CHUGAI RO (TYO: 1964)

Leading manufacturer of industrial furnaces and burners in Japan. Business opportunities have emerged with the advent of carbon neutrality, and the Company is undertaking efforts to enhance corporate value through traditional means.

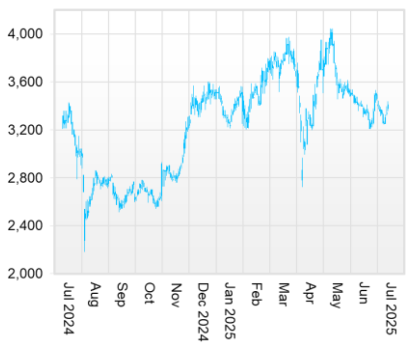
Basic report

Construction industry

As of July 15, 2025

Share price (7/11)	**3,410 Yen**
52weeks high/low	¥2,183/4,045
Avg Vol (3 month)	34.3 thou shrs
Market Cap	¥26.59 bn
Enterprise Value	¥25.08 bn
PER (3/26 CE)	8.9 X
PBR (3/25 act)	0.9 X
Dividend Yield (3/26 CE)	4.4 %
ROE (3/25)	10.7 %
Operating margin (3/25)	7.5 %
Beta (5Y Monthly)	0.29
Shares Outstanding	7.800 mn shrs
Listed market	TSE Prime section

Share price performance



%	1M%	3M%	12M%
Share price	0.15	3.96	5.57
TSE TOPIX	1.33	11.18	-2.95

Points of interest

CHUGAI RO is the leading domestic company in industrial furnaces and is known as a "department store of industrial furnaces." Achieving carbon neutrality for the 5,000–7,000 industrial furnaces the Company has been involved with is essential to meeting Japan's decarbonization goals, and the Company is currently promoting a Medium-Term Management Plan that views this as a business opportunity. The Company is also actively aiming to achieve a PBR of 1.0. Its recent business performance is strong. We want to focus on achieving the targets of the Medium-Term Management Plan, which will conclude with the final fiscal year ending March 2027, as well as the direction of the New Medium-Term Management Plan that will follow.

This report (financial update) has been prepared at the request of CHUGAI RO. For details, please refer to the Disclaimer on the last page.

Summary

◇ **Overview of CHUGAI RO**: A leading domestic industrial furnace company under the slogan "Pioneering the future with thermal technology." With a strong technology orientation, the Company has a track record of developing over 100 types of industrial furnaces since its founding in 1945, earning it the nickname "department store of industrial furnaces." Its strength lies in its broad expertise in industrial furnaces.

◇ **Carbon neutrality requirements for industrial furnaces**: There are approximately 37,000 industrial furnaces in Japan, of which 5,000–7,000 are reportedly owned by the company. The CO_2 emissions produced by these furnaces amount to 12 million tons per year (base year FY2013), equivalent to 1% of Japan's total emissions. To achieve carbon neutrality, it is necessary to reduce this amount by virtually 100%, which represents a significant business opportunity for the Company.

◇ **Medium-Term Management Plan that sees carbon neutrality as a business opportunity**: In light of this context, on May 13, 2022, the Company announced the "CHUGAI RO Group Medium-Term Management Plan (FY2022–FY2026)." The plan promotes three key strategies: "The creation of new markets centered on carbon neutrality," "Brushing up of existing products suited to needs to expand sales and increase profits," and "The creation of rewarding workplaces." The Company aims to achieve 41.5 billion yen in net sales, 3.62 billion yen in operating profit (operating profit margin of 8.7%), and ROE of 10.0% in the final fiscal year ending March 2027.

◇ **Toward achieving and sustaining a PBR of 1.0**: The Company is implementing many initiatives based on the "Initiatives to enhance corporate value" to achieve and maintain a PBR of 1.0. It is currently working on seven items, many of which have already been completed. The stock market has responded favorably to this management approach, and the PBR level has been rising. Although it temporarily exceeded 1.0 times, the current level is 0.86 times.

◇ **Business trends:** The Company's recent performance is solid. For the fiscal year ended March 2025, order intake was 39.4 billion yen (up 2% year on year), net sales were 36.2 billion yen (up 24%), operating profit was 2.7 billion yen (up 85%), ordinary profit was 3.0 billion yen (up 75%), profit attributable to owners of parent was 2.9 billion yen (up 36%), and dividend per share was 150 yen (up 88%). The forecast for the fiscal year ending March 2026 is: order intake of 37.8 billion yen (down 4% year on year), net sales of 37.5 billion yen (up 3%), operating profit of 3.0 billion yen (up 9%), ordinary profit of 3.15 billion yen (up 4%), and profit attributable to owners of parent of 2.8 billion yen (down 6%), indicating steady progress toward achieving the goals of the final year of the Medium-Term Management Plan. The forecast for the dividend per share is 150 yen (unchanged). Still, the Company has a firm intention to enhance shareholder returns through dividend increases, and if operating profit increases as expected, it is highly likely to increase dividends.

◇ **Stock price trends and catalysts:** The recent stock price (3,335 yen) has broken through the 3,000 yen level, which had been a resistance line since the 2010s. The stock market appears to have heightened expectations for the Company's timely Medium-Term Management Plan and initiatives to enhance corporate value. However, despite solid business performance, it cannot yet be said that a PBR of 1.0 has been firmly established.

Given that performance tends to be weighted toward the second half of the year, we would like to pay attention to whether order intake continues to accumulate steadily each quarter, whether the outlook for achieving for the fiscal year ending March 2026 earnings becomes more certain, whether factors for a further leap in performance toward for the fiscal year ending March 2027, the final year of the Medium-Term Management Plan, will materialize, what direction the New Medium-Term Management Plan will take, and whether there will be changes in the decarbonization efforts of key customers. Should positive factors emerge, a PBR of 1.0 will finally be established.

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Key financial data

Unit: million yen	2021	2022	2023	2024	2025	2026 CE
Sales	24,717	26,317	27,976	29,283	36,247	37,500
EBIT (Operating Income)	389	1,264	1,310	1,479	2,737	3,000
Pretax Income	527	1,594	1,699	3,129	4,222	
Net Profit Attributable to Owner of Parent	329	1,360	1,231	2,197	2,998	2,800
Cash & Short-Term Investments	7,121	11,130	7,884	10,061	4,392	
Total assets	38,577	38,141	41,178	48,863	48,736	
Total Debt	5,988	3,988	3,988	7,288	5,507	
Net Debt	-1,133	-7,142	-3,896	-2,773	1,115	
Total liabilities	16,784	14,928	17,134	21,092	20,125	
Total Shareholders' Equity	21,681	23,068	23,860	27,570	28,329	
Net Operating Cash Flow	3,300	6,090	-2,500	-891	-3,696	
Capital Expenditure	442	317	240	1,335	798	
Net Investing Cash Flow	-551	510	-63	550	654	
Net Financing Cash Flow	-4,481	-2,508	-727	2,451	-2,701	
Free Cash Flow	3,036	5,963	-2,688	-2,161	-4,419	
ROA (%)	0.77	3.55	3.10	4.88	6.14	
ROE (%)	1.56	6.08	5.25	8.54	10.73	
EPS (Yen)	42.9	177.2	162.0	293.8	407.6	
BPS (Yen)	2,824.1	3,005.3	3,146.7	3,709.0	3,859.0	
Dividend per Share (Yen)	60.00	70.00	70.00	80.00	150.00	
Shares Outstanding (Million shares)	7.80	7.80	7.80	7.80	7.80	

Source: Omega Investment from company materials

Company profile

CHUGAI RO CO., LTD. is Japan's leading manufacturer of industrial furnaces and industrial burners, whose management philosophy is: "Chugai Ro creates new value through its core of thermal technology, thus contributing to society while realizing the prosperity of the company and the happiness of its employees." With a track record of developing over 100 types of industrial furnaces, the Company is known as a "department store of industrial furnaces." Under the slogan "Pioneering the future with thermal technology," and based on its foundational technologies in thermal technology, engineering capabilities, and advanced technology accumulated since its founding in 1945, the Company provides industrial furnaces and related equipment to the steel, automotive, and information and communications industries. Currently, based on its Management Vision 2026, "Renovate ourselves to develop our future with the technology for carbon neutrality!", the Company aims to contribute to society and expand corporate value through carbon-neutral technology under its Medium-Term Management Plan (FY2022–FY2026). Attention from the stock market is increasing.

History

The Company was founded in 1945, and in the 1950s, it established thermal technology and popularized industrial furnaces in Japan. A turning point was its 1954 technical partnership with Surface Combustion, Inc. (USA), through which it completed Japan's first domestically produced batch-type gas carburizing furnace and introduced the atmosphere heat treatment method to Japan on a wide scale. This enabled the mass production of metal parts with high surface strength and uniform precision, laying the foundation for the development of the automotive industry. In the following year, 1955, the Company began supplying state-of-the-art industrial furnaces to a wide range of industries, including steel, nonferrous metals, electric machinery, and glass. In 1966, it developed the top- and bottom-fired walking beam type heating furnace, supporting the growth of the steel industry. More recently, in 2014, the Company expanded and received orders for the "HIFALCON," a mass-production-type vacuum carburizing furnace.

Since the 1960s, the Company has expanded its business domain to include environmental response. In 1961, it began manufacturing industrial machinery, including various coating lines, tire cord heat treatment lines, and paper machine hoods. After the oil shocks of the 1970s, it developed energy-saving burners, entered the field of environmental protection in 1973 starting with sewage sludge incineration facilities, entered the information and communication field in 1988 with inline sputtering systems, the air purification field in 1994 with regenerative thermal oxidizers, the display field in 1996 with PDP (plasma display panel) manufacturing equipment, launched ultra-precision coating and drying systems for LCD and OLED in 2004, developed and received orders for solar cell manufacturing equipment in 2009, jointly developed CIS solar cell production technology with Showa Shell Sekiyu K.K. in 2010, jointly developed the world's first general-purpose hydrogen burner for industrial use with TOYOTA MOTOR CORPORATION in 2018 (and began operation in Toyota's production process in 2023), received orders in 2019 for precision coating systems for flexible OLED substrates, in 2020 jointly researched and developed ammonia-only combustion technology with Osaka University, and in 2022 received an order for a hydrogen combustion exhaust gas treatment system.

Overseas, the Company established bases in Taiwan in 1987, China in 2005, Indonesia and Thailand in 2012, and Mexico in 2016.

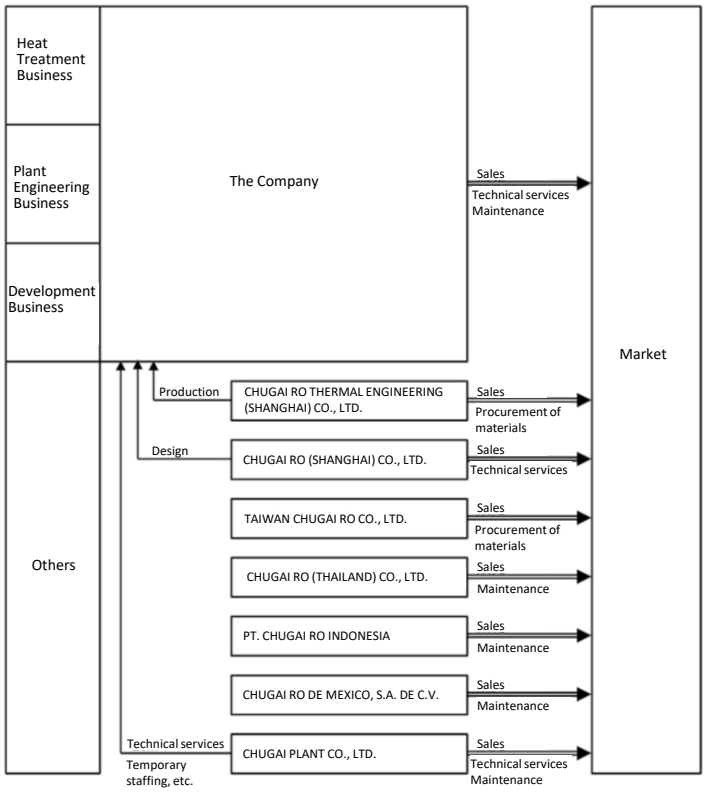
In November 2023, the Company opened a new research facility, the "Thermal Technology Creative Center", within its Sakai Works. The aim is to focus on the development of next-generation combustion technologies, such as ammonia combustion and hydrogen combustion, as well as highly efficient energy-saving technologies, to promote the decarbonization of industrial furnaces and machinery that consume large amounts of energy in manufacturing processes.

The Company's shares were listed on the Second Section of the Osaka Stock Exchange in 1962, then moved to the First Section of the Osaka Stock Exchange in 1969, and subsequently to the First Section of the Tokyo Stock Exchange in 1970. The shares were transferred to the Prime Market in 2022 (see also the history table on page 22).

Company's group

The Group consists of the Company and seven subsidiaries. It is mainly engaged in the design, manufacturing, and construction of industrial furnaces, industrial machinery, environmental equipment, and combustion equipment, as well as the manufacturing and sales of combustion devices, across three business segments: the Heat Treatment Business (primarily related to automobiles, machinery, semiconductors, chemicals, and battery manufacturing), the Plant Engineering Business (mainly associated with steel, nonferrous metals, and ceramics), and the Development Business (primarily related to decarbonization, precision coating and drying, and waste treatment and recycling). In addition, the Group conducts engineering, research, and development, as well as other services ancillary to its various businesses.

Overview of the Group and product flow



Source: Company materials

As for the Company's business locations, its main domestic sites include the head office (Chuo-ku, Osaka), Sakai Works, Sakai Center, Kokura Factory, Tokyo Branch Office, and Nagoya Sales Office. Of these, Sakai Works is responsible for production, research, and development. Overseas, the Company has bases in Shanghai, Taiwan, Thailand, Indonesia, and Mexico. It also has partners involved in technology export in the United States and South Korea.

Sakai Works

Source: Company materials

Business overview

Industrial furnace market

Industrial furnaces play a crucial role in manufacturing processes that determine the characteristics of metal parts and are widely used throughout the manufacturing industry's supply chain, from upstream to downstream. The industries of end users are also diverse, including steel, automotive, electrical, and electronics sectors.

In terms of heat sources, there are combustion furnaces, which utilize natural gas and other fuels, and electric furnaces, which rely on electricity as their primary heat source. The former heats by burning fuel with a burner, while the latter uses electricity as the heat source. Electric furnaces are one of the promising methods for decarbonizing industrial furnaces, and demand for them is increasing, including for replacing combustion furnaces.

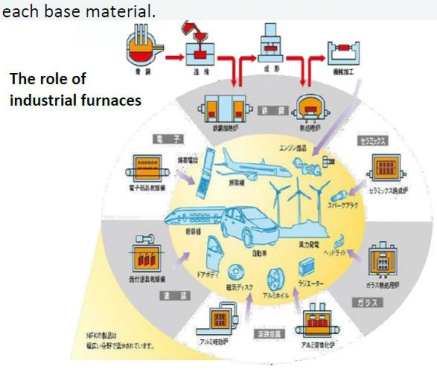
Furthermore, because combustion methods and control technologies differ depending on the product, one of the characteristics of this business is that furnace structures and other elements are custom-designed for each substrate.

In Japan, it is estimated that approximately 37,000 industrial furnaces are in operation, of which the Company manufactures an estimated 5,000 to 7,000. The size of the domestic market is estimated to be around 200 billion yen (based on a survey by the Ministry of Economy, Trade and Industry and interviews with the Company).

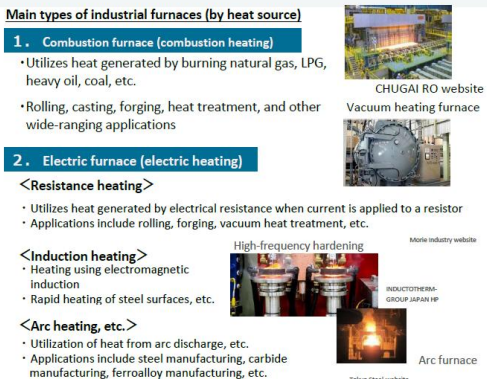
Industrial furnaces

About industrial furnaces

- "Industrial furnaces" is a general term for furnace equipment used in the **steel, automotive, electrical, and electronics industries for melting, smelting, heat treatment, drying, deodorization, and other heating processes**, with high-temperature industrial applications accounting for the majority of demand.
- **Combustion furnaces that use natural gas or other fuels as a heat source** require auxiliary equipment such as exhaust gas treatment systems because they heat by burning fuel injected into a burner. On the other hand, **electric furnaces that use electricity as a heat source** have energy costs that are approximately twice as high as those of combustion furnaces (using natural gas), but do not require exhaust gas treatment and feature compact equipment.
- Since combustion methods and control technologies vary depending on the product, the furnace structure is custom-designed for each base material.



(Source) Industrial Furnace Association materials, website

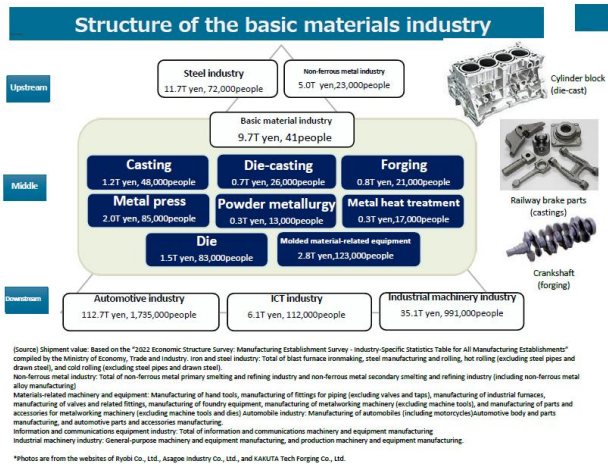


Source: Ministry of Economy, Trade and Industry, "Trends in Japan and abroad related to decarbonization of thermal processes in the manufacturing sector" (October 2, 2024, Manufacturing Industries Bureau, Casting and Forging Industry Office)
https://www.meti.go.jp/shingikai/sankoshin/green_innovation/industrial_restructuring/pdf/026_03_00.pdf

Industrial furnaces (continued)

Utilization of industrial furnaces

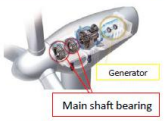
- Industrial furnaces are used in **a wide range of thermal processes throughout the manufacturing supply chain, from upstream to downstream**, and are an essential technology for metal parts processing, mainly in the raw materials industry, including casting, forging, die casting, heat treatment, and powder metallurgy.



Industrial furnaces are essential for metal parts processing

■ Company A

- A Company performs heat treatment of wind turbine bearings using its domestic-largest large-scale carburizing furnace (capable of handling diameters up to 4 meters), contributing to high quality and long equipment life (20 years).



Inside a wind turbine propeller

■ Company B

- Significantly improved performance of domestic and overseas die-casting molds through heat treatment. High durability that can withstand 200,000 shots without damage.


Examples of die casting molds

■ Company C

- Manufacture of large rotor shafts (weight: 600 tons) for generator turbine shafts. Supplied to power plants in Japan and overseas.


Example of a large rotary shaft

Source: Ministry of Economy, Trade and Industry, "Trends in Japan and abroad related to decarbonization of thermal processes in the manufacturing sector" (October 2, 2024, Manufacturing Industries Bureau, Casting and Forging Industry Office)
https://www.meti.go.jp/shingikai/sankoshin/green_innovation/industrial_restructuring/pdf/026_03_00.pdf

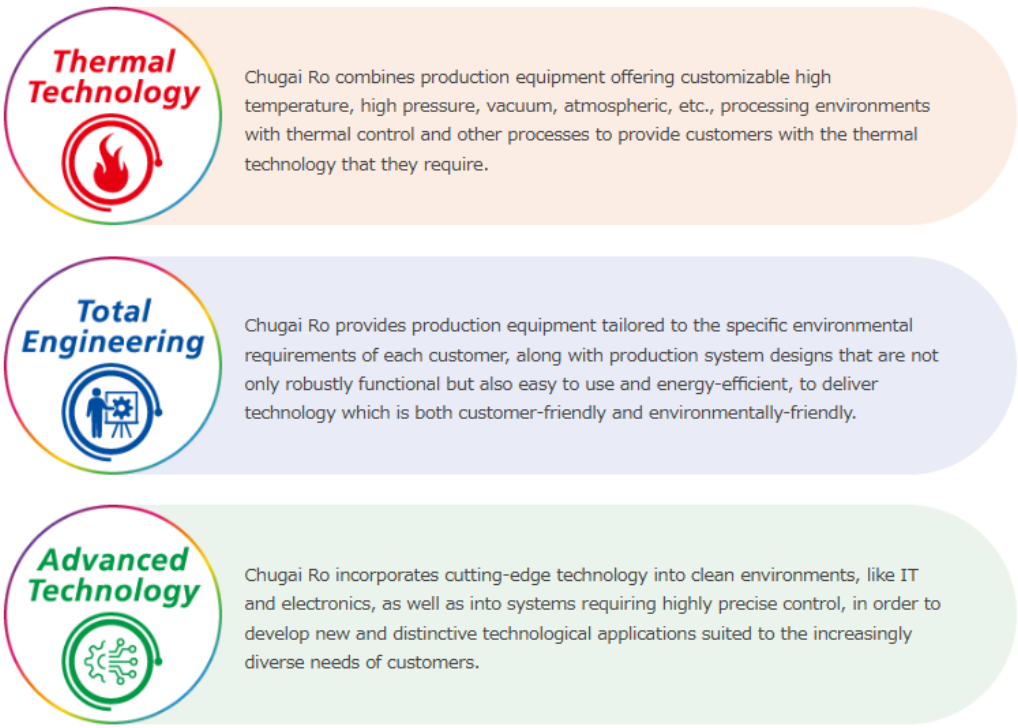
Japan's leading manufacturer of industrial furnaces and industrial burners, advocating itself as a technology-oriented company

As evident in the Company's history, it has a proven track record of supplying a diverse range of industrial furnaces to various industries. The foundational technologies cultivated in this way are "Thermal Technology," "Total Engineering," and "Advanced Technology."

CHUGAI RO's foundational technologies

Fundamental Technologies Underlying Chugai Ro

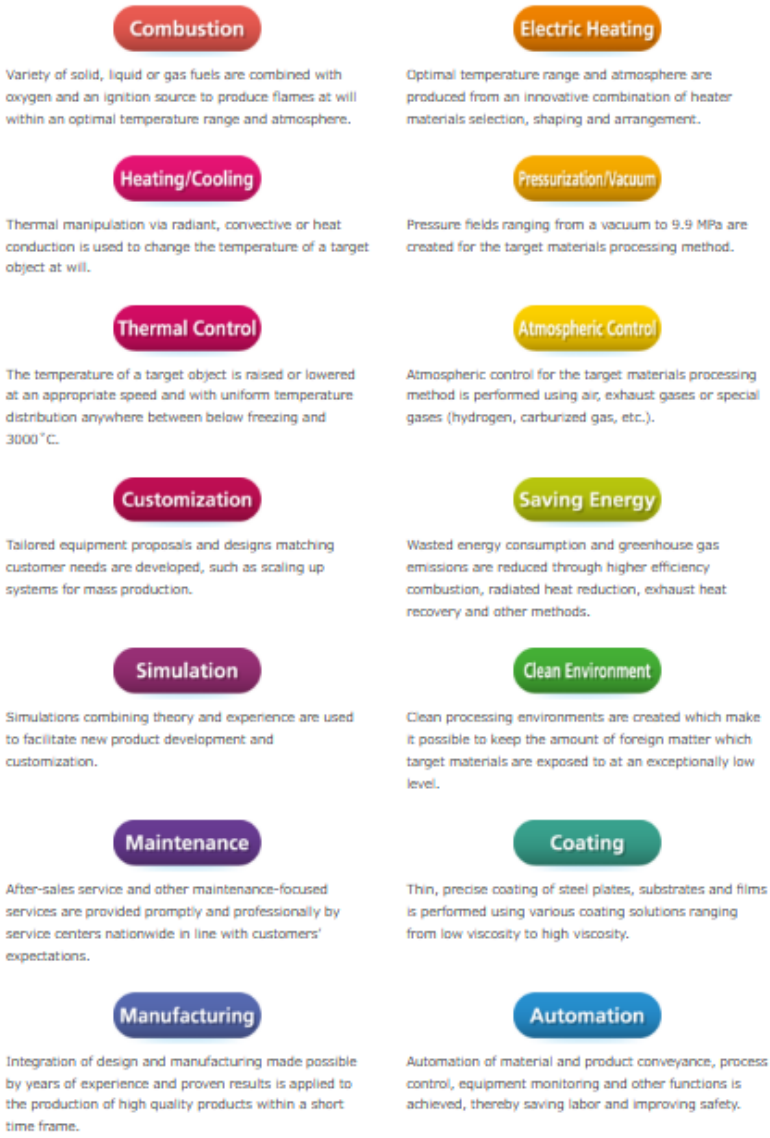
Chugai Ro has been working within the three fundamental technologies of "Thermal Technology," "Total Engineering" and "Advanced Technology" for many years to provide basic industries, like the steel and automotive industries, as well as the information and communications industries, with energy-efficient, environmentally-friendly products suited to the needs of society.



Source: Company materials

These foundational technologies have been refined into 14 core technologies.

CHUGAI RO's core technologies



Source: Company materials

The Company's research and development, based on the above technologies, is being carried out in three key areas: the Heat Treatment Business, the Plant Engineering Business, and the Development Business, to respond to social demands such as carbon neutrality, advanced materials, and resource circulation (zero emissions). R&D expenses for the fiscal year ended March 2025 are approximately 1.2 billion yen.

In terms of development structure, the Company established the "Thermal Technology Creative Center" within its Sakai Works in November 2023. It consists of three zones: the "Combustion Zone" for developing decarbonization and energy-saving combustion technologies using next-generation fuels (hydrogen and ammonia), the "Functional Materials Zone" for researching heat treatment technologies for advanced materials, and the "Co-Creation Space" to promote joint research and development with internal and external parties. It is also being utilized in the Green Innovation Fund project of NEDO, which is being promoted mainly by the GX Project Office.

Furthermore, as of April 1, 2025, the Company established a new Development Division Headquarters, integrating under it the previously independent Product Development Department (responsible for product development utilizing thermal technology), the Convertech Department (responsible for development and design of precision coating equipment for display panels, batteries, and semiconductors), and the GX Project Office (responsible for developing new combustion technologies using hydrogen and ammonia fuels for the decarbonization of industrial furnaces, as well as new electric heating technologies), aiming to improve development efficiency.

The Company primarily handles development and design, while manufacturing, assembly, and installation are outsourced to partner companies, resulting in a reduced capital investment burden.

Segment structure

The Company's current segment structure is as follows.

Heat Treatment Business

Design, manufacture, construction, and sales of heat treatment furnaces for the automotive, machinery, semiconductor, and chemical industries, as well as heat treatment furnaces for batteries, substrates, catalysts, and magnetic materials. Additionally, we offer air purification equipment. Handled by the Company.

Plant Engineering Business

Design, manufacturing, construction, and sales of heating furnaces and heat treatment furnaces for steel and nonferrous metals; metal strip process lines; coating lines; various types of industrial burners; and energy-saving control devices. Handled by the Company.

Development Business

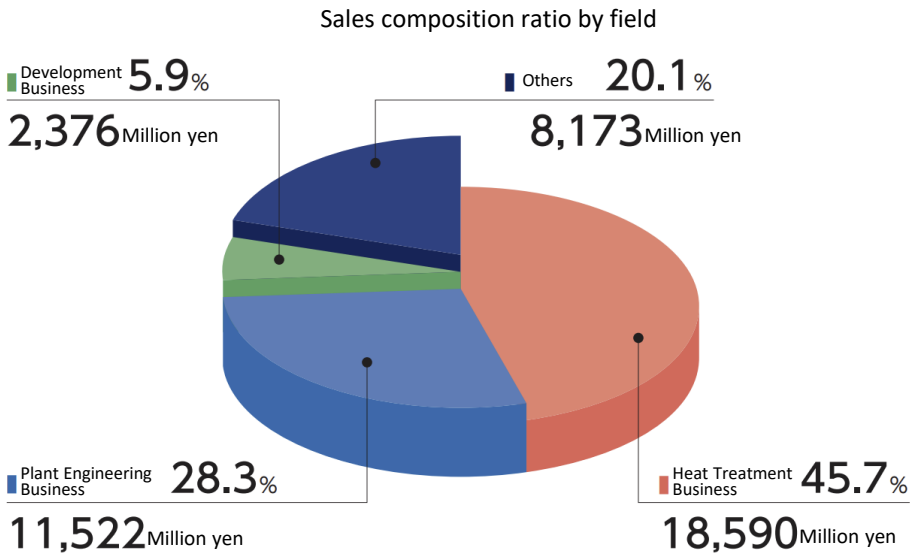
Research and development related to decarbonization; design, manufacturing, construction, and sales of precision coating and drying equipment, kilns, and environmental process equipment. Handled by the Company.

Other

Operations of domestic and overseas subsidiaries.

The composition ratios of order intake, net sales, and other key metrics for the fiscal year ended March 2025 are as shown below and are well-balanced.

Breakdown of net sales (Fiscal year ended March 2025)



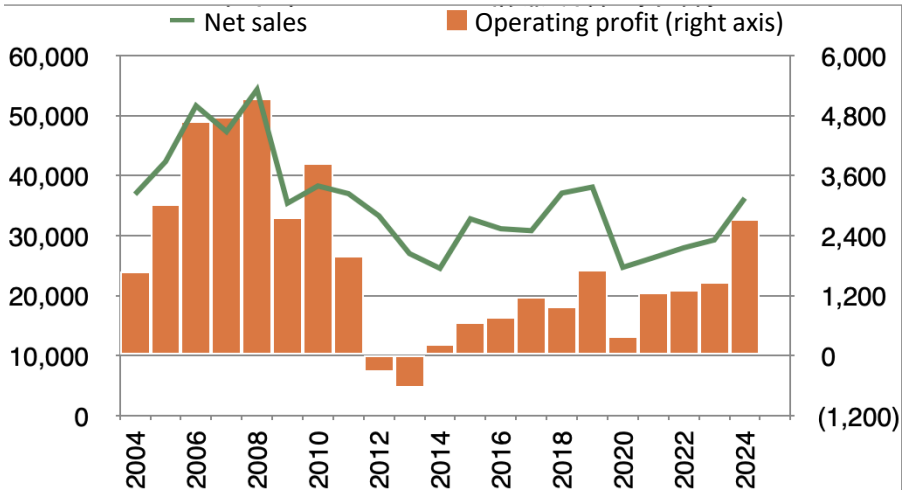
(Note) Sales, orders received, and orders backlog by segment are amounts before elimination of inter-segment transactions.

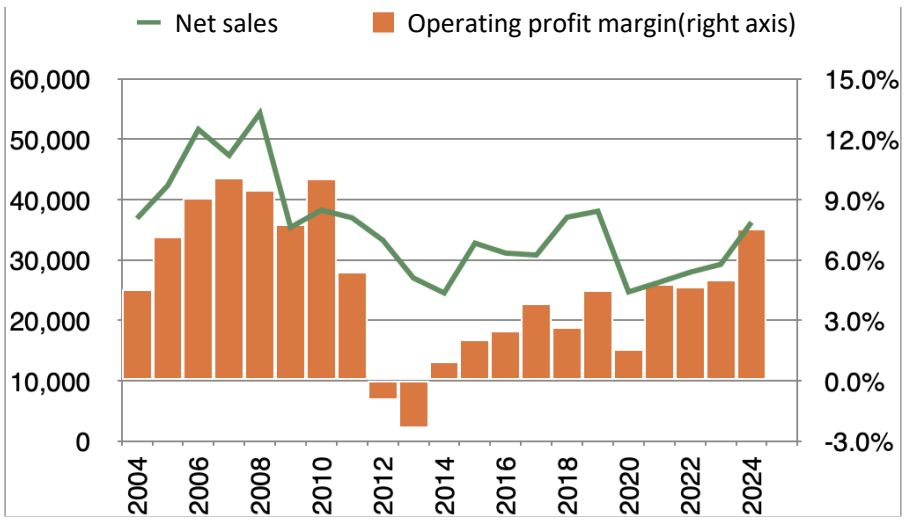
Source: Company materials

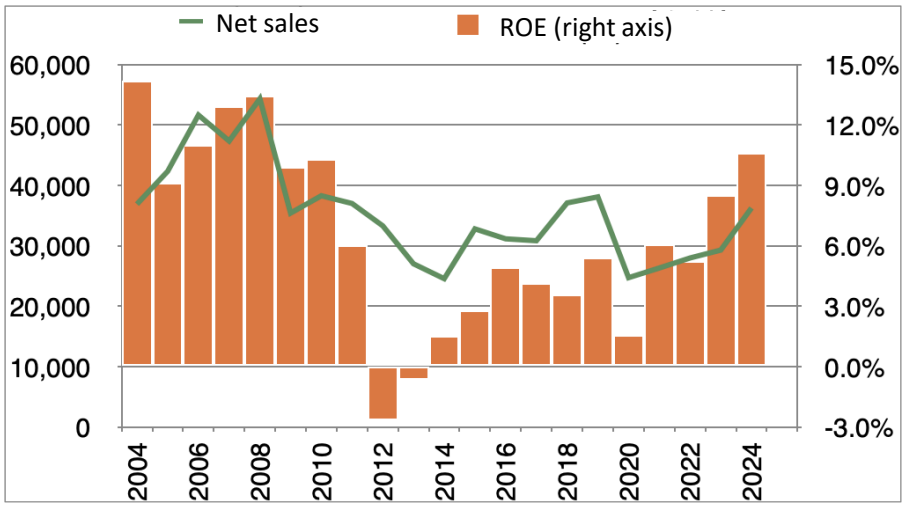
Long-term performance trends

Before analyzing the Medium-Term Management Plan currently being promoted, let us review the company's long-term performance trends. The graphs below show the performance trends from FY2004 (fiscal year ended March 2005) to FY2024 (fiscal year ended March 2025).

Long-term performance trends







Source: Company materials, Factset

As these graphs indicate, the Company has emerged from the stagnant period of the 2010s. It is now in a recovery phase, reaching a level at which it appears capable of targeting the scale of net sales and profitability it achieved in the 2000s.

In the 2000s, new products, such as heat treatment furnaces and precision coating systems for display manufacturing and solar cell production equipment, contributed to the Company's profits. By the fiscal year ended March 2009, the Company had recorded net sales of 54.3 billion yen and an operating profit of 5.1 billion yen. During the 2000s, the Company’s peak operating profit margin reached 10.1%, and peak ROE reached 14.2%, demonstrating high profitability.
Subsequently, in the 2010s, performance stagnated due to the slowdown in the growth of the Chinese market, the rise of local manufacturers, and the shift of customers to Asia for precision coating systems for display manufacturing and solar cell production equipment, as well as intensifying competition with equipment manufacturers.
During this period, the Company actively made proposals to domestic automobile manufacturers, capturing needs for higher strength, lighter weight, lower cost, and environmental compliance in auto parts. It also reviewed its cost structure, and since the latter half of the 2010s, performance has steadily recovered.
In this way, the Company achieved strong performance by leading the market with new technologies and responding appropriately even when the market environment turned adverse. The Company’s history as a “department store of industrial furnaces” demonstrates its ability to create new value and its high adaptability to changes in the business environment.

CHUGAI RO Group Medium-Term Management Plan (FY2022–FY2026)

Perspective for viewing the CHUGAI RO Group Medium-Term Management Plan (FY2022–FY2026)

On May 13, 2022, the Company announced the “CHUGAI RO Group Medium-Term Management Plan (FY2022–FY2026),” which is currently being promoted.

Practical perspectives for interpreting this Medium-Term Management Plan are as follows:

- CO_2 emissions from the approximately 37,000 industrial furnaces operating in Japan are said to amount to 150 million tons annually, accounting for about 15% of Japan’s total CO_2 emissions
- Of these, the company’s industrial furnaces are estimated to number 5,000-7,000, with annual CO_2 emissions of 12 million tons (base year: FY2013), equivalent to 1% of Japan’s total emissions
- The decarbonization of these industrial furnaces is a significant long-term societal issue, a need of the Company’s customers, and directly linked to the reduction of the company’s Scope 3 CO_2 emissions
- Addressing these issues is an excellent profit opportunity for the company, which seeks to “create new value” through thermal technology, by leveraging thermal technology to promote the use of hydrogen and ammonia and the electrification of industrial furnaces

If the Company succeeds in technological development and commercialization, it could also lead to business expansion into industrial furnaces not yet handled by the Company.

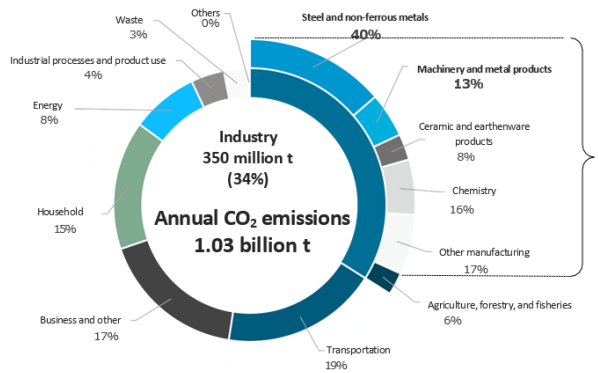
As a reference, materials showing Japan’s macro-level need for decarbonization are presented.

Japan’s macro-level need for decarbonization

The need for decarbonization in thermal processes in the manufacturing sector

- With the industrial sector accounting for approximately one-third of CO2 emissions in Japan, decarbonizing thermal processes by reducing emissions from industrial furnaces is an urgent issue.

Domestic CO_2 emissions by sector (FY 2022)



(Source) National Institute for Environmental Studies, “Greenhouse Gas Emissions in Japan” (final figures for fiscal year 2022)

CO_2 emissions from industrial furnaces
150 million t
Number of industrial furnaces in Japan
37,000 units

(Source) Report on the 2014 Energy Conservation Promotion Infrastructure Development Project (Survey on the Actual Status of Energy Conservation Technologies in Industrial Furnaces, etc.)

Source: Ministry of Economy, Trade and Industry, "Trends in Japan and abroad related to decarbonization of thermal processes in the manufacturing sector" (October 2, 2024, Manufacturing Industries Bureau, Casting and Forging Industry Office)
https://www.meti.go.jp/shingikai/sankoshin/green_innovation/industrial_restructuring/pdf/026_03_00.pdf

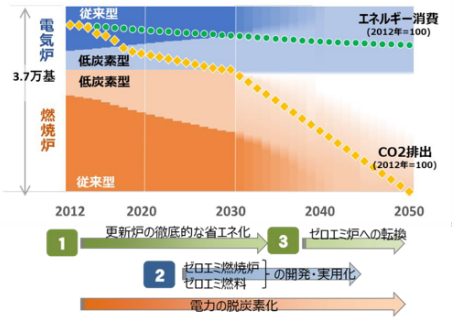
Additionally, a reference material is provided regarding the direction of industrial furnace decarbonization as envisioned by the Ministry of Economy, Trade and Industry.

Direction of industrial furnace decarbonization

Direction of decarbonization of industrial furnaces

- **Electric furnaces** that emit no CO_2 during use, rapidly and compactly heat metal products, and enhance efficiency are **a promising option for achieving decarbonization**. On the other hand, **in the manufacturing and heat treatment processes of large products**, **electrification is challenging** due to technical issues such as controlling the furnace atmosphere and ensuring uniform furnace temperatures, as well as considerations of cost and efficiency, **making the use of combustion furnaces necessary**. Maintaining the supply chain, economic security, and resilience are also important considerations.
- Toward achieving carbon neutrality, the use of ammonia and hydrogen fuels is advancing, centered on large furnaces adjacent to ports and coastal areas. Meanwhile, there is also potential for a shift from combustion furnaces to electric furnaces, focusing on those that can be compacted and made more efficient through electrification.
- Given the future constraints on energy supply and uncertainties, including costs, it is important to **overcome the technical constraints and establish multiple options for converting to optimal industrial furnaces**, including for small and medium-sized enterprises.

Direction of industrial furnaces for CN (image)



Reference: Government targets for ammonia and hydrogen supply (Green Growth Strategy)

		Present	2030	2050
Fuel: Ammonia	Annual supply	1,080,000t	3,000,000t	30,000,000t
	Cost	About 20 yen /Nm³-H_2	Mid-10 yen range /Nm³-H_2	
Hydrogen	Annual supply	2,000,000t	3,000,000t	20,000,000t
	Cost	100 yen/Nm³	30 yen/Nm³ (CIF price)	20 yen/Nm³ (CIF price)

*2030: Ammonia supply cost: Approximately three times that of coal; hydrogen supply cost: More than twice that of natural gas.

Source: Ministry of Economy, Trade and Industry, "Trends in Japan and abroad related to decarbonization of thermal processes in the manufacturing sector" (October 2, 2024, Manufacturing Industries Bureau, Casting and Forging Industry Office)
https://www.meti.go.jp/shingikai/sankoshin/green_innovation/industrial_restructuring/pdf/026_03_00.pdf

CHUGAI RO Group Medium-Term Management Plan (FY2022–FY2026)

The following outlines the key points of the "CHUGAI RO Group Medium-Term Management Plan (FY2022–FY2026)" announced on May 13, 2022. In conclusion, as noted in the previous perspective, the plan demonstrates an accurate understanding of the business environment, beginning with the megatrend of decarbonization, and aims to boost performance and improve capital efficiency by leveraging the Company's strengths through appropriate initiatives. It is a commendable plan.
First, regarding the business environment, the Company recognizes the demands for carbon neutrality, changes in the macro environment (specifically, the slowdown in domestic demand growth, the shift to EVs in the automotive industry, which is a major customer, and the decline in crude steel production), and the securing of skilled labor as essential issues.

Recognition of the business environment that underlies the Medium-Term Management Plan (FY2022–FY2026)

Source: Company materials

Next, based on its management philosophy, the Company has presented the following three key strategies and has unified them by setting forth Management Vision 2026.

Management Philosophy and Management Vision 2026

Source: Company materials

Next, the consolidated performance targets are set as follows: net sales of 41.5 billion yen, operating profit of 3.62 billion yen (operating profit margin of 8.7%), and ROE of 10.0% in FY2026. The transition, including actual results up to FY2024 (fiscal year ended March 2025), is as shown below.

Consolidated performance targets

Progress of the Medium-Term Management Plan and Consolidated Performance Targets

ChugaiRo

【FY2026 Target】

Net Sales : ¥41.5 billion

Operating Profit : ¥3.62 billion

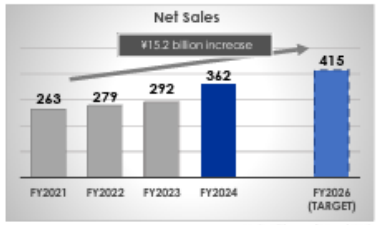
(Operating Profit Margin 8.7%)

ROE : 10.0%

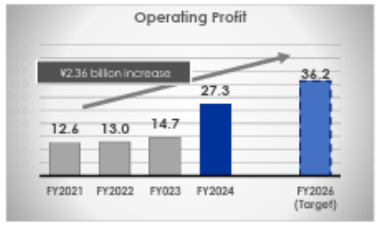
Unit: Millions of Yen (JPY)

Item Name	FY2021	FY2022	FY2023	FY2024	FY2025 (Forecast)	FY2026 (Target)
Order Intake	28,137	32,522	38,790	**39,477**	37,800	42,000
Net Sales	26,317	27,977	29,283	**36,247**	37,500	41,500
Operating Profit	1,263	1,309	1,477	**2,735**	3,000	3,620
Ordinary Profit	1,493	1,575	1,714	**3,003**	3,150	3,720
Profit Attributable to Owners of the Parent	1,360	1,231	2,197	**2,998**	2,800	2,450
ROE	6.1%	5.2%	8.5%	**10.7%**	9.7%	10.0%

Unit: Billions of Yen (JPY)



Unit: Billions of Yen (JPY)



Unit: Billions of Yen (JPY)

CHUGAI RO CO., LTD. 13

Source: Company materials

Related financial and capital policies are as follows:

Financial and capital policies

6. Financial and Capital Policies

Profitability	• Achievement of consolidated operating profit of 3.62 billion yen in fiscal year 2026 • We will aim for an ROE of about 10%
Growth	• We will implement strategic investments that connect to the improvement of corporate value positively (Total: about 3.5 billion yen)
Financial soundness	• We will maintain a capital adequacy ratio of about 50% (Actual result for the 80th term: 60.5%)
Shareholder returns	• We will aim for a total payout ratio of at least 50%, also including share buybacks, based on a stable dividend policy.

CHUGAI RO CO., LTD. 14

Source: Company materials

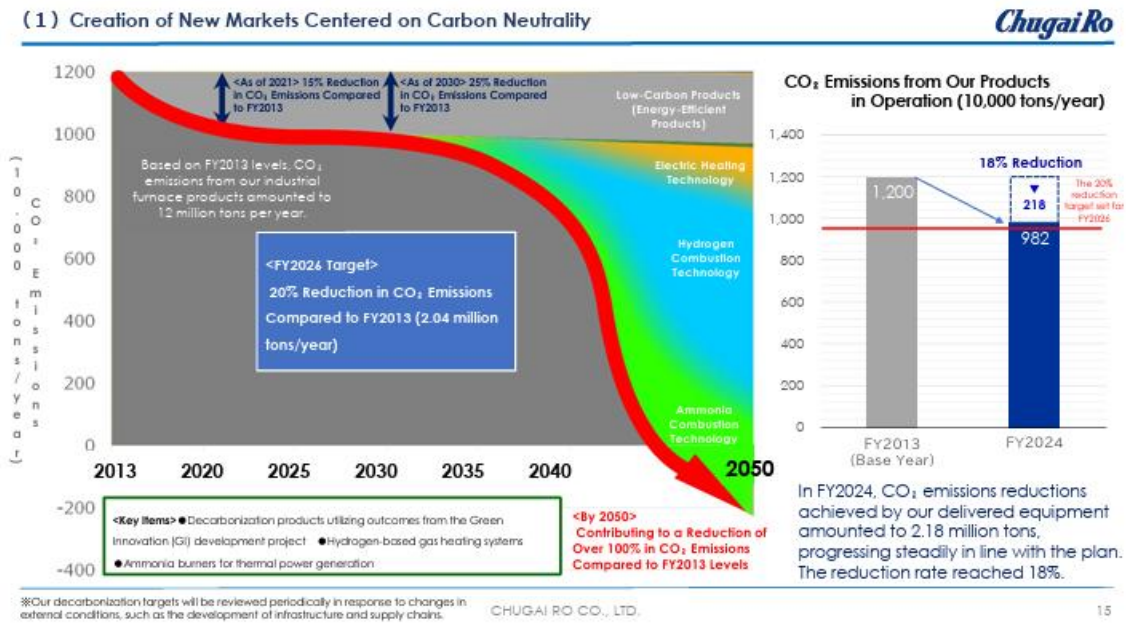
Key Strategy 1: The creation of new markets centered on carbon neutrality

The details of the three key strategies mentioned earlier are explained below. First is the "The creation of new markets centered on carbon neutrality."
Let us first look at the CO_2 reduction targets and results for the Company's industrial furnace products.
Starting from 12 million tons in FY2013 (base year), the goals and progress are as follows:

FY2021 result	15% reduction
FY2024 result	18% reduction (2.18 million tons reduced)
FY2026 initial target	17% reduction
FY2026 current target	20% reduction (2.4 million tons reduced)
FY2030 target	25% reduction
FY2050 target	100%+ reduction

Progress is favorable, exceeding the original plan. Currently, the reduction is primarily being achieved through burners that significantly contribute to energy savings, such as regenerative burners and oxygen burners.

CO_2 reduction targets and results



Source: Company materials

Next, regarding the sales targets (annual basis) and progress for the creation of new markets through new products centered on carbon neutrality, we can see that performance is also progressing smoothly:

FY2024 sales result	1.0 billion yen
FY2026 sales target	4.0 billion yen
FY2030 sales target	10.0 billion yen

For specific initiatives and achievements related to new products, please refer to the Company's materials below. Notably, the NEDO "Green Innovation Fund Project / Decarbonization of Thermal Processes in the Manufacturing Sector" is progressing smoothly. In addition, the Company's hydrogen combustion afterburner furnace, jointly developed with DENSO CORPORATION and others, received the Toyota Excellent Development Award (co-awarded with DENSO CORPORATION), and the Company has delivered Japan's first commercial-use industrial ammonia burner to Mitsubishi UBE Cement Corporation, indicating steady progress.

Specific initiatives for new market creation

Key Strategic Indicators and Measures for Their Achievement（1）

ChugaiRo

（1）Creation of New Markets Centered on Carbon Neutrality

【Indicator for New Market Creation through New Products】

By 2030, we aim to respond to social demands more effectively than ever and create a ¥10 billion market.

▼

FY2026 Sales Target: ¥4.0 billion

【Measures to Achieve the Target】

- To promote research and development, approximately ¥1.0 billion has been invested in the establishment of a new research facility.
- An additional 30 personnel have been assigned to the R&D division.
- In FY2026, we aim to achieve ¥4.0 billion in net sales from new products.

Regarding Carbon Neutrality

Accelerating the Development of Technologies to Reduce CO_2 Emissions from Combustion-Type Industrial Furnaces and Burners

- By FY2050, we aim to reduce CO_2 emissions from delivered equipment by more than 100% compared to FY2013 levels.

Regarding Zero Emissions

- Establish resource recycling processes for electric furnace waste, discarded lithium-ion batteries, and waste plastics.
- Focusing on expanding sales of environmental remediation process equipment, including soil improvement and water purification systems.

Thermal Technologies for Advanced Materials

- Utilize the high-temperature furnaces and processing equipment installed at the Thermal Technology Innovation Center.
- Conduct product specification tests efficiently to enable optimal equipment proposals tailored to customer needs.

CHUGAI RO CO., LTD. 14

Source: Company materials

Note: In November 2023, the new research facility, the “Thermal Technology Innovation Center,” was established within Sakai Works.

Achievements in new market creation

（1）Creation of New Markets Centered on Carbon Neutrality

ChugaiRo

【Indicator for New Market Creation through New Products】

By 2030, we aim to respond to social demands more effectively than ever and create a ¥10 billion market.

▼

FY2026 Sales Target: ¥4.0 billion

【FY2024 Results】

- Net Sales Related to New Market Creation: ¥1.0 billion
- Major Products and Projects
  - Green Innovation Fund Project by NEDO – Decarbonization of thermal processes in manufacturing
  - Development of hydrogen-reduction heating technologies
  - Development of electric arc furnace dust processing technologies

■ Received the Highest Award for Technological Development from Toyota Motor Corporation.

The Product Recognized with the Award

■ Ammonia burners were delivered for use in a commercial-scale demonstration project.

We delivered Japan’s first industrial ammonia burner for commercial use to UBE Mitsubishi Cement Corporation. (Image on the left is for illustrative purposes only.)

■ Advancing Development with the Aim of Achieving Further Growth

We are accelerating the development of next-generation technologies by installing large-scale equipment at our research center capable of supporting decarbonization testing, aiming to reliably capture the growing demand for low-carbon and decarbonization solutions.

CHUGAI RO CO., LTD. 16

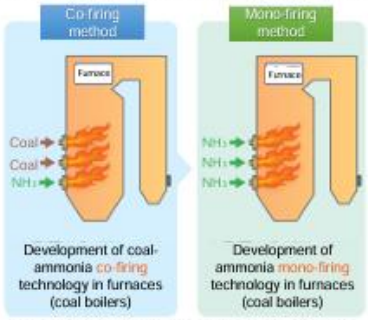
Source: Company materials

Examples of specific development projects are shown below.

Examples of development projects

❶ Development of large-capacity ammonia mono-fired burners for pulverized coal-fired boilers at coal-fired power plants

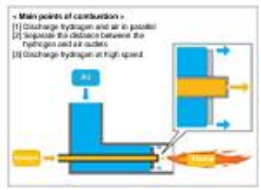
We are promoting the development of ammonia combustion technology for industrial furnaces as part of the project "Development of Decarbonized Industrial Furnaces Based on Innovative Ammonia Combustion," which the New Energy and Industrial Technology Development Organization (NEDO) selected the company for in March 2021.
Moreover, concurrently from May, we have been aiming for carbon neutrality through ammonia combustion at coal-fired power plants, which emit large amounts of CO_2 and need to be addressed urgently. We will start demonstration tests in fiscal year 2022 towards the start of implementation at power plants in 2028, the achievement of a 20% ammonia co-firing ratio in 2035, and the achievement of 100% mono-firing in 2050.



Development of a large-capacity ammonia mono-fired burner for thermal power generation

❷ Expansion of the application of hydrogen burners to the company's products and the promotion of CO_2 reductions

In 2018, in collaboration with Toyota Motor Corporation, we were the first in the world to develop a general-purpose hydrogen burner aimed at industrial use, and have since expanded compatible facilities sequentially.
Hydrogen-using technology is a promising theme alongside the use of ammonia. We propose various environmentally friendly heat treatment furnaces by expanding the variation of the company's hydrogen burners, and are developing initiatives in line with customers' environmental guidelines, such as the Sustainable Development Goals (SDGs).

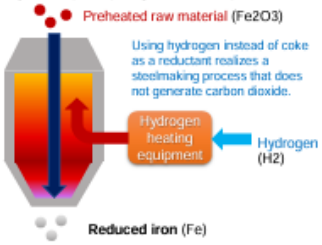


Radiant tube type hydrogen fired demonstration furnace installed at Sakai Works in April 2022

CHUGAI RO CO., LTD. 7

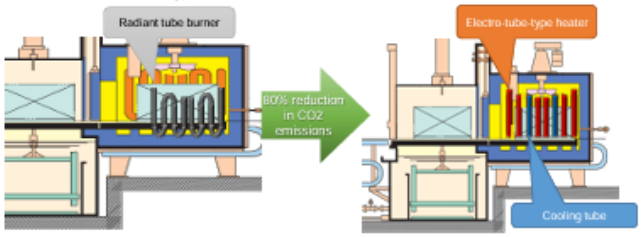
❸ Development of heating technology for hydrogen reduction

The pig iron making process, which produces iron from iron ore, uses coke, which is composed mainly of carbon, and emits large quantities of CO_2.
In the steel industry, it is essential to reduce CO_2 emissions throughout products' lifecycles, and major blast furnace companies are working on themes such as [1] blast furnace hydrogen-reduced iron making and [2] direct hydrogen reduced iron as ultra-innovative technologies for the iron making process, which accounts for 70% of the CO_2 emitted in the steelmaking process.
The Company is also participating in the development of these products.



❶ Promotion of CO_2 reductions through electrification

We have sold more than 130 thousand batch-type gas carburizing furnaces that carry out heat treatment of automotive and machine parts, but more than 95% of those are gas-fired. We developed a new high-performance heater for electric heating to promote the reduction of CO_2 emissions. Conventional electric heating systems have a smaller heating capacity than gas-fired systems, resulting in the issues of longer heat-up times and lower productivity. Our newly developed high-output heater has 1.3 times the heating capacity of gas-fired systems and can shorten heat-up time. Having also worked with ingenuity on its cooling capacity, adoptions of this heater are increasing as an electrically heated furnace with total productivity higher than that of gas-fired systems.
In countries and regions with relatively low power costs, electrification technology is likely to be adopted widely for industrial furnaces, and we are developing appropriate heaters for each furnace type.



Gas-fired batch-type gas carburizing furnace

Electrically heated batch-type gas carburizing furnace with high output heater

CHUGAI RO CO., LTD. 8

Source: Company materials

Key Strategy 2: Brushing up of existing products suited to needs to expand sales and increase profits

Next is “Brushing up of existing products suited to needs to expand sales and increase profits.”
First, the accumulation targets and progress for net sales and operating profit are as follows:

FY2024 result: Net sales accumulation of 9.8 billion yen
FY2026 target: Net sales accumulation of 11.2 billion yen
Operating profit accumulation of 2.06 billion yen

Although the accumulated amount of operating profit is not disclosed, judging from the progress of net sales, this area is also progressing well.

Initiatives to expand sales and increase profits through brushing up on existing products

Key Strategic Indicators and Measures for Their Achievement (2) — ChugaiRo

(2) Enhancing Existing Products to Expand Sales and Improve Profitability

【Indicators for Sales Expansion and Profitability Improvement】
FY2026
Cumulative Net Sales: ¥11.2 billion
▼
Cumulative Operating Profit: ¥2.06 billion

【Measures to Achieve the Target】

- Approximately ¥1.0 billion will be invested in research and development over five years to enhance existing products.
- Improvements will be steadily implemented based on the "Human Resource and Investment Plan" and the plans of each department.

Enhancement	Purpose	Applicable Existing Products
Functional Improvements and Service Enhancements	Market Share Expansion and Profit Margin Improvement	【Heat Treatment Division】 Furnace for Battery Materials, High-Temperature Furnace for Functional Materials, Atmosphere Heat Treatment Furnace, Vacuum Furnace, CRism®, Rotary Kiln, RTO (Regenerative Thermal Oxidizer) 【Plant Division】 Heating Furnace , Stainless Steel Bright Annealing ,Copper Bright Annealing Line, Electrical Steel Sheet Processing Line , Energy-Saving Low-NOx Burner, In-Flame Heat Treatment System 【Convertech Division】 RS Coater™ (Next-Generation Coating System)
Application of Functions	Market Development	

CHUGAI RO CO., LTD. 17

Source: Company materials

Progress in expanding sales and increasing profits through brushing up on existing products

(2) Indicators for Sales Expansion and Profitability Improvement — ChugaiRo

【Indicators for Sales Expansion and Profitability Improvement】
FY2026
Cumulative Net Sales: ¥11.2 billion
▼
Cumulative Operating Profit: ¥2.06 billion

【FY2024 Results】

- Cumulative Net Sales: ¥9.8 billion ■ R&D Expenses (Including capital investment): ¥290 million
- Key Products:– Thermal processing equipment for secondary battery materials– Manufacturing equipment related to next-generation batteries– Exhaust gas treatment systems for electric arc furnaces– Energy-efficient continuous annealing furnaces for the steel industry– Continuous galvanizing lines

■ Orders remained strong for thermal processing furnaces for secondary battery materials, equipment for next-generation batteries, and exhaust gas treatment systems for electric arc furnaces.


Thermal Processing Equipment for Secondary Battery Manufacturing


Exhaust Gas Treatment System for Electric Arc Furnaces (Image for Illustrative Purposes)


Continuous Galvanizing Line

CHUGAI RO CO., LTD. 18

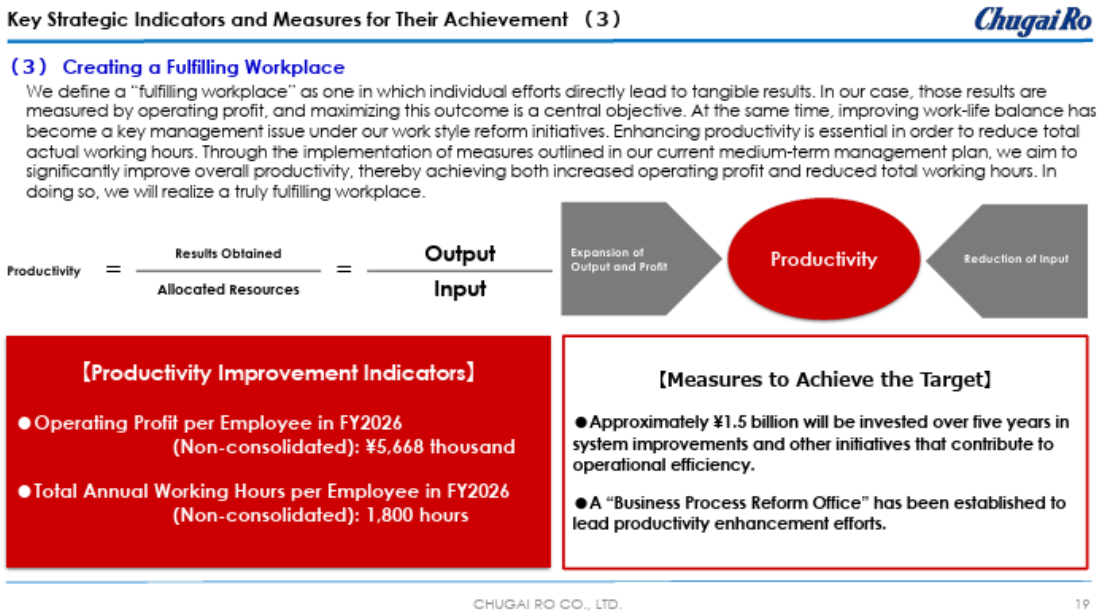
Source: Company materials

Key Strategy 3: The creation of rewarding workplaces

The final key strategy is “The creation of rewarding workplaces.”
This initiative aims to enhance labor productivity by simultaneously increasing operating profit per person and reducing total work hours per person, thereby improving work ease and job satisfaction for employees. The specific targets and progress are as follows: while the former is progressing well, the latter is showing limited improvement.

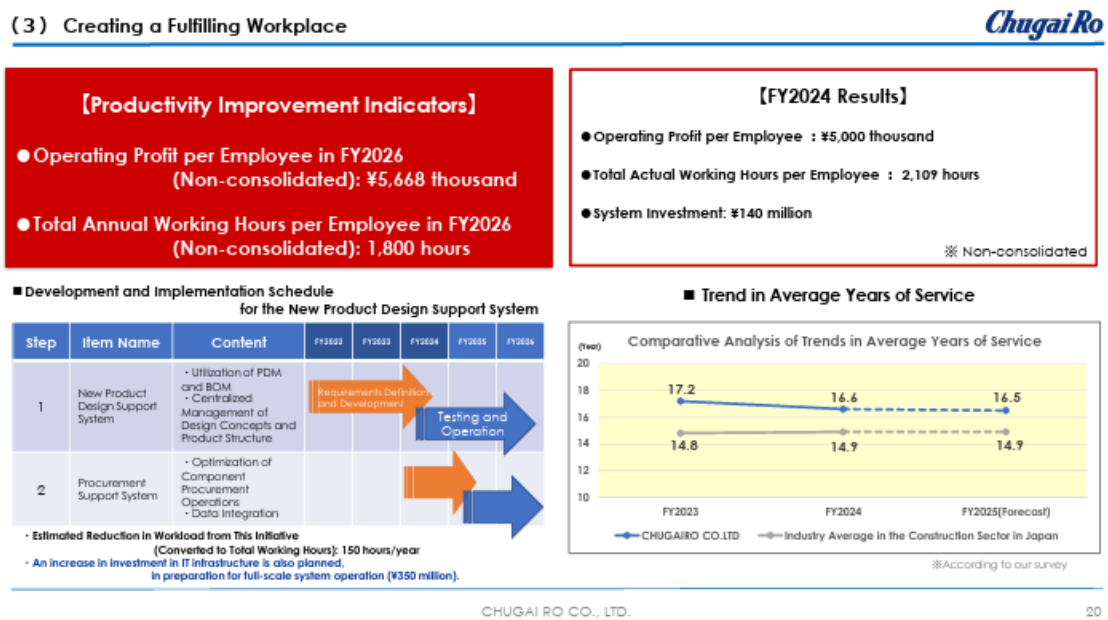
(Unit: non-consolidated)	Operating profit per person	Total work hours per person
FY2023 result	2,848 thousand yen	2,086 hours
FY2024 result	5,000 thousand yen	2,109 hours
FY2026 target	5,668 thousand yen	1,800 hours

Initiatives to create a fulfilling workplace



Source: Company materials

Progress in creating a fulfilling workplace



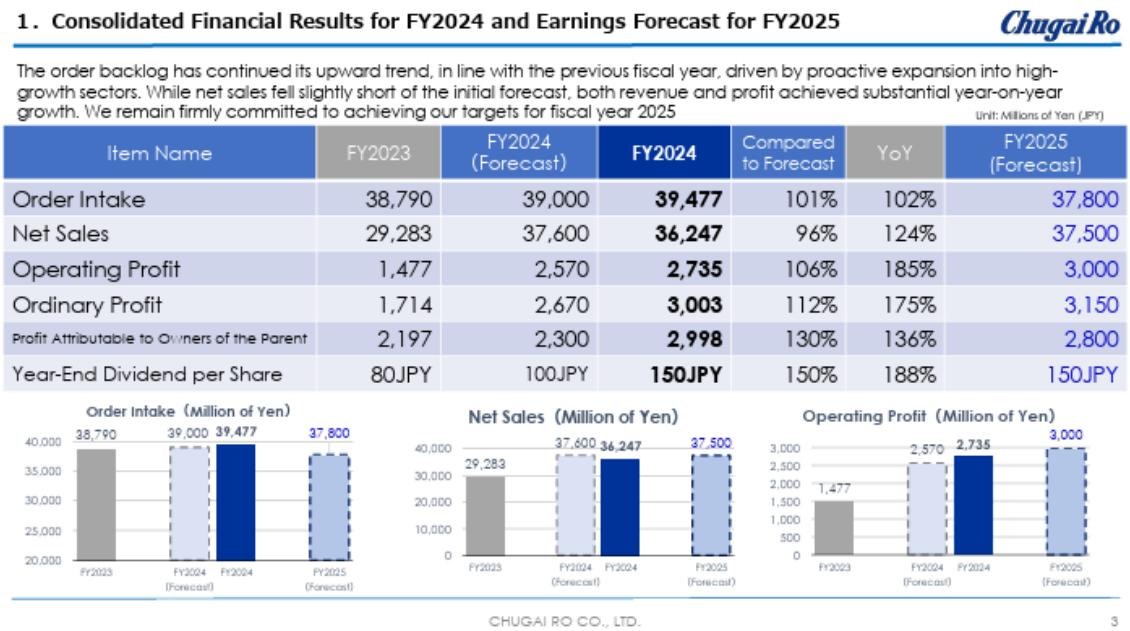
Source: Company materials

Financial results

Full-year results for FY3/2025

The consolidated financial results for the fiscal year ended March 2025 showed significant increases in both revenue and profit. Although net sales slightly underperformed the Company's forecast, order intake and all profit stages, from operating profit downward, exceeded the forecast. The dividend per share was also significantly increased compared to the initial forecast. Progress toward the Medium-Term Management Plan's net sales and operating profit targets remains steady, and the ROE has reached its target.

Consolidated performance trends



1. Consolidated Financial Results for FY2024 and Earnings Forecast for FY2025

ChugaiRo

The order backlog has continued its upward trend, in line with the previous fiscal year, driven by proactive expansion into high-growth sectors. While net sales fell slightly short of the initial forecast, both revenue and profit achieved substantial year-on-year growth. We remain firmly committed to achieving our targets for fiscal year 2025

Unit: Millions of Yen (JPY)

Item Name	FY2023	FY2024 (Forecast)	FY2024	Compared to Forecast	YoY	FY2025 (Forecast)
Order Intake	38,790	39,000	**39,477**	101%	102%	37,800
Net Sales	29,283	37,600	**36,247**	96%	124%	37,500
Operating Profit	1,477	2,570	**2,735**	106%	185%	3,000
Ordinary Profit	1,714	2,670	**3,003**	112%	175%	3,150
Profit Attributable to Owners of the Parent	2,197	2,300	**2,998**	130%	136%	2,800
Year-End Dividend per Share	80JPY	100JPY	**150JPY**	150%	188%	150JPY

CHUGAI RO CO., LTD. 3

Source: Company materials

Order intake increased by 2% year-over-year, led by the Plant Engineering Business. In the Heat Treatment Business, the Company secured orders for domestic next-generation battery manufacturing equipment, heat treatment furnaces for advanced materials, heat treatment equipment for aircraft-related materials, regenerative exhaust gas treatment systems, and heat treatment equipment for aluminum parts for automobiles. In the Plant Engineering Business, it secured orders for energy-saving continuous annealing equipment and continuous galvanizing lines for domestic steelmakers, as well as exhaust gas treatment equipment and flame-in processing equipment for advanced materials. In the other business segment, overseas subsidiaries received orders for motor core annealing furnaces and annealing/tempering furnaces for automotive parts for the Chinese market.

Operating profit was 2.73 billion yen (up 85% year on year), and the operating profit margin was 7.5% (up 2.5 percentage points). The primary factor was a 24% increase in net sales, achieved while maintaining a stable gross profit margin, thanks to proactive pricing strategies and effective cost control.
By segment, all segments—Heat Treatment, Plant Engineering, Development, and other—posted increased sales, and all except the Development Business recorded increased profits.

Segment information

7．Overview of Operating Segments

ChugaiRo

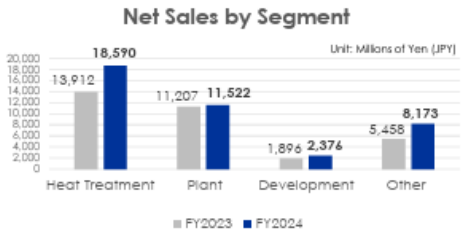
Net Sales by Segment

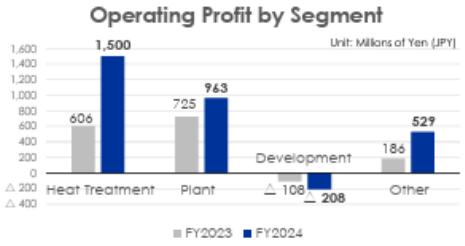
Unit: Millions of Yen (JPY)

Item Name	FY2023	FY2024	YoY
Heat Treatment Business	13,912	**18,590**	134%
Plant Engineering Business	11,207	**11,522**	103%
Development Business	1,896	**2,376**	125%
Other Businesses	5,458	**8,173**	150%
Adjusted Amount	△3,191	**△4,415**	-
Total	29,283	**36,247**	124%

Operating Profit by Segment

Item Name	FY2023	FY2024	YoY
Heat Treatment Business	606	**1,500**	+893
Plant Engineering Business	725	**963**	+238
Development Business	△108	**△208**	△99
Other Businesses	186	**529**	+342
Adjusted Amount	68	**△49**	-
Total	1,477	**2,735**	+1,258





CHUGAI RO CO., LTD. 10

Source: Company materials

Note that cash flow (CF) requires attention. Operating CF was negative 3.6 billion yen due to an increase in accounts receivable and contract assets stemming from the significant increase in sales. On the other hand, investing CF was positive 600 million yen, as proceeds from the sale of investment securities exceeded expenditures for the acquisition of property, plant, and equipment. Financing CF was negative 2.7 billion yen due to a total reduction of 1.7 billion yen in short- and long-term borrowings, as well as dividend payments and share buybacks. As a result, the balance of cash and cash equivalents at the end of the period decreased by 5.6 billion yen to 4.3 billion yen. Net debt at the end of the period was 1.1 billion yen. However, considering that accounts receivable and contract assets are expected to be converted into cash in due course and that the Company holds 6.5 billion yen in investment securities, financial concerns at this point can be considered minimal.

FY3/2026 full-year forecast

The Company's forecast is ordering intake of 37.8 billion yen (down 4% year on year), net sales of 37.5 billion yen (up 3%), operating profit of 3.0 billion yen (up 9%), ordinary profit of 3.15 billion yen (up 4%), profit attributable to owners of parent of 2.8 billion yen (down 6%), and dividend per share of 150 yen (unchanged). This represents further progress toward the final-year targets of the Medium-Term Management Plan.
The main reason for the expected decline in profit attributable to the owners of the parent is that the gain on the sale of investment securities recorded in the previous fiscal year is not included in extraordinary income in the fiscal year ending March 2026, and the basic trend of performance expansion remains unchanged. Furthermore, the Company is firmly committed to enhancing shareholder returns through dividend increases. If operating profit increases as expected, a dividend increase is highly likely.

For orders related to heating furnaces, solar cells, and secondary battery equipment, contributions are expected. With the order backlog at the end of March 2025 at 37.8 billion yen (up 10% year-over-year), the net sales forecast is considered reasonable. The profit forecast is also generally deemed appropriate (however, as profit and loss tend to be weighted toward the second half of the fiscal year, attention should be paid to the progress).

Initiatives to enhance corporate value

In addition to promoting the Medium-Term Management Plan, the Company has announced its “Initiatives to enhance corporate value”. It is implementing measures aimed at achieving and sustaining a PBR of 1.0. It is currently working on the seven items listed below, many of which have already been completed. Although the current PBR is 0.86 times, it has exceeded 1.0 on several occasions since December 2024, indicating that a structure is emerging in which the stock price is steadily reflecting business expansion and improved ROE.

Initiatives to enhance corporate value and additional measures

9. Progress on Corporate Value Enhancement and Newly Added Strategic Actions — ChugaiRo

With regard to our initiatives, we have expanded the original six items to seven by adding one new element, and we will continue striving to enhance

	Item Name	Target	Target Achievement Timeline
1	Achievement of Performance Targets	ROE : 10.0%	Achieved / Ongoing as of March 2025
2	Review of the Shareholder Return Policy	Dividend Payout Ratio Based on NOPAT (Net Operating Profit After Tax): 60% or Higher	Achieved / Ongoing as of March 2025
UPDATE 3	Revision of the Policy on Strategic Shareholdings	Achieved Reduction of Strategic Shareholdings to Below 20%, One Year Ahead of Schedule	As of March 2026
NEW/UPDATE 4	Reduction of Assets Including Interest-Bearing Debt	・Equity Ratio: Maintained at 50% or Higher ・Debt Dependency Ratio: 15% or Lower (Previous Target: 10%)	Achieved / Ongoing as of March 2025
5	Reform of the Board Structure to Strengthen Governance	The number of outside directors shall be equal to or greater than that of internal directors, and the term of office for directors shall be shortened to one year.	As of June 2025
6	Promotion of Management with a Focus on Sustainability	Ratio of Female Managers (Consolidated Group Basis): 5% or Higher	As of March 2026
NEW/UPDATE 7	Raising of Decarbonization Targets	Revised from 17.0% to 20.0% (Reduction Effect: 2.4 Million Tons per Year)	As of March 2027

CHUGAI RO CO., LTD. 21

Source: Company materials

Trends in operating profit margin, ROE, and PBR

● Status of Key Indicators Related to Corporate Value Enhancement — ChugaiRo

The trends of the metrics designated by our company for evaluation are as follows. Owing to our efforts in expanding into new business areas and implementing management improvements, all indicators have shown steady progress.

We will continue striving to achieve our target figures through the ongoing implementation of the medium-term management plan and initiatives to enhance corporate value.

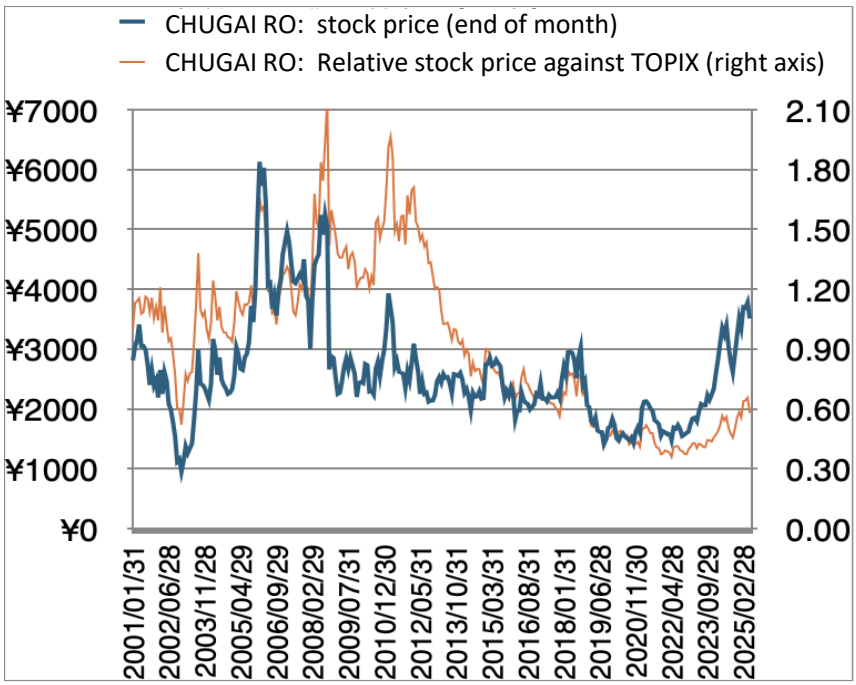
※ ROE (Return on Equity) = Net Income ÷ Shareholders' Equity
※ PBR (Price-to-Book Ratio) = Share Price ÷ Net Assets per Share

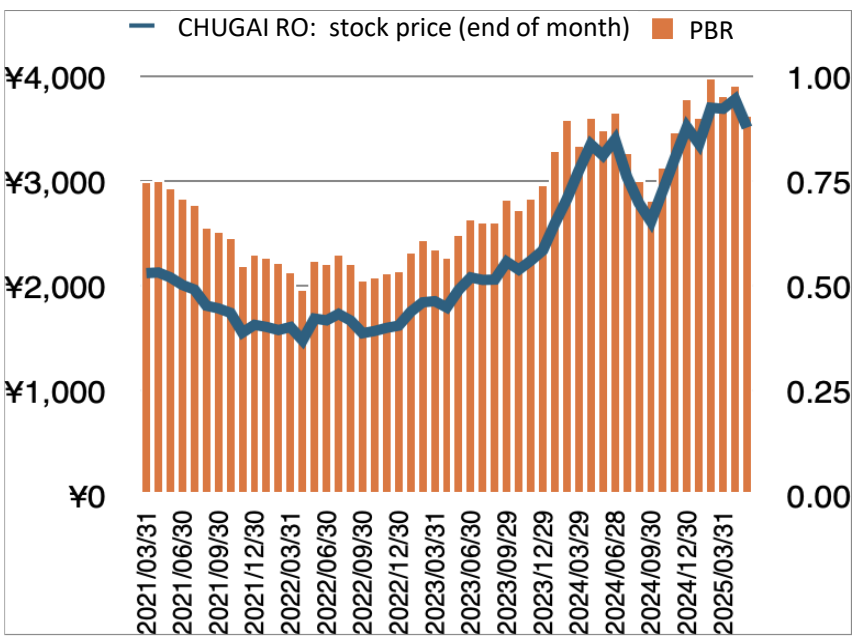
CHUGAI RO CO., LTD. 22

Source: Company materials

Share price trends and catalysts

The Company's stock price has broken through the 3,000 yen level in 2024, which had served as a resistance line since the 2010s. This should be viewed as a sign that the stock market is reassessing the Company in a positive light. That is, it is likely being recognized that the Company has strong potential to grow its performance with the tailwind of the social demand for carbon neutrality, that it is responding appropriately through its Medium-Term Management Plan and other measures and has improved performance, and that it is demonstrating a proactive stance toward establishing a PBR of 1.0.
However, compared to the 2000s, the Company's stock price remains relatively low, its relative stock price against TOPIX is still weak, and PBR has yet to stabilize above 1.0. Its forward PER remains at 9 times. This may be interpreted as suggesting upside potential for revaluation in the stock price (room for further price gains from the current level). Still, conversely, it could also be seen as a sign that the stock market has not yet gained complete confidence in the Company's growth potential or its ability to improve capital efficiency, as represented by ROE.





Based on the above, key stock price catalysts to watch going forward are as follows:

- That for the fiscal year ending March 2026, performance achieves the plan
- That the certainty of achieving the fiscal year ending March 2027 performance targets outlined in the Medium-Term Management Plan increases
  As shown below, a significant gap exists between the fiscal year ending March 2026 earnings forecast and the fiscal year ending March 2027 performance targets.
  Therefore, particular attention should be paid to the increase in order intake in the fiscal year ending March 2026.
- Specific explanations are provided regarding the direction of the next Medium-Term Management Plan
  Specifically:
  – Currently, the company's CO_2 emission reduction target for its industrial FY 2030 is 25%. Will this target be revised? And what profit opportunities are available?
  – Will initiatives to increase recurring revenue lead to greater profit stability?
  – Will new approaches be introduced to improve the gross profit margin?
  – Will the promotion of the intellectual property strategy contribute to revenue growth?
  – Will diversity among executives and employees advance?
  – Can the Company achieve significant growth in overseas business opportunities?
  These points merit attention.
- As the Company is indispensable to the metals industry, it is also indirectly involved in the defense sector. It is worth watching whether this will be reflected in future business performance and stock price.

As for risk factors, attention should be paid to whether enthusiasm for carbon neutrality among major customers may wane, whether relationships with suppliers may deteriorate, whether employee engagement can be maintained or improved, and whether there are any intellectual property risks.

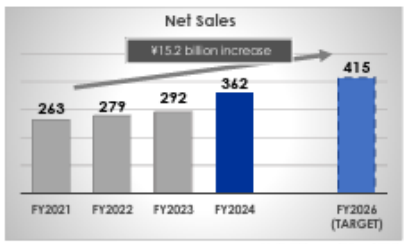
Financial data

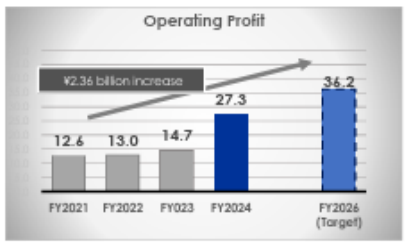
Progress of the Medium-Term Management Plan and Consolidated Performance Targets — ChugaiRo

Unit: Millions of Yen (JPY)

【FY2026 Target】
Net Sales : ¥41.5 billion
Operating Profit : ¥3.62 billion
(Operating Profit Margin 8.7%)
ROE : 10.0%

Item Name	FY2021	FY2022	FY2023	FY2024	FY2025 (Forecast)	FY2026 (Target)
Order Intake	28,137	32,522	38,790	**39,477**	37,800	42,000
Net Sales	26,317	27,977	29,283	**36,247**	37,500	41,500
Operating Profit	1,263	1,309	1,477	**2,735**	3,000	3,620
Ordinary Profit	1,493	1,575	1,714	**3,003**	3,150	3,720
Profit Attributable to Owners of the Parent	1,360	1,231	2,197	**2,998**	2,800	2,450
ROE	6.1%	5.2%	8.5%	**10.7%**	9.7%	10.0%





CHUGAI RO CO., LTD. 13

Source: Company materials, repost

Financial data

Unit: million yen	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
(Income Statement)										
Sales	32,795	31,146	30,829	37,089	38,089	24,717	26,317	27,976	29,283	36,247
Year-on-year	33.6%	-5.0%	-1.0%	20.3%	2.7%	-35.1%	6.5%	6.3%	4.7%	23.8%
Cost of Goods Sold	28,449	26,575	25,795	32,140	32,023	20,282	21,007	22,494	23,448	28,656
Gross Income	4,346	4,571	5,034	4,949	6,066	4,435	5,310	5,482	5,835	7,591
Gross Income Margin	13.3%	14.7%	16.3%	13.3%	15.9%	17.9%	20.2%	19.6%	19.9%	20.9%
SG&A Expense	3,669	3,797	3,853	3,962	4,354	4,046	4,046	4,172	4,356	4,854
EBIT (Operating Income)	677	774	1,181	987	1,712	389	1,264	1,310	1,479	2,737
Year-on-year	180.9%	14.3%	52.6%	-16.4%	73.5%	-77.3%	224.9%	3.6%	12.9%	85.1%
Operating Income Margin	2.1%	2.5%	3.8%	2.7%	4.5%	1.6%	4.8%	4.7%	5.1%	7.6%
EBITDA	1,037	1,112	1,527	1,378	2,080	749	1,676	1,710	1,953	3,289
Pretax Income	715	967	1,294	1,177	1,701	527	1,594	1,699	3,129	4,222
Consolidated Net Income	572	1,000	905	781	1,158	364	1,429	1,295	2,216	3,072
Minority Interest	27	21	40	26	37	35	69	64	19	74
Net Income ATOP	545	978	864	754	1,120	329	1,360	1,231	2,197	2,998
Year-on-year	79.9%	79.4%	-11.7%	-12.7%	48.5%	-70.6%	313.4%	-9.5%	78.5%	36.5%
Net Income Margin	1.7%	3.1%	2.8%	2.0%	2.9%	1.3%	5.2%	4.4%	7.5%	8.3%
(Balance Sheet)										
Cash & Short-Term Investments	6,923	7,833	6,858	5,169	8,658	7,121	11,130	7,884	10,061	4,392
Total assets	39,665	38,502	41,368	42,731	46,696	38,577	38,141	41,178	48,863	48,736
Total Debt	3,988	3,988	4,010	4,995	9,988	5,988	3,988	3,988	7,288	5,507
Net Debt	-2,935	-3,845	-2,848	-174	1,330	-1,133	-7,142	-3,896	-2,773	1,115
Total liabilities	20,300	18,131	20,131	21,774	26,006	16,784	14,928	17,134	21,092	20,125
Total Shareholders' Equity	19,292	20,295	21,138	20,875	20,589	21,681	23,068	23,860	27,570	28,329
(Cash Flow)										
Net Operating Cash Flow	1,260	1,033	377	-1,348	-580	3,300	6,090	-2,500	-891	-3,696
Capital Expenditure	290	113	420	456	244	442	317	240	1,335	798
Net Investing Cash Flow	-499	402	-837	-478	-442	-551	510	-63	550	654
Net Financing Cash Flow	-405	-484	-468	279	4,510	-4,481	-2,508	-727	2,451	-2,701
Free Cash Flow	1,016	933	2	-1,725	-775	3,036	5,963	-2,688	-2,161	-4,419
(Profitability)										
ROA (%)	1.45	2.50	2.17	1.80	2.51	0.77	3.55	3.10	4.88	6.14
ROE (%)	2.78	4.95	4.18	3.59	5.41	1.56	6.08	5.25	8.54	10.73
Net Margin (%)	1.66	3.14	2.81	2.04	2.94	1.33	5.17	4.40	7.50	8.27
Asset Turn	0.87	0.80	0.77	0.88	0.85	0.58	0.69	0.71	0.65	0.74
Assets/Equity	1.92	1.97	1.93	2.00	2.16	2.02	1.71	1.69	1.75	1.75
(Per-share) Unit: JPY										
EPS	70.0	125.7	111.0	97.2	145.9	42.9	177.2	162.0	293.8	407.6
BPS	2,478.6	2,607.8	2,716.9	2,718.6	2,681.5	2,824.1	3,005.3	3,146.7	3,709.0	3,859.0
Dividend per Share	60.00	60.00	60.00	60.00	60.00	60.00	70.00	70.00	80.00	150.00
Shares Outstanding (million shares)	7.80	7.80	7.80	7.80	7.80	7.80	7.80	7.80	7.80	7.80

Corporate data

Corporate profile/history

CHUGAI RO CO., LTD.
【Head Office】
3-6-1 Hiranomachi, Chuo-ku, Osaka
https://chugai.co.jp/

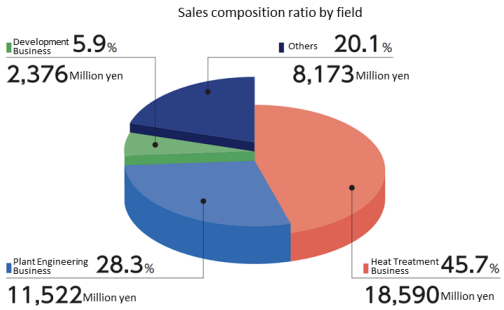
【Sakai Works】
2-4 Chikko-Shinmachi, Nishi-ku, Sakai, Japan

【Important subsidiary】

Company name	Capital	Equity ratio	Main business activities
CHUGAI PLANT CO., LTD.	50 million yen	100.0%	Technical services and personnel dispatch for industrial furnaces, etc.
TAIWAN CHUGAI RO CO., LTD.	5 million NT$	100.0%	Sales and procurement of industrial furnaces, etc., in Taiwan
CHUGAI RO THERMAL ENGINEERING (SHANGHAI) CO., LTD.	500 thousand US$	75.0%	Manufacture, sale, and procurement of industrial furnaces, etc., in China
CHUGAI RO (SHANGHAI) CO., LTD.	200 thousand US$	75.0%	Providing design and technical services for industrial furnaces, etc., in China, as well as brokerage sales and import/export agency services.
CHUGAI RO (THAILAND) CO., LTD.	10 million baht	49.9%	Sales and maintenance of various industrial furnaces, etc., in Thailand
PT. CHUGAI RO INDONESIA	300 thousand US$	100.0%	Sales and maintenance of various industrial furnaces, etc., in Indonesia
CHUGAI RO DE MEXICO, S.A. DE C.V.	100 thousand US$	100.0%	Sales and maintenance of various industrial furnaces, etc., in Mexico

Number of Employees ： 721 (Consolidated; as of Mar. 31, 2025)

Sales by product category (fiscal year ended March 2025)



(Note) Sales, orders received, and orders backlog by segment are amounts before elimination of inter-segment transactions.

History

Apr. 1945	Establishment of CHUGAI RO CO., LTD.
Jan. 1949	Tokyo Office (currently Tokyo Branch) was established.
May 1954	Technical partnership with Surface Combustion, Inc. (USA) to introduce state-of-the-art industrial furnace technology.
Apr. 1959	Established Nagoya Office (currently Nagoya Sales Office).
Dec. 1961	Entered the industrial machinery field with various coating lines, tire cord heat treatment lines, paper machine hoods, etc.
Apr. 1962	Completion of Kokura Factory.
Oct. 1962	Listed shares on the Second Section of the Osaka Securities Exchange.
Aug. 1966	Developed a top- and bottom-fired walking beam type heating furnace, establishing a foundation for business expansion.
Feb. 1969	Listed shares on the First Section of the Osaka Securities Exchange.
Mar. 1970	Listed shares on the First Section of the Tokyo Stock Exchange.
Nov. 1973	Entered the environmental equipment field, mainly focusing on sewage sludge incineration facilities.
Oct. 1975	Sakai Factory (currently Sakai Works) was completed.
Dec. 1977	New combustion research laboratory established.
Jul. 1987	Established a joint venture company, TAIWAN CHUGAI RO CO., LTD. (currently a consolidated subsidiary) in Taiwan.
Apr. 1994	Entering the air purification field with heat storage deodorization devices.
Apr. 1996	Entered the display field with PDP (plasma display panel) manufacturing equipment.
Aug. 1999	Established CHUGAI PLANT CO., LTD. (currently a consolidated subsidiary).
Feb. 2005	Established CHUGAI RO THERMAL ENGINEERING (SHANGHAI) CO., LTD. (currently a consolidated subsidiary) in China.
Nov. 2005	Head office relocated to Chuo-ku, Osaka.
Dec. 2005	Sakai Factory was reorganized and expanded, and renamed “Sakai Works.”
Dec. 2005	Sakai Center opened.
Feb. 2010	Showa Shell Sekiyu K.K. and CIS Solar Cell Production Technology Joint Development.
Feb. 2012	Established PT. CHUGAI RO INDONESIA (currently a consolidated subsidiary) in Indonesia.
Mar. 2012	Established CHUGAI RO (THAILAND) CO., LTD. (currently a consolidated subsidiary) in Thailand.
Jul. 2012	Established CHUGAI RO (SHANGHAI) CO., LTD. (currently a consolidated subsidiary) in China.
Sep. 2016	Established CHUGAI RO DE MEXICO, S.A. DE C.V. (currently a consolidated subsidiary) in Mexico.
Apr. 2022	Transition from the First Section of the Tokyo Stock Exchange to the Prime Market due to a revision of market classifications.
Nov. 2023	A new research laboratory, the Thermal Technology Creative Center, has been established within the Sakai Works.

The top management

Representative Director : Akira Ozaki

April 1980	Joined the Company
April 2003	General Manager of Production Management Department of Product Center of the Company
April 2005	Vice Chairman of the Board and Deputy General Manager of Chugai Ro Thermal Engineering (Shanghai) Co., Ltd.
January 2008	General Manager of Production Management Department of Product Center of the Company
November 2011	Deputy General Manager of Product Center of the Company
April 2013	Executive Officer, General Manager of Product Center of the Company
April 2015	Executive Officer, General Manager of Corporate Planning Office, Business Administration Division of the Company
June 2016	Director, Executive Officer, General Manager of Corporate Planning Office, Business Administration Division of the Company
April 2017	Director, Executive Officer, General Manager of Heat Treatment Furnace Division of the Company
April 2019	Director, Senior Executive Officer, General Manager of Heat Treatment Furnace Division of the Company
April 2020	President and Representative Director of the Company
April 2025	President, Representative Director, and CEO of the Company (incumbent)

Director : Mamoru Sakata

April 1984	Joined the Company
April 2009	General Manager of Engineering Department, Plant Department of the Company
April 2013	Executive Officer, General Manager of Plant Department of the Company
April 2016	Executive Officer, General Manager of Plant Division of the Company
June 2016	Director, Executive Officer, General Manager of Plant Division of the Company
April 2018	Director, Executive Officer, General Manager of Corporate Planning Office, Business Administration Division of the Company
April 2019	Director, Executive Officer, Deputy General Manager of Business Administration Division, and General Manager of Corporate Planning Office, Business Administration Division of the Company
April 2020	Director, Executive Officer, General Manager of Plant Division of the Company
April 2022	Director, Executive Officer, General Manager of Plant Division, General Manager of Thermo Systems Department of the Company
April 2023	Director, Executive Officer, General Manager of Plant Division of the Company
April 2024	Director, Executive Officer, General Manager of Plant Division, Manager of GX Project of the Company
April 2025	Director, Senior Executive Officer, General Manager of Plant Division, General Manager of Development Division, General Manager of GX Project Office of the Company (incumbent)

Director : Mitsuru Nagahama

April 1983	Joined the Company
April 2010	General Manager of Construction Department, Heat Treatment Furnace Department of the Company
April 2013	General Manager of Maintenance Engineering Department, Heat Treatment Furnace Department of the Company
April 2016	Executive Officer, General Manager of Maintenance Engineering Department, Heat Treatment Furnace Division of the Company
April 2017	Senior Executive Officer, General Manager of Maintenance Engineering Department, Heat Treatment Furnace Division of the Company
April 2020	Senior Executive Officer, General Manager of Heat Treatment Furnace Division of the Company
June 2020	Director, Executive Officer, General Manager of Heat Treatment Furnace Division of the Company
April 2025	Director, Senior Executive Officer, General Manager of Heat Treatment Furnace Division of the Company (incumbent)

Director (outside, independent) : Masaaki Nomura

April 1974	Joined the Daiwa Bank, Limited (present Resona Bank, Limited)
May 2003	President and Representative Director of Resona Bank, Limited
June 2007	Vice Chairman and Director of Resona Bank, Limited Chairman and Director of Resona Trust & Banking Co., Ltd. (present Resona Bank, Limited)
May 2009	Retired from Resona Bank, Limited
June 2010	Outside Auditor of Asahi Broadcasting Corporation (present Asahi Broadcasting Group Holdings Corporation)
June 2011	Chairman and Director of New Japan Chemical Co., Ltd.
June 2014	Auditor of the Company
June 2015	Director of the Company (incumbent) Retired from New Japan Chemical Co., Ltd.
July 2015	Chairman of the Board of Tezukayama Gakuin (incumbent)
June 2018	Retired from Asahi Broadcasting Group Holdings Corporation

(Significant concurrent positions)
Chairman of the Board of Tezukayama Gakuin

Director (outside, independent) : Yoko Tsujimoto

April 1981	Joined the Daiwa Bank, Limited (present Resona Bank, Limited)
April 2004	Transferred to D&I Information Systems, Inc. (present Resona Digital I, Inc.) Seconded to Resona Bank, Limited
January 2006	Seconded to IBM Japan, Ltd.
January 2007	Retired from D&I Information Systems, Inc.
February 2007	Joined Sumitomo Trust Bank, Limited (present Sumitomo Mitsui Trust Bank, Limited)
April 2017	Head of Internal Audit Department of Sumitomo Mitsui Trust Bank, Limited
May 2018	Retired from Sumitomo Mitsui Trust Bank, Limited
June 2018	Senior Internal Auditor of Sumitomo Mitsui Trust Bank, Limited (incumbent)
June 2022	Director of the Company (incumbent)

(Significant concurrent positions)
Senior Internal Auditor of Sumitomo Mitsui Trust Bank, Limited

Director (outside, independent) : Kanji Ishimaru

April 1982	Joined ShinMaywa Industries, Ltd.
April 2011	Executive Officer, General Manager of Overseas Business Management Division and Aircraft Division of ShinMaywa Industries, Ltd.
June 2012	Director, Senior Executive Officer, General Manager of Aircraft Division and General Manager of Amphibian Civil Conversion Promotion Office of ShinMaywa Industries, Ltd.
August 2018	Director, Member of the Board, Deputy Chief Executive Officer, General Manager of Corporate Planning Division of ShinMaywa Industries, Ltd.
April 2024	Director, Member of the Board, Deputy Chief Executive Officer of ShinMaywa Industries, Ltd. (incumbent)

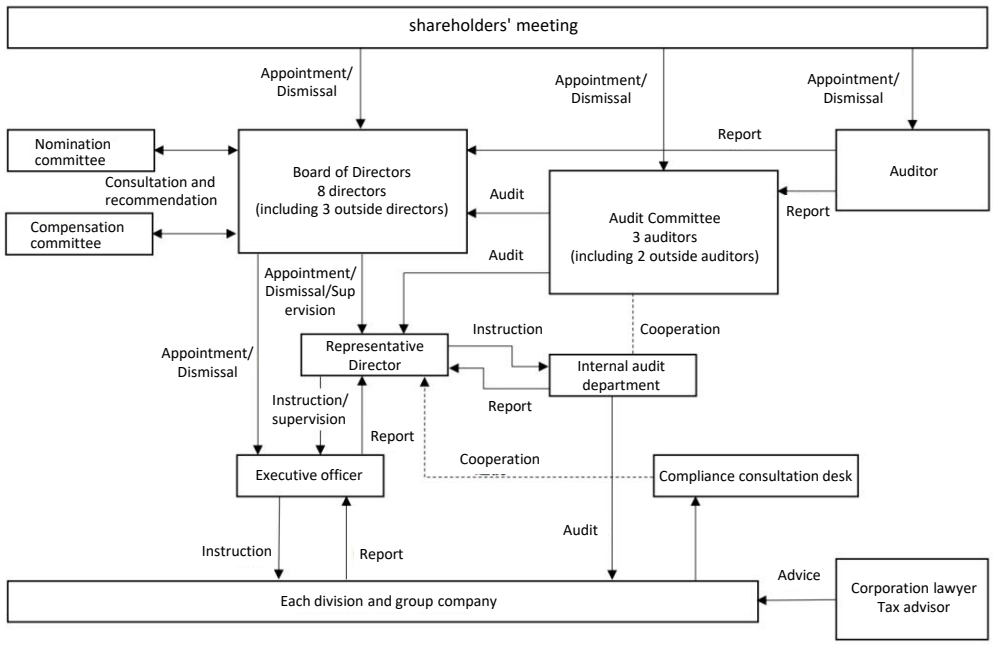
Skills matrix of the Board of Directors' members

	Name	Outside	Areas where expertise may be demonstrated in particular							
			Corporate management	Design, technology, research and development	Sales, marketing	Manufacturing, construction, engineering work	Finance and accounting	Legal affairs, risk management	IT, digital	Global
Director	Akira Ozaki		●			●			●	●
Director	Mamoru Sakata		●	●						
Director	Mitsuru Nagahama			●	●	●				
Director	Masaaki Nomura	●	●		●		●			
Director	Yoko Tsujimoto	●						●	●	
Director	Kanji Ishimaru	●	●	●		●		●	●	●
Corporate Auditor	Toshiya Araki						●	●		
Corporate Auditor	Tsuyoshi Takeuchi	●					●	●		●
Corporate Auditor	Masanori Hirata	●						●		

Note: The above list indicates areas of expertise that each candidate is more knowledgeable in based on experience, etc. It does not fully cover the knowledge each possesses.

Corporate governance structure

[Corporate governance structure chart]



Source: Company materials

Major shareholders (As of March 31, 2025)

1. Total number of shares authorized to be issued — 25,000,000shares
2. Total number of shares issued — 7,800,000shares (Including 459,009 treasury shares)
3. Number of shareholders — 8,032
4. Major shareholders (top 10)

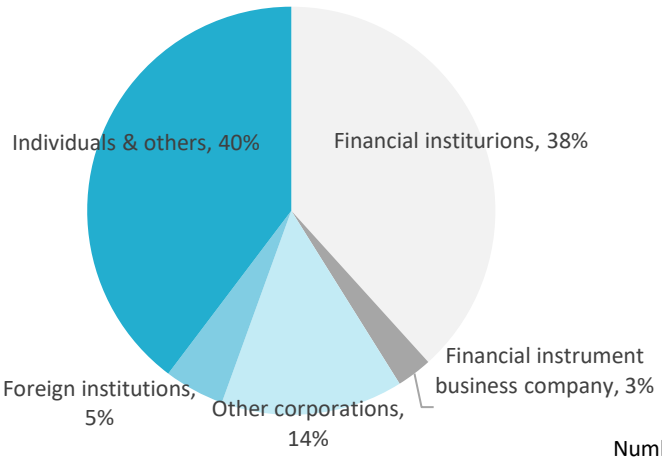
(Less than 1,000 shares will be rounded down)

Shareholder name	Number of shares held (Thousand shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	959	13.07
Custody Bank of Japan, Ltd. (Trust Account)	540	7.36
The Dai-ichi Life Insurance Company, Limited	381	5.19
Resona Bank, Limited	363	4.95
Chugai Rō Kōgyō Related Companies Holding Association	221	3.01
The Zenitaka Corporation	175	2.38
Nippon Life Insurance Company	142	1.93
JP Morgan Securities Japan Co., Ltd.	141	1.92
Mizuho Bank, Ltd.	129	1.76
Chugai Ro Kogyo Employee Stock Ownership Association	110	1.50

(Note) The Company owns 459,009 shares of its treasury stock, but these shares are excluded from the above list of major shareholders. In addition, shareholding ratios are calculated excluding treasury stock.

Source: Omega Investment from company materials

Shareholding by ownership (As of March 31, 2025)



Number of shareholders: 5,612

Source: Omega Investment from company materials

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This report is informed by the target company through interviews with the target company, but the hypotheses, conclusions and all other content contained in this report are based on research by Omega Investment.

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