Consolidated Financial Results for the Fiscal Year Ended March 31, 2022

May 10, 2022

Company name: CHIYODA CORPORATION
Listing: Tokyo Stock Exchange
Stock code: 6366
URL: http://www.chiyodacorp.com/en/
Representative: Masakazu Sakakida, Chairman of the Board, President& CEO
Inquiries: Masaru Akiyama, General Manager, Accounting Department
TEL: +81-45-225-7281

Date of general shareholders' meeting: June 23, 2022　Annual securities report filing date: June 23, 2022
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, 2022

(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, 2022	311,115	(1.4)	10,545	50.3	11,431	35.1	(12,629)	－
Fiscal year ended March 31, 2021	315,393	(18.3)	7,015	(73.8)	8,462	(54.6)	7,993	(34.4)

Note: Comprehensive Income: Fiscal year ended March 31, 2022: (17,272) million yen / (－%)
Fiscal year ended March 31, 2021: 11,847 million yen / ((17.6)%)

	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, 2022	(56.88)	－	(48.5)	3.2	3.4
Fiscal year ended March 31, 2021	22.76	8.20	26.3	2.4	2.2

Reference: Equity Gains (Losses) of Affiliated Companies　Fiscal year ended March 31, 2022: (321) million yen
Fiscal year ended March 31, 2021: 33 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, 2022	395,396	15,761	4.0	(218.11)
As of March 31, 2021	329,583	36,747	11.0	(143.94)

Reference: Equity　Fiscal year ended March 31, 2022: 15,654 million
Fiscal year ended March 31, 2021: 36,399 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, 2022	(25,591)	(3,787)	(4,197)	69,099
Fiscal year ended March 31, 2021	(20,806)	(2,250)	9,478	98,738

2. Cash dividends

Record date	Cash dividends per share: First quarter	Second quarter	Third quarter	Fiscal year-end	Annual	Payment of cash dividends	Payout ratio (consolidate)	Dividend on equity ratio
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2021	—	—	—	0.00	0.00	0	0.0	—
Fiscal year ended March 31, 2022	—	—	—	0.00	0.00	0	—	—
Fiscal year ending March 31, 2023 (Forecast)	—	—	—	—	—		—	

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 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, 2023	500,000	60.7	20,000	89.7	18,000	57.5	11,500	—	36.30

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.: Yes
- 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, 2022: 260,324,529 shares
  - As of March 31, 2021: 260,324,529 shares
- b. Number of treasury stock at the end of the period
  - As of March 31, 2022: 1,357,766 shares
  - As of March 31, 2021: 1,357,723 shares
- c. Average number of shares during the period
  - Year ended March 31, 2022: 258,966,765 shares
  - Year ended March 31, 2021: 258,966,906 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, 2021	-	-	-	20.78	20.78
Fiscal year ending March 31, 2022	-	-	-	0.00	0.00
Fiscal year ending March 31, 2023 (Forecast)	-	-	-	-	-

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1. Qualitative Information Related to Consolidated Performance

(1) Qualitative Information on Business Performance

The future of the global economy in this consolidated fiscal year remains volatile under COVID-19 and the geopolitical crisis in Ukraine.

The Group prioritizes the health and safety of employees and stakeholders and we are executing ongoing projects while cooperating with clients to promptly implement the required measures against the pandemic and the unstable global situation.

The business environment in which we operate is also undergoing significant changes that we are embracing for future development, including the accelerating transition to decarbonization/hydrogen energy, the increasing drive towards low-carbon and renewable energy and the evolution of innovative digital technologies. In May 2021 we updated our medium-term management plan 'Revitalization for the Future', under which we will reinvigorate existing businesses underpinning our earnings, while accelerating initiatives in new business fields.

While securing reliable income streams from existing businesses, we aim to strengthen new businesses in growth fields, such as renewable energy, hydrogen, carbon cycling, energy management and life sciences. By leveraging digital transformation to add value to our business model, our aim is to rejuvenate our business portfolio, ensure a stable income base, achieve sustainable growth and further enhance enterprise value.

On consolidated basis, for the fiscal year ended March 31, 2022, New Orders amounted to 415,940 million yen (down 53.7% YoY), Revenues amounted to 311,115 million yen (down 1.4% YoY) and Backlog amounted to 1,331,014 million yen (up 18.2% from last FY). Operating Income is 10,545 million yen (up 50.3% YoY) and Ordinary income is 11,431 million yen (up 35.1% YoY). Extraordinary losses of 20,374 million yen are related to the ICHTHYS LNG project, resulting in a profit attributable to the owners of the parent of negative 12,629 million yen (a profit of 7,993 million yen was recorded last FY).

The impact of COVID-19 varies according to the project and although its influence on the progress of some projects has been recognized, most projects are progressing, with some realizing cost reductions and increased profits. The impact of the geopolitical crisis in Ukraine is stated in (3) Outlook and (5) Business Risks. The figures provided have been estimated following current and reasonable assessments of these influences. Revenue and Cost of Completed Work have been recorded reflecting assessments of total construction costs, the calculation base of construction progress.

Further information regarding reportable engineering business segments is presented below.

- Energy

LNG / Gas

【Overseas】
Chiyoda is executing the engineering, procurement and construction (EPC) phase of liquefied natural gas (LNG) plants in Qatar, the USA, Indonesia and Nigeria. In Qatar, the EPC phase for the North Field East (NFE) project, an expansion of four LNG trains with capacities of 7.8 million metric tons per annum each, is underway and a group company is renovating and repairing LNG/gas processing plants. In the USA, the Golden Pass LNG project is also in the EPC phase. In Nigeria, we are providing reviews and other technical support to our partner performing the engineering on an LNG project.

【Japan】
We are in the EPC phase of projects to reinforce, modify and repair existing LNG terminals previously constructed by Chiyoda, construct new gas supply facilities for thermal power plants and have completed earthquake and tsunami reinforcement EPC work.

Refinery/Petrochemical

Overseas, an ethylene plant on the Gulf of Mexico in the USA was mechanically completed ahead of schedule and we are executing the EPC + commissioning (EPCC) phase for a residue fluid catalytic cracking (RFCC) plant in Malaysia.

In Japan, we are working to improve the competitiveness of oil refineries, upgrading equipment, examining measures for energy saving/carbon neutrality and examining compliance with the Basic Act for National Resilience. We have also completed work on existing facilities to meet sulfur content restrictions in bunker fuel for ships. In the petrochemical field, we are executing a new functional materials project.

- Environment

Pharmaceutical/Biochemistry/General Chemistry

The EPC phase is underway on a recombinant protein vaccine production facility expansion project, the addition of ancillary facilities for SHIONOGI & CO. Ltd and the EPC phase for a biopharmaceutical substance manufacturing plant is ongoing. Chiyoda decided to participate in a joint venture, established by Shionogi Pharma Co., Ltd., to conduct contract development and manufacturing of active pharmaceutical ingredients (API's) and intermediates, using Continuous Manufacturing (CM) technology to implement Chiyoda's continuous flow synthesis technology.

In general chemistry, we are realizing carbon recycling as part of a collaboration project with industry, government and academia to research and develop CO_2 capture technology, using CO_2 as a raw material to produce para-xylene (PX). We are also conducting basic engineering for a client's waste plastic recycling business.

We are strengthening our capabilities in indoor vertical farming and promoting the development of commercial facilities.

Environment/New Energy/Infrastructure

We are installing flue gas desulfurization (FGD) equipment in coal-fired power plants in India as they tighten environmental regulations and Chiyoda's thoroughbred 121 (CT-121) FGD process has been installed in a number of plants.

In Japan, we are partially remodeling and providing operational support for a demonstration project to separate, recover and store CO_2 (carbon capture and storage (CCS)) from thermal power plant fuel gas and are in the EPC phase for flue gas desulfurization equipment installation in a coal-fired power plant.

In the carbon capture and utilization (CCU) field, we are collaborating with Blue Planet Systems Corporation and Mitsubishi Corporation to develop and commercialize technology to use the CO_2 in exhaust gas in the manufacture of aggregates as the raw material for concrete.

Chiyoda is executing the EPC phase for the world's largest battery energy storage plant, a photovoltaic (mega solar) facility and Japan's largest biomass power plant using wood pellets as fuel. We are also considering entering the field of offshore wind farms, expected to grow into a sizeable market in the future.

We are executing the EPC phase of MSP project, a copper smelting project in Indonesia, awarded in July 2021, and are executing the EPC phase of a polypropylene polymerization catalyst manufacturing plant in Japan.

Hydrogen business (hydrogen/ammonia) is presented below.

We continue to leverage on our leading position in SPERA hydrogen™ technology and have entered into an MOU with the Port of Rotterdam Authority, Koole Terminals and Mitsubishi Corporation to study the possibility of constructing an international hydrogen supply chain by importing hydrogen on a commercial scale through the port of Rotterdam. Studies to realize a clean hydrogen supply chain in Singapore also continue, in cooperation with Mitsubishi Corporation and several Singaporean companies including Sembcorp Industries, an integrated utilities and urban development firm. In a world first, Chiyoda, ENEOS Corporation (ENEOS) and the Queensland University of Technology (Australia) succeeded in filling a fuel cell electric vehicle in Japan with CO_2-free hydrogen and we continue to cooperate in the technological verification of producing, transporting and dehydrogenating CO_2-free hydrogen. The Advanced Hydrogen Energy Chain Association for Technology Development (AHEAD) achieved the world first milestone of transporting hydrogen overseas, in the form of methylcyclohexane (MCH), to an ENEOS oil refinery receiving facility in Japan using a chemical tanker. As an associate member of AHEAD, Chiyoda manufactures MCH in Brunei Darussalam as part of their global hydrogen supply chain demonstration project subsidized by the New Energy and Industrial Technology Development Organization (NEDO). ENEOS uses the MCH for their ongoing demonstration project.

In the ammonia field, Chiyoda is leading a NEDO Green Innovation Fund initiative to research and develop innovative ammonia synthesis catalysts and reduce ammonia production costs.

We are also conducting studies on ammonia receiving equipment and hydrogen fuel supply in Japan.

Please refer to 4. 'Production, Contracts and Sales' for further details of New Contracts, Net Sales and Contract Backlog, by segment.

Further information regarding our digital technology business is presented below.

We have established Chief Digital Officer (CDO) Office to accelerate company-wide digital transformation (DX), cultivate digital expertise as a DX foundation in the development of a digital culture and pursue the following three initiatives:

(a) Project Execution DX
We are sequentially implementing systems required to apply Advanced Work Packaging (AWP) on major ongoing projects to enhance our EPC execution management capabilities. As part of PlantStream Inc, a joint venture with Arent Inc, we are developing a revolutionary system that reduces the number of space design processes required in basic plant design by approximately 80%, enabling 3D models to be created approximately five times faster and are marketing the technology to plant owners and EPC contractors around the world.

(b) Corporate Management DX
We are leveraging digital technologies to develop the remote working environment, deploying robotic process automation to improve administrative efficiency and implementing electronic authentication and electronic contracts.

(c) DX Business
We are promoting EFEXIS™, a plant operations optimization solution that combines our engineering expertise, digital AI technology and Mirai Fusion (digital platform solution for industrial equipment and plants in development with Cognite and Mitsubishi Corporation), for domestic and international marketing.

(2) Financial Information on Business Performance
This section is not translated.

(3) Outlook

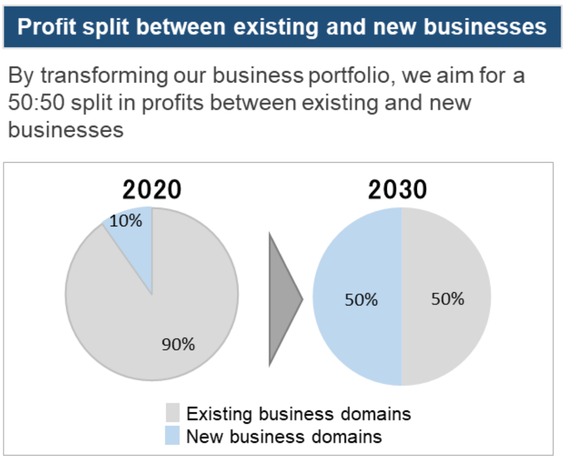
1) Earnings outlook for the year ending March 31, 2023

We are executing NFE LNG project in Qatar awarded in February 2021, MSP project, a copper smelting project in Indonesia awarded in May 2021, as well as other major LNG projects in the USA and Indonesia, by concentrating resources in these projects as our top priority. We reached out-of-court settlements with the client and subcontractors respectively regarding the discussions and arbitration related to the ICHTHYS LNG project.

Additionally, an update to the 2019 'Revitalization Plan – Initiatives for Revitalization and the Future' 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 fields 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). In consideration of business environment transformation such as accelerated transition to carbon-free society and hydrogen-based society, increasing demand for LNG, low carbon energy and renewable energy, the Board of Directors approved the update to the MTMP on May 7, 2021. We reviewed major client strategies to align with transformations and growth in new market opportunities. Since our founding, we have demonstrated solution optimize ability offered for complex constraints and challenges, EPC execution ability to optimize engineering and ensure quality, and the application ability of new technologies fusing basic research and EPC expertise. By leveraging these strengths we will accelerate the transition to a carbon-free society, including hydrogen energy, and carbon neutrality by 2050. By transforming our business portfolio on two fronts—growing carbon neutrality and life science contribution fields and creating and strengthening recurring business models—we aim to achieve a 50:50 split in profits between existing and new businesses. Our objective is to transform our earnings structure generating consolidated-basis net profits in excess of 30 billion yen.



With an eye towards achieving this long-term goal, along with solid project execution in existing EPC fields to secure earnings and taking up blue-chip projects in new EPC fields to build up earnings, we are pursuing a variety of initiatives, planting the seeds for new business fields, and working to grow them. To strengthen our financial position, we are improving our shareholders' equity ratio, eliminating accumulated losses, and lowering fixed costs.

We completed Yosemite ethylene project in the USA ahead of schedule. We are also diligently executing the construction work needed to bring to completion the Tangguh LNG project in Indonesia and Golden Pass LNG project in the USA. The engineering, procurement and construction phases of the NFE project and MSP project have also moved into high gear.

We regard the life science, next-generation energy, and carbon neutrality field as the three main pillars of growth in the environment business. In addition to planting the seeds for future earnings growth, in the life science field, along with winning orders for socially significant pharmaceutical plants, we have decided to participate in a joint venture with Shionogi Pharma Co., Ltd. with the aim of developing Continuous Manufacturing technology for active pharmaceutical ingredients and intermediates and commercializing a contract development manufacturing business using such technologies.

The Frontier Business Division focuses on three business fields: 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. The 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.

We are developing digital products that contribute to the optimization and automatization 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 improve the efficiency of plant space design, we formed a new 50:50 joint venture, PlantStream 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.

In HR & DX Division, we launched a joint venture with IT giant TIS Inc. in order to grow and evolve the Group's own IT infrastructure to keep up during these rapidly changing times. Chief Digital Officer (CDO) Office cultivates digital expertise as a DX foundation and fosters employees' digital mindset and culture for DX acceleration. 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 will reform our HR systems to ensure optimal personnel development from a medium to longer term perspective and work to spread this throughout the company.

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 clients and contractors, we are working to minimize the impact on ongoing projects such as restricted in-person meetings with clients and contractors, delay in the production and transportation of procured items, and restricted assignment of work supervisors and on-site workers.

Through deliberations and negotiations with business partners and stakeholders, such as clients, suppliers, subcontractors, and others, we are working to appropriately address the effects of monetary tightening, mainly in industrialized countries, and the soaring equipment/materials and labor prices by global inflation and the supply chain disruptions that have been triggered by the geopolitical crisis in Ukraine.

(4) Basic Dividend Policy and Dividend Distributions for the Year Ended March 31, 2022 and the Year Ending March 31, 2023

We regret that there will be no dividend distribution to the common stock, in light of the level of unappropriated retained earnings for the year ended March 31, 2022.

We are still in the process of executing the Revitalization Plan, and at this time no decision has been made about the year-end dividend for the year ending March 31, 2023. 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, 2022.

(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 as symbolized by lockdown in China spring 2022.

While prioritizing the health and safety of our employees and others, in discussion with our clients and contractors, we are working to minimize the impact on ongoing projects such as restricted in-person meetings with clients and contractors, delay in the production and transportation of procured items, and restricted assignment of work supervisors and on-site workers. Furthermore, many of our clients 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. We are prepared for business continuity by organizing a specialized task team, and it developed Business Continuity Plan (BCP) assuming infectious disease.

(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, LNG, and metals markets can cause our clients 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 clients 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. The geopolitical crisis in Russia and Ukraine, triggered by Russia's invasion, may adversely affect the Group’s business performance if the dispute is prolonged and the situation deteriorates beyond expectations, because, as the uncertainty about the global economic situation becomes even more evident, the financial condition of our clients and joint venture partners could deteriorate, supply chains could be disrupted, and the costs of equipment and materials could soar.

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 clients 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 developed 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. With respect to the effects of the situations in Russia and Ukraine, we currently have no projects underway in either Russia or Ukraine. However, we analyze the latest intelligence, and in addition to paying careful attention to the safety of the Group employees posted or traveling overseas, we will continue to monitor and address any effects on projects underway in other countries.

(d) Surging equipment and materials costs

There is time lag between when a contract estimate is issued and when an order is placed. As a result, when there is a dramatic shift in socio-political situation, such as in the current geopolitical crisis in Ukraine, we are exposed to the risk of an unforeseen increase in equipment and materials costs. 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. There are also concerns that shipping rates will remain high due to the surge in oil prices and higher insurance premiums.

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, early order placement for equipment and materials, and building good relationships with top suppliers. Through deliberations and negotiations with our business partners and stakeholders, such as clients, suppliers, and subcontractors, we are working to appropriately address the effects of monetary tightening, mainly in industrialized countries, and the soaring equipment/materials and labor prices by global inflation and the supply chain disruptions that have been triggered by the geopolitical crisis in Ukraine.

(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 clients and relevant local agencies to take appropriate measures to minimize the impact.

(f) Risks associated with changes in the business environment arising from climate change

Lately, extreme weather events thought to be caused by climate change have been occurring with increasing frequency all over the world. Climate change is affecting society on a global scale, and it is one of the most important social challenges confronting the entire global community.

The Group sees climate change as the most important issue as we pursue a sustainable business model. The risks associated with climate change will likely affect not only the Group but also our clients. We recognize that the changes to client investing environment and to their business portfolios could have a significant impact on our operations and business strategy since projects could be suspended or delayed and the competition to win orders could intensify. The Group is addressing these challenges by formulating its business plans through its effort to close monitor the energy situation, review climate change policy, and laws and regulations in each country, and to obtain the latest information in a timely and appropriate manner via our government, agency, and customer networks.

Climate change can also be viewed as a new business opportunity. The business environment in which the Group operates is undergoing significant changes. These include faster decarbonization and an accelerated transition to hydrogen-based society, and the increasingly widespread adoption of low-carbon and renewable energy, including LNG. As a result of these changes, major clients are overhauling their business strategies and the Group sees prospects for growth thanks to new market opportunities. In view of the above, we updated the MTMP in May 2021. Since our founding, we have demonstrated solution optimize ability offered for complex constraints and challenges, EPC execution ability to optimize engineering and ensure quality, and the application ability of new technologies fusing basic research and EPC expertise. By leveraging these strengths we will accelerate the transition to a carbon-free society, including hydrogen energy, and carbon neutrality by 2050. By transforming our business portfolio on two fronts—growing carbon neutrality and life science contribution fields and creating and strengthening recurring business models—we aim to achieve a 50:50 split in profits between existing and new businesses. Our objective is to transform our earnings structure generating consolidated-basis net profits in excess of 30 billion yen.

(g) 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 client. 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.

(h) 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 client, 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.

(i) 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 clients. 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.

(j) Information security threats

The Group controls a large volume of client 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. Much of our core work and commercial activity are carried out at locations around the world. We mitigate risks by reinforcing protective measures to prepare for cyberattacks on important data system and network installation. However, unforeseen event could cause a system failure, leak of confidential information, cyber fraud, or loss of important business information and it might affect our business. Cyberattack risks on companies increased triggered by Tokyo Olympic and Paralympic Games in 2021 and the geopolitical crisis in Ukraine.

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.

(k) 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.

(l) ICHTHYS LNG project litigation risks

In 2012, JKC AUSTRALIA LNG PTY Ltd. (JKC), a joint venture established by the Group, JGC Holdings Corp. (JGC), and US company KBR, Inc., was awarded the contract from ICHTHYS LNG PTY Ltd. (the Client) to perform the engineering, procurement, and construction work for LNG facilities (the Project). The plant facilities have already been turned over to the Client.

There were matters between the Client and some subcontractors that were subject to negotiation and arbitration. The joint venture partners decided to make an out-of-court settlement with the Client and subcontractors as described below. The Group reflects the impacted settlement amount in the financial results of this fiscal year.

i. Settlement of lawsuit with the Client

JKC and the Client continued discussions and arbitration with respect to various issues in relation to the Project contract. The Client also filed a lawsuit against JGC in the middle of April 2021, regarding the additional site subcontract cost, requesting JGC to pay the identical amount to the Client based on the parent company guarantee deeds. Chiyoda participated as an assisting intervener in this lawsuit. The three joint venture partners of JKC re-evaluated the risks of prolonged arbitration under the COVID-19 pandemic, the accumulating dispute expenses, and the uncertainty of the result from the prolonged arbitration and litigation. The joint venture partners decided to make an out-of-court settlement with the Client on October 15, 2021, determining that swiftly resolving the matters would be the best solution.

ii. Settlement of arbitration with subcontractors

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 Engineering Pty Limited and CH2M Hill Australia Pty Limited (collectively, the Consortium).

However, the Consortium withdrew from the construction site before completion of service. 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 appointed a subcontractor to replace the Consortium in order to fulfill its performance obligations to the Client, and while incurring tentatively the construction costs to proceed with the construction of the CCPP, JKC was countersuing the Consortium for these construction expenses.

The three joint venture partners of JKC re-evaluated the risks of prolonged arbitration under the COVID-19 pandemic, the accumulating dispute expenses, and the uncertainty of the result from the prolonged arbitration and litigation. The joint venture partners decided to make an out-of-court settlement with the Consortium on April 11, 2022, determining that swiftly resolving the matters would be the best solution.

<Risk Management Structure>

The Strategy & Risk Integration Division plays a 'control tower' role at the Group, with a structure to manage project risk from the estimate and pre-award stage all the way through to execution, completion, and handover by providing strategic support and risk management across every stage of a project.

Under this centralized risk management structure, by taking advantage of digital technology and raising the level of our data management we are able to improve project management accuracy in cost, scheduling, and quality, allowing us to practice rigorous risk management even as we work to further reinforce and improve it. As part of its management support function, the Strategy & Risk Integration Division also gathers information from relevant departments as quickly as possible and coordinates among them to address risks with potentially adverse effects on our business environment in a timely and appropriate manner, so that we can avoid these risks and minimize their impact.

2. Accounting Standard Selection Policy

The Group selects Japan Accounting Standard for the time being considering availability of period comparison and business-to-business comparison of consolidated financial results. The Group will take necessary actions to apply to International Accounting Standard considering business trends in Japan.

3. Consolidated Quarterly Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	106,988	68,795
Notes receivable, accounts receivable from completed construction contracts	48,527	—
Notes receivable, accounts receivable from completed construction contracts, and contract assets	—	40,438
Costs on construction contracts in progress	8,767	18,529
Accounts receivable - other	77,261	83,246
Jointly controlled assets of joint venture	56,845	141,438
Other	8,906	21,731
Allowance for doubtful accounts	(1,405)	(1,498)
Total current assets	305,891	372,682
Non-current assets		
Property, plant and equipment		
Buildings and structures	14,105	13,548
Accumulated depreciation	(8,849)	(8,848)
Buildings and structures, net	5,255	4,700
Machinery and vehicles	1,295	1,659
Accumulated depreciation	(913)	(1,325)
Machinery and vehicles, net	382	333
Tools, furniture and fixtures	5,948	6,286
Accumulated depreciation	(5,119)	(5,395)
Tools, furniture and fixtures, net	829	891
Land	4,853	5,100
Construction in progress	106	11
Total property, plant and equipment	11,426	11,038
Intangible assets	4,371	4,335
Investments and other assets		
Investment securities	5,701	5,511
Retirement benefit asset	566	633
Deferred tax assets	394	129
Other	1,395	1,084
Allowance for doubtful accounts	(164)	(18)
Total investments and other assets	7,894	7,340
Total non-current assets	23,692	22,714
Total assets	329,583	395,396

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts	115,187	96,084
Current portion of long-term borrowings	747	20,621
Accounts payable - other	4,200	44,022
Income taxes payable	638	978
Advances received on construction contracts in progress	74,784	—
Contract liabilities	—	143,431
Provision for warranties for completed construction	823	3,348
Provision for loss on construction contracts	34,443	34,815
Provision for bonuses	3,834	3,211
Provision for business restructuring	17	—
Other	9,978	4,160
Total current liabilities	244,657	350,675
Non-current liabilities		
Long-term borrowings	45,000	25,000
Deferred tax liabilities	—	533
Provision for treatment of PCB waste	239	239
Retirement benefit liability	761	773
Other	2,178	2,413
Total non-current liabilities	48,178	28,960
Total liabilities	292,836	379,635
Net assets		
Shareholders' equity		
Share capital	15,014	15,014
Capital surplus	142	142
Retained earnings	15,708	(1,142)
Treasury shares	(1,435)	(849)
Total shareholders' equity	29,430	13,165
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	203	83
Deferred gains or losses on hedges	30	1,656
Foreign currency translation adjustment	5,300	(6)
Remeasurements of defined benefit plans	1,434	755
Total accumulated other comprehensive income	6,969	2,489
Non-controlling interests	348	106
Total net assets	36,747	15,761
Total liabilities and net assets	329,583	395,396

(2) Consolidated Statement of Income and Comprehensive Income

(Consolidated Statement of Income) (Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net sales of completed construction contracts	315,393	311,115
Cost of sales of completed construction contracts	295,332	288,321
Gross profit on completed construction contracts	20,061	22,794
Selling, general and administrative expenses	13,046	12,249
Operating profit	7,015	10,545
Non-operating income		
Interest income	984	305
Dividend income	388	382
Share of profit of entities accounted for using equity method	33	—
Foreign exchange gains	820	1,406
Other	266	364
Total non-operating income	2,492	2,458
Non-operating expenses		
Interest expenses	889	879
Share of loss of entities accounted for using equity method	—	321
Settlement payments	—	201
Other	155	169
Total non-operating expenses	1,045	1,571
Ordinary profit	8,462	11,431
Extraordinary income		
Gain on liquidation of subsidiaries and associates	—	588
Gain on sale of investment securities	—	160
Gain on sale of shares of subsidiaries and associates	413	—
Total extraordinary income	413	749
Extraordinary losses		
Project related loss due to settlements with customers	—	20,374
Impairment losses	—	426
Loss on retirement of non-current assets	—	306
Loss on liquidation of subsidiaries and associates	—	242
Loss on valuation of investment securities	—	89
Total extraordinary losses	—	21,439
Profit (loss) before income taxes	8,876	(9,258)
Income taxes - current	848	3,509
Income taxes - deferred	33	59
Total income taxes	882	3,569
Profit (loss)	7,993	(12,828)
Profit (loss) attributable to non-controlling interests	0	(198)
Profit (loss) attributable to owners of parent	7,993	(12,629)

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Profit (loss)	7,993	(12,828)
Other comprehensive income		
Valuation difference on available-for-sale securities	144	(119)
Deferred gains or losses on hedges	24	1,625
Foreign currency translation adjustment	2,324	(5,350)
Remeasurements of defined benefit plans, net of tax	1,420	(678)
Share of other comprehensive income of entities accounted for using equity method	(60)	79
Total other comprehensive income	3,854	(4,444)
Comprehensive income	11,847	(17,272)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,849	(17,109)
Comprehensive income attributable to non-controlling interests	(1)	(163)

(3) Consolidated Statement of Changes in Equity

Previous 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	Remeasure-ments of defined benefit plans	Total accumulated other compre-hensive 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

Current consolidated fiscal year (April 1, 2021-March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	15,014	142	15,708	(1,435)	29,430
Cumulative effects of changes in accounting policies			1		1
Restated balance	15,014	142	15,709	(1,435)	29,431
Changes during period					
Dividends of surplus			(3,636)		(3,636)
Loss attributable to owners of parent			(12,629)		(12,629)
Purchase of treasury shares				(375)	(375)
Disposal of treasury shares		(585)		961	375
Transfer of loss on disposal of treasury shares		585	(585)		—
Net changes in items other than shareholders' equity					
Total changes during period	—	—	(16,852)	585	(16,266)
Balance at end of period	15,014	142	(1,142)	(849)	13,165

	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	Remeasure-ments of defined benefit plans	Total accumulated other compre-hensive income		
Balance at beginning of period	203	30	5,300	1,434	6,969	348	36,747
Cumulative effects of changes in accounting policies							1
Restated balance	203	30	5,300	1,434	6,969	348	36,748
Changes during period							
Dividends of surplus							(3,636)
Loss attributable to owners of parent							(12,629)
Purchase of treasury shares							(375)
Disposal of treasury shares							375
Transfer of loss on disposal of treasury shares							—
Net changes in items other than shareholders' equity	(119)	1,625	(5,306)	(678)	(4,479)	(241)	(4,720)
Total changes during period	(119)	1,625	(5,306)	(678)	(4,479)	(241)	(20,987)
Balance at end of period	83	1,656	(6)	755	2,489	106	15,761

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from operating activities		
Profit (loss) before income taxes	8,876	(9,258)
Depreciation	3,281	3,060
Impairment losses	—	426
Amortization of goodwill	33	33
Increase (decrease) in allowance for doubtful accounts	162	(86)
Increase (decrease) in provision for warranties for completed construction	(15)	2,475
Increase (decrease) in provision for loss on construction contracts	902	(2,806)
Increase (decrease) in provision for bonuses	(148)	(629)
Increase (decrease) in provision for business restructuring	(383)	(17)
Increase (decrease) in retirement benefit liability	398	(362)
Interest and dividend income	(1,372)	(687)
Interest expenses	889	879
Foreign exchange losses (gains)	(225)	(1,072)
Share of loss (profit) of entities accounted for using equity method	(33)	321
Loss (gain) on valuation of investment securities	—	89
Loss (gain) on sale of investment securities	—	(160)
Loss (gain) on sale of shares of subsidiaries and associates	(413)	—
Loss (gain) on liquidation of subsidiaries and associates	—	(326)
Loss (gain) on sale and retirement of non-current assets	—	319
Decrease (increase) in trade receivables	12,377	8,380
Decrease (increase) in costs on construction contracts in progress	(3,809)	(9,744)
Increase (decrease) in trade payables	(20,259)	(25,028)
Increase (decrease) in advances received on construction contracts in progress	(40,465)	—
Increase (decrease) in contract liabilities	—	65,506
Decrease (increase) in accounts receivable - other	(11,670)	(111)
Increase (decrease) in accounts payable - other	1,144	39,750
Decrease (increase) in jointly controlled asset of joint venture	37,595	(82,678)
Other, net	(10,800)	(12,551)
Subtotal	(23,937)	(24,279)
Interest and dividends received	1,450	702
Interest paid	(823)	(846)
Income taxes refund (paid)	2,504	(1,168)
Net cash provided by (used in) operating activities	(20,806)	(25,591)

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from investing activities		
Net decrease (increase) in time deposits	348	(576)
Purchase of property, plant and equipment	(608)	(515)
Proceeds from sale of property, plant and equipment	563	1
Purchase of intangible assets	(1,541)	(1,624)
Proceeds from sale of intangible assets	746	—
Purchase of investment securities	(659)	(720)
Proceeds from sale of investment securities	—	230
Proceeds from liquidation of subsidiaries and associates	—	79
Proceeds from sale of shares of subsidiaries and associates	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	(236)	—
Loan advances	(869)	(987)
Proceeds from collection of loans receivable	13	9
Other, net	(3)	316
Net cash provided by (used in) investing activities	(2,250)	(3,787)
Cash flows from financing activities		
Proceeds from long-term borrowings	10,000	—
Repayments of long-term borrowings	(122)	(126)
Dividends paid	(0)	(3,636)
Other, net	(398)	(433)
Net cash provided by (used in) financing activities	9,478	(4,197)
Effect of exchange rate change on cash and cash equivalents	(3,616)	3,938
Net increase (decrease) in cash and cash equivalents	(17,194)	(29,638)
Cash and cash equivalents at beginning of period	115,932	98,738
Cash and cash equivalents at end of period	98,738	69,099

4. Production, Contracts and Sales

(Millions of yen)

	Apr. 1, 2020 ― Mar. 31, 2021			Apr. 1, 2021 ― Mar. 31, 2022		
	New contracts (ratio)	Net sales (ratio)	Backlog of contracts (ratio)	New contracts (ratio)	Net sales (ratio)	Backlog of contracts (ratio)
Engineering	898,125 99.9%	314,684 99.8%	1,126,072 100.0%	415,219 99.9%	310,394 99.8%	1,331,014 100.0%
LNG Plant	782,809 87.1%	104,839 33.2%	956,187 84.9%	15,292 3.7%	155,454 50.0%	914,960 68.8%
Gas Development/Processing/Receiving	3,210 0.4%	11,274 3.6%	6,032 0.6%	1,235 0.3%	4,063 1.3%	3,006 0.2%
Refinery/Petrochemical/Metal	45,130 5.0%	118,952 37.7%	49,931 4.4%	32,352 7.8%	56,670 18.2%	27,188 2.0%
Pharmaceutical/Biochemistry/ Chemical	50,148 5.5%	26,718 8.5%	43,285 3.8%	41,117 9.9%	32,681 10.5%	50,429 3.8%
Environment/New Energy/Infrastructure	12,554 1.4%	48,854 15.5%	68,425 6.1%	322,366 77.5%	59,069 19.0%	332,737 25.0%
Others	4,271 0.5%	4,044 1.3%	2,209 0.2%	2,854 0.7%	2,455 0.8%	2,690 0.2%
Other Business	708 0.1%	708 0.2%	- -	721 0.1%	721 0.2%	- -
Total	**898,834** **100.0%**	**315,393** **100.0%**	**1,126,072** **100.0%**	**415,940** **100.0%**	**311,115** **100.0%**	**1,331,014** **100.0%**
Domestic	103,765 11.5%	146,084 46.3%	135,190 12.0%	86,525 20.8%	117,677 37.8%	104,121 7.8%
Overseas	795,069 88.5%	169,308 53.7%	990,881 88.0%	329,414 79.2%	193,437 62.2%	1,226,893 92.2%

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

5. Others

ICHTHYS LNG project

Refer to 1. Qualitative Information Related to Consolidated Performance, (5) Business Risks, (l) ICHTHYS LNG project litigation risks.