

Yokohama, November 1st, 2018

The Tele-Conference was held in Japanese.
This document is a translation/ summary for
reference only.

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Oct. 31, 2018 Telephone Conference on Notice of Revisions to the Forecast of Consolidated Results and Dividend for the Year Ending March 31, 2019

Summary of Explanation

Masaji Santo President & CEO, Chiyoda Corporation

Due to significantly increased construction costs for ongoing LNG projects, including 85,000 million Yen, at the Cameron LNG Project, Louisiana, USA, Chiyoda has revised its forecasts for the fiscal year ending March, 2019 as follows: Operating Loss of 86,500 million Yen; Ordinary Loss of 86,500 million Yen; Loss attributable to Owners of the Parent of 105,000 million Yen (including reversal of tax deferred assets).

Since August, 2018, Chiyoda has been assessing the execution plan for the Cameron project in conjunction with the Joint Venture partner, McDermott International Inc. of the USA. and found several factors which contributed to the sharp increase in construction costs:

- 1) Severe shortages of skilled labor;
- 2) Sharp increase in labor costs;
- 3) High turnover in labor that has shown no sign of improvement of productivity;
- 4) Labor productivity deteriorated again after May, 2018.

Taking these factors into consideration, we recognized that more man hours would be necessary to complete the project which, at the prevailing higher cost put additional upward pressure on the construction budget. To improve productivity, we hired a sub-contractor in addition to the McDermott labor force. However, productivity has remained low, hence the substantial downgrade in our forecasts.

This assessment was completed with our partner McDermott International and we do not anticipate any further losses. However, we decided to recognize additional costs at the Freeport LNG and Tangguh projects, plus the reversal of the deferred tax assets at the same time.



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The management sincerely regrets that, due to the revisions in the full year consolidated forecast, a dividend will be paid to shareholders for the fiscal year.

I would like to ask for your continued support and understanding and will explain details on at our 2Q results briefing on November 9, 2018.