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Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 <under Japanese GAAP>



May 13, 2022

Company name : CHUGAI RO CO., LTD.
 Listing: Tokyo Stock Exchange
 Securities code: 1964
 URL: <https://chugai.co.jp/en>
 Representative: Akira Ozaki, President
 Inquiries: Shigeki Negoro, Director, GM of Business Administration Div.
 TEL: +81-6-6221-1251
 Scheduled date of ordinary general meeting of shareholders: June 28, 2022
 Scheduled date to commence dividend payments: June 29, 2022
 Scheduled date to file annual securities report: June 29, 2022
 Preparation of supplementary material on financial results: Yes
 Holding of financial results presentation meeting: Yes

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

1. Consolidated financial results for the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended								
March 31, 2022	26,317	6.5	1,263	223.7	1,493	164.1	1,360	313.1
March 31, 2021	24,718	(35.1)	390	(77.2)	565	(69.9)	329	(70.6)

(Note) Comprehensive income: Fiscal year ended March 31, 2022 1,923 million yen [21.3%]
 Fiscal year ended March 31, 2021 1,586 million yen [64.6%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Operating profit ratio
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2022	177.18	—	6.1	3.9	4.8
March 31, 2021	42.88	—	1.6	1.3	1.6

(Reference) Share of profit (loss) of entities accounted for using equity method
 Fiscal year ended March 31, 2022 — million yen
 Fiscal year ended March 31, 2021 — million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2022	38,141	23,211	60.5	3,005.31
March 31, 2021	38,577	21,792	56.2	2,824.02

(Reference) Equity: As of March 31, 2022 23,068 million yen
 As of March 31, 2021 21,680 million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2022	6,090	510	(2,508)	11,092
March 31, 2021	3,300	(551)	(4,481)	6,889

2. Cash dividends

	Annual dividends per share					Total cash dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2021	—	—	—	60.00	60.00	460	139.9	2.2
Fiscal year ended March 31, 2022	—	—	—	70.00	70.00	537	39.5	2.4
Fiscal year ending March 31, 2023 (Forecast)	—	—	—	70.00	70.00		48.8	

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2023	32,500	23.5	1,450	14.8	1,550	3.8	1,100	(19.1)	143.31

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations : Yes
 - (ii) Changes in accounting policies due to other reasons : None
 - (iii) Changes in accounting estimates : None
 - (iv) Restatement : None

(3) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)
- (ii) Number of treasury shares at the end of the period
- (iii) Average number of shares outstanding during the period

As of March 31, 2022	7,800,000 shares	As of March 31, 2021	7,800,000 shares
As of March 31, 2022	124,116 shares	As of March 31, 2021	122,838 shares
For the fiscal year ended March 31, 2022	7,676,425 shares	For the fiscal year ended March 31, 2021	7,677,689 shares

[Reference] Overview of non-consolidated financial results

**Non-consolidated financial results for the fiscal year ended March 31, 2022
(from April 1, 2021 to March 31, 2022)**

(1) Non-consolidated operating results (Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2022	21,002	4.5	623	—	1,065	505.3	1,139	942.4
March 31, 2021	20,097	(41.5)	(145)	—	176	(89.1)	109	(88.6)

Fiscal year ended	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
March 31, 2022	148.49		—	
March 31, 2021	14.24		—	

(2) Non-consolidated financial position

As of	Total assets		Net assets		Equity-to-asset ratio		Net assets per share	
	Millions of yen		Millions of yen		%		Yen	
March 31, 2022	34,611		21,664		62.6		2,822.43	
March 31, 2021	35,164		20,577		58.5		2,680.32	

(Reference) Equity: As of March 31, 2022 21,664 million yen
As of March 31, 2021 20,577 million yen

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

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. Consequently, any statements herein do not constitute assurances regarding actual results by the Company. Actual business and other results may differ substantially due to various factors. Please refer to “(4) Future outlook” in “1. Overview of operating results, etc.” on page 3 of the attached material for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof.

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1. Overview of operating results, etc.

(1) Overview of operating results for the fiscal year under review

During the consolidated fiscal year under review, the Japanese economy faced a delay in the pace of recovery under the economic and social impact of repeated increases and decreases in COVID-19 cases. Furthermore, the disruption of supply chains caused by a global shortage of semiconductors and the spread of infectious diseases in Southeast Asia and other areas continued to affect the production of automobiles. Since February, economic prospects remained uncertain due to the situation in Ukraine and soaring prices of resources arising from the weaker yen, and other factors.

Under these business circumstances, the Group has promoted the development of combustion technology that uses hydrogen or ammonia, aiming to contribute to carbon neutrality (decarbonization) by reducing greenhouse gas emissions to zero by 2050, and has focused on order receiving activities to secure performance. As a result, the amount of orders received reached 28,137 million yen (111.1% of the figure in the previous year) with the conclusion of contracts for steel reheating furnaces for the domestic market, LCD-related clean ovens for China, and hydrogen gas heating devices for steel production, etc.

In terms of sales, the Company delivered heat treatment furnaces for automobile components and flexible display-related precision coater systems for China, and other products. Furthermore, the construction of stainless-steel production equipment has made progress in China. As a result, net sales increased to 26,317 million yen (106.5% of the previous year).

On the profitability side, both operating profit and ordinary profit soared to 1,263 million yen (323.7% of the previous year) and 1,493 million yen (264.1% of the previous year), respectively, as a result of our company-wide intensive efforts to improve profitability by conducting cost-cutting activities and reducing expenses, in addition to the effects of the increased sales.

Due partly to the gain on sale of investment securities, profit attributable to owners of parent jumped significantly to 1,360 million yen (413.1% of the previous year).

An overview of performance by segment is as follows.

(Energy)

In terms of order intake, the amount of orders received increased to 22,754 million yen (123.4% of the previous year) as a result of the conclusion of contracts for reheating furnaces for steel, hydrogen gas heating devices for steel production for the domestic market, heat treatment furnaces for machine components for domestic and overseas markets, and indirect hot air generators, and the research and development of ammonia combustion for thermal power generation, etc.

On the other hand, in terms of sales, the Company delivered heat treatment furnaces for automobile components, and LCD-related clean ovens for China. Furthermore, the construction of stainless-steel production equipment for China and thermal treatment equipment for soil remediation for the domestic market, etc. Made progress. As a result, net sales were 18,503 million yen (97.4% of the previous year).

(Information and Communications)

In terms of order intake, the amount of orders received remained at 787 million yen (34.1% of the previous year) due to a lack of large-scale projects, although we succeeded in winning contract for RS coater for electronic devices for the domestic market.

Regarding sales, the Company delivered flexible display-related precision coater system for clients in China, and made progress in the construction of semiconductor package-related precision coater system for China. As a result, net sales increased to 2,533 million yen (234.2% of the previous year).

(Environmental Preservation)

In terms of order intake, the amount of orders received totaled 2,596 million yen (101.4% of the previous year), with contracts concluded for regenerative thermal oxidizers (RTO) that comply with tightened environmental regulations in Japan and abroad, rotary kiln for activated coke, etc.

Net sales were 2,213 million yen (83.7% of the previous year) mainly due to the delivery of RTO.

(Others)

In terms of order intake, the amount of orders received totaled 4,279 million yen (91.3% of the previous year) with the successful conclusion of contracts by overseas subsidiaries for device for stainless steel production equipment for China, RTO for China, etc. Also in terms of sales, due to the delivery of device for stainless-steel production equipment for China and RTO for China, etc., net sales increased to 5,480 million yen (126.8% of the previous year).

The amounts of orders received and net sales by segment are figures prior to the elimination of intersegment transactions.

(2) Overview of financial position for the fiscal year under review

Total assets stood at 38,141 million yen, a decrease of 436 million yen from the end of the previous fiscal year, mainly due to a decrease in notes and accounts receivable-trade, and contract assets, whereas cash and deposits increased.

Total liabilities decreased by 1,855 million yen from the end of the previous fiscal year, to 14,929 million yen, mainly due to the decrease in short-term borrowings.

Net assets totaled 23,211 million yen, a 1,419 million yen increase from the end of the previous fiscal year, mainly due to an increase in retained earnings and valuation difference on available-for-sale securities. The equity-to-asset ratio was 60.5%.

(3) Overview of cash flows for the fiscal year under review

Cash flows from operating activities resulted in an increase of 6,090 million yen in net cash, mainly due to the accounting of profit before income taxes and a recovery of trade receivables.

Cash flows from investing activities resulted in an increase of 510 million yen in net cash, mainly due to the sale of investment securities despite the purchase of property, plant and equipment, and intangible assets.

Cash flows from financing activities resulted in a decrease of 2,508 million yen in net cash mainly due to a decrease in short-term borrowings.

As a result, cash and cash equivalents at end of the period totaled 11,092 million yen, an increase of 4,203 million yen.

(4) Future outlook

The world economy is expected to continue to recover on the back of mitigation of the impact of COVID-19. While the Group anticipates a certain level of demand from the material-related industries such as steel manufacturers and the automobile-related industry, it recognizes that the business environment contains uncertainties such as major risks that put pressure on profits, including a rebound in Japan and abroad of COVID-19 variants, a decrease in automobile production due to a shortage of materials such as semiconductors, the drastic rise in raw material prices arising from the situation of Ukraine, and the weakening of the yen due to the expansion of the gap of interest rates between Japan and other countries. Under these circumstances, we will endeavor to minimize those impacts on our business by further promoting the cost-reduction activities and the development of carbon-neutrality-related products.

Furthermore, also from the medium- to long-term viewpoints, the social and economic environment surrounding the Group is expected to change rapidly and drastically. Amid such a management environment, we have formulated a medium-term management plan “Chugai Ro Break Through (CBT) 2022–2026,” with the aim of changing ourselves and achieving sustainable growth. Under the management vision 2026 “Renovate ourselves to develop the future with the technology for carbon neutrality!,” we have three key strategies to implement the plan: (1) The creation of a new market centering on carbon neutrality; (2) Sales expansion and higher profitability through the development of new applications for existing products; and (3) Building a workplace worth working for.

We will review the allocation of management resources such as investments in capital expenditure and investments in human capital to promote those strategies for the purpose of building a strong corporate structure capable of providing the highest level of facilities and services. As a manufacturer of industrial furnace equipment that handles heat technology, we will endeavor to become an advanced company that contributes to carbon neutrality 2050 as its social mission.

Furthermore, based on the principles of the corporate governance code, we will strive to establish a corporate governance system and improve the transparency and efficiency of management. In an effort to achieve higher corporate value and strengthen and improve the consolidated management foundation, our focus will also be placed on increasing shareholder return.

Consequently, consolidated results for the year ending March 2023 are forecast to be 37,500 million yen for the amount of orders received; 32,500 million yen for net sales; 1,450 million yen for operating profit, 1,550 million yen for ordinary profit; and 1,100 million yen for profit attributable to owners of parent.

Please note that these forecasts have been prepared based on information available as of the date of release of this material, and actual results may differ from these forecast figures due to various factors in the future.

2. Basic policy regarding selection of accounting standards

The Company employs Japanese GAAP.

As for the application of IFRS, appropriate action will be taken in consideration of the condition of the application of systems, etc. in Japan.

3. Consolidated financial statements and significant notes thereto**(1) Consolidated balance sheet**

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	6,922	11,130
Notes and accounts receivable-trade, and contract assets	—	14,852
Notes and accounts receivable-trade	18,970	—
Securities	199	—
Costs on construction contracts in progress	1,411	1,208
Other	117	83
Allowance for doubtful accounts	(5)	(3)
Total current assets	27,616	27,271
Non-current assets		
Property, plant and equipment		
Buildings and structures	6,115	6,122
Accumulated depreciation	(4,495)	(4,591)
Buildings and structures, net	1,620	1,531
Machinery, equipment and vehicles	2,161	2,171
Accumulated depreciation	(1,718)	(1,841)
Machinery, equipment and vehicles, net	443	329
Land	2,090	2,090
Construction in progress	—	38
Other	1,122	1,160
Accumulated depreciation	(914)	(967)
Other, net	207	193
Total property, plant and equipment	4,361	4,182
Intangible assets		
Software	375	362
Others	1	1
Total intangible assets	377	363
Investments and other assets		
Investment securities	5,517	5,764
Retirement benefit asset	298	316
Deferred tax assets	18	2
Other	415	256
Allowance for doubtful accounts	(27)	(16)
Total investments and other assets	6,222	6,323
Total non-current assets	10,961	10,870
Total assets	38,577	38,141

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Electronically recorded obligations-operating	1,567	1,350
Accounts payable-trade	5,556	5,903
Short-term loans borrowings	4,800	2,800
Income taxes payable	197	310
Contract liabilities	—	940
Advances received on construction contracts in progress	871	—
Provision for bonuses	227	193
Provision for loss on construction contracts	1	2
Other	1,094	949
Total current liabilities	14,316	12,449
Non-current liabilities		
Long-term borrowings	1,188	1,188
Deferred tax liabilities	1,002	1,057
Retirement benefit liability	162	122
Other	116	112
Total non-current liabilities	2,468	2,480
Total liabilities	16,785	14,929
Net assets		
Shareholders' equity		
Share capital	6,176	6,176
Capital surplus	1,544	1,544
Retained earnings	12,178	13,081
Treasury shares	(254)	(256)
Total shareholders' equity	19,644	20,545
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,977	2,384
Deferred gains or losses on hedges	8	8
Foreign currency translation adjustment	20	79
Remeasurements of defined benefit plans	28	50
Total accumulated other comprehensive income	2,035	2,522
Non-controlling interests	111	143
Total net assets	21,792	23,211
Total liabilities and net assets	38,577	38,141

(2) Consolidated statement of income and consolidated statement of comprehensive income
Consolidated statement of income

(Millions of yen)

	Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)
Net sales	24,718	26,317
Cost of sales	20,048	20,759
Gross profit	4,670	5,558
Selling, general and administrative expenses	4,280	4,294
Operating profit	390	1,263
Non-operating income		
Interest income	2	2
Dividend income	166	169
Foreign exchange gains	—	6
Rental income	53	62
Miscellaneous income	15	35
Total non-operating income	238	276
Non-operating expenses		
Interest expenses	50	42
Foreign exchange losses	5	—
Miscellaneous loss	6	4
Total non-operating expenses	62	46
Ordinary profit	565	1,493
Extraordinary income		
Gain on sale of investment securities	—	115
Total extraordinary income	—	115
Extraordinary losses		
Impairment loss	38	—
Loss on valuation of investment securities	—	15
Total extraordinary losses	38	15
Profit before income taxes	527	1,594
Income taxes - current	158	323
Income taxes - deferred	4	(159)
Total income taxes	162	164
Profit	364	1,429
Profit attributable to non-controlling interests	35	69
Profit attributable to owners of parent	329	1,360

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)
Profit	364	1,429
Other comprehensive income		
Valuation difference on available-for-sale securities	1,042	406
Deferred gains or losses on hedges	8	(0)
Foreign currency translation adjustment	(6)	65
Remeasurements of defined benefit plans, net of tax	175	22
Total other comprehensive income	1,221	494
Comprehensive income	1,586	1,923
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,552	1,846
Comprehensive income attributable to non-controlling interests	33	76

(3) Consolidated statement of changes in equity
Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,176	1,544	12,309	(252)	19,777
Cumulative effects of changes in accounting policies					
Restated balance	6,176	1,544	12,309	(252)	19,777
Changes during period					
Dividends of surplus			(460)		(460)
Profit attributable to owners of parent			329		329
Purchase of treasury shares				(1)	(1)
Net changes in items other than shareholders' equity					
Total changes during period	-	-	(131)	(1)	(132)
Balance at end of period	6,176	1,544	12,178	(254)	19,644

	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	934	0	24	(147)	812	98	20,687
Cumulative effects of changes in accounting policies							-
Restated balance	934	0	24	(147)	812	98	20,687
Changes during period							
Dividends of surplus							(460)
Profit attributable to owners of parent							329
Purchase of treasury shares							(1)
Net changes in items other than shareholders' equity	1,042	8	(3)	175	1,223	13	1,237
Total changes during period	1,042	8	(3)	175	1,223	13	1,104
Balance at end of period	1,977	8	20	28	2,035	111	21,792

Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,176	1,544	12,178	(254)	19,644
Cumulative effects of changes in accounting policies			4		4
Restated balance	6,176	1,544	12,182	(254)	19,648
Changes during period					
Dividends of surplus			(460)		(460)
Profit attributable to owners of parent			1,360		1,360
Purchase of treasury shares				(2)	(2)
Net changes in items other than shareholders' equity					
Total changes during period	-	-	899	(2)	897
Balance at end of period	6,176	1,544	13,081	(256)	20,545

	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	1,977	8	20	28	2,035	111	21,792
Cumulative effects of changes in accounting policies							4
Restated balance	1,977	8	20	28	2,035	111	21,796
Changes during period							
Dividends of surplus							(460)
Profit attributable to owners of parent							1,360
Purchase of treasury shares							(2)
Net changes in items other than shareholders' equity	406	(0)	58	22	486	31	518
Total changes during period	406	(0)	58	22	486	31	1,415
Balance at end of period	2,384	8	79	50	2,522	143	23,211

(4) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)
Cash flows from operating activities		
Profit before income taxes	527	1,594
Depreciation	360	412
Increase (decrease) in allowance for doubtful accounts	(2)	(12)
Increase (decrease) in retirement benefit liability and asset	(1)	(16)
Increase (decrease) in provision for loss on construction contracts	1	0
Interest and dividend income	(169)	(172)
Interest expenses	50	42
Loss (gain) on valuation of investment securities	—	(100)
Impairment loss	38	—
Decrease (increase) in trade receivables and contract assets	—	4,265
Decrease (increase) in trade receivables	7,972	—
Decrease (increase) in costs on construction contracts in progress	213	290
Increase (decrease) in trade payables	(5,513)	(9)
Increase (decrease) in contract liabilities	—	(36)
Increase (decrease) in advances received on construction contracts in progress	110	—
Other, net	(261)	(84)
Subtotal	3,324	6,172
Interest and dividend income received	169	172
Interest paid	(58)	(41)
Income taxes paid	(135)	(213)
Net cash provided by (used in) operating activities	3,300	6,090
Cash flows from investing activities		
Proceeds from redemption of securities	—	200
Purchase of property, plant and equipment	(264)	(127)
Purchase of intangible assets	(178)	(190)
Proceeds from sale of investment securities	—	486
Purchase of investment securities	(4)	(4)
Other, net	(104)	146
Net cash provided by (used in) investing activities	(551)	510
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(4,000)	(2,000)
Proceeds from long-term borrowings	900	400
Repayments of long-term borrowings	(900)	(400)
Dividends paid	(460)	(460)
Dividends paid to non-controlling interests	(19)	(45)
Purchase of treasury shares	(1)	(2)
Net cash provided by (used in) financing activities	(4,481)	(2,508)
Effect of exchange rate change on cash and cash equivalents	(2)	110
Net increase (decrease) in cash and cash equivalents	(1,735)	4,203
Cash and cash equivalents at beginning of period	8,625	6,889
Cash and cash equivalents at end of period	6,889	11,092

(5) Notes to consolidated financial statements**Notes on premise of going concern**

No items to report

Changes in accounting policies**(Application of Accounting Standard for Revenue Recognition)**

The Company applied “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations at the beginning of the consolidated fiscal year under review, and has recognized revenue at the time the control of promised goods or services is transferred to the customer, at the amount expected to be received upon exchange of said goods or services.

Regarding revenue recognition relating to construction contracts, the Company had previously used the percentage-of-completion method for construction when the certainty of results of work in progress could be recognized. However, we have shifted to the method of recognizing revenue over a certain period of time as we meet our performance obligations to transfer goods or services to the customer, in the case where the control of goods or services is transferred to the customer over a certain period of time. The progress of meeting the performance obligations is measured based on the percentage of the construction cost incurred by the end of each reporting period to the expected total construction cost.

Furthermore, in the case where the progress associated with the fulfillment of performance obligations cannot be reasonably estimated at the initial stage of the contract but the cost incurred is expected to be recovered, revenue is recognized based on the cost recovery method.

In the case where the construction contracts of which the period from the date of the beginning of the transaction to the time when the performance obligations under the contract are expected to be met is extremely short, the Company adopts an alternative treatment to recognize revenue at the time when the performance obligations are totally fulfilled, rather than recognizing revenue for a certain period of time.

The adoption of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application was added to or deducted from the opening balance of retained earnings of the consolidated fiscal year under review, assuming that the new accounting policy had been applied to periods prior to the beginning of the fiscal year under review, and thus the new accounting policy was applied from such an opening balance. However, by applying the method provided for in Paragraph 86 of the Accounting Standard for Revenue Recognition, the Company does not retroactively adopt the new accounting standard for contracts under which almost all revenue amounts were recognized according to the previous treatment prior to the beginning of the consolidated fiscal year under review. Furthermore, regarding revisions to contracts that were made prior to the beginning of the consolidated fiscal year under review, accounting was conducted based on the terms and conditions in which all revisions were reflected by applying the method provided for in Paragraph 86-(1) of the Accounting Standard for Revenue Recognition, and the cumulative effect was added to or deducted from the opening balance of retained earnings of the consolidated fiscal year under review.

As a result, net sales and costs of sales for the consolidated fiscal year under review decreased by 35 million yen and 29 million yen, respectively. Operating profit, ordinary profit and profit before income taxes each increased by 6 million yen.

Due to the adoption of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations, “Notes and accounts receivable-trade,” which was presented under “Current assets” in the consolidated balance sheet for the previous consolidated fiscal year, has been included in “Notes and accounts receivable-trade, and contract assets” from the fiscal year under review. “Advances received on construction contracts in progress,” which was presented under “Current liabilities,” has been stated as “Contract liabilities.” In accordance with the transitional treatment provided for in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, reclassification based on the new presentation method has not been made for the previous consolidated fiscal year.

(Adoption of the Accounting Standard for Fair Value Measurement)

The Company has adopted the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the consolidated fiscal year under review.

And it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement and relevant ASBJ regulations prospectively in accordance with the transitional treatment provided for in Paragraph 19 of the Accounting Standard for Fair Value Measurement, and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). There is no effect of this adoption on the consolidated financial statements.

Segment information, etc.

[Segment information]

1. Overview of reportable segments

The reportable segments of the CHUGAI RO Group are those units for which separate financial information can be obtained among the constituent units of the Group and for which the Board of Directors of the Company regularly carries out examinations to determine the allocation of management resources and assess the business performance.

CHUGAI RO CO., LTD. and its subsidiary CHUGAI ENGINEERING CO., LTD. have business divisions in the three segments of Energy (mainly related to steel, automobiles, non-ferrous metal and battery production), Information and Communications (mainly related to precision coating and drying equipment), and Environmental Preservation (mainly related to air pollution control, waste treatment and recycling) and conduct business activities. Therefore, these three fields are our reportable segments. Businesses of other subsidiaries are included in “Others.”

2. Information on net sales and profit (loss) by reportable segment

Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Reportable Segment				Others	Total	Adjustment	Reported in consolidated financial statements
	Energy	Information and Communications	Environmental Preservation	Total				
Net sales								
Sales to external customers	18,530	1,081	2,281	21,893	2,825	24,718	—	24,718
Intersegment sales or transfers	460	—	362	823	1,497	2,320	(2,320)	—
Total	18,990	1,081	2,644	22,716	4,323	27,039	(2,320)	24,718
Segment profit (loss)	414	(572)	201	42	319	362	27	390

Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable Segment				Others	Total	Adjustment	Reported in consolidated financial statements
	Energy	Information and Communications	Environmental Preservation	Total				
Net sales								
Sales to external customers	18,116	2,533	1,867	22,517	3,835	26,352	(35)	26,317
Intersegment sales or transfers	387	—	345	733	1,644	2,378	(2,378)	—
Total	18,503	2,533	2,213	23,250	5,480	28,731	(2,413)	26,317
Segment profit (loss)	631	(1)	175	805	419	1,225	38	1,263

As stated in “Changes in accounting policies” above, the Company has changed the accounting treatment methods concerning revenue recognition by prospectively applying the Accounting Standard for Revenue Recognition and relevant ASBJ regulations to the consolidated financial statements for the consolidated fiscal year under review. Accordingly, the calculation method for profit or loss under the business segments has been changed in the same manner.

Due to these changes, net sales for the consolidated fiscal year under review decreased by 35 million yen and segment profit (loss) decreased by 6 million yen compared to those calculated by the previously applied method, and those amounts are included in “Adjustment.”

Per share information

	Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)
Net assets per share	2,824.02 yen	3,005.31 yen
Basic earnings per share	42.88 yen	177.18 yen

(Notes) 1. Diluted earnings per share is not presented since no potential shares exist.

2. The basis for calculation of basic earnings per share

Item	Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)
Profit attributable to owners of parent (millions of yen)	329	1,360
Amount not attributable to common shareholders (millions of yen)	—	—
Profit attributable to owners of parent related to common shares (millions of yen)	329	1,360
Average number of common shares outstanding during the period (thousands of shares)	7,677	7,676

Significant subsequent events

No items to report

4. Others

(1) Status of orders received and sales

(i) Net sales

(Millions of yen)

Segment	Fiscal year ended March 31, 2021 April 2020 to March 2021		Fiscal year ended March 31, 2022 April 2021 to March 2022		Increase (decrease)
	Amount	%	Amount	%	Amount
Energy	18,990	76.8	18,503	70.3	(487)
Information and Communications	1,081	4.4	2,533	9.6	1,452
Environmental Preservation	2,644	10.7	2,213	8.4	(431)
Others	4,323	17.5	5,480	20.8	1,157
Intersegment elimination	(2,320)	(9.4)	(2,413)	(9.1)	(93)
Total	24,718	100.0	26,317	100.0	1,599
[Overseas]	[5,200]	[21.0]	[9,738]	[37.0]	[4,538]

(ii) Orders received

(Millions of yen)

Segment	Fiscal year ended March 31, 2021 April 2020 to March 2021		Fiscal year ended March 31, 2022 April 2021 to March 2022		Increase (decrease)
	Amount	%	Amount	%	Amount
Energy	18,436	72.8	22,754	80.9	4,318
Information and Communications	2,307	9.1	787	2.8	(1,520)
Environmental Preservation	2,560	10.1	2,596	9.2	36
Others	4,689	18.5	4,279	15.2	(410)
Intersegment elimination	(2,665)	(10.5)	(2,279)	(8.1)	386
Total	25,328	100.0	28,137	100.0	2,809
[Overseas]	[8,122]	[32.1]	[5,816]	[20.7]	[(2,306)]

(iii) Backorder

(Millions of yen)

Segment	Fiscal year ended March 31, 2021 April 2020 to March 2021		Fiscal year ended March 31, 2022 April 2021 to March 2022		Increase (decrease)
	Amount	%	Amount	%	Amount
Energy	12,482	69.9	16,736	83.7	4,254
Information and Communications	1,950	10.9	199	1.0	(1,751)
Environmental Preservation	1,159	6.5	1,542	7.7	383
Others	3,030	17.0	2,214	11.1	(816)
Intersegment elimination	(766)	(4.3)	(710)	(3.5)	56
Total	17,856	100.0	19,983	100.0	2,127
[Overseas]	[7,189]	[40.3]	[3,609]	[18.1]	[(3,580)]

(2) Changes in executives

As of June 28, 2022

· **Candidates for new Director**

Director Yoko Tsujimoto [currently, Senior Chief Internal Auditor, Sumitomo Mitsui Trust Bank, Limited]
(Part-time and External Director)