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Transcript (Translation) of the Tele-Conference Financial Results for the First Quarter of the Year Ending March 31, 2019

Chiyoda Corporation (“Chiyoda”, TSE:6366; ISIN: JP3528600004) released the financial results of its 1st Quarter of the Fiscal Year Ending March 31, 2018, on August 8, 2018. A conference call to present the Company's Operations and Finance update was held on the same day at 15:00 p.m. (Japan Standard Time).The following is the transcript (translation) of the tele-conference.

Good afternoon. My name is Masaji Santo and I am the President and CEO of Chiyoda Corporation.

Thank you for taking time out of your busy schedules to attend this teleconference today.

I would like to start by providing a summary of the financial results recently released for the first quarter of this fiscal year, ending March 31, 2019. At the end of my remarks, the CFO, Hirotsugu Hayashi and I will be happy to take your questions.

The Results Highlights on SLIDE 2 include four major points:

FIRST, new order development progressed smoothly during the period.

New orders booked in the first quarter reached JPY77.3 billion and are actually understated by a further JPY150 billion, representing contract won by our North American subsidiary for a petrochemical project that will be booked in the second quarter. This is due to our accounting process that consolidates results for this subsidiary in Chiyoda Corporation's books after a three-month delay.

The global environmental engineering business also posted a strong result after booking a large new contract related to energy management.

In the large-scale LNG Business, Mozambique Area-1 (Chiyoda is already selected as the EPC contractor) and Golden Pass (currently under bid evaluation by the client) are both moving smoothly toward final investment decisions.

SECOND, revenues have developed favorably.

The total for the first quarter of JPY93 billion represents approximately 25% of the JPY400 billion in revenues forecast for the whole fiscal year.

THIRD, the additional costs incurred by the Cameron LNG project in the United States generated a project-specific loss of approximately JPY5 billion.

The cost increase resulted from overlaps in manpower during the switch from a direct-line hiring method to subcontracting, in order to keep to the construction schedule. We are dismissing surplus workers at the moment and have agreed with McDermott (the acquirer of CB&I) to review construction execution methods. This review is currently under way.

As a result of these additional costs, both operating and other profit measures have slipped into negative territory for the quarter.

FOURTH, we have left our earnings forecast for the full fiscal year (ending March 31, 2019) unchanged.

The main reason is that the decline occurred in the first quarter and we expect that efficient execution of projects in other parts of the business will make up the shortfall.

The financial results on SLIDE 3 repeat these points, briefly:

New Orders	JPY 77.3 billion
Revenues	JPY 93.6 billion
Net Loss	JPY 3.7 billion

On SLIDE 4:

New orders of JPY77.3 billion include JPY12.3 billion of overseas wins and JPY65 billion in Japan.

Including the JPY150 billion petrochemical order to be booked in Q2, new orders reached almost 30% of the full fiscal year forecast.

Also on SLIDE 4, orders by Business Field include:

Environment	JPY39.3 billion, including:
	JPY 2.2 billion Pharmaceuticals
	JPY37.1 billion Environment, New Energy, Infrastructure

This total represents a five-fold increase over the same quarter last fiscal year.

SLIDE 6 shows Income-related items:

Revenues	JPY93.6 billion	(25% of full-year forecast)
Gross Profit	JPY0.9 billion	(reduced by Cameron cost overruns)
SG&A expenses	JPY4.2 billion	(down Y0.7 bn by structural reforms under the MTMP)
Operating Loss	JPY3.4 billion	
Net Loss	JPY3.7 billion	(including non-operating Income & expenditures, & taxes)

SLIDE 8 addresses the decrease in Cash and Deposits:

Cash and deposits fell JPY17.8 billion to JPY86.2 billion in the first fiscal quarter. The decline was due to temporary fund advancements for payment of fixed expenses, and to bill collections from overseas joint ventures, following completion of large-scale projects.

SLIDE 9

I confirm we have made no changes in the earnings forecast for the full fiscal year. We expect the losses incurred at the Cameron LNG project to be offset by profit improvement in other projects.

In conclusion, Chiyoda Corporation will continue to successfully execute its projects and other initiatives in pursuit of our target forecasts for the current fiscal year.

I would be happy to take your questions.

Note: Some additions and corrections were made to make the content easier for readers to understand.