

CHUGAI RO (TYO: 1964)

1Q FY3/2026 saw increased orders, higher sales, and a smaller operating loss, a good start.

◇ 1Q FY3/2026 results highlights: increased orders, higher sales, and a smaller operating loss.

The 1Q FY3/2026 results that CHUGAI RO (hereinafter, the Company) announced on July 25, 2025, got off to a good start relative to the full-year earnings forecast.

Order intake was 11.71 billion yen (up 44% YoY), order backlog was 43.03 billion yen (up 15% YoY), net sales were 6.34 billion yen (up 20% YoY), operating loss was 0.37 billion yen (loss narrowed YoY), and ordinary loss was 0.25 billion yen (loss narrowed YoY). Profit attributable to owners of parent was 0.70 billion yen (turned to profit YoY).

The key points of these results are the following three.

First, the probability of achieving the full-year company forecast has increased.

With order intake and order backlog both rising solidly and profit and loss improving through substantial revenue growth and reduced deficit, progress versus the full-year company forecast is generally steady. Although the Company's results have strong seasonality and tend to accumulate profit in the second half, the fact that performance has been constant from the beginning of the year and profit and loss are improving is a reassuring factor when considering the certainty of the full-year company forecast.

Second, qualitative enrichment of order intake and profit/loss. As an essential strategy of its Medium-Term Management Plan, the Company is promoting the creation of new markets centered on carbon neutrality and enhancing existing products to meet customer needs. These initiatives in the quarter led to orders for large projects in the Plant Engineering Business and new orders in the Development Business. The latter is presumed to be a new product, electric furnace dust recycling equipment for steel, and can be expected to expand in the medium term (see the Company's press release dated June 16, 2025, "Received an order for 'electric furnace dust recycling equipment' from Tokyo Steel Manufacturing Co., Ltd."). In addition, on the profit and loss front, the gross profit margin improved by four percentage points YoY, primarily as a result of promoting order intake at appropriate prices.

Third, progress in the sale of cross-shareholdings. In the quarter, 1.28 billion yen in extraordinary income was recorded.

◇ FY3/2026 earnings forecast:

Although the Company discloses only the full-year forecast, because the first quarter was strong, the initial estimates have been left unchanged.

Net sales are 37.50 billion yen (up 3% YoY), operating profit is 3.00 billion yen (up 9% YoY), ordinary profit is 3.15 billion yen (up 4% YoY), and profit attributable to owners of parent is 2.80 billion yen (down 6% YoY). There are also no changes to net income per share of 387.2 yen and an annual dividend per share of 150 yen.

1Q update report

Construction industry

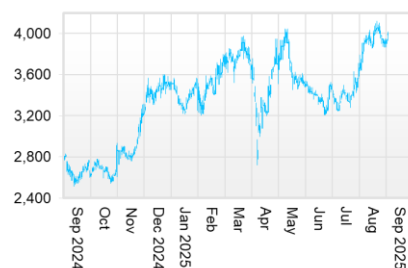
As of September 3, 2025

Share price (9/2)

3,995 Yen

52weeks high/low	¥2,515/4,120
Avg Vol (3 month)	33.1 thou shrs
Market Cap	¥31.16 bn
Enterprise Value	¥29.63 bn
PER (3/26 CE)	10.4 X
PBR (3/25 act)	1.1 X
Dividend Yield (3/26 CE)	3.8 %
ROE (3/25)	10.7 %
Operating margin (3/25)	7.5 %
Beta (5Y Monthly)	0.30
Shares Outstanding	7.800 mn shrs
Listed market	TSE Prime section

Share price performance



%	1M%	3M%	12M%
Share price	7.68	13.82	43.24
TSE TOPIX	4.52	10.01	13.61

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.

◇Stock price trends and points of focus going forward

The Company's stock price rose to 4,045 yen after the announcement of results for FY3/2025, but then from June moved in the 3,200–3,500 yen range. After the announcement of these first quarter results, using the factors described above as clues, it rose again and marked a high of 3,795 yen.

As a result, the current PBR has reached 1.0 times. However, the forward PER is about 9.6 times, and there is still no sense of overheating.

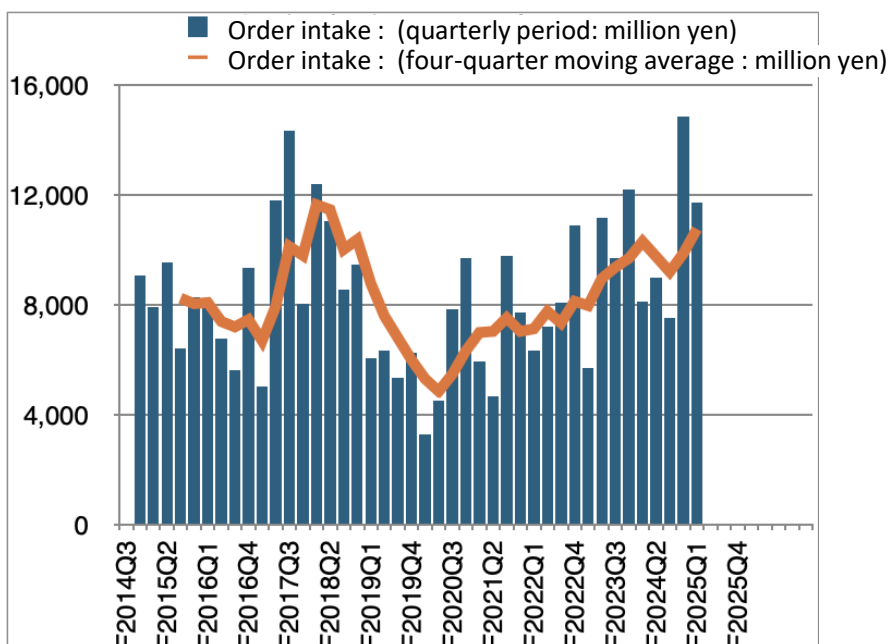
For the stock price to rise further going forward, it is essential that the positive factors of the first quarter continue into the second quarter and beyond, that the increase in order intake and the underpinning of profit and loss continue, and that, as a result, the probability of achieving the full-year FY3/2026 company forecast increases further. That visibility also emerges regarding the likelihood of achieving the targets for the final year of the current Medium-Term Management Plan (net sales of 41.5 billion yen, operating profit of 3.62 billion yen, and ROE of 10%).

Through interviews with the Company, we have confirmed the Company's recognition of the business environment, and that no significant changes have been seen so far in the order environment. Therefore, it appears we can continue to expect the results of the creation of new markets centered on carbon neutrality that the Company has been developing to date, and the expansion of sales and improvement of profit through brushing up existing products.

However, in the first quarter, because the automotive industry, a key customer, delayed investment to determine the course of U.S. tariffs, order intake in the Heat Treatment Business decreased 19% YoY. Although such a situation is highly likely to be temporary, there is also a possibility that investment destinations will shift from Japan to overseas, and the Company also needs to connect this to winning orders flexibly.

Based on the above, a certain degree of attention is required for the order environment and the customer trends behind it. We would like to check that investment by the automotive industry is steadily captured, that the impact of NIPPON STEEL CORPORATION's expansion into North America is turned into a positive, and that there is no significant change in customers' stance toward carbon neutrality.

Order intake trend



Source: Omega Investment from company materials

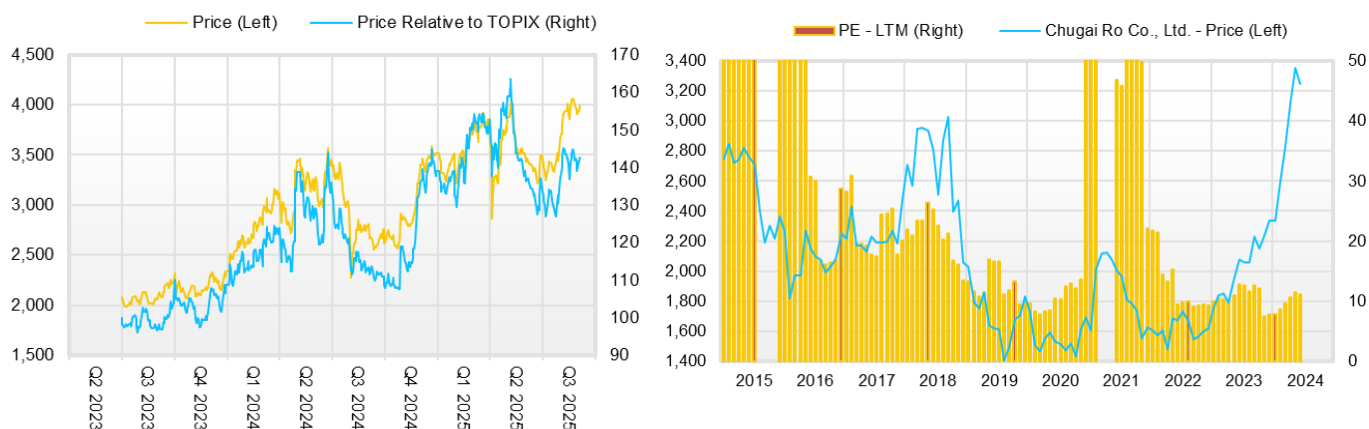
Company profile

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.

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	

Share price



Financial data (quarterly basis)

Unit: million yen	2024/3				2025/3				2026/3
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
(Income Statement)									
Sales	4,741	7,868	5,837	10,837	5,280	9,441	7,498	14,028	6,347
Year-on-year	28.4%	33.5%	-15.3%	-5.7%	11.4%	20.0%	28.5%	29.4%	20.2%
Cost of Goods Sold (COGS)	4,292	6,287	4,905	7,681	4,759	7,521	6,138	10,238	5,464
Gross Income	449	1,581	932	3,156	521	1,920	1,360	3,790	883
Gross Income Margin	9.5%	20.1%	16.0%	29.1%	9.9%	20.3%	18.1%	27.0%	13.9%
SG&A Expense	1,075	1,205	1,121	1,238	1,203	1,160	1,163	1,328	1,254
EBIT (Operating Income)	-626	376	-189	1,918	-682	760	197	2,462	-371
Year-on-year	-14.6%	817.1%	-253.7%	2.1%	8.9%	102.1%	-204.2%	28.4%	-45.6%
Operating Income Margin	-13.2%	4.8%	-3.2%	17.7%	-12.9%	8.0%	2.6%	17.6%	-5.8%
EBITDA	-531	474	-58	2,068	-551	902	334	2,604	-253
Pretax Income	-440	1,477	189	1,903	50	775	704	2,693	1,032
Consolidated Net Income	-291	1,015	101	1,391	-9	544	504	2,033	672
Minority Interest	-8	-14	-5	46	2	15	16	41	-31
Net Income ATOP	-283	1,030	106	1,344	-12	530	487	1,993	704
Year-on-year	-28.0%	751.2%	-30.3%	-0.5%	-95.8%	-48.5%	359.4%	48.3%	-
Net Income Margin	-6.0%	13.1%	1.8%	12.4%	-0.2%	5.6%	6.5%	14.2%	11.1%
(Balance Sheet)									
Cash & Short-Term Investments	9,165	9,688	8,640	10,061	6,097	5,567	3,855	4,392	6,071
Total assets	44,558	47,895	46,439	48,863	43,463	45,170	43,667	48,736	46,023
Total Debt	8,184	10,280	8,402	7,288	6,209	7,180	6,687	5,507	6,397
Net Debt	-981	592	-238	-2,773	112	1,613	2,832	1,115	326
Total liabilities	20,248	23,133	21,744	21,092	17,079	18,797	17,115	20,125	18,878
Total Sharehholders' Equity	24,131	24,591	24,544	27,570	26,178	26,143	26,321	28,329	26,908
(Profitability %)									
ROA	3.34	5.40	5.29	4.88	5.61	4.23	5.22	6.14	8.30
ROE	5.84	9.68	9.40	8.54	9.82	7.76	9.24	10.73	13.99
(Per-share) Unit: JPY									
EPS	-37.5	137.7	14.3	180.8	-1.6	71.9	66.3	271.5	96.6
BPS	3,204.6	3,307.9	3,301.7	3,709.0	3,565.6	3,561.1	3,585.4	3,859.0	3,717.8
Dividend per Share	0.00	0.00	0.00	80.00	0.00	0.00	0.00	150.00	0.00
Shares Outstanding (million shares)	7.80	7.80	7.80	7.80	7.80	7.80	7.80	7.80	7.80



Financial data (full-year basis)

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



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