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IR, PR & CSR Department
Chiyoda Corporation

Summary of the Briefing for the Financial Results for the Third Quarter of Fiscal Year Ending 31 March 2020

The following is a summary of a presentation (telephone conference) of Chiyoda Corporation (“Chiyoda”, TSE:6366) 3Q financial results for Fiscal Year ending March 31, 2020, released on February 4, 2020. Please refer to the “Presentation Material for 3Q, FY2019” at Chiyoda’s website: Investors > Earnings Release.

1. Highlights

- 3Q profit items exceeded the full-year forecast, mainly due to:
 - A) Earlier than expected part receipt of 4Q profits, including incentives from US LNG projects; and
 - B) Lower than expected foreign exchange rates.
- In the revised full-year forecast announced on 3 February 2020, revenue remains the same and profit items below operating income are at, or marginally below, the 3Q results, mainly due to:
 - A) Anticipated part of 4Q profits being booked in the 3Q; and
 - B) Potential risks (e.g.: effects of the coronavirus, currency fluctuations etc.).
- Chiyoda will further transform its corporate culture towards sustainable business with increased risk sensitivity.

2. Financial Summary

- New Orders amounted to 140.0 billion yen. We are preparing to bid for large scale projects in 4Q. The order backlog was 873.9 billion yen.
- At 272.7 billion yen, Revenue is 70% of the full-year forecast and is progressing almost as planned.
- Operating Income was 24.5 billion yen. Ordinary Income was 20.9 billion yen and Profit was at 16.9 billion yen.

3. New Orders

(Description omitted)

4. Backlog

(Description omitted)

5. Income-related Items

- Gross Profit was 36.5 billion yen and the Gross Profit Ratio was 13.4%, both exceeding the full-year forecast before being revised.
- At 11.9 billion yen, SG & A expenses decreased by 1.7 billion yen compared to the same period last year, a reduction of approximately 12.0%.
- Non-operating Income and Expenses was -3.7 billion yen, mainly due to foreign exchange losses on foreign currency trade receivables from a strong yen.
- Extraordinary Income (loss), Taxes and Net Income was -4.0 billion yen, mainly due to tax expenses for overseas projects and domestic subsidiaries. The revised full-year forecast is -5.0 billion yen.

6. Profit Analysis

- The 3Q Gross Profit of 14.5 billion yen includes 10.7 billion yen and 3.8 billion yen from the energy and global environment areas respectively.
- SG & A expenses of 3.9 billion yen, Non-operating Income of 3.5 billion yen, and Income Tax of 1.9 billion yen resulted in Cumulative Profit of 16.9 billion yen.

7. Revenues

(Description omitted)

8. Balance Sheet

- “Shareholder’s equity” increased by 90.9 billion yen from -60.1 billion yen at the end of March 2019 to 30.8 billion yen at the end of December 2019.
- “Long-term loan payable” increased by 19.9 billion from 15.9 billion yen at the end of March 2019 to 35.8 billion yen at the end of December 2019, due to a subordinated loan of 20 billion yen from MUFG Bank. Mitsubishi Corporation's loan facility of 90 billion yen is unused as of the end of December 2019 and is reserved for future funding.
- “Cash and deposits” increased by 51.7 billion yen from 69.5 billion yen at the end of March 2019 to 121.2 billion yen at the end of December 2019.
- “Jointly controlled assets of JV” decreased by 12.9 billion yen from 111.0 billion yen at the end of March 2019 to 98.0 billion yen at the end of December 2019 due to the progress of large overseas projects.
- “Provision for loss on construction contracts” decreased by 32.0 billion yen from 67.6 billion yen at the end of March 2019 to 35.6 billion yen at the end of December 2019 due to the progress of large overseas projects.

9. Strengthening the Financial Base

- Shareholder's equity stood at 30.8 billion yen due to the implementation of third-party allotment of 70 billion yen by Mitsubishi Corporation.
- Shareholder's equity will improve by accumulating steady profits through the solid execution of on-going projects with the aim of realizing a recovery of 20% or more in shareholder's equity ratio early.

10. Full-year Forecast

- As stated, revenue remains unchanged and profit items below operating income are at, or marginally below, 3Q results.

11. Ongoing Major Projects

- McDermott, a U.S. company jointly executing overseas LNG projects with Chiyoda, announced a financial restructuring plan on 21 January 2020 and applied for Chapter 11.
- McDermott clearly stated that it will continue to fulfill all projects, including joint execution projects with Chiyoda. Four joint projects between Chiyoda and McDermott (Cameron LNG, Freeport LNG, Golden Pass LNG, and Mozambique Area 1 LNG) are being executed as before McDermott filed Chapter 11.
- We will continue to work closely with our customers, McDermott and other joint venture partners to complete all projects as scheduled.

- End -

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

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.