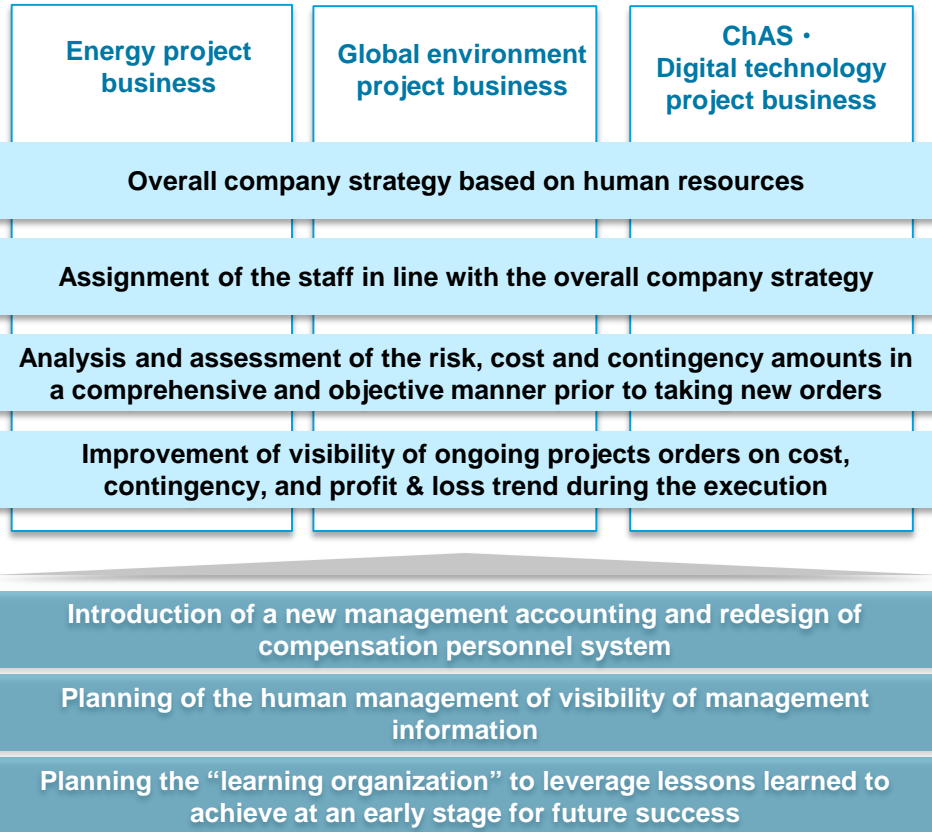


Executive Committee

Strategic & Risk Integration Division

Functions and Roles of Strategy & Risk Integration Division (Preliminary)

Bring in existing resources partially from the Corporate Planning and Project Management Divisions



3. Strategy & Risk Integration Division (2/2)

Roles of Strategy & Risk Integration Division (Excerpt)

Risk management before taking new orders

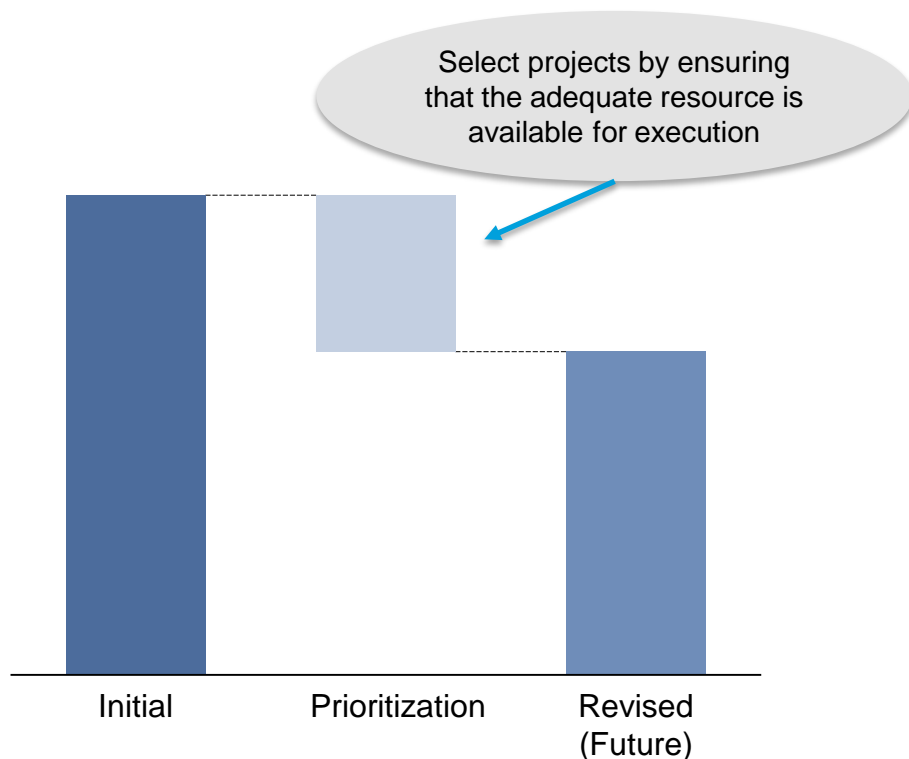
- Manage a disciplined approach for the order-taking process based on the number of available project key personnel (“PKP”)
- Allocate PKPs optimally based on the medium-to long-term plans
- Develop contingency plans based on the risk assessment and our lessons learned, including the use of third-party assessments
- Review the appropriateness of cost estimate and their key assumptions, taking into account the increasing size and complexity of projects and augment the comprehensive risk analysis

Risk management after receiving orders

- Reestablish the reporting system with top management for a timely sharing of symptoms of various risk factors perceived locally
 - Monitor and analyze the trends of project costs and contingency amounts
 - Plan and take actions for early countermeasures against perceived risks, etc.
- Enhance the use of lessons learned from past experiences from the large-scale EPC projects, including checklists and solution know-how based on root cause analysis
- Introduce regular and continuous follow-up mechanism to monitor the risks recognized at the time of receiving orders for large-scale EPC projects, and the use of third-party evaluations and audit mechanisms

3. Management of the new order taking approach

Pipeline of large-scale LNG projects (cumulative up to FY2022)



Criteria for prioritization

- Clarity on the specific requirements for project execution
- Project execution risk
- Project execution team, including the JV partners
- Retention of adequacy of sufficient human resources
- Profit focus

Key components

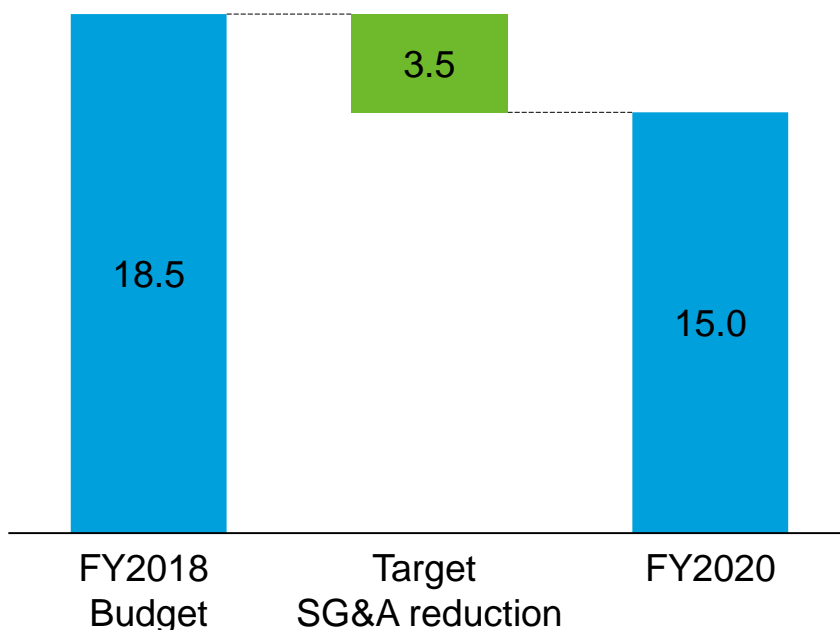
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4. Reduction of about 20% of SG&A expenses

Key initiatives to reduce SG&A expenses

Billions of Yen

Target decrease in SG&A expenses



- Reduce HQ expenses drastically
- Optimize domestic group companies
- Review overseas operations on a zero basis
- Improve operational efficiency by utilizing IT
- Reduce fixed costs of about JPY10 billion by FY2020 on a consolidated basis*1

While ensuring:

- Preservation of human resources; key for revitalization
- Maintenance of necessary R&D

NOTE: Consolidated fixed costs are approximately JPY60 billion, of which SG&A expenses amount to approximately JPY18.5 billion (estimate for FY2018)

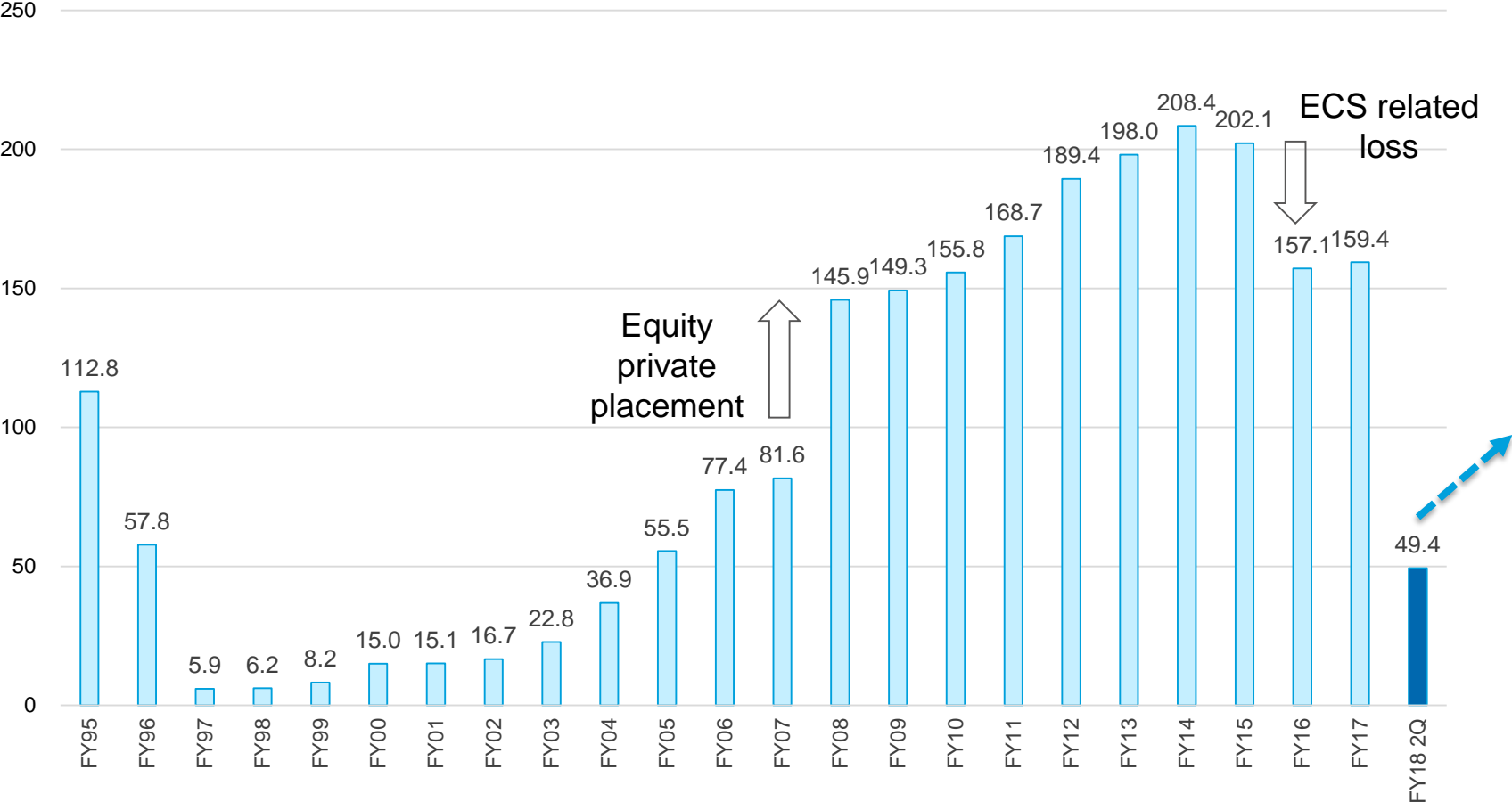
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5. Historical trend of net worth

Historical trend of net worth

Billions of Yen



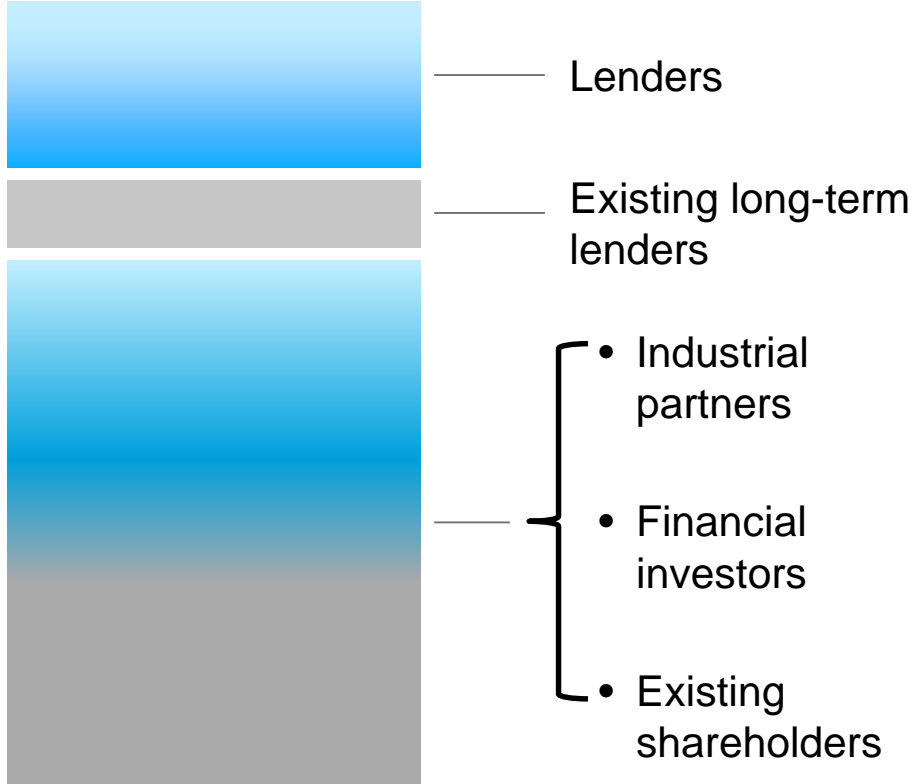
Note: ECS =Emas Chiyoda Subsea

5. Strengthening financial position

Capital structure
(September 2018)



Capital structure after enhancement
(Target by March 2019)

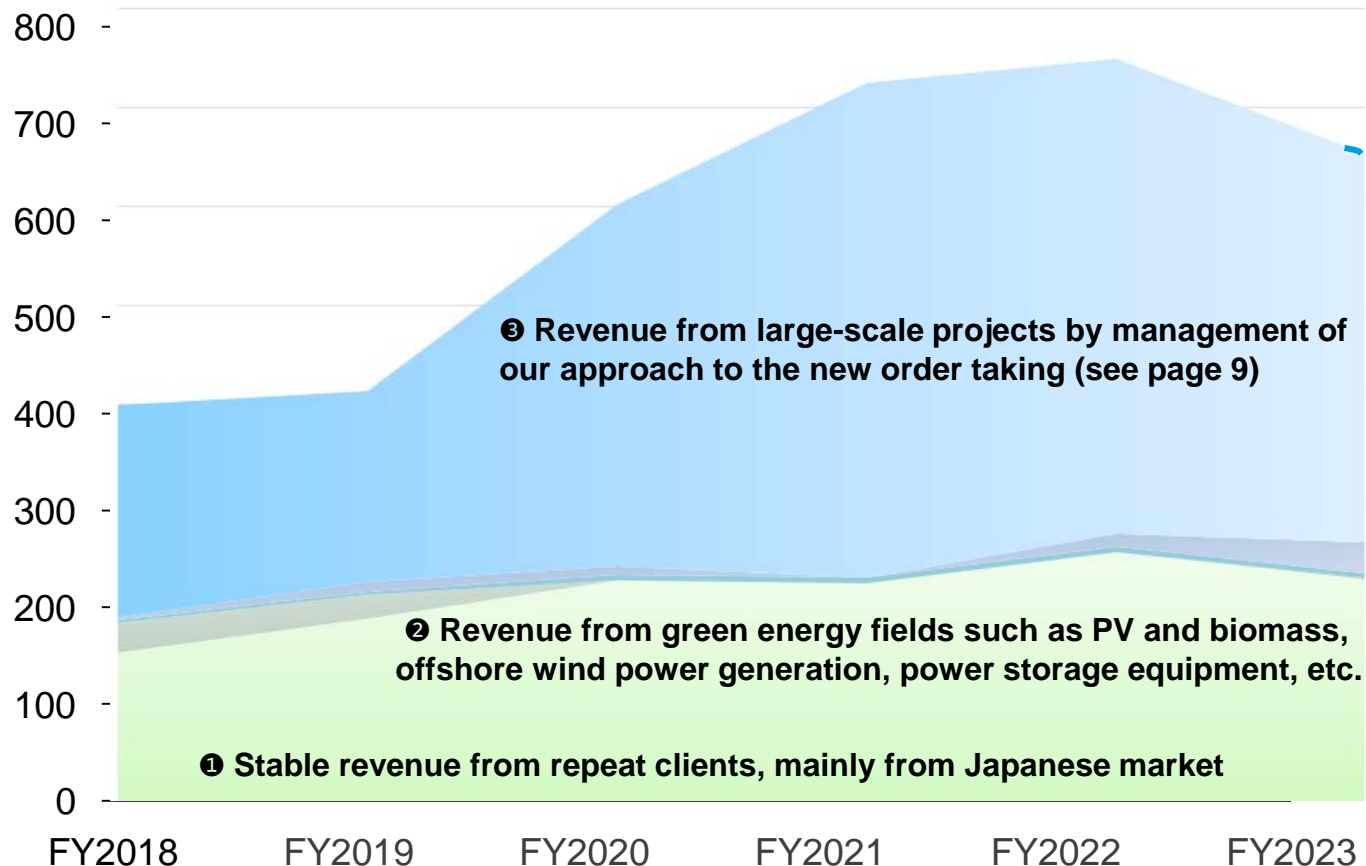


Funding sources

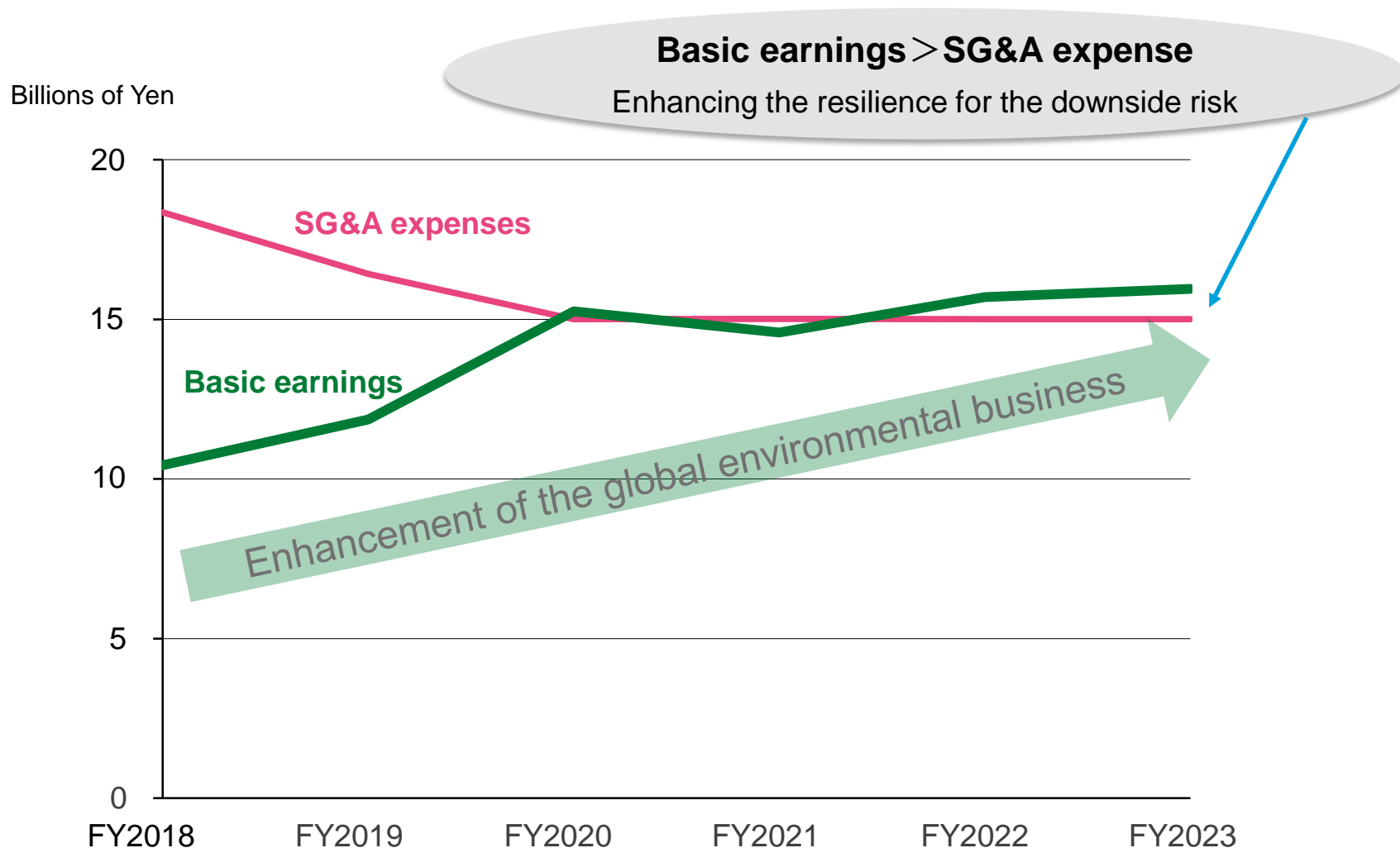
5. Revenue forecast

Focus on business fields and clients with stable income prospects

Billions of Yen

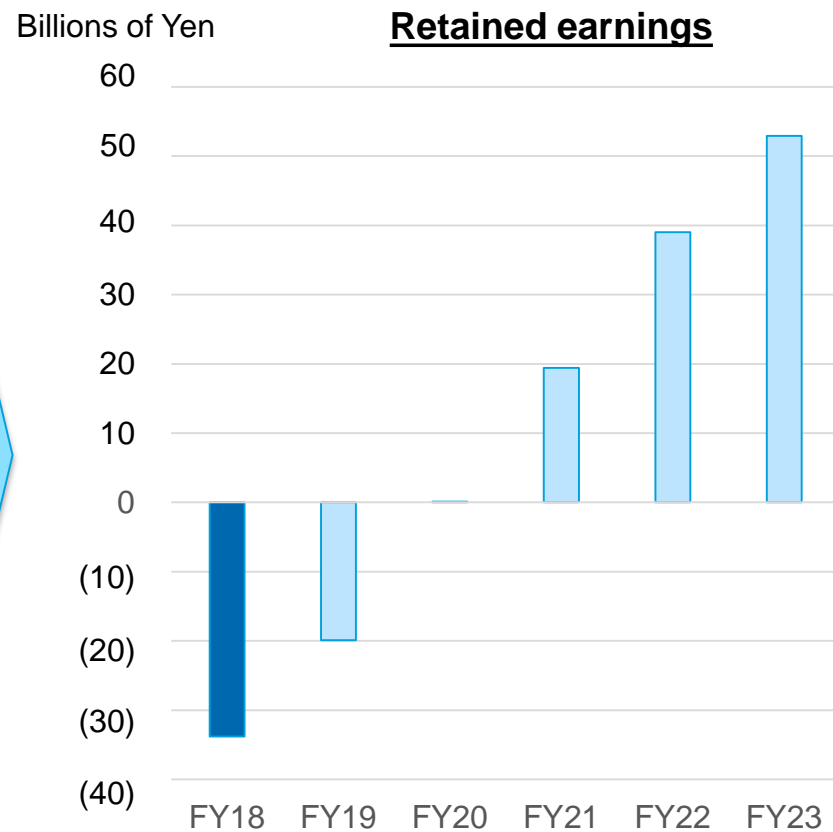
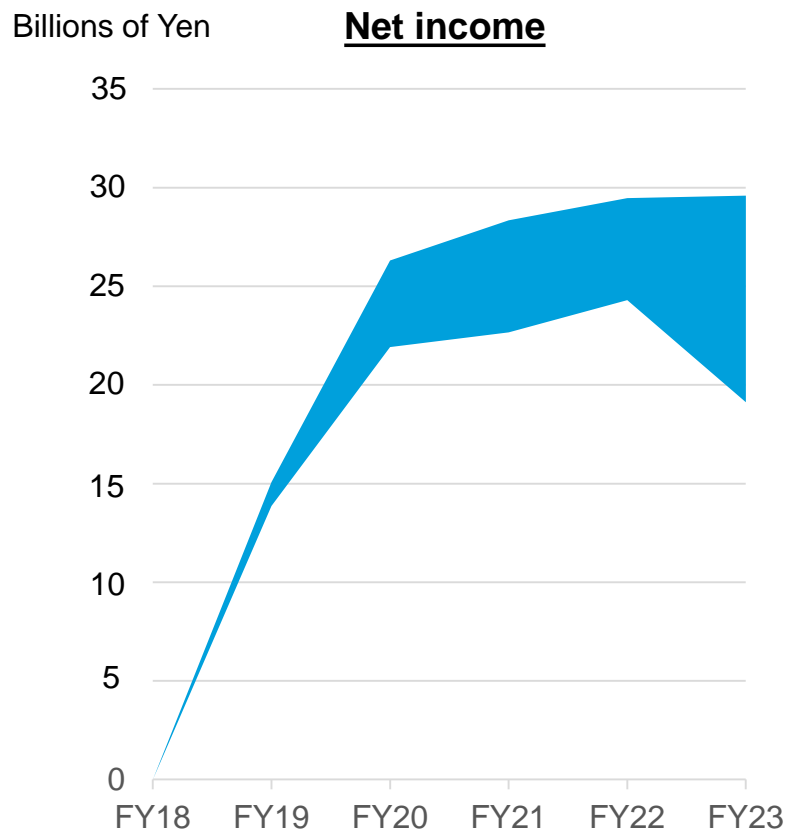


5. Balance of basic earnings and SG&A expense



NOTE: Basic earnings = Gross profit from stable revenue from global environmental business

5. Quantitative targets for net income



Forward-Looking Statements

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.

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