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 Fiscal Year Ended March 31, 2021

May 7, 2021

Company name: **CHIYODA CORPORATION**
Listing: Second Section of the Tokyo Stock Exchange
Stock code: 6366
URL: http://www.chiyodacorp.com/
Representative: Masaji Santo, President& COO
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Date of general shareholders' meeting: June 23, 2021   Annual securities report filing date: June 23, 2021
Dividend payable date: -   -
Supplementary Explanation Material: Yes
Financial Results Presentation: Yes

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

1. Consolidated performance for the fiscal year ended March 31, 2021

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2021	315,393	(18.3)	7,015	(73.8)	8,462	(54.6)	7,993	(34.4)
Fiscal year ended March 31, 2020	385,925	12.9	26,789	-	18,644	-	12,177	-

Note: Comprehensive Income: Fiscal year ended March 31, 2021: 11,847 million yen / ((17.6)%)
Fiscal year ended March 31, 2020: 14,374 million yen / (－%)

	Net income per share	Fully diluted net income per share	Return on Equity(ROE)	Ratio of ordinary Income to Total assets	Ratio of operating income to revenue
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2021	22.76	8.20	26.3	2.4	2.2
Fiscal year ended March 31, 2020	40.94	15.51	-	5.1	6.9

Reference: Equity Gains (Losses) of Affiliated Companies Fiscal year ended March 31, 2021: 33 million yen
Fiscal year ended March 31, 2020: 361 million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2021	329,583	36,747	11.0	(143.94)
As of March 31, 2020	385,051	24,943	6.3	(182.07)

Reference: Equity Fiscal year ended March 31, 2021: 36,399 million
Fiscal year ended March 31, 2020: 24,423 million

(3) Consolidated Cash Flow

Net cash provided by	Operating activities	Investing Activities	Financing Activities	Cash and equivalents, end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended March 31, 2021	(20,806)	(2,250)	9,478	98,738
Fiscal year ended March 31, 2020	(32,217)	(7,828)	89,200	115,932

2. Cash dividends

	Cash dividends per share					Payment of cash dividends	Payout ratio (consolidate)	Dividend on equity ratio
Record date	First quarter	Second quarter	Third quarter	Fiscal year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2020	—	—	—	0.00	0.00	0	0.0	—
Fiscal year ended March 31, 2021	—	—	—	—	—	—	—	—
Fiscal year ending March 31, 2022 (Forecast)	—	—	—	—	—		—	

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Percentages indicate year-on-year changes)

	Net sales		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, 2022	300,000	(4.9)	11,000	56.8	9,000	6.4	6,000	(24.9)	15.06

4. Others

(1) Changes in Significant Subsidiaries during the Period
(Changes in specified subsidiaries accompanying changes in the scope of consolidation): None

(2) Changes in Accounting Policies and Accounting Estimates / Restatements
a. Changes in accounting policies due to revisions of accounting standards, etc.: None
b. Changes in accounting policies other than a. above: None
c. Changes in accounting estimates: None
d. Restatements: None

(3) Number of issued shares (common stock)
a. Total number of issued shares at the end of the period (including treasury stock)
As of March 31, 2021 260,324,529 shares
As of March 31, 2020 260,324,529 shares
b. Number of treasury stock at the end of the period
As of March 31, 2021 1,357,723 shares
As of March 31, 2020 1,357,497 shares
c. Average number of shares during the period
Year ended March 31, 2021 258,966,906 shares
Year ended March 31, 2020 258,967,168 shares

\# This report is not reviewed by auditor.
\# 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.

Dividend Status of Class A Shares

Class A Share	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, 2020	-	-	-	0.00	0.00
Fiscal year ending March 31, 2021	-	-	-	20.78	20.78
Fiscal year ending March 31, 2022 (Forecast)	-	-	-	-	-

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1. Qualitative Information Related to Consolidated Performance

(1) Qualitative Information on Business Performance

In the year ended March 31, 2021, the global economy remained at a standstill due to the widening COVID-19 pandemic, and although there are signs of a recovery, the outlook remains uncertain.

Under such circumstances, the Group has prioritized the health and safety of our employees and others, and we are executing ongoing projects while promptly taking any necessary actions in cooperation with our customers.

In accordance with our "Revitalization Plan – Initiatives for Revitalization and the Future" Medium-Term Management Plan (MTMP), along with continuing to practice rigorous risk management at every stage of a project, in April 2020 we established the Construction Division under Energy Business Operations with the aim of strengthening the construction and commissioning functions and enhancing our EPC (engineering, procurement, and construction) execution and management capacity.

On the financial front, in June 2020 the shareholders approved a resolution to decrease the amount of stated capital and additional paid-in capital and appropriate retained earnings in order to eliminate the parent company's accumulated losses (135,494 million yen as of March 31, 2020), improving our financial position. As part of our effort to elevate and broaden our pool of talent, we have formulated a Human Resource Development Policy, which will serve as a consistent set of guidelines as we seek to develop personnel who are skilled both in terms of work execution and organizational management.

In April 2020 we adopted our Declaration of Health and Productivity Management, and along with taking steps to maintain and promote employee health, we also aim to improve productivity by advancing work-life balance reform.

In the MTMP, we see the transition to a decarbonized society as an opportunity for growth, and we regard the initiatives that we are pursuing to that end as business priorities. The Japanese government's announcement of its Green Growth Strategy in December 2020 has only accelerated the momentum for decarbonization. By accelerating our digital transformation as well as business development in the green energy and environmental fields, while simultaneously pursuing efforts to redefine the value of engineering, we are transforming our business portfolio and profit structure for sustainable growth.

Information about the engineering businesses which are reportable segments is presented below.

- Energy

LNG / Gas

【Overseas】
Chiyoda is executing the EPC phase of LNG plants in Qatar, the USA, Indonesia, and Nigeria. In Qatar, Chiyoda has won the order for the EPC phase of the North Field East LNG project, which is the expansion of four LNG trains with capacity of 8 million metric tons per annum. In the USA, commercial production has started on all trains at the Cameron LNG project. The Golden Pass LNG project is in the EPC phase. In the Nigeria LNG project, we are providing review and other technical support to our partner, which is performing the engineering. A group company in Qatar is engaged in a number of renovation and repair projects at LNG/gas processing plants.

【Japan】
EPC phase work is currently underway to reinforce, modify, and repair existing LNG terminals that were built by Chiyoda, and to newly install and add earthquake and tsunami reinforcement to gas supply facilities for thermal power plants.

Refinery/Petrochemical/Metal

【Overseas】
Chiyoda is executing the EPC phase of an ethylene plant in the USA on the Gulf of Mexico and the EPCC phase (EPC + commissioning) for a residue fluid catalytic cracking (RFCC) plant in Malaysia.

【Japan】
For oil companies, Chiyoda is retrofitting existing facilities to improve the competitiveness of refineries, upgrade equipment, and meet restrictions on the sulfur content of bunker fuel for ships. We are also examining ways to comply with the Basic Act for National Resilience, including seismic reinforcement.
In metal resources, we are executing the EPC phase of a polypropylene polymerization catalyst manufacturing plant. We will continue to work to grow orders in the field of metal resources, where demand is strong.

- Environment

Pharmaceutical/Biochemistry/General Chemistry

In the area of pharmaceuticals and biochemistry, we completed the first manufacturing line at a recombinant protein vaccine production facility for Shionogi & Co., Ltd. We are executing the EPC phase of projects to add another line and ancillary facilities. We are also performing the basic engineering work for a biopharmaceutical substance manufacturing plant. We have completed an active pharmaceutical ingredient (API) production facility. Aside from EPC work, we are also working together with Shionogi Pharma Co., Ltd. to develop and study continuous production technologies for drug APIs and intermediates.

In the general chemistry area, we have completed a plant for producing high performance materials and a plant for manufacturing hydrogenated hydrocarbon resins. Additionally, to make carbon recycling technology a reality, as part of collaboration among industry, government, and academia, we are working to capture and recycle CO2 and use it as a raw material to produce para-Xylene (PX). We are also conducting the basic engineering work for customers’ waste plastic recycling business.

Through a business alliance with MIRAI Co., Ltd., a leader in indoor vertical farming, we aim to strengthen our capabilities in this area. In addition to promoting the construction of commercial facilities, we are delivering demonstration equipment to Qatar University.

Environment/New Energy/Infrastructure

【Overseas】
In the environmental protection field, as India tightens its environmental regulations, flue gas desulfurization (FGD) equipment is being deployed at coal-fired power plants, and Chiyoda’s Thoroughbred 121 (CT-121) FGD process has been used in a number of plants.

【Japan】
We have completed the EPC phase of a demonstration project to separate, recover, and store CO2 (carbon capture and storage, or CCS) from thermal power plant fuel gas, and the plant remains in operation. We are also executing the EPC phase for flue gas desulfurization equipment at a coal-fired power plant.

In the new energy area, Chiyoda is executing the EPC phase for the construction of one of the world’s largest storage battery systems, a number of photovoltaic (mega solar) facilities, and one of Japan’s largest biomass power plants that uses wood pellets as fuel. We are also considering entering the field of offshore wind farms, which is expected to become a sizeable market in the future.

In December 2020, Chiyoda signed an agreement to cooperate with Mitsubishi Corp. and the American company Blue Planet Systems Corp. to work together on initiatives to realize a carbon-neutral society. Together, the companies will promote the development and commercialization of technology to manufacture the aggregate that serves as the raw material for concrete using the CO2 in exhaust gas.

In December 2020, the demonstration of “Advanced Hydrogen Energy Global Supply and Transportation” was completed in December 2020, verifying Chiyoda’s SPERA hydrogen technology (MCH-LOHC method) can be scaled up for a commercial scale. We are seeking to further reduce costs in order to grow demand, and by semi-commercializing or commercializing the system sometime in the mid-2020s we hope to contribute to the objective of achieving carbon neutrality by 2050. As part of this effort, we participate in the Hydrogen Utilization Study Group in Chubu, which has begun to study the feasibility of large-scale hydrogen utilization, with the aim of expanding demand for hydrogen in the Chubu region and building a consistent supply chain. Our technology is highly regarded in Singapore for its safety, and along with five local companies, Chiyoda and Mitsubishi Corp. are promoting the continued study of the use and commercialization of hydrogen imports using our technology.

- **Digital Technology**

Chiyoda is pursuing three strategies for our digital transformation: 1) Launching innovative digital products, 2) Promoting digital EPC, and 3) work process innovation.

1) Launching Innovative digital products: we have combined our engineering expertise with digital AI technology to develop advanced digital products that maximize the value of our customers' plant assets. These products are offered under the EFEXIS® brand name and are being deployed at plants in Japan and overseas.

2) Promoting digital EPC: To evolve our EPC execution management capabilities, we have developed a system for applying Advanced Work Packaging (AWP) and we are using it in a series of projects that we are executing. Additionally, by combining the expertise that Chiyoda has accumulated in engineering and in the fundamental concepts of plant space design with Arent Inc.'s CAD and optimization technology, we have developed a revolutionary system which has cut the space design processes that are part of basic plant design work by roughly 80% and also has made it possible to create 3D models about five times faster than before. Along with Arent Inc., in August 2020 we formed a joint venture, Plant Stream Inc., to provide this system to the plant engineering industry, and we are marketing it to plant owners and EPC contractors around the world.

3) Work process innovation: Through our “Target 20” initiative we aim to take advantage of digital AI technology to improve work efficiency by 20%, thus driving company-wide digitalization. Additionally, after the IT business of our Chiyoda System Technologies Corp. subsidiary was spun off as a separate company, we formed a new joint venture, TIS Chiyoda Systems, Inc., on October 1, 2020 with IT giant TIS Inc. to strengthen the Group's IT operations.

(2) Financial Information on Business Performance

This section is not translated.

(3) Outlook

1) Earnings outlook for the year ending March 31, 2022

Bringing ongoing projects to completion by concentrating resources in these projects is a top priority. We are making steady headway on the Qatar North Field East LNG export terminal (order received in February 2021) as well as other major LNG projects in the USA and Indonesia (currently underway).

Additionally, an update to the 2019 “Revitalization Plan – Initiatives for Revitalization and the Future” Medium-Term Management Plan (MTMP) was approved by the Board of Directors on May 7, 2021. We will continue to work towards rebuilding our risk management system, evolving our EPC execution management capabilities, and broadening our pool of talent, all of which are important initiatives. At the same time, we will also work to address the accelerating transition to a carbon-free society and the oil and gas industry's rapid transformation. Furthermore, we will strengthen our operations in the areas of renewable energy and pharmaceutical and life sciences business, while also forging ahead on our effort to make exhaustive use of digital technologies to transform operations throughout the company.

2) Management policy, business environment, and issues requiring attention

On May 9, 2019, the Board of Directors approved a resolution concerning a third-party allotment of newly issued shares and new borrowing, and on the same day the company signed a Memorandum of Understanding concerning the framework for turnaround assistance from Mitsubishi Corp. and MUFG Bank, Ltd. as well as an agreement with Mitsubishi Corp. to take up the newly issued shares, all of which are intended to strengthen Chiyoda's financial position and business operations. We also drafted the "Revitalization Plan – Initiatives for Revitalization and the Future" Medium-Term Management Plan (MTMP). On May 7, 2021, the Board of Directors approved the update to the MTMP, under which we will simultaneously reinvigorate our existing businesses and explore and unearth new businesses.

When it comes to major projects that are currently underway, all trains at the Freeport LNG project and the Cameron LNG project began commercial operations last fiscal year. We are also diligently executing the construction work needed to bring to completion the Tangguh LNG project in Indonesia, and Texase Ethylene project and Golden Pass LNG project in the USA. The engineering and procurement phases of the North Field East LNG project have also moved into high gear.

The Frontier Business Division will focus on three business areas: carbon cycle businesses mainly revolving around clean tech, utility businesses in the era of data and decentralization, and pharmaceutical and life sciences businesses revolving mainly around solutions for unsolved technical issues. This division is commercializing a hydrogen chain business that is largely based on our own technology, as well as technologies developed by Chiyoda and other companies that effectively utilize carbon dioxide as a valuable resource. It is also building a system and business model to provide optimal energy as a service by using Chiyoda expertise and digital technologies to connect distributed power sources to diverse energy demands. It is also commercializing a new technology related to the cell culture process, which is key to advances in regenerative medicine.

Our Digital Transformation Division is developing digital products that contribute to the optimization and autonomization of plant operations, mainly in the oil & gas industry, by deepening our knowledge of AI technologies and data analysis, and combining this with our inherent plant engineering technology and expertise while developing our human resources. In order to grow and evolve the Group's own IT infrastructure to keep up during these rapidly changing times, after spinning off the IT unit of Chiyoda System Technologies Corp. as a separate company, we launched a joint venture with IT giant TIS Inc. Furthermore, to improve the efficiency of plant space design, we formed a new 50:50 joint venture, Plant Stream Inc., with Arent Inc. to combine Chiyoda' s experience and knowledge of fundamental concepts in plant engineering with Arent's CAD and optimization technology and bring this to plant owners and EPC contractors around the world.

As part of our effort to elevate and broaden our pool of talent, we have formulated a Human Resource Development Policy to serve as a consistent set of guidelines. With this policy serving as our guideposts, we will create a pool of personnel who are skilled both in terms of work execution and organizational management, and we are now reforming our HR systems to ensure optimal personnel development from a medium to longer term perspective.

To move towards the realization of the Revitalization Plan, in order to change our employees' thinking about their work we have also established new fundamental principles that serve as the guidelines for day-to-day individual conduct, covering elements such as a sense of responsibility, social values, risk management, and the value of human resources. By using various means to instill these principles throughout the company, we aim to transform the company culture from the inside and realize self-directed, self-sustaining, and lasting growth.

When it comes to the environment in which we are operating, there are still no prospects for containing the widening spread of COVID-19. While prioritizing the health and safety of our employees and others, in discussion with our customers and contractors, we are working to minimize the impact on ongoing projects such as restricted in-person meetings with customers and contractors, delay in the production and transportation of procured items, and restricted assignment of work supervisors and on-site workers.

(4) Basic Dividend Policy and Dividend Distributions for the Year ended March 31, 2021 and the Year ending March 31, 2022

The dividend will be paid to class A preferred stock based on the articles of incorporation and the conditions stipulated at the time of issuance. To the common stock, in light of the level of unappropriated retained earnings, we regret that there will be no dividend distribution for the year ended March 31, 2021.

We are making every effort to reinstate our dividend as soon as possible, but we are still in the process of executing the Revitalization Plan, so at this time no decision has been made about the year-end dividend for the year ending March 31, 2022. We will promptly disclose our dividend guidance as soon as it is determined based on our business outlook.

(5) Business Risks

Risks to our operations and financial affairs with the potential to significantly affect investor decision-making, as well as the measures taken to address such risks, are described below.

Recognizing the possibility that these risks could arise, in addition to making every effort to reduce their occurrence, the Group also endeavors to respond as quickly as possible to minimize the effects should they arise.

We have recognized the following risks as of March 31, 2021.

(a) COVID-19 pandemic

There are still no prospects for containing the COVID-19 pandemic, and around the world there are growing restrictions on the movement of people and goods. While prioritizing the health and safety of our employees and others, after identifying the impact on ongoing projects such as restriction on in-person meetings with customers and contractors, delay in the production and transportation of procured items, restriction on the assignment of work supervisors and on-site workers, and restriction on visits by foreign engineers to sites in Japan, and promptly taking necessary steps, we have entered into discussions with our customers and contractors concerning the burden of increased costs and delayed deliveries. Furthermore, many of our customers are reviewing their investment plans due to the uncertainty, and we are endeavoring to analyze the situation because we recognize that our own order targets will inevitably be considerably affected.

(b) Effects of global trends and economic, political, and social changes

Besides the COVID-19 pandemic, other global economic trends, social and political changes, trade protections, economic sanctions, diplomatic tensions, energy policy shifts in various countries, and price trends in the oil, liquefied natural gas (LNG), and metals markets can cause our customers to terminate, postpone, or change their investment plans or negatively affect their financial condition. As such, any of these factors may affect the Group’s business performance.

When receiving orders, the Group closely monitors economic and social conditions, and we strive to share the risk burden with our customers and counterparties in an optimal manner. We endeavor to mitigate such risks by conducting due diligence on counterparties, verifying the pros and cons as well as the terms of a transaction, and securing alternative counterparties.

(c) Natural disasters such as earthquakes and Force Majeure events such as terrorism and conflict

The occurrence of a natural disaster such as an earthquake or heavy rain and flooding caused by global climate change, or a Force Majeure event such as an act of terrorism or armed conflict, may directly or indirectly result in damages to a worksite where there is an ongoing project or to an office in Japan or overseas by endangering workers' lives, delaying the transport of equipment and materials to a worksite, or interrupting on-site work.

Health and safety are priorities at the Group, and we have established a Crisis Management Section that is always at the ready. Along with compiling and analyzing data, it assesses the situation in constantly changing danger zones. We have also taken steps, such as hiring security consultants, to strengthen the crisis management organization. When there is an emergency, we set up an emergency response headquarters, and along with promptly sharing information with customers and other involved parties, we establish emergency response procedures to minimize the impact of a crisis by implementing appropriate countermeasures in a timely and appropriate manner. Furthermore, we have drafted a business continuity plan (BCP) to be followed in the event of a major earthquake. We are working to improve our ability to continue operations by conducting drills so that in the event of a disaster we can conduct immediate safety checks, effect an initial response, and launch priority operations.

(d) Surging equipment and materials costs

Because of the time lag between a contract estimate and order placement, with lump sum turnkey (LSTK) contracts for plant construction projects there is a risk that equipment and materials costs may be higher than expected. Specifically, the price of steel, which is a major component in plant construction, can be greatly affected by fluctuating prices for coking coal and iron ore. It is also difficult to predict fluctuations in the market prices for materials such as copper, nickel, aluminum, and zinc.

To mitigate such risks, in addition to tracking market trends, the Group takes steps such as diversifying our suppliers and encouraging competition by ordering from suppliers around the world, placing orders for equipment and materials early, and building good relationships with top vendors.

(e) Difficulty securing workers, equipment, and materials

In plant construction, work may be delayed if we are unable to secure the necessary human resources such as construction workers, secure the necessary infrastructure, or procure the necessary equipment and materials according to plan. Additional expenditures may be required to recover any lost time.

In locations where the labor market is tight or where the climate is harsh, both in Japan and overseas, the Group mitigates the risk of an unexpected rise in construction costs by devising construction methods such as modular construction and by forming cooperative relationships with leading contractors and equipment and material suppliers. If construction is unavoidably suspended due to the worldwide spread of some infection disease or epidemic other than COVID-19, a strike, or some other factor, we will work with our customers and relevant local agencies to take appropriate measures to minimize the impact.

(f) Plant accidents

If there is a major accident for any reason, such as an explosion or fire, at plant built by the Group or one under construction, and the Group is determined to be at fault, our liability for the compensation for damages could affect our business results.

With safety design and construction site accident prevention as top priorities, the Group takes all possible quality control, construction safety management, and other measures to prevent such unforeseen circumstances from arising. But we also seek to mitigate such risks by obtaining appropriate insurance coverage and securing contract terms that reasonably share the burden of such losses with the customer. The Group is committed to fostering a culture of safety and we collectively refer to our various initiatives to ensure construction safety as “C-Safe” that stands for Chiyoda’s Safety Culture.

(g) Currency risk

Because amounts to be paid for equipment, materials, and subcontracted work for overseas projects might be in a different currency than the amounts received from the customer, fluctuating exchange rates could affect our business results.

The Group endeavors to mitigate currency risk by receiving payments for work in the currencies in which we expect to make outlays and also through forward exchange contracts.

(h) Compliance violations

In engaging in plant construction work in Japan and overseas, the Group must comply with the laws and regulations of the various countries in which we have our corporate headquarters, subsidiary companies, representative offices, and construction sites. In the unlikely event that we violate, or are suspected of violating, such laws or regulations, there could be a significant impact on project execution or our business operations.

In order to prevent violations, and also to avoid coming under such suspicion, the Group continuously educates our employees through programs such as group training and e-learning. In doing so, we thoroughly disseminate information about the latest laws, regulation, and rules that are relevant to our business execution, including those pertaining to protecting human rights and preventing corruption. We also constantly work to assess trends among our stakeholders, including domestic and foreign agencies and customers.

Furthermore, in order to ensure that compliance is incorporated into our business processes, we have established a Compliance Committee chaired by the Chief Compliance Officer (CCO) with the division directors as its members, as well as a Group Company Compliance Liaison Committee, also chaired by the CCO, with the subsidiary presidents as its members.

(i) Information security threats

The Group controls a large volume of customer and counterparty information that is necessary to execute our business, and we also possess confidential information about technologies, sales, and other aspects of our business. Since much of our core work and commercial activity are carried out at locations around the world by taking advantage of IT systems, a system failure, leak of confidential information, cyber fraud, or loss of important business information due to a computer virus or unauthorized external access, phishing emails, cyberattack or other unforeseen event could affect our business.

The Group works to mitigate these risks through rigorous information security management practices, such as regular education and audits. We have also obtained ISMS certification at not only our corporate headquarters but also at major group companies.

(j) Business investment losses

The Group makes business investments such as establishing new companies and acquiring existing companies. In making these investments we may provide substantial amounts of equity capital or credit in the form of loans or guarantees. As a result, there are certain risks. An investee may fail to meet its earnings targets due to changes in the business environment, we may incur losses on the investment due to poor business results, or we may encounter a situation in which additional financing is required.

In addition to thoroughly examining a proposal in advance based on our own internal standard and rules, the Group decides whether to make an investment only after carefully weighing our financial capacity relative to the risk of losses. After making an investment, in order to prevent or minimize losses we monitor the investee’s business plan progress and provide support in the form of personnel or capital if necessary.

(k) Ichthys LNG Project risks

In 2012, JKC, a joint venture of the Group, JGC Holdings Corp., and American company KBR, Inc. , received the order from Ichthys LNG Pty Ltd (“the Customer”) to perform the engineering, procurement, and construction work for LNG facilities (“the Project”). This plant has been already completed and delivered to the Customer.

However, as described below, there are matters between the Customer and some subcontractors that are currently subject to negotiation and arbitration, and if an outcome or ruling is unfavorable to JKC, it could affect the Group’s business results by making some of the construction receivables or advanced monies uncollectible.

① Disputes with client

Some of the matters concerning the adjustment to the contract amount for costs arising from an increase in the scope of work and the cost-reimbursable scope are the subject of ongoing negotiations with the Client, and others are the subject of arbitration.

With respect to the abovementioned reimbursable amounts, as a provisional measure until an agreement could be reached, in December 2016 the Client signed a Funding Deed stating that in exchange for providing funding to JKC, JKC would not halt work on the project, and it provided the funding. JKC subsequently filed for arbitration seeking a ruling that the additional expenses were reimbursable expenses that under the terms of the contract were the responsibility of the Client, and recognizing that the monies paid under the Funding Deed represented formal payment of the expenses. However, in December 2020 the arbitrator made a partial ruling to the effect that separate hearings would be needed to determine whether the additional expenses were reimbursable expenses under the contract, and that at the present time it was not possible to certify that they were reimbursable expenses. After this partial ruling, the Client demanded that JKC refund the entire amount of funding that had been provided under the Funding Deed. and in mid-January 2021 it submitted a payment request to JKC's parent companies, Chiyoda, KBR, and JGC Holdings, based on the parent company guarantees that had been made by the companies. In response, JKC has asked the Client to follow the reimbursement procedure that is specified in the Funding Deed for the funding provided, while Chiyoda and the other parent companies are continuing to negotiate with the Client.

② Dispute with subcontractor

JKC placed the order for the engineering and construction of the Combined Cycle Power Plant (CCPP) that is part of the Project through a fixed-price contract with a consortium of four companies, General Electric Company and General Electric International, Inc., and UGL Infrastructure Pty Limited and CH2M Hill Australia Pty. Limited (collectively, the “Consortium”).

However, the Consortium unilaterally terminated the contract while executing this work and withdrew from the construction site without the permission of JKC. The Consortium also filed for arbitration to demand payment of additional costs related to circumstances prior to its withdrawal. In light of this situation, JKC has appointed a subcontractor to replace the Consortium in order to fulfill its performance obligations to the Customer, and while incurring tentatively the construction costs to proceed with the construction of the CCPP, JKC is countersuing the Consortium for these construction expenses.

2. Consolidated quarterly financial statements

(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	124,404	106,988
Notes receivable, accounts receivable from completed construction contracts	61,182	48,527
Costs on construction contracts in progress	5,261	8,767
Accounts receivable - other	68,712	77,261
Jointly controlled assets of joint venture	96,028	56,845
Other	6,041	8,906
Allowance for doubtful accounts	(1,243)	(1,405)
Total current assets	360,387	305,891
Non-current assets		
Property, plant and equipment		
Buildings and structures	15,035	14,105
Accumulated depreciation	(8,857)	(8,849)
Buildings and structures, net	6,177	5,255
Machinery and vehicles	748	1,295
Accumulated depreciation	(478)	(913)
Machinery and vehicles, net	270	382
Tools, furniture and fixtures	6,073	5,948
Accumulated depreciation	(5,291)	(5,119)
Tools, furniture and fixtures, net	782	829
Land	5,085	4,853
Construction in progress	137	106
Total property, plant and equipment	12,454	11,426
Intangible assets	4,912	4,371
Investments and other assets		
Investment securities	5,598	5,701
Retirement benefit asset	—	566
Deferred tax assets	599	394
Other	1,271	1,395
Allowance for doubtful accounts	(172)	(164)
Total investments and other assets	7,296	7,894
Total non-current assets	24,663	23,692
Total assets	385,051	329,583

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts	137,546	115,187
Current portion of long-term borrowings	122	747
Income taxes payable	1,212	638
Advances received on construction contracts in progress	119,911	74,784
Provision for warranties for completed construction	860	823
Provision for loss on construction contracts	34,871	34,443
Provision for bonuses	4,150	3,834
Provision for business restructuring	401	17
Other	20,802	14,178
Total current liabilities	319,878	244,657
Non-current liabilities		
Long-term borrowings	35,747	45,000
Provision for treatment of PCB waste	239	239
Retirement benefit liability	1,986	761
Other	2,255	2,178
Total non-current liabilities	40,229	48,178
Total liabilities	360,107	292,836
Net assets		
Shareholders' equity		
Share capital	78,396	15,014
Capital surplus	72,128	142
Retained earnings	(127,778)	15,708
Treasury shares	(1,435)	(1,435)
Total shareholders' equity	21,310	29,430
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	58	203
Deferred gains or losses on hedges	6	30
Foreign currency translation adjustment	3,033	5,300
Remeasurements of defined benefit plans	13	1,434
Total accumulated other comprehensive income	3,112	6,969
Non-controlling interests	519	348
Total net assets	24,943	36,747
Total liabilities and net assets	385,051	329,583

(2) Consolidated statement of income and comprehensive income

(Consolidated statement of income)

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Net sales of completed construction contracts	385,925	315,393
Cost of sales of completed construction contracts	343,101	295,332
Gross profit on completed construction contracts	42,823	20,061
Selling, general and administrative expenses	16,033	13,046
Operating profit	26,789	7,015
Non-operating income		
Interest income	2,649	984
Dividend income	201	388
Share of profit of entities accounted for using equity method	361	33
Foreign exchange gains	—	820
Other	289	266
Total non-operating income	3,502	2,492
Non-operating expenses		
Interest expenses	727	889
Foreign exchange losses	10,192	—
Other	727	155
Total non-operating expenses	11,647	1,045
Ordinary profit	18,644	8,462
Extraordinary income		
Gain on sale of shares of subsidiaries and associates	363	413
Reversal of provision for business restructuring	232	—
Total extraordinary income	595	413
Extraordinary losses		
Loss on valuation of investment securities	122	—
Impairment losses	67	—
Total extraordinary losses	190	—
Profit before income taxes	19,050	8,876
Income taxes - current	7,120	848
Income taxes - deferred	(105)	33
Total income taxes	7,015	882
Profit	12,034	7,993
Profit (loss) attributable to non-controlling interests	(142)	0
Profit attributable to owners of parent	12,177	7,993

(Consolidated statement of comprehensive income)

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Profit	12,034	7,993
Other comprehensive income		
Valuation difference on available-for-sale securities	64	144
Deferred gains or losses on hedges	56	24
Foreign currency translation adjustment	3,197	2,324
Remeasurements of defined benefit plans, net of tax	(912)	1,420
Share of other comprehensive income of entities accounted for using equity method	(66)	(60)
Total other comprehensive income	2,339	3,854
Comprehensive income	14,374	11,847
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	14,522	11,849
Comprehensive income attributable to non-controlling interests	(148)	(1)

(3) Consolidated statement of changes in equity

Previous consolidated fiscal year (April 1, 2019- March 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	43,396	37,112	(139,956)	(1,435)	(60,882)
Changes during period					
Issuance of new shares	35,000	35,000			70,000
Profit attributable to owners of parent			12,177		12,177
Purchase of treasury shares				(0)	(0)
Purchase of shares of consolidated subsidiaries		15			15
Net changes in items other than shareholders' equity					
Total changes during period	35,000	35,015	12,177	(0)	82,193
Balance at end of period	78,396	72,128	(127,778)	(1,435)	21,310

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	(5)	(50)	(102)	926	767	960	(59,154)
Changes during period							
Issuance of new shares							70,000
Profit attributable to owners of parent							12,177
Purchase of treasury shares							(0)
Purchase of shares of consolidated subsidiaries							15
Net changes in items other than shareholders' equity	64	56	3,136	(912)	2,344	(440)	1,904
Total changes during period	64	56	3,136	(912)	2,344	(440)	84,097
Balance at end of period	58	6	3,033	13	3,112	519	24,943

Current consolidated fiscal year (April 1, 2020-March 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	78,396	72,128	(127,778)	(1,435)	21,310
Changes during period					
Capital reduction	(63,381)	63,381			–
Deficit disposition		(135,494)	135,494		–
Profit attributable to owners of parent			7,993		7,993
Purchase of treasury shares				(0)	(0)
Purchase of shares of consolidated subsidiaries		126			126
Net changes in items other than shareholders' equity					
Total changes during period	(63,381)	(71,986)	143,487	(0)	8,119
Balance at end of period	15,014	142	15,708	(1,435)	29,430

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	58	6	3,033	13	3,112	519	24,943
Changes during period							
Capital reduction							–
Deficit disposition							–
Profit attributable to owners of parent							7,993
Purchase of treasury shares							(0)
Purchase of shares of consolidated subsidiaries							126
Net changes in items other than shareholders' equity	144	24	2,266	1,420	3,856	(171)	3,684
Total changes during period	144	24	2,266	1,420	3,856	(171)	11,804
Balance at end of period	203	30	5,300	1,434	6,969	348	36,747

(4) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from operating activities		
Profit before income taxes	19,050	8,876
Depreciation	3,174	3,281
Impairment losses	67	—
Amortization of goodwill	40	33
Increase (decrease) in allowance for doubtful accounts	(10)	162
Increase (decrease) in provision for warranties for completed construction	491	(15)
Increase (decrease) in provision for loss on construction contracts	(31,906)	902
Increase (decrease) in provision for bonuses	1,139	(148)
Increase (decrease) in provision for business restructuring	(1,290)	(383)
Increase (decrease) in retirement benefit liability	(146)	398
Interest and dividend income	(2,851)	(1,372)
Interest expenses	727	889
Foreign exchange losses (gains)	(59)	(225)
Share of loss (profit) of entities accounted for using equity method	(361)	(33)
Loss (gain) on valuation of investment securities	122	—
Loss (gain) on sale of shares of subsidiaries and associates	(363)	(413)
Decrease (increase) in trade receivables	7,291	12,377
Decrease (increase) in costs on construction contracts in progress	2,194	(3,809)
Increase (decrease) in trade payables	(34,702)	(19,115)
Increase (decrease) in advances received on construction contracts in progress	(1,285)	(40,465)
Decrease (increase) in accounts receivable - other	(3,960)	(11,670)
Decrease (increase) in jointly controlled asset of joint venture	14,830	37,595
Other, net	(1,286)	(10,800)
Subtotal	(29,094)	(23,937)
Interest and dividends received	1,439	1,450
Interest paid	(719)	(823)
Income taxes refund (paid)	(3,841)	2,504
Net cash provided by (used in) operating activities	(32,217)	(20,806)
Cash flows from investing activities		
Net decrease (increase) in time deposits	(7,358)	348
Purchase of property, plant and equipment	(560)	(608)
Proceeds from sale of property, plant and equipment	91	563
Purchase of intangible assets	(1,702)	(1,541)
Proceeds from sale of intangible assets	17	746

Purchase of investment securities	(9)	(659)
Proceeds from sale of shares of subsidiaries and associates	1,116	14
Purchase of shares of subsidiaries resulting in change in scope of consolidation	―	(18)
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	―	(8)
Loan advances	(7)	(869)
Proceeds from collection of loans receivable	604	13
Payment for Corporate division	―	(227)
Other, net	(19)	(3)
Net cash provided by (used in) investing activities	(7,828)	(2,250)

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from financing activities		
Proceeds from long-term borrowings	20,000	10,000
Repayments of long-term borrowings	(118)	(122)
Proceeds from issuance of shares	70,000	―
Dividends paid	(0)	(0)
Other, net	(680)	(398)
Net cash provided by (used in) financing activities	89,200	9,478
Effect of exchange rate change on cash and cash equivalents	(1,528)	(3,616)
Net increase (decrease) in cash and cash equivalents	47,626	(17,194)
Cash and cash equivalents at beginning of period	68,306	115,932
Cash and cash equivalents at end of period	115,932	98,738

3. Production, Contracts and Sales

(Millions of yen)

	Apr. 1, 2019 ー Mar 31, 2020			**Apr. 1, 2020 ー Mar 31, 2021**		
	New contracts (ratio)	Net sales (ratio)	Backlog of contracts (ratio)	New contracts (ratio)	Net sales (ratio)	Backlog of contracts (ratio)
Engineering	179,056 99.6%	385,144 99.8%	811,847 100.0%	898,125 99.9%	314,684 99.8%	1,126,072 100.0%
LNG Plant	65,196 36.2%	179,503 46.5%	435,962 53.7%	782,809 87.1%	104,839 33.2%	956,187 84.9%
Gas Development/Processing/Receiving	5,334 3.0%	4,545 1.2%	14,181 1.7%	3,210 0.3%	11,274 3.6%	6,032 0.5%
Refinery/Petrochemical/Metal	63,673 35.4%	128,599 33.3%	242,946 29.9%	51,180 5.7%	123,740 39.2%	59,601 5.3%
Pharmaceutical/Biochemistry/ Chemical	19,042 10.6%	24,922 6.5%	20,064 2.5%	50,148 5.6%	26,718 8.5%	43,285 3.9%
Environment/New Energy/Infrastructure	19,728 11.0%	39,671 10.3%	96,583 11.9%	6,504 0.7%	44,066 14.0%	58,755 5.2%
Others	6,079 3.4%	7,903 2.0%	2,109 0.3%	4,271 0.5%	4,044 1.3%	2,209 0.2%
Other Business	780 0.4%	780 0.2%	- -	708 0.1%	708 0.2%	- -
Total	**179,836** **100.0%**	**385,925** **100.0%**	**811,847** **100.0%**	**898,834** **100.0%**	**315,393** **100.0%**	**1,126,072** **100.0%**
Domestic	95,834 53.3%	133,080 34.5%	179,559 22.1%	103,765 11.5%	146,084 46.3%	135,190 12.0%
Overseas	84,002 46.7%	252,844 65.5%	632,288 77.9%	795,069 88.5%	169,308 53.7%	990,881 88.0%

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